

**ELECTRONIC DISCOVERY:
RECENT DEVELOPMENTS AND PRACTICE SUGGESTIONS**

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TABLE OF CONTENTS

I.	THE DIFFERENCES BETWEEN ELECTRONIC AND PAPER DISCOVERY	1
II.	THE DECEMBER 2006 AMENDMENTS TO THE FEDERAL RULES OF CIVIL PROCEDURE RELATING TO ELECTRONIC DISCOVERY	3
A.	Scope and Purpose of the Amendments.....	3
B.	The Rule 26(f) Discovery Planning Conference.....	4
1.	The Requesting Party’s Objectives at the Discovery Planning Conference.....	4
2.	The Producing Party’s Objectives at the Discovery Planning Conference.....	5
C.	Rule 34 (ED Requests).....	6
D.	Rule 26(b)(2)(B) (Responses/Objections to ED Requests)	6
E.	Rule 37(f) (Sanctions for Destruction of ESI)	9
III.	PROTECTING THE INTERESTS OF A REQUESTING PARTY: THE LITIGATION HOLD LETTER.....	11
IV.	PROTECTING THE INTERESTS OF THE RESPONDING PARTY	12
A.	Make a Reasonable Proposal Regarding Locating, Preserving, and Producing ESI.	12
B.	Advise the Requesting Party of Any Problems.....	13
C.	Document All Efforts to Preserve ESI.....	14
V.	PRIVILEGE AND ELECTRONIC DISCOVERY	15
A.	Rule 26(b)(5)(B)	15
B.	Proposed Rule 502 to the Federal Rules of Evidence.....	18
VI.	LIMITING COSTS IN ELECTRONIC DISCOVERY	20
A.	Limit the Scope of the Search.....	20
B.	Shift the Costs to the Requesting Party When Appropriate.....	22
VII.	TEXAS RULES RELATING TO ELECTRONIC DISCOVERY	23
A.	The ED Request	23

B. The Responding Party’s Obligations 23

C. Cost Shifting 24

I. THE DIFFERENCES BETWEEN ELECTRONIC AND PAPER DISCOVERY

Courts and commentators agree that electronic discovery (“ED”) is often substantially different from discovery of paper documents. For example, one court has noted:

Chief among these differences is the sheer volume of electronic information. E-mails have replaced other forms of communication besides just paper-based communication. Many informal messages that were previously relayed by telephone or at the water cooler are now sent via e-mail. Additionally, computers have the ability to capture several copies (or drafts) of the same e-mail, thus multiplying the volume of documents. All of these e-mails must be scanned for both relevance and privilege. Also, unlike most paper-based discovery, archived e-mails typically lack a coherent filing system. Moreover, dated archival systems commonly store information on a magnetic tape which have become obsolete. Thus, parties incur additional costs in translating the data from the tapes into useable form.

Byers v. Ill. State Police, No. 99 C 8105, 2002 WL1264004, at *10 (N.D. Ill. June 3, 2002).

In *Hopson v. Mayor & City Council of Baltimore*, 232 F.R.D. 228 (D. Md. 2005), the court discussed the staggering costs involved in responding to ED:

[A] company served with a request to produce e-mail messages faces time consuming and expensive processes. The cost and complexity depends on the volume of e-records, how they are organized, and their accessibility. The cost of responding to a discovery request can be in the millions of dollars if several years’ worth of archived e-mail and files must be located, restored, sorted through and cleansed to remove non-relevant confidential material. . . . Importantly, the foregoing costs must be borne before the lawyers begin the job of privilege review.

Id. at 239 & n.31.

A group of scholars and practitioners developed a set of the best practices, recommendations, and principles relating to ED called “THE SEDONA PRINCIPLES,” which is frequently cited in cases discussing ED issues. THE SEDONA PRINCIPLES identifies six ways in which ED is different than discovery of paper documents:

(1) **Volume and Duplicability:** People receive substantially more e-mails than paper documents, and e-mails often have several-fold more recipients than paper documents.

(2) **Persistence:** One can usually dispose of a paper document, while an electronic document that has been deleted is not always irretrievable.

(3) **Dynamic, Changeable Content:** Electronic documents are often edited, changed, and updated and are never put into a fixed, final form.

(4) **Metadata:** Metadata includes formatting codes, formulas, file designation, create and edit dates, authorship, identification, comments, edit history, *etc.*, which is hidden from and may be inaccessible to the average user. Much of it is data that dictates how the document is to be displayed (*e.g.*, fonts, spacing, size, color, *etc.*). A file may contain thousands of pieces of such information, most of which is indisputably irrelevant. Because metadata may include privileged or protected material, it must be screened for privilege as well as responsiveness before it can be produced.

(5) **Environment-Dependence and Obsolescence:** Computer data often is not intelligible without supporting systems and these systems frequently become obsolete when there are upgrades to the users' IT system.

(6) **Dispersion and Searchability:** While paper files are often consolidated into one area, electronic documents often are located in numerous locations (*e.g.*, desktop, hard drives, laptop computers, network servers, floppy disks, backup tapes, *etc.*). As a result, it may be more difficult to determine the provenance of electronic documents because the ease of transmitting them may obscure their origin.

See THE SEDONA PRINCIPLES: BEST PRACTICES RECOMMENDATIONS & PRINCIPLES FOR ADDRESSING ELECTRONIC DOCUMENT PRODUCTION (Pike & Fischer, July 2005) at 6-10, 104.

Because the existence of electronically stored information (“ESI”) can exponentially multiply the volume of responsive material as well as locations where it is maintained, courts have begun to realize that parties are often not going to be able to search for, locate, and produce all responsive ESI. One court recently acknowledged, “Too often, [electronic] discovery is not just about uncovering truth, but also about how much of the truth the parties can afford to disinter.” *Rowe Entm’t, Inc. v. William Morris Agency*, 205 F.R.D. 421, 423 (S.D.N.Y. 2002). The Committee on Rules of Practice and Procedure of the Judicial Conference of the United States worked modifications needed to be made to the existing Federal Rules of Civil Procedure to address certain issues that frequently arise in connection with ED. After years of work its proposed amendments were approved and they became effective on December 1, 2006. As a

general matter, the amendments adopted perceived best practices and procedures that were being followed by federal courts and litigants, rather than imposing significant departures from existing case law. As a result, the opinions rendered over the last year that have construed the amendments are generally not substantially different than those issued prior to December 2006.

II. THE DECEMBER 2006 AMENDMENTS TO THE FEDERAL RULES OF CIVIL PROCEDURE RELATING TO ELECTRONIC DISCOVERY

A. Scope and Purpose of the Amendments

The amendments relate to:

- The initial discovery planning conference (Rule 26(f))
- The parties' initial disclosures (Rule 26(a))
- Scheduling orders (Rule 16(b))
- Responses to ED requests (Rule 26(b)(2)(B))
- Interrogatories (Rule 33)
- Production requests (Rule 34)
- Sanctions for destruction of electronically stored information (Rule 37(f))
- Subpoenas (Rule 45)
- Privilege assertions (Rule 26(b)(5)(B))

The amendments sought to strike a reasonable balance between a requesting party's right to obtain discovery and a responding party's right to be protected from undue burden and expense. Typically, the determination of what ESI must be searched for, screened, and produced and the time frame in which these steps must occur turns on what is reasonable under the circumstances. Parties are expected to cooperate in an attempt to devise an ED plan that reasonably accommodates the requesting and producing parties' interests, and courts have become increasingly unwilling to put up with a lack of cooperation. *See, e.g., In re Seroquel*

Products Liability Litigation, 2007 2412 946 (M.D. Fla. July 3, 2007); *Hopson*, 232 F.R.D. at 245. (“The days when the requesting party can expect to ‘get it all’ and the producing party to produce whatever they feel like producing are long gone.”).

B. The Rule 26(f) Discovery Planning Conference

The amendment to Rule 26(f) provides that parties are to discuss issues relating to ESI at the initial discovery planning conference. Specifically, the parties are to discuss “any issues relating to preserving discoverable information” and to develop a discovery plan that indicates the parties’ views and proposals regarding “any issues relating to disclosure or discovery of electronically stored information, including the form or forms in which it should be produced.”¹ The Committee Notes give examples of issues that may be appropriate to discuss at the initial discovery conference. *See also Hopson*, 232 F.R.D. at 245 (listing additional subjects relating to ED the parties may need to discuss at the initial discovery conference). The Rule 26(f) conference is not optional. In one recent case, the court sanctioned defendant for conducting “illusory” meet and confer conferences on electronic discovery and for “purposeful sluggishness” in resolving ED issues. *In re Seroquel Products Liability Litigation*, 2007 WL 2412946 at *15-17.

1. The Requesting Party’s Objectives at the Discovery Planning Conference

The Rule 26(f) conference provides an opportunity for the party seeking ESI to get information about the scope of the opposing party’s relevant ESI and how to go about getting it. The requesting party should attempt to outline for the producing party *before* the conference the

¹ Rule 26(f)(4) also states that the parties are to discuss “any issues relating to claims of privilege or of protection as trial preparation material, including – if the parties agree on a procedure to assert such claims after production – whether to ask the court to include their agreement in an order.” This provision is discussed below in the section on privilege and electronic discovery.

issues and time frames on which discovery will be sought and ask the producing party to be prepared to discuss at the conference the following:

- The types of systems that may contain relevant information.
- Technical personnel with knowledge of the systems.
- The identities of people who may have created, edited, received, or sent relevant ESI.
- The format(s) in which responsive ESI is stored.
- The format(s) in which responsive ESI can be produced.
- The location(s) where ESI is stored.
- Whether any relevant information is inaccessible or has been lost or destroyed.
- The procedures in place for storing ESI.
- The procedures in place for deleting and archiving ESI.

ED is a give and take process and, depending on the circumstances, several meetings may be necessary before the parameters of what is feasible and appropriate are fully understood.

2. The Producing Party's Objectives at the Discovery Planning Conference

The producing party typically should use the conference to limit expectations and set parameters regarding what can and cannot reasonably be searched for and produced. The producing party should discuss with the requesting party the following:

- Any limits on the ability to search for requested ESI because of system obsolescence, difficulties involved in searching storage tapes, *etc.*
- Any ESI that has already been destroyed during the good faith, routine operation of the electronic information system.
- Any gaps in institutional knowledge regarding the existence or location of ESI.
- The format(s) in which responsive ESI can most reasonably be produced.
- The time involved in identifying, screening, and producing responsive ESI.

- The cost involved in identifying, screening, and producing responsive ESI.
- Reasonable limitations on the scope of the ESI to be searched, including author/recipient restrictions, key words or phrases to be searched, date restrictions, etc.
- How to accomplish ED in a manner that is least disruptive to the producing party.

C. Rule 34 (ED Requests)

The amendment to Rule 34 adds ESI to provisions relating to production requests. The Rule 34 amendment provides:

- The request may specify the form(s) in which ESI is to be produced.
- The response to the request shall include any objection to the requested form(s) of the requested ESI.
- If an objection to the requested form(s) is made, the responding party must identify the form(s) in which he intends to produce the ESI.
- If no form is specified in the request, the response must state the form(s) in which the ESI is to be produced.
- A party need not produce the same ESI in more than one form.

D. Rule 26(b)(2)(B) (Responses/Objections to ED Requests)

The amendment to Rule 26(b)(2)(B) contains protections for a party responding to a request for ESI. Specifically, it provides that a party may decline to produce ESI if it is “not reasonably accessible because of undue burden or expense.” The rule provides, however, that on a motion to compel or a motion for protective order, the party from whom the ESI is sought has the burden of demonstrating that the ESI is not reasonably accessible.

Conclusory allegations will not discharge the responding party’s burden of establishing inaccessibility. The responding party should be prepared to provide specific facts detailing the efforts already undertaken to identify and produce accessible ED and why further efforts to retrieve the additional ED in question would be unduly burdensome. Depending on the

circumstances, information relevant to a burdensomeness analysis may include, but is by no means limited to:

- A detailed description by a knowledgeable person of any technical difficulties associated with identifying, searching for, and producing information from the locations in question. An affidavit or certification from a technical expert may be necessary in many circumstances.
- A reasoned estimate of the costs associated with the production of the information.
- A description of the ESI already produced. This would likely include a discussion of what has been produced and how that information provides the requesting party with ample discovery to defend or prosecute his case.
- A discussion of how additional searching will not likely yield information materially different from what has already been produced.
- A discussion of how the financial and/or operational burdens associated with additional searching outweigh any benefit to the requesting party given the low likelihood of discovering additional non-duplicative information, the relevance of the material in question to claims at issue, and/or the amount in controversy.

If the material is deemed to be reasonably accessible, it will likely have to be produced at the expense of the producing party. The inquiry, however, does not end there. The producing party may still be required to search for and produce responsive material that is not reasonably accessible if the burdens and costs of production can be justified based on the circumstances of the particular case. The Rule 26(b)(2)(B) Committee Note lists seven factors that are appropriate to consider in making a “good cause” determination regarding whether material that is not reasonably accessible should be produced:

- (1) the specificity of the discovery request;
- (2) the quantity of information available from other and more easily accessed sources;
- (3) the failure to produce relevant information that seems likely to have existed but is no longer available on more easily accessed sources;

- (4) the likelihood of finding relevant, responsive information that cannot be obtained from other, more easily accessed sources;
- (5) predictions as to the importance and usefulness of the further information;
- (6) the importance of the issues at stake in the litigation; and
- (7) the parties' resources.

In such a good cause hearing the responding party has the burden of showing that the burdens and costs associated with locating, retrieving, and producing whatever responsive information may be found are unreasonable. The requesting party must show that its need for discovery outweighs any burden the producing party has to shoulder.

Two recent cases illustrate the types of analyses courts are conducting. In *National Union Fire Ins. Co. v. Clearwater Ins. Co.*, 2007 U.S. Dist. LEXIS 52770 (S.D.N.Y. July 21, 2007), defendant sought the production of e-mails contained on 113 backup tapes. Plaintiff objected, claiming that restoring the tapes would cost between \$45,200 and \$79,100, plus attorney time in reviewing the ESI. The court found that defendant had not sufficiently demonstrated that responsive e-mails existed on the backup tapes, so it declined to compel their production on the grounds that the expense of restoration outweighed the likely benefit. *Id.* at 5. The court did, however, allow plaintiff to have the tapes restored at its own cost. *Id.*, n. 10.

In *In re Veeco Investments, Inc. Securities Litigation*, 2007 WL 983987 (S.D.N.Y. April 2, 2007), plaintiff moved to compel the production of ESI contained on backup tapes that defendant claimed were difficult and expensive to restore and produce. The court required defendant to produce the information initially at its own expense, but said it would allow defendant to produce an affidavit detailing the results of the search and the time and expense associated with it, at which point it would conduct an appropriate cost-shifting analysis. *Id.* at

*2.² *Veeco* demonstrates how a requesting party should be careful what it asks for because it may end up having to pay the responding party's costs to produce information that is useless or largely duplicative of material already produced.

E. Rule 37(f) (Sanctions for Destruction of ESI)

Amended Rule 37(f) provides, "Absent exceptional circumstances, a court may *not* impose sanctions under these rules on a party for failing to provide electronically stored information, lost as a result of the routine, *good-faith* operation of an electronic information system." (Emphasis added). What constitutes "good faith" is discussed in the accompanying Committee Note:

Rule 37(f) applies to information lost due to the routine operation of an information system only if the operation was in good faith. ***Good faith in the routine operation of an information system may involve a party's intervention to modify or suspend certain features of that routine operation to prevent the loss of information, if that information is subject to a preservation obligation.*** A preservation obligation may arise from many sources, including common law, statutes, regulations, or a court order in the case. ***The good faith requirement of Rule 37(f) means that a party is not permitted to exploit the routine operation of an information system to thwart discovery obligations by allowing that operation to continue in order to destroy specific stored information that it is required to preserve.*** When a party is under a duty to preserve information because of pending or reasonably anticipated litigation, intervention in the routine operation of an information system is one aspect of what is often called a "***litigation hold.***" Among the factors that bear on a party's good faith in the routine operation of an information system are the steps the party took to comply with a court order in the case or party agreement requiring preservation of specific electronically stored information.

(Emphasis added). The Committee Note embraces the concept developed in the case law that when a party knows or should know that ESI may be material to an actual or potential legal action there is an affirmative obligation to exclude it from destruction pursuant to the routine functioning of IT systems and place it on "litigation hold."

² Factors relevant to when cost-shifting is appropriate are discussed below. *See infra* at 22-23.

In one recent case the court concluded that the Rule 37(f) good faith exception was not available where it found that there was no consistent, routine “system” in place relating to the distribution of ESI and where defendant took no steps to safeguard such materials. *See Doe v. Norwalk Community College*, 2007 U.S. Dist. LEXIS 51084 (D. Conn., July 16, 2007). The court said,

[I]n order to take advantage of the good faith exception, a party needs to act affirmatively to prevent the system from destroying or altering information, even if such destruction would occur in the regular course of business. Because the defendants failed to suspend it at any time, the court finds that the defendants cannot take advantage of Rule 37(f)’s good faith exception.

Id. at *14-15. *See United Med. Supply Co. v. United States*, 2007 WL 1952680 *15-17 (Ct. of Fed. Claims, June 27, 2007) (assessing sanctions against government where it disregarded its duty to preserve evidence).

Although it varies from jurisdiction to jurisdiction, the standard articulated in most of the cases for determining whether to assess sanctions for the destruction of evidence typically involves some form of analysis of three factors:

- (1) ***Whether there was a duty to preserve.*** A party has a duty to preserve ESI in his possession, custody, or control when he knows or should know the ESI could be material to an actual or potential legal action. *See, e.g., Zubulake v. UBS Warburg LLC*, 229 F.R.D. 422, 431-32 (S.D.N.Y. 2004) (“*Zubulake V*”); *Wiginton v. CB Richard Ellis, Inc.*, No. 02 C 6832, 2003 WL 22439865, at *4 (E.D. Ill. Oct. 27, 2003).
- (2) ***Whether there was breach of the duty to preserve.*** The standard varies widely, but some jurisdictions provide that mere negligence is all that is required to establish culpability. *See, e.g., Residential Funding Corp. v. DeGeorge Fin. Corp.*, 306 F.3d 99, 108 (2d Cir. 2002); *Zubulake V*, 229 F.R.D. at 430; *Ill. Tool Works, Inc. v. Metro Mark Prods., Ltd.*, 43 F. Supp. 2d 951, 961 (N.D. Ill. 1999); *see United Med. Supply*, 2007 WL 1952680 (bad faith standard rejected).
- (3) ***Whether the destroyed material was relevant to a party’s claims or defenses.*** *See Boneck v. New Berlin*, 22 F. App’x 629, 630 (7th Cir. 2001) (“Spoliation that sabotages a strong case supports default judgment;

spoliation that destroys collateral evidence in a weak case does not require the same penalty.”); *Zubulake V*, 229 F.R.D. at 430.

The penalties for spoliation range from monetary sanctions, to preclusion of evidence on the issues raised in the destroyed material, to a spoliation instruction to the jury, to striking the pleadings of the offending party. The severity of the sanction typically depends on the state of mind involved in the destruction and the relevance of the material in question. *See, e.g., Zubulake V*, 229 F.R.D. at 437-38; *Wiginton*, 2003 WL 22439865, at **4-8; *Ill. Tool Works*, 43 F. Supp. 2d at 962-64; *McEachron v. Glans*, No. 98-CV-17 (LEK/DRH), 97-CV-885 (LEK/DRH), 1999 WL 33601543, at *3 (N.D.N.Y. June 8, 1999); *Computer Assoc. Int’l, Inc. v. Am. Fundware, Inc.*, 133 F.R.D. 166, 168-70 (D. Colo. 1990).

III. PROTECTING THE INTERESTS OF A REQUESTING PARTY: THE LITIGATION HOLD LETTER

A requesting party usually wants to prevent a producing party from destroying relevant ESI in the ordinary course pursuant to the Rule 37(f) good faith safe harbor provision. To help accomplish this, the requesting party typically should request in writing that certain types of ESI be placed on litigation hold as soon as a dispute seems likely. Every case is different, and some of the recommendations listed below may not be appropriate in some circumstances, but in most instances a litigation hold letter should do the following:

- Provide written notice that the producing party is required to take affirmative steps to preserve all ESI that may be relevant to actual or potential litigation and that it cannot allow the routine operation of its IT system to destroy relevant ESI.
- If possible, identify sources and locations of relevant information that the producing party should preserve. For example, identify specific individuals who may have relevant information and, if appropriate, ask that the entire contents of their computers relevant to the period in question be duplicated and preserved so that relevant ESI will not be destroyed. In addition to specific individuals’ desktops, ask the producing party to preserve ESI on their laptops, floppy disks, hard drives, and PDAs, as well as the producing party’s servers, storage tapes, etc. If important ESI is subsequently destroyed from an identified person’s computer

or other readily accessible location, it may be difficult for the producing party to argue that it was done in good faith.

- Identify relevant issues, topics, communications, etc. Try to be specific and helpful in identifying the relevant types of information so that targeted key word searches can be performed.
- Place date limits on the preservation requests to help avoid claims of undue burden.
- Be reasonable. A request which effectively prevents the producing party from purging its files of irrelevant information, significantly impedes the functioning of its IT department, or otherwise imposes an undue burden or expense is not reasonable and may backfire. Keep in mind that opposing counsel is likely to serve a similar demand, so do not make requests that the requesting party may complain are unduly burdensome.

IV. PROTECTING THE INTERESTS OF THE RESPONDING PARTY

A. Make a Reasonable Proposal Regarding Locating, Preserving, and Producing ESI.

It is important for the producing party to establish a credible position as soon as possible regarding what is reasonable to search for, preserve, and produce. A party's obligation to produce ESI in large part turns on the IT systems and protocols the producing party has in place, so it is important to get a basic understanding of who the knowledgeable IT personnel are, how and where the producing party's ESI is stored, the policies it has in place for the storage and destruction of ESI, and any difficulties that may be encountered during the electronic discovery process.

Factors which should be considered in developing an ESI preservation and production plan will most likely include:

Cost: Identifying and screening all responsive ESI can easily cost hundreds of thousands of dollars in out-of-pocket expenses and lost time. If the cost of identification, preservation, and/or production is out of proportion to the relevance of the ESI in question or the amount in controversy, courts often grant relief to the producing party, either by limiting the scope of the production or by shifting costs to the requesting party.

Delay: It can take years to identify, screen, and produce all responsive materials, especially if the producing party is required to search storage tapes, review metadata, etc.

Excluding Certain Types of Data: Consider proposing that sources, which are not reasonably accessible be excluded from the search process unless the requesting party can make a showing of need (*e.g.*, by demonstrating that the ESI is important and cannot be obtained from another source). Depending on the producing party's IT systems, it may be difficult to credibly argue that unsearched sources that may contain responsive material should not be placed on litigation hold, at least until a complete production of readily accessible sources has been made.

Business Disruption: Discovery demands that cause major disruption to IT services (typically because of their scope or the timeframe in which ESI is sought) are often deemed to be unreasonable. The producing party should apprise the requesting party of any types of search activities that may be disruptive.

The producing party typically should try to make concrete proposals regarding what it will and will not do regarding searching for, preserving, and producing ESI, with the goal of reaching an agreement and/or obtaining an order regarding the producing party's obligations. If the producing party complies with such an agreement/order, in the event ESI is subsequently inadvertently destroyed, the producing party will be in a stronger position to argue that no sanctions should be imposed.

B. Advise the Requesting Party of Any Problems.

The producing party also should consider disclosing as soon as possible any practical or technical impediments to preserving and producing ESI, like, for example:

- Technical limits on the ability to search for ESI because of system obsolescence, difficulties inherent in searching certain storage formats, *etc.*;
- ESI that already may have been destroyed in the routine operation of the IT systems;
- Gaps in institutional knowledge regarding the existence or location of ESI caused by employee departures, *etc.*;
- Whether extensive amounts of time may be required to search for, locate, preserve, screen, and/or produce certain types of ESI; and

- Whether extensive costs may be associated with searching for, locating, preserving, screening, and/or producing certain types of ESI.

It is important for parties and counsel to be diligent in identifying problems because often it is the delay and prejudice caused by disclosing problems at the eleventh hour that creates problems, rather than the problems in and of themselves. *See, e.g., United Med. Supply*, 2007 WL 1952680, *14-17; *In re Seroquel*, 2007 WL 2412946, *12-17.

C. Document All Efforts to Preserve ESI

It is important to create a record of all efforts to locate and preserve ESI. In addition to helping the producing party keep track of what often is a complicated process involving numerous parties, such a record will allow it to marshal necessary proof in the event there is motion practice relating to electronic discovery.³

Every phase of the electronic discovery process should be documented. This includes not only memorializing all communications with opposing counsel and third parties, but also internal communications relating to the location, collection, and preservation of ESI, including, but not limited to:

- Efforts to identify the locations in which ESI is stored, including communications with technical staff and any others who may have knowledge of the location of relevant ESI;
- Steps taken to prevent the destruction of relevant ESI, including copying files and/or remove them from the routine destruction process;
- The amount of ESI located, preserved, and produced from reasonably accessible locations;
- Assessments of the costs and other burdens associated with retrieving, preserving, and producing ESI stored in less accessible locations; and

³ On both a Rule 26(b)(2)(B) motion to compel and a Rule 37(f) spoliation motion a producing party has to present evidence that it has taken reasonable and appropriate steps to locate, preserve, and produce relevant ESI.

- Determinations regarding the likelihood that searches for ESI stored in less accessible locations will yield information that is relevant and not duplicative of discovery already obtained from other sources.

V. PRIVILEGE AND ELECTRONIC DISCOVERY

A. Rule 26(b)(5)(B)

In *Hopson*, the court addressed numerous problems inherent in conducting reviews of ESI, including the cost of reviews for responsiveness and privilege. The court stated:

The unavoidable truth is that it is no longer remarkable that electronic document discovery may encompass hundreds of thousands, if not millions, of electronic records that are potentially discoverable under Rule 26(b)(1). In this environment, to insist in every case upon “old world” record-by-record pre-production privilege review, on pain of subject matter waiver, would impose upon parties costs of production that bear no proportionality to what is at stake in the litigation, and mark a dramatic retreat from the commendable efforts since the adoption of Rule 26(b)(2) to tailor the methods and costs of discovery to fit the case at hand. And, of equal importance, a failure to adapt to current “real world” discovery realities will unacceptably lengthen pretrial discovery, because courts cannot insist upon such painstaking and costly review unless they are willing to allow enough time to do so reasonably. It is unlikely that courts are going to embrace the notion of years-long timetables to allow parties to assemble and review voluminous electronic information prior to production during discovery.

232 F.R.D. at 244.

Amended Rule 26(b)(5)(B) addresses the waiver issue by setting up a procedure for asserting privilege and work product claims *after* the production of electronic material. The amendment provides:

If information is produced in discovery that is subject to a claim of privilege or protection as trial-preparation material, the party making the claim may notify any party that received the information of the claim and the basis for it. After being notified, a party must promptly return, sequester, or destroy the specified information and any copies it has and may not use or disclose the information until the claim is resolved. A receiving party may promptly present the information to the court under seal for determination of the claim. If the receiving party disclosed the information before being notified, it must take reasonable steps to retrieve it. The producing party must preserve the information until the claim is resolved.

Furthermore, Rule 26(f)(4) provides that parties are to discuss at their initial discovery conference “any issues relating to claims of privilege or of production as trial-preparation material, including – if the parties agree on a procedure to assert such claims after production – whether to ask the court to include their agreement in an order.” Rule 16(b)(6) states that any such agreement may be included in a scheduling order.

The amendments to Rules 16(b), 26(b)(5)(B), and Rule 26(f), on their face, could be read to suggest that parties can protect themselves from waiving claims of privilege or work product by entering into non-waiver agreements. The Committee Notes, however, clearly show this was not the intention of the drafters. The Committee Notes to Rule 26(b)(5)(B) state, “***Rule 26(b)(5)(B) does not address whether the privilege or protection that is asserted after production was waived by the production.***” Accordingly, Rule 501 of the Federal Rules of Evidence still controls what law applies in deciding claims of privilege.⁴

While recognizing the substantial problems associated with performing a record-by-record privilege review of ESI, *Hopson* concludes that the non-waiver agreements are no panacea, stating, “[T]o the extent that parties already are negotiating ‘non-waiver’ electronic records production agreements, a practice encouraged by the proposed changes to Rule 16(f), they would be unwise to assume that such agreements will excuse them from undertaking any pre-production privilege review, or doing less of a pre-production review than is reasonable under the circumstances.” *Hopson*, 232 F.R.D. at 244. This view is supported by many cases

⁴ Under Rule 501, in federal court cases based on state law claims state law controls the determination of a claim of privilege. *See Bowne of New York City, Inc. v. AmBase Corp.*, 150 F.R.D. 465, 470 (S.D.N.Y. 1993); FED. R. EVID. 501 (“in civil actions and proceedings, with respect to an element of a claim or defense as to which State law supplies the rule of decision, the privilege . . . shall be determined in accordance with State law”). Federal law controls in cases arising under federal law and in those premised on state and federal law. *See Koch Materials Co. v. Shore Slurry Seal, Inc.*, 208 F.R.D. 109, 116-17 (D. N.J. 2002). The Judicial Conference has submitted a new proposed Rule 502, which would extend federal court orders incorporating non-waiver agreements to state court actions. Proposed Rule 502 is discussed below. *See infra* at 18-20.

which hold that a party cannot selectively waive a claim of privilege pursuant to a non-waiver agreement and thereafter resuscitate the privilege against other parties in different circumstances. *See, e.g., Koch Materials Co. v. Shore Slurry Seal, Inc.*, 208 F.R.D. 109, 118 (D.N.J. 2002); *In re Columbia HCA Healthcare Corp.*, 192 F.R.D. 575, 578-79 (M.D. Tenn. 2000).

The *Hopson* court noted, however, that if the production of privileged material is compelled by court order there is no waiver. *Hopson*, 232 F.R.D. at 244-46; *see also, e.g., Westinghouse Elec. Corp. v. Republic of Philippines*, 951 F.2d 1414, 1427 n.14 (3d Cir. 1991) (production pursuant to court order not a voluntary waiver); *Transamerica Computer Co. v. IBM Corp.*, 573 F.2d 646, 651 (9th Cir. 1978) (production pursuant to scheduling order that did not allow time for adequate privilege review did not constitute waiver); *Gov't Guar. Fund of Finland v. Hyatt Corp.*, 182 F.R.D. 182 (D.V.I. 1998). The court stated that the determination of whether such an order compelling production without a thorough privilege review should issue should be based on analysis of four factors: (1) the issues in the litigation, (2) the resources of the parties, (3) whether the discovery is available from other sources, and (4) the importance of the evidence in question. *Hopson*, 232 F.R.D. at 244-45.

Hopson is well reasoned. Despite the language of Rule 26(b)(5)(B), a producing party should not forego a privilege review based on the assumption that a non-waiver agreement will provide protection from subsequent waiver claims. Indeed, the producing party should object to any discovery plan that requires the production of ED under circumstances in which a thorough privilege review cannot be performed because of time constraints or other factors. If an order compels discovery over the objection, in the event privileged material is later produced the

producing party will be able to argue that there was no voluntary waiver because the production was compelled by court order.⁵

B. Proposed Rule 502 to the Federal Rules of Evidence

In September 2007, the Judicial Conference's Committee on Rules of Practice and Procedure submitted proposed new Rule 502 of the Federal Rules of Evidence, which relates to waiver of attorney-client privilege and work product. On December 11, 2007, Sen. Patrick Leahy introduced S.2450, a bill seeking approval of Rule 502 in the identical form approved by the Judicial Conference.⁶

The main intent behind proposed Rule 502, like many of the new procedural rules discussed above, is to streamline and reduce costs associated with discovery, particularly with respect to conducting privilege reviews. Citing *Hopson*, the Committee Notes states:

It responds to the widespread complaint that litigation costs necessary to protect against waiver of attorney-client privilege or work product have become prohibitive due to the concern that any disclosure (however innocent or minimal) will operate as a subject matter waiver of all protected communications or information. This concern is especially troubling in cases involving electronic discovery).

Proposed Rule 502(a) puts limits on the scope of a waiver. It provides that the production of privileged material requires the production of an undisclosed communication only if (1) the waiver is intentional, (2) the disclosed and undisclosed material relate to the same subject, and (3) the undisclosed communication ought in fairness be considered with the disclosed communication. Rule 502(b) provides that the disclosure of privileged material is not

⁵ Numerous cases provide that there is no waiver if a party is ordered to produce privileged documents. See, e.g., *id.* at 242-44; *Westinghouse Elec. Corp. v. Republic of the Philippines*, 951 F.2d 1414, 1427 n. 14 (3d Cir. 1991) (production pursuant to court order not a voluntary waiver); *Transamerica Computer Co. v. IBM Corp.*, 573 F.2d 646, 651 (9th Cir. 1978) (production pursuant to scheduling order that did not allow time for adequate privilege review did not constitute waiver); *Gov't Guar. Fund of Finland v. Hyatt Corp.*, 182 F.R.D. 182, 187 (D. Virgin Islands 1998) (compelled production does not constitute waiver for other lawsuits).

⁶ 28 U.S.C. § 2074 provides that any rule creating, abolishing, or modifying an evidentiary privilege must be approved by an act of Congress to have force or effect.

deemed a waiver if the disclosure is inadvertent, if the holder of the privilege took reasonable precautions to prevent disclosure, and if he quickly rectified the error once it was known.

Proposed Rule 502(d) provides that a federal court may order that privilege is not waived by disclosure in the action in which the order is issued and that if protected material is disclosed it will not constitute a waiver in any other state or federal proceedings. The Committee Note relating to Rule 502(d) explains that such a provision is necessary if parties are to gain any comfort that disclosure of privileged material in one action will not constitute a waiver in another action. The Note states:

[T]he utility of a confidentiality order in reducing discovery costs is substantially diminished if it provides no protection outside the particular litigation in which it is entered. Parties are unlikely to be able to reduce the costs of pre-production review for privilege and work product if the consequence of disclosure is that information can be used by non-parties to the litigation.

Some parts of proposed Rule 502 may draw criticism and be rejected by the Senate. For example, a rule that allows a federal court order to control assertions of privilege in unrelated state court actions between different parties may be deemed an improper usurpation of state court prerogatives. Congress rejected similar attempts to wire around state privilege laws when it enacted current Rule 501 in 1975. *See* MOORE'S FEDERAL RULES PAMPHLET, PART 2: FEDERAL RULES OF EVIDENCE, § 501.4 (2006).

Proposed Rule 502 also may be criticized as allowing a party to selectively and offensively use privileged materials to obtain an unfair advantage, a practice which has long been prohibited by the federal courts. *See, e.g., Greater Newburyport Clamshell Alliance v. Public Serv. Co. of N.H.*, 838 F.2d 13, 20 (1st Cir. 1988); *In re Sealed Case*, 676 F.2d 793, 807 (D.C. Cir. 1982); 8 WIGMORE, EVIDENCE § 2327 (J. McNoughton rev. 1961) (“[The party holding the privilege] cannot be allowed, after disclosing as much as he pleases, to withhold the remainder.”) Specifically, Rule 502(a)’s limitation on the scope of waiver may be deemed as

affording a party the opportunity to waive privilege claims with respect to helpful material and argue that harmful material need not “in fairness” be disclosed. Similarly, Rule 502(d) may be seen as allowing a party to obtain an order that allows him to use privileged materials to his advantage in one action and to withhold the same or related materials if harmful in another action.

VI. LIMITING COSTS IN ELECTRONIC DISCOVERY

Many courts have recognized that screening documents for responsiveness and privilege can be much more difficult when information is in electronic format. The costs associated with sifting through a vast universe of information for responsive material, especially when the data is not stored in a readily searchable format, can quickly run into the hundreds of thousands of dollars. Conducting a privilege review of responsive materials, especially in the native format, can easily double that amount. Furthermore, reviews for responsiveness and privilege can drag on for months, can drain resources from the IT department and other areas, and can be a substantial distraction. It is important for businesses responding to legitimate discovery requests for ESI to set parameters that will limit the time and resources spent on the production to a reasonable level.

A. Limit the Scope of the Search

A producing party can dramatically streamline the electronic discovery process by placing reasonable limits on the scope of the search. Although every case will be different, some strategies to consider include:

1. Imposing date restrictions;
2. Limiting the search to files of key individuals;
3. Limiting topic searches to agreed upon key words and phrases;

4. Excluding data storage tapes and other formats that are not readily searchable unless the requesting party agrees to bear the cost;
5. Producing the electronically stored information in a format(s) that is least burdensome to the producing party as long as it satisfies the legitimate needs of the requesting party; and
6. Excluding “metadata” from the universe of searched material. *See supra* at 2 for definition of metadata.

In the vast majority of cases “metadata,” which typically is not visible on the screen of the average computer user, will not only be irrelevant, but its production will also dramatically increase the time and cost associated with the ED process. In most cases, the best approach will be to object to initial requests for metadata or agree with the requesting party to exclude metadata from the scope of the initial production. This approach satisfies the producing party’s interest in not conducting costly, time-consuming searches for irrelevant data while preserving the requesting party’s right to obtain metadata if he can demonstrate need after the initial production. *See Williams v. Sprint/United Mgmt. Co.*, 230 F.R.D. 640, 651-52 (D. Kan. 2005) (discussing the proposed amendments and comment 9.a to THE SEDONA PRINCIPLES and stating that a party should produce metadata unless it objects to the request, the parties agree that it should not be produced, or the party obtains a protective order); *see Public Citizen v. Carlin*, 184 F.3d 900, 908-11 (D.C. Cir. 1999); THE SEDONA PRINCIPLES, *supra*, comment 9.a at 104 (“Although there are exceptions to every rule, especially in an evolving area of the law, there should be a modest presumption in most cases that the producing party need not take special efforts to preserve or produce metadata.”).

Excluding metadata from the production absent a showing of need is reasonable because it:

1. Avoids the screening and production of irrelevant data;
2. Streamlines the privilege review;

3. Lessens the chance of inadvertent disclosure of privileged material;
4. Speeds production time;
5. Makes it easier to maintain control over the production;
6. Avoids evidentiary complications; and
7. Dramatically reduces costs.

B. Shift the Costs to the Requesting Party When Appropriate

“Under [the discovery] rules, the presumption is that the responding party must bear the expense of complying with discovery requests. . . .” *Oppenheimer Fund, Inc. v. Sanders*, 437 U.S. 340, 358 (1978). Under certain circumstances, however, the producing party may be protected from undue burden or expense by shifting some or all of the costs of production to the requesting party. *Id.* (citing FED. R. CIV. P. 26(c)). The burden or expense of discovery is “undue” when it outweighs its likely benefit, considering the needs of the case, the amount in controversy, the resources of the parties, the importance of the discovery in question to resolving those issues. FED. R. CIV. P. 26(b)(2)(C)(iii).

The leading cost-shifting case is *Zubulake v. UBS Warburg LLC*, 217 F.R.D. 309 (S.D.N.Y. 2003) (“*Zubulake I*”). The *Zubulake I* court developed a seven-factor test for determining whether cost shifting is appropriate in an electronic discovery context. The seven *Zubulake* factors are:

- (1) The extent to which the request is specifically tailored to discover relevant information;
- (2) The availability of such information from other sources;
- (3) The total cost of production, compared to the amount in controversy;
- (4) The total cost of production, compared to the resources available to each party;
- (5) The relative ability of each party to control costs and its incentive to do so;
- (6) The importance of the issues at stake in the litigation; and

(7) The relative benefits to the parties of obtaining the information.

Id. at 322; *see Rowe Entm't*, 205 F.R.D. at 429 (developing an eight-factor test that was modified by *Zubulake I*); *Medtronic Sofamor Danek, Inc. v. Michelson*, 229 F.R.D. 550, 553-59 (W.D. Tenn. 2003) (applying *Rowe* factors); *Murphy Oil USA, Inc. v. Fluor Daniel, Inc.*, No. Civ. A. 99-3564, 2002 WL 246439, at **5-8 (E.D. La. Feb. 19, 2002) (same); *see also* ABA Civil Discovery Standards, Standard 29(b)(iii) (listing factors to consider in allocating costs).

Each case is different, but in many instances even raising the issue of cost shifting can act as an effective deterrent against unreasonable discovery demands. Conversely, if a requesting party offers to pay the costs of production it can dispense with a recalcitrant responding party's argument that producing the material is unduly burdensome, at least as to cost.

VII. TEXAS RULES RELATING TO ELECTRONIC DISCOVERY

Since 1999 Rule 196.4 of the Texas Rules of Civil Procedure, entitled "Electronic or Magnetic Data," has controlled electronic discovery in Texas state court actions. The Texas ED rule is much more streamlined than the numerous federal rules, but many of the concepts discussed above will apply in Texas state court as well.

A. The ED Request

To obtain data or information in electronic or magnetic form a requesting party must specifically ask for it and must specify the form in which it should be produced.

B. The Responding Party's Obligations

The responding party must produce responsive ESI that is "reasonably available in its ordinary course of business." If the responding party cannot through reasonable efforts retrieve or produce the requested ESI in the form requested, the responding party must object to the request. The "reasonably available" language in Rule 196.4 is virtually the same as the term "reasonably accessible" in Federal Rule 26(b)(2)(B). Therefore, since there is little Texas

authority shedding light on the issue, if making or opposing a motion relating to what is reasonably available under Rule 196.4, federal cases construing Rule 26(b)(2)(B)'s reasonably accessible standard may be instructive and persuasive.

C. Cost Shifting

If the court compels the responding party to comply with the request for ED, Rule 196.4 provides that “the court *must* order the requesting party to pay the reasonable expenses of any extraordinary steps required to retrieve and produce the information.” This is substantially different than the seven-part *Zubulake* cost-shifting standard followed by most federal courts. Under the Texas rule, if the producing party can establish (1) that the information is not reasonably available and (2) that he has to take extraordinary steps to retrieve it, then the court must order the requesting party to pay the reasonable cost of retrieval and production.