



## E-DISCOVERY UPDATE

### E-Discovery Task Force Update

The legal framework in litigation for addressing the explosion in electronic communications has been in flux for a number of years. Sidley Austin LLP has established an "E-Discovery Task Force" to stay abreast of and advise clients on this shifting legal landscape. An inter-disciplinary group of more than 25 lawyers across all our domestic offices, the Task Force monitors and examines issues and developments in the law regarding electronic discovery. The Task Force works seamlessly with our firm's Litigators who regularly defend and prosecute all types of litigation matters in trial and appellate courts, federal and state agencies, arbitrations, and mediations throughout the country. The co-chairs of the E-Discovery Task Force are:

Alan C. Geolot                      Colleen M. Kenney  
+1 202.736.8250                      +1 312.853.4166  
ageolot@sidley.com                      ckenney@sidley.com

Joel M. Mitnick  
+1 212.839.5871  
jmitnick@sidley.com

To receive future copies of this and  
other Sidley Updates via email,  
please sign up at  
[www.sidley.com/subscribe](http://www.sidley.com/subscribe)

Attorney Advertising - For purposes of compliance with New York State Bar rules, our headquarters are Sidley Austin LLP, 787 Seventh Avenue, New York, NY 10019, 212.839.5300 and One South Dearborn, Chicago, IL 60603, 312.853.7000. Prior results do not guarantee a similar outcome.

### Notable E-Discovery Cases and Events

This update addresses the following recent court decisions involving e-discovery issues:

1. Florida federal court decision denying plaintiff's motion for restoration of 30 backup tapes because plaintiff could not demonstrate that such restoration would yield relevant, non-duplicative discovery but ordering the restoration of one backup tape that potentially contained such discovery;
2. Decision by a Tennessee federal magistrate judge authorizing service of a complaint on foreign defendants by email after finding that the defendants' physical addresses and phone numbers were not valid but that the defendants' email addresses appeared to be legitimate;
3. Puerto Rico federal case finding that ESI was not reasonably accessible due to the high cost of production and rejecting a motion to compel in light of plaintiff's failure to establish good cause for such production; and
4. Nebraska federal court ruling that a non-party knowingly and intentionally produced privileged documents and thereby waived privilege with respect to those documents.

**1. In *Calixto v. Watson Bowman Acme Corp.*, 2009 WL 3823390 (S.D. Fla. Nov. 16, 2009), United States Magistrate Judge Robin Rosenbaum denied plaintiff's motion to compel the restoration and search of thirty backup tapes because plaintiff could not demonstrate a reasonable expectation that restoring and searching all the backup tapes would yield relevant, non-duplicative documents. The Magistrate Judge did, however, order that one specific backup tape be restored because it appeared reasonably likely that a search of that tape would yield relevant, non-duplicative discovery.**

In this breach of contract and patent case, plaintiff moved to compel production after learning through depositions that defendant Watson Bowman Acme Corporation ("WBAO") had retained backup tapes dated from December 2004 to July 2007. Plaintiff also learned that an IT representative had deleted the computer profile and emails for a relevant employee ("Burri") shortly after he left the company in August

This **Sidley Update** has been prepared by Sidley Austin LLP for informational purposes only and does not constitute legal advice. This information is not intended to create, and receipt of it does not constitute, a lawyer-client relationship. Readers should not act upon this without seeking advice from professional advisers.

2004. In response to plaintiff's motion, WBAO submitted an affidavit describing in detail how it conducted its search for responsive documents, including an estimate from Kroll Ontrack regarding the burden and \$40,000 cost associated with restoring and conducting keyword searches of the more than thirty backup tapes. *Id.* at \*11. Considering this evidence, the Magistrate Judge first ruled that the ESI on the backup tapes was not reasonably accessible within the meaning of Fed. R. Civ. P. 26(b)(2)(B).

The Magistrate Judge then considered whether plaintiff had demonstrated good cause to warrant the restoration of the backup tapes. In stating that plaintiff had failed to meet this burden in seeking restoration of all 30 backup tapes, the Magistrate Judge noted the following:

“The Court is well aware of the electronic discovery analysis set forth by the *Zubulake v. UBS Warburg, LLC*, opinions and subsequent cases, as well as of the ideals embodied in the Sedona Principles, and fully appreciates the considerations raised by these pioneering writings. Nevertheless, in this matter, the Court need not travel down the *Zubulake* road because the question before the Court is an elementary one that must be answered in all discovery matters, regardless of whether the medium of the discovery sought happens to be electronic in nature: whether we can reasonably anticipate that the information to be gleaned from the discovery sought will be relevant and non-duplicative. After all, electronic discovery is, at bottom, just discovery, and, as Rule 26(b)(2)(B) makes clear, the usual limitations to which all discovery is subject apply with equal force to electronic discovery.” *Id.* at \*12.

The Magistrate Judge determined that the plaintiff could not demonstrate “a reasonable expectation that restoring and searching all the backup tapes w[ould] yield relevant documents” and therefore denied this request. *Id.* After reviewing the defendant's search methodology and submissions

regarding discovery, the Magistrate Judge reached the conclusion that plaintiff “has failed to establish that a search of the reconfigured back-up tapes would result in the collection of any relevant documents that have not already been produced or identified on the privilege log.” *Id.*

The Magistrate Judge did find, however, that one tape contained potentially relevant information regarding Burri, the employee who had left the company in 2004, and the Magistrate Judge ruled that restoration of that backup tape was appropriate and not unduly burdensome. *Id.* at \*13.

The Magistrate Judge also denied plaintiff's request for sanctions, finding no evidence of bad faith on the part of WBAO or the IT person who deleted Burri's computer information:

“[T]he Court concludes that Young [the WBAO IT employee] did not delete Burri's e-mail mailbox in an effort to destroy evidence relevant to this matter. Young credibly testified that, as a senior information systems analyst, her primary job was to ensure the security and proper functioning of WBAO's computer system, something that too much information storage threatened. Consequently, she explained, since 1997 or 1998 when WBAO acquired the computer system it uses now, she had engaged in the practice of deleting the e-mail mailboxes of departed WBAO employees. Young further attested credibly that it was her idea to delete the mailbox and that no one had suggested that she do it. Finally, she stated that she had no knowledge of either Calixto or the matters at issue in this lawsuit at the time that she deleted Burri's e-mail mailbox. Calixto presented no evidence to the contrary. Under these circumstances, the Court cannot find bad faith on the part of WBAO. Consequently, spoliation sanctions are not appropriate.” *Id.* at \*17.

**2. In *Chanel, Inc. v. Song Xu*, 2010 WL 396357 (W.D. Tenn., Jan. 27, 2010), Magistrate Judge Charmiane Claxton authorized service of process via email on foreign defendants after attempts to obtain valid physical addresses for the defendants failed and the Magistrate Judge determined that service by email would not violate international agreements or Chinese law.**

The plaintiff, Chanel, Inc., brought a federal trademark infringement and cyberpiracy suit against the defendants, claiming they operated websites to illegally market and sell copies of Chanel products. *Id.* at \*1. The plaintiff, with the help of private investigators, secured the names and addresses of the defendants from the Internet Corporation for Assigned Names and Numbers (ICANN), a required registration for internet domain names. However, the physical addresses listed for the defendants, located in China, proved non-existent and the listed fax and phone numbers went unanswered. *Id.* The defendants' email addresses, however, appeared valid as the private investigators did not receive a notice stating the test messages were "undeliverable" and did receive a "Return Receipt" stating the date and time each email was delivered. *Id.* at \*2. The plaintiff brought this motion requesting that the Court authorize service of process via email.

Federal Rule of Civil Procedure 4(f), governing service of process in a foreign country, requires a party to effect service using an "internationally agreed means of service that is reasonably calculated to give notice." If no internationally agreed means applies, a party may use alternative means to effect service if international agreement does not prohibit the means of service and the party seeks permission of the court. *Id.* at \*3, see also Fed. R. Civ. P. 4(f). In this case, the Magistrate Judge found the internationally agreed means for service of process as set forth in the Hague Service Convention, to which both the U.S. and China are signatories, did not apply. *Id.* at \*3 (the Hague Service Convention does not apply when the address of the person to be served is not known). Given this circumstance, the Magistrate Judge had broad authority to

determine an appropriate alternative means of service. *Id.* at \*4.

The Magistrate Judge held that service by email not only met constitutional standards (it was reasonably calculated to notify the defendants of the action and provide an opportunity to object) but was likely the most effective method of service for this case. *Id.* at \*4. She noted that the defendants had organized their online business in such a way that email was the only way the owners could be contacted (all physical addresses were false and the phone numbers did not work), and she concluded that providing service through email would provide "the greatest likelihood of generating a response from the served parties." *Id.* at \*4. Finding no prohibition of service via email under Chinese law, *id.* at \*4 n.4, and noting that the plaintiff "diligently attempted to locate valid addresses for each named Defendant without success," the Magistrate Judge granted plaintiff's motion. *Id.* at \*5.

**3. In *Rodriguez-Torres v. Gov't Dev. Bank of Puerto Rico*, 2010 WL 174156 (D.P.R. Jan. 20, 2010), the court denied plaintiffs' motion to compel production of ESI after determining that compliance with the document request would be too costly and that the request appeared to be a fishing expedition for evidence to support the plaintiffs' claims.**

In this employment dispute, plaintiffs requested production in native electronic form of all email and calendar entries related to the plaintiffs (former employees of the defendant) for a three-year period. *Id.* at \*2. The defendant refused, claiming the request was overly broad, not likely to lead to admissible evidence, and likely to include thousands of documents containing privileged or confidential information. *Id.* \*3. The plaintiffs moved to compel production. *Id.* \*2.

Senior District Judge Jaime Pieras, Jr., noted that a court can limit discovery if it determines the ESI is not reasonably accessible due to undue burden or cost. A party can nevertheless be compelled to produce not reasonably accessible ESI if the requesting party shows good cause. Fed. R. Civ. P.

26(b)(2)(C). The court first asked the parties to submit reports in which the plaintiffs would indicate what they expected to find in the native format documents and the defendant would provide the expected cost of complying with the request. *Id.* at \*3.

In this instance, the parties estimated production of all requested ESI would cost \$35,000, a cost the court found “too high . . . for the production of the requested ESI in this type of action.” *Id.* at \*3. The court expressed particular concern with the cost of the privilege and confidentiality review prior to production and on this basis found that the ESI was not reasonably accessible. *Id.* The court further found that the plaintiffs had failed to show good cause why the ESI should be produced. The court noted that the plaintiffs anticipated finding, among other things, communications “showing discriminatory animus such as derogatory and demeaning references, exclusion from meetings communications and work activities,” but the “only basis” for plaintiffs’ belief that they would find such information was “three articles which suggest that e-mail encourages senders to write unguarded, unwise, and often inappropriate comments.” *Id.* at \*4. As plaintiffs had failed to explain specifically what they “expect to find from the requested ESI and the basis for their belief,” the court concluded that the document request was merely a fishing expedition and denied plaintiffs’ motion to compel. *Id.*

**4. In *Segerv. Ernest-Spencer Metals, Inc.*, 2010 WL 378113 (D. Neb., Jan. 26, 2010), Magistrate Judge Thomas Thalken found that a non-party knowingly and intentionally produced privileged documents and therefore waived privilege with respect to those documents. He also rejected the non-party’s claims of cost and burden in granting defendant’s motion to compel the production of documents but did reduce the scope of the search terms to be used.**

The plaintiff sued the manufacturers and engineers of certain metal beams after suffering workplace injuries handling those beams. *Id.* at \*1. During discovery, defendant Burns and McDonnell Engineering Co. issued a Fed. R. Civ. P. 45

subpoena seeking documents from plaintiff’s employer, Valmont Industries, Inc. (“Valmont”), which had not been named as a party in the lawsuit. *Id.* Valmont was represented by the same counsel acting for the plaintiff in this action, but Valmont retained separate counsel to respond to the subpoena and undertake the document review. Valmont made an initial production in August 2008, produced the majority of documents on January 9, 2009, and made additional productions in May 2009. In June 2009, Valmont provided a privilege log, which listed a number of documents that had already been produced in January 2009. *Id.*

When notified by defense counsel of the error, Valmont made several attempts to negotiate the return of two sensitive documents. *Id.* After receiving no response from defense counsel, Valmont failed to seek a protective order relating to the documents. *Id.* Four months later, defense counsel moved to compel production of the disputed documents and require deposition testimony related to those documents, but Valmont objected, claiming the production was inadvertent and the documents privileged. *Id.*

The Magistrate Judge did not review the inadvertent disclosure in terms of Fed. R. Evid. 502 but instead engaged in a five-factor analysis under Eighth Circuit law. He considered:

“(1) the reasonableness of the precautions taken to prevent inadvertent disclosure in view of the extent of the production, (2) the number of inadvertent disclosures, (3) the extent of the disclosures, (4) the promptness of measures taken to rectify the disclosure, and (5) whether the overriding interest of justice would be served by relieving the party of its error.” *Id.* at \*6 (citing *Gray v. Bicknell*, 86 F.3d 1472, 1483–84 (8th Cir.1996)).

After weighing the factors, the Magistrate Judge concluded the disclosure was “knowing and intentional” and privilege had been waived. *Segerv.* at \*6. He noted that Valmont provided no evidence as to the precautions it took to prevent disclosure of

privileged material, “other than reliance on the expertise of a law firm who is not currently representing the non-party.” *Id.* He determined that “[r]eliance on a law firm to advise a client about privilege is an insufficient basis to find inadvertent disclosure.” *Id.* He also viewed with skepticism Valmont’s claim that it sought to protect its privileged documents, stating Valmont did not even make an initial claim of privilege with respect to the produced January 2009 documents until six months later when Valmont provided a privilege log and then failed to seek relief from the court when defendants refused to return the documents in dispute. The Magistrate Judge found that Valmont had not shown that the “overriding interest of justice” would be served by ordering return of the disputed documents, as Valmont “sought to enforce the privilege with regard to only two documents in negotiation with the defendants.” *Id.* Finding that disclosure was knowing and intentional, the Magistrate Judge granted defendant’s motion to compel production of the documents and ordered that Valmont provide deposition testimony relating to the documents in dispute.

Magistrate Judge Thalken next addressed defendant’s motion to compel production of certain email. The defendant requested Valmont produce all email sent or received by 13 specific custodians in the month of, and the month preceding, the injury, as well as all email for a two year period based on 24 specified search terms. *Id.* Valmont objected, claiming a portion of the requested ESI was not reasonably accessible and that the time and expense responding to this request constituted an undue burden. *Id.*

The Magistrate Judge concluded that the cost estimates prepared by Valmont for searching and producing the documents were based on speculative and overstated assumptions. *Id.* at \*10. He ordered Valmont to search and produce the data as requested, but he narrowed the requested search terms by half. *Id.* The defendant offered to engage a consultant at its expense to assist with the project to reduce the cost burden on Valmont, and the Magistrate Judge encouraged the two parties to work out a cost-sharing agreement, with the Magistrate Judge stating he would rule on cost issues upon motion by the parties if no agreement was reached. *Id.*

**If you have questions about any of these items, please contact your regular Sidley Austin LLP contact.**

BEIJING BRUSSELS CHICAGO DALLAS FRANKFURT GENEVA HONG KONG LONDON LOS ANGELES NEW YORK PALO ALTO SAN FRANCISCO SHANGHAI SINGAPORE SYDNEY TOKYO WASHINGTON, D.C.

**[www.sidley.com](http://www.sidley.com)**

*Sidley Austin LLP, a Delaware limited liability partnership which operates at the firm’s offices other than Chicago, London, Hong Kong, Singapore and Sydney, is affiliated with other partnerships, including Sidley Austin LLP, an Illinois limited liability partnership (Chicago); Sidley Austin LLP, a separate Delaware limited liability partnership (London); Sidley Austin LLP, a separate Delaware limited liability partnership (Singapore); Sidley Austin, a New York general partnership (Hong Kong); Sidley Austin, a Delaware general partnership of registered foreign lawyers restricted to practicing foreign law (Sydney); and Sidley Austin Nishikawa Foreign Law Joint Enterprise (Tokyo). The affiliated partnerships are referred to herein collectively as Sidley Austin, Sidley, or the firm.*

SIDLEY AUSTIN LLP  
**SIDLEY**