



## E-DISCOVERY TASK FORCE 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:

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### Notable E-Discovery Cases and Events

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

1. A ruling by Magistrate Judge Facciola denying a request for return of a privileged document under Federal Rule of Evidence 502 because the producing party failed to demonstrate that it had taken reasonable steps to prevent the document's inadvertent disclosure;
2. A Minnesota state court decision imposing sanctions of over \$4 million in connection with discovery violations in a railroad crossing accident case;
3. A Mississippi Magistrate Judge's ruling ordering appointment of a third party expert at defendants' expense to determine if defendants had satisfied their document preservation and production obligations;
4. A Utah federal court ruling requiring a German company to produce requested information notwithstanding a German blocking statute and ordering reproduction of scanned Adobe .pdf documents in either native format or an electronically generated (searchable) .pdf format; and
5. A Magistrate Judge's order in a Minnesota case finding the term "native format" to be unambiguous and requiring a party to reproduce ESI in that format.

#### **1. In *Amobi v. District of Columbia Dep't of Corrections*, 2009 WL 4609593 (D.D.C. Dec. 8, 2009), Magistrate Judge John Facciola held that defendants' production of a memorandum prepared by an attorney advisor operated as a waiver of privilege for that document under Federal Rule of Evidence 502.**

In this case, an action for damages for unjust termination, defendants sought to claw back the production of a memorandum prepared by one of their attorneys that was disclosed to plaintiff's counsel. Defendants maintained that the production was inadvertent, and therefore they had not waived privilege as to that document. Analyzing the issue under Fed. R. Evid. 502, Magistrate Judge Facciola first found that

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the document at issue was attorney work product (but not attorney-client privileged). *Id.* at \*5–6. Under the three-part test to evaluate the waiver issue—*i.e.*, the inadvertence of disclosure, whether the party took reasonable steps taken to prevent disclosure, and whether the party took prompt steps to rectify the error—the court “accepted for the purpose of th[e] analysis that the disclosure was inadvertent.” *Id.* at \*8.

On the Rule 502(b) standard for the reasonableness of steps taken to prevent disclosure, Magistrate Judge Facciola stated that the “reasonableness of the precautions taken to protect the privilege is an explicit consideration in determining whether waiver occurred, no matter the inadvertency of the disclosure,” and applied the pre-Rule 502 standard imposing the burden of proof on the party claiming privilege to prove that the privilege had not been waived. *Id.* at \*7. In this case, the Magistrate Judge found that defendants “do not provide the court with any indication of the methodology used to review documents for privilege, but only vaguely refer to several reviews of the documents to be produced.” *Id.* at \*8. Defendants also failed to provide information on the number of documents produced or the magnitude of the error, and the Magistrate Judge found that there was “no indication of what specific efforts were taken to prevent disclosure, let alone any explanation of why these efforts were, all things considered, reasonable in the context of the demands made upon the defendants.” The Magistrate Judge therefore found that defendants failed to carry their burden of demonstrating that they took reasonable efforts to prevent disclosure and refused to order return of the disclosed privileged document. *Id.* at \*9.

**2. In *Chase v. Burlington Northern Santa Fe Corp. (BNSF)*, 2009 WL 3853626 (Minn. Dist. Ct. October 15, 2009), Minnesota State Court Judge Ellen L. Maas imposed sanctions against defendants and awarded plaintiffs \$4.18 million for misconduct due to defendants’ loss of critical evidence and misrepresentations made to plaintiffs and the court.**

In this wrongful death case involving four young adults struck by a train, the court analyzed plaintiffs’ motion in three parts. The court first considered the evidence of defendants’ misconduct, including the spoliation of evidence, then evaluated whether the discovery abuses and misconduct justified sanctions under Minnesota law, and concluded by determining whether plaintiffs’ specific sanction requests were appropriate under the circumstances.

As to defendants’ misconduct, plaintiffs alleged that the railroad defendants “engaged in the systematic abuse of the civil litigation process, including *inter alia*, the loss, destruction, and/or alteration of critical evidence, misrepresentations to this Court and Plaintiffs, and the general obstruction of Plaintiffs’ ability to prosecute their case.” *Id.* at 2. Although defendants normally maintained “event recorders” that “monitor the speed of an approaching train and ensure that there is adequate warning time at the crossing grade,” *id.* at 3, in this case, the monitors had been tampered with by defendants’ employees “and c[ould] no longer be authenticated.” As a result, “definite proof that the gates were either working properly or malfunctioning was lost.” *Id.* The court found that the “[e]videntiary abuses with the handling of data from the event recorders occurred within minutes of the accident and continued through trial.” *Id.* Moreover, even though data from the recorder was downloaded and put on a write-protected disk, what “remain[ed] undisputed is the fact that the disk was misplaced, hidden, or destroyed within a week of the accident.” *Id.* at 4.

The court also found that defendants had purposefully concealed at least one other recording. This recording was discovered accidentally when defendants’ employee “allowed plaintiffs to discover [it], contrary to [defendants’] prior representations.” *Id.* at 5. The court found other similar discovery abuses, including destruction of “disabled crossing forms,” the concealment of “railway detector car” evaluations, the failure to admit prior knowledge of problems at the crossing, the failure to produce or destruction of other relevant

documents and evidence, and interference with witness and law enforcement investigations.

The court held that in light of these purposeful discovery failures, and in view of willful misrepresentations made to plaintiffs and the court, sanctions were appropriate. In particular, the court explained that it was relying on its “inherent power to determine the appropriateness of sanctions,” *id.* at 9, and held that the “inherent power of Minnesota’s courts is considerable and exists to provide courts with the means to ensure the efficient, just, and fair disposition of matters heard in court.” *Id.* To evaluate defendants’ conduct and consider an appropriate sanction, the court applied the six-factor test in *Patton v. Newmar*, 520 N.W.2d 4, 7 (Minn. Ct.App. 1994). This test considers (1) the degree of fault or willfulness of the spoliating party, (2) prejudice to the non-offending party, (3) the least restrictive sanction and deterrence considerations, (4) the irreparable loss of evidence, (5) the merits of the case, and (6) whether sanctions unfairly operate to penalize a party for the misconduct of his or her attorney. No one factor is dispositive, and specifically the court held that bad faith is “not a dispositive consideration for imposing sanctions in Minnesota.” *Id.* at 10.

After considering and weighing each factor in this case, the court determined:

This Court is satisfied that the record, which has developed over a period of six years, overwhelmingly supports a finding that BNSF did, in fact, engage in conduct and decision making that compromised critical evidence, interfered with witnesses, impeded the investigation by law enforcement, and misled and/or misrepresented a number of facts to Plaintiffs and this Court. BNSF has attempted to explain away this misconduct in piecemeal fashion by attributing much to inadvertence, coincidence, honest mistake, and/or legitimate business practices. This Court is simply not persuaded. Taken alone, some of BNSF’s abuses might not be sanctionable, and indeed might

have been understandable given the complexities of this case. But the breadth of BNSF’s misconduct in this case is staggering; beginning within minutes of the accident, up to and through the trial. Plaintiffs have established that BNSF’s misconduct did indeed . . . strain [the] limits of the civil justice system and this Court is on firm ground to impose significant sanctions. *Id.* at 8.

Nevertheless, the court did not accept plaintiffs’ specific requests for sanctions as is, instead evaluating each request in light of the six factors. Specifically, the court denied “Plaintiffs’ request for a sanctions award based on doubling the verdict” and request for sanctions in the form of punitive damages. *Id.* at 15. The court did, however, grant sanctions of over \$4.18 million consisting of the following:

- (1) Costs directly attributable to the misconduct;
- (2) Certain attorneys’ fees that were reasonable, sufficiently detailed, and linked to defendants’ misconduct (the court denied an award of contingency fee-based sanctions); and
- (3) \$864,000 in post-judgment interest that plaintiffs lost due to the one-year delay caused by the discovery misconduct and \$2.21 million in disgorgement sanctions representing the amount retained by defendants during the one-year delay.

**3. In *Maggette v. BL Development Corp.*, 2009 U.S. Dist. LEXIS 116789 (N.D. Miss., Nov. 24, 2009), Magistrate Judge Allan Alexander expressed doubts about the defendants’ claims that they had fully complied with their discovery obligations and appointed a third party expert to examine the adequacy of defendants’ preservation and production measures.**

In this gaming industry dispute, the plaintiffs brought a motion for sanctions against the defendants for failure to adequately respond to their discovery requests. While stopping short of finding for the plaintiffs, the Magistrate Judge expressed

frustration with the defendants' failure to adequately assure the court that it had done all it could to preserve and locate responsive data. *Id.* at \*5, 8. The defendants were unable to sufficiently describe which of their databases they had searched, what methods they had used to search the data and what search terms they had used. *Id.* at \*8. In addition, they were unable to explain discrepancies in certain discovery responses and deposition testimony. *Id.* The Magistrate Judge also noted that "defendants [had not] articulated a satisfactory response to the court's doubts expressed at the hearing that corporations as large and sophisticated as the defendants . . . with various operations centers, do not have either paper files, electronic files or information or – even in light of Hurricane Katrina – backup measures and files for at least *some* of the information requested by plaintiffs." *Id.* (emphasis in original).

The Magistrate Judge concluded:

"Although the court cannot say with certainty whether the defendants have legitimately fulfilled their discovery obligations, it does not appear that they have done so. The guiding principle of this court is to reach the truth in any case before it. Accordingly, the court declines to rule on the plaintiffs' motions until it is satisfied that the standards for preservation of electronic evidence and disclosure of *all* relevant evidence have been met or not met, as the case may be. The court cannot make such a determination without further review by a third party expert in the field of electronic discovery and who has knowledge of the gaming industry." *Id.* at \*10-11 (emphasis in original).

Accordingly, the Magistrate Judge ordered the appointment of an e-discovery expert with knowledge of the gaming industry, and he directed that the defendants bear all the costs of the expert, including the cost of any expert depositions and of any expert testimony before the court. *Id.* at \*12.

**4. In *Accessdata Corp. v. Alste Technologies GMBH*, 2010 WL 318477 (D. Utah, Jan. 21, 2010), Magistrate Judge**

**Paul M. Warner upheld a discovery request that might have required the defendant to violate Germany's privacy laws. He also ordered the defendant to reproduce scanned documents in either native or electronically-generated PDF format that would allow plaintiff to conduct electronic searches of the files.**

In this contract dispute, the defendant objected to certain of the plaintiff's discovery requests, claiming that disclosure of the requested data would cause the defendant to violate the German Data Protection Act (GDPA) prohibiting the disclosure of certain personal third-party information and expose it to potential criminal and civil liability. *Id.* at \*1-2. The plaintiff filed a motion to compel production.

The Magistrate Judge first found that the defendant failed to demonstrate that it would face liability under the GDPA if it turned over the documents. *Id.* at \*2. Relying on Supreme Court precedent, Magistrate Judge Warner also stated that even if German law prohibited the defendant from disclosing the data, such "blocking" statutes "do not deprive an American court of the power to order a party subject to its jurisdiction to produce evidence even though the act of production may violate that statute." *Id.* at \*2 (quoting *Societe Nationale Industrielle Aerospatiale v. United States District Court*, 482 U.S. 522, 544 (1987)). *Id.*

The Magistrate Judge also denied the defendant's request that the parties follow the procedures set forth in the Hague Convention for Taking Evidence Abroad with respect to disclosure of private customer information. Citing the Supreme Court precedent in *Aerospatiale*, the Magistrate Judge stated that American courts generally require parties to use the Hague Convention when the dispute involves foreign states or in cases in which the cost of transporting the documents or witnesses requested from a foreign location "increase[s] the danger that discovery [is] sought for an improper purpose." *Id.* The Magistrate Judge concluded that "neither condition is present in this breach of contract action where the cost of transmitting information and electronic documents ought to be

relatively minimal” and therefore granted the plaintiffs’ motion to compel. *Id.* at \*2-3.

In a separate aspect of the suit, the Magistrate Judge also ordered the defendants to reproduce certain electronic documents in native form, or in “electronically generated” PDF form. *Id.* at \*7. The defendants had produced data that included scanned images of hardcopy printouts of some of its electronic files. *Id.* at \*6. The plaintiff argued that this type of scanned image was not searchable and that it was entitled to the native file. *Id.* at \*6.

Magistrate Judge Warner noted that under the Federal Rules a party is required to produce documents in the form in which they are ordinarily maintained or in a reasonably usable form. Fed. R. Civ. P. 34(b)(2)(E)(ii). He quoted from the Advisory Committee Notes on Rule 34(b):

“[T]he option to produce in a reasonably usable form does not mean that a responding party is free to convert electronically stored information from the form in which it is ordinarily maintained to a different form that makes it more difficult or burdensome for the requesting party to use the information efficiently in the litigation. If the responding party ordinarily maintains the information it is producing in a way that makes it searchable by electronic means, the information should not be produced in a form that removes or significantly degrades this feature.” *Id.* at \*6 (quoting Fed. R. Civ.P. 34(b) Advisory Comm. Notes to 2006 Amendment).

Because the act of scanning hardcopy printouts of the defendant’s electronic files removed the ability of the plaintiff to search by electronic means, the Magistrate Judge found that

the scanned .pdf documents were not reasonably usable. He therefore ordered the defendant to reproduce the documents in either native form, or in electronically-generated, searchable, .pdf form. *Id.* at \*7.

**5. In *Cenveo Corp. v. Southern Graphic Systems, Inc.* 2009 WL 4042898 (D. Minn. Nov. 18, 2009), Magistrate Judge Arthur Boylan rejected a claim that production of documents in Adobe PDF satisfied a document request for production of ESI in native format and required the producing party to reproduce the ESI at issue.**

Defendants served a document request on plaintiff seeking “electronically stored information in its native format.” *Id.* at \*1 (quoting document request). Plaintiff produced ESI in Adobe .pdf. When defendants asserted that the production failed to conform to defendants’ request, plaintiff claimed that defendants had not defined “native format,” and as defendants had not specified a form of production under Fed. R. Civ. P. 34(b)(2)(F)(ii), defendants could produce the ESI in a form in a reasonably usable form such as Adobe .pdf.

Magistrate Judge Boylan rejected the plaintiff’s argument. He determined that “native format” was not ambiguous and cited a variety of cases and treatises providing definitions of the term, which generally indicated that “native format” was the “default format of a file” or the “way [the document] is stored and used in the normal course of business.” *Id.* (internal quotations and citations omitted). The Magistrate Judge noted that plaintiff never objected to defendants’ request for production of ESI in native format and failed to state the format that it intended to use for its production. *Id.* at \*2. The Magistrate Judge ordered plaintiffs to reproduce the ESI in native format.

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

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