

THE CHANGING SCOPE OF
WORK PRODUCT AND PRIVILEGE PROTECTIONS
IN THE AGE OF ELECTRONIC DISCOVERY

July 2009

Recent changes in the law are designed to ease the burdens on litigants and courts of complying with and overseeing discovery of electronically stored information (ESI). Finding means to increase the efficiency of such discovery is essential because the growth of ESI is accelerating along with the costs of dealing with it. Federal legal authorities have been keen to respond to “a serious concern that the costs and burdens of discovery are driving litigation away from the court system and forcing settlements based on the costs, as opposed to the merits, of cases.” *See* Fellows of the American College of Trial Lawyers, Interim Report & 2008 Litigation Survey (ACTL Survey). Their responses began with changes to the procedural rules, along with consistent changes in case law, and have been followed by a significant change in the evidence rules.

These attempts to deal with the expansion of ESI have also altered the scope of the work product doctrine and the attorney-client privilege as those protections apply to pretrial discovery matters. Two changes, amendments to the civil rules and a doctrinal shift in the courts, have narrowed the scope of those protections compared to the breadth with which they were asserted when discovery was dominated by hard copy, paper productions. The other change, the addition of Federal Rule of Evidence 502, is a mixed bag as to the scope of those protections. But on the whole it provides litigants additional means by which they can attempt to protect their privilege claims while maintaining some limit on the costs of ESI discovery. By understanding the extent of these changes, practitioners can anticipate their impact on clients, advise them appropriately, and maximize the chances that important communications remain confidential and protected from discovery.

I. RULE 26 AND RELATED CASES ABOUT THE MANDATE TO COOPERATE

ESI legal changes have shaped the past two decades’ amendments to the Federal Rules of Civil Procedure, especially the December 2006 amendments to Rule 26. On first reading, those procedural alterations appear technically focused on placing ESI expressly within the scope of the discovery rules. That appearance, however, may have disguised from many practitioners the deeper magnitude of the change. Recent case law has interpreted new Rule 26 as the basis of a definitive, binding, broad

requirement that litigation counsel cooperate with opponents in pretrial discovery matters. Under this mandate to cooperate, information that was once protected from discovery is now fair game, even essential evidence for finders of fact and arbiters of discovery disputes.

The mandate to cooperate has been developing in the civil rules for almost two decades. Since the 1993 amendments, the rules have increasingly emphasized that counsel must cooperate with one another with respect to pretrial discovery. The 1993 initial disclosure rules require parties and counsel to learn about and discuss with their opponents the form, status, and whereabouts of relevant factual information. The 2006 amendments to Rule 26 specifically require opposing parties, along with their IT staff, and counsel to discuss with their opponents a broad scope of information about ESI. Soon after the start of litigation, the central e-discovery personnel from each side must not only disclose but “discuss” with one another “any issues relating to [preservation,] disclosure or discovery of electronically stored information.” Fed. R. Civ. P. 26(f) & 26(f)(3)(C) (emphasis added). By imposing early disclosure and cooperation rules on virtually everyone involved in discovery of ESI, the amendments were intended to limit the “time and expense” committed to discovery disputes and to refocus parties and courts on the ultimate resolution of disputes. *See* Fed. R. Civ. P. 26, Advisory Committee Notes to 1993 and 2006 amendments.

Not long after the effective date of the 2006 amendments, the Sedona Conference issued its Cooperation Proclamation. The Proclamation interprets the 2006 amendments as “emphasiz[ing] early communication and cooperation in an effort to streamline information exchange, and avoid costly unproductive disputes.” Cooperation Proclamation at 2. The July 2008 Proclamation has already been cited by many courts. “Courts see these rules as a mandate for counsel to act cooperatively.” *Id.* (citing *Board of Regents of University of Nebraska v. BASF Corp.*, 2007 WL 334223 (D. Neb. Nov. 5, 2007)). “Courts repeatedly have noted the need for attorneys to work cooperatively to conduct discovery, and sanctioned lawyers and parties for failing to do so.” *Mancia v. Mayflower Textile Servs. Co.*, 2008 WL 4595175 (D. Md. Oct. 15, 2008). That expectation extends beyond named litigants to third parties brought into court by subpoena. *See, e.g., William A. Gross Constr. Assocs., Inc. v. Am. Mfrs. Mut. Ins. Co.*, 256 F.R.D. 134, 136 (S.D.N.Y. 2009) (“Electronic discovery requires cooperation between opposing counsel and transparency in all aspects of preservation and production of ESI. ... It is time that the Bar – even those lawyers who did not come of age in the computer era – understand this.”).

Other commentary is to the same effect, requiring more than a single meeting or disclosure about foreseeable ESI issues. *See, e.g.,* Fed. R. Civ. P. 26, advisory committee notes to 2006 amendments (referring to “discussions” between parties about ESI and other information). The commentary to The Sedona Conference’s Principle 11 (which encourages the use of electronic information retrieval tools) adds that “the parties should agree on the search methods, including search terms or concepts, to be used as early as practicable. Such agreement should take account of the *iterative* nature of the discovery process and allow for *refinement as the parties’ understanding of the relevant issues develops.*” Sedona Principles, Second Edition (2007) (emphasis added). The Cooperation Proclamation makes several suggestions for fulfilling the mandate.

Practice Point 6. Parties should make a good faith attempt *to collaborate* on the use of particular search and information retrieval methods, tools and protocols (including as to keywords, concepts, and other types of search parameters).

Practice Point 7. Parties should *expect that their choice of search methodology will need to be explained*, either formally or informally, in subsequent legal contexts (including in depositions, evidentiary proceedings, and trials).

The Sedona Conference Best Practices Commentary on Search & Retrieval Methods in E-Discovery, Practice Pointer 7, The Sedona Conference WG1 (August 2007) (emphasis added); *see also Victor Stanley Inc. v. Creative Pipe*, 250 F.R.D. 251, 262 (D. Md. 2008) (citing and quoting Sedona Conference practice pointers).

The mandate to cooperate with respect to pretrial discovery is particularly relevant to parties' and counsel's expectations about privilege and work product protections in the age of mushrooming ESI. In the not so distant past, litigants considered the choice of search and retrieval methodologies to be matters properly decided independently from opponents. That separateness was a basic, practical, and reasonable manifestation of the adversary process. Indeed, one's own strategy for finding relevant information during discovery and pretrial preparation was a matter to be guarded like the crown jewels, particularly without a showing by opposing counsel of undue hardship and substantial inability to discover the same information by other means. In the age of burgeoning ESI, on the other hand, commentators and courts are in general agreement that the burdens of discovery will no longer countenance such adversarial conduct with respect to pretrial discovery.

Modern discovery practice should instead be informed by counsel's twin duties of zealous advocacy and diligent candor as an officer of the court. In effect, this means that counsel should take into account the balance of costs and benefits that inform the scope of discovery under Rule 26(b)(2)(B) and (C), not only as to their own client but also for their opponent and the judicial system as a whole. Lawyers instead now have a "combined duty" to "strive in the best interests of their clients [and] to achieve the best results at a reasonable cost, with integrity and candor as officers of the court." Cooperation Proclamation at 1. "Cooperation [in pretrial discovery of ESI] does not conflict with the advancement of ... clients' interests – it enhances it." *Id.* Fulfilling that duty of "cooperation and transparency," *William A. Gross Constr.*, 256 F.R.D. at 136, is now essential and may require many advocates to modify their expectations about asserting privileges to protect confidential information about their clients' IT systems and ESI.

II. CASE LAW ABOUT WORK PRODUCT PROTECTIONS

Besides finding deeper meaning in the 2006 amendments to Rule 26, courts have found other doctrinal bases by which to require counsel and parties to cooperate with their opponents about pretrial discovery. Recent decisions about the scope of work product protections for ESI discovery materials have effectively required litigants to cooperate quite intimately about pretrial discovery. In doing so,

those opinions reflect a more limited scope of work product protection than was commonly asserted before the mandate to cooperate.

S.E.C. v. Collins & Aikman Corp., 256 F.R.D. 403 (S.D.N.Y. 2009), for example, is entirely understandable in light of the mandate to cooperate about ESI. But the result is likely opposite what many practitioners would have expected when document productions were mostly paper. In *Collins & Aikman*, the SEC produced 1.7 million electronic documents (over 10 million pages) and identified 54 separate categories into which the documents fell. But the court held the agency's production insufficient because the SEC had segregated the documents even more discretely for its own purposes, arranging some into 175 files tied to particular factual issues. Prior to 2006, it would have been more than reasonable to anticipate a different ruling, namely, that the segregation and selection of documents as relevant to a party's or counsel's analysis of significant factual issues would have been protected, probably as opinion work product but at the very least as ordinary work product. *See, e.g., Sporck v. Peil*, 759 F.2d 312, 315 (3rd Cir. 1985) (work product doctrine protects attorney's selection for deposition of certain documents out of thousands produced; "Because identification of the documents as a group will reveal defense counsel's selection process, and thus his mental impressions, [we agree] that identification of the documents as a group must be prevented to protect defense counsel's work product.").

But Judge Scheindlin weighed the matter differently. The court stated as a premise that "producing the compilations of documents that support the factual allegations of a complaint reveals no more than that already revealed by the filing of the complaint." *Collins & Aikman*, 256 F.R.D. at 410. Of course, anyone who has been trial counsel knows that such a production actually reveals much more than the mere filing of a complaint. It also reveals the results of matching documentary support to specific allegations and counsel's analysis of what are significant, relevant facts. Moreover, during counsel's trial preparation, relevance is a strategic issue that often makes or breaks the case. The court, however, having considered the efficiency related factors of substantial equivalence and undue hardship, concluded that the selections were not protected by the work product doctrine. Judge Scheindlin concluded it would be "patently inequitable to require a party to search ten million pages to find documents already identified by its adversary as supporting the allegations of a complaint." *Id.* at 411. Since the SEC had "already identified" and sorted certain documents as particularly relevant, the court's order effectively required the agency to do more than merely cooperate with its opponent; it required the SEC to hand over a cornerstone of its trial preparation work.

Similarly, in *Miller v. Holzmann*, 238 F.R.D. 30 (D.D.C. 2006), Harbert International, Inc. had produced 150,000 documents. Plaintiffs, the United States and Miller, had chosen about 20,000 of those documents to be electronically scanned. Harbert moved to compel the identity of the scanned documents. Not surprisingly, the plaintiffs claimed their selection of documents was protected as opinion and ordinary work product. What may be surprising, however, is that both arguments were rejected by the district court.

The court relied on its own precedent that an attorney's index of documents is "factual in basis but opinionative in structure" because such an index "might reveal the attorney's opinions about the case." See *Miller*, 238 F.R.D. at 32 (citing and quoting *Washington Bancorporation v. Said*, 145 F.R.D. 274, 276 (D.D.C. 1992)). Notwithstanding the index's "opinionative" nature, the court distinguished *Sporck*, applied an ordinary work product analysis, and ordered the index produced. In the court's view, the "extreme" number of documents in the index made it much less likely that the indexing attorney's strategy would be revealed. *Miller*, 238 F.R.D. at 32. The number of scanned documents was "so large that it would be difficult to conceive of [Harbert] gleaning plaintiffs' trial strategy solely by virtue of plaintiffs disclosing the identity of the documents." *Id.* In light of the complexity of the case and its expedited discovery schedule, the court ordered the plaintiffs to identify the documents they had chosen to scan as the only way Harbert could discover that information.

The *Miller* decision can be criticized for several reasons. The obvious question is whether the adversarial system would have been better served by having Harbert's counsel make its own selection among Harbert's own documents. Of all the parties before the court, Harbert could reasonably be expected to be the party most familiar with its own documents and therefore best able to choose the relevant ones efficiently. Moreover, the court itself acknowledged – indeed, relied upon -- the fact that the identity of the selected documents would be disclosed by other, albeit typically later, avenues of discovery such as interrogatories and exchanges of witness and exhibit lists. Although the court expressly recognized that the selectivity might reveal counsel's opinions, that concern was outweighed by the number of documents at issue in the discovery dispute and the case as a whole. 238 F.R.D. at 33. Most importantly, the decision might raise perverse incentives in discovery intensive cases inasmuch as the more trial preparation work that counsel does, the more likely it is that the work may be ordered disclosed to opponents.

Whatever the ultimate merits of *Miller*, the court (like the court in *Collins & Aikman*) was able to point to relevant precedent in an area of law -- the breadth of work product protection of attorney selectivity -- that has never provided bright lines. It is nonetheless instructive to consider the reasons provided by the court for its decision.

This is an extremely complex case with many parties. It is also a case which has been in litigation for over 10 years and is now procedurally in the midst of an expedited discovery schedule which involves numerous depositions and the review of thousands of documents. For these reasons, the denial of plaintiffs' motion for a protective order would certainly accelerate, in a permissible fashion, the progress of the litigation.

In *Miller*, just as in *Collins & Aikman*, the court decided (correctly) that the disclosure of attorney selected documents would advance efficiency goals calculated not for two separate opponents individually, but for all parties together with the court itself. Although the *Miller* and *Aikman & Collins* courts did not expressly cite the mandate to cooperate in matters of pretrial discovery, their decisions are entirely consistent with it.

This narrower, efficiency minded, and cooperative scope of work product protection is not limited just to the selection of documents. Delaware's federal court last year ordered the production of defense counsel's notes taken during and after investigatory interviews of more than a thousand employees about the defendant's compliance with its ESI preservation obligations. *See In re Intel Corp. Microprocessor Antitrust Litig.*, 2008 WL 2310288; 2008 U.S. Dist. LEXIS 43920 (D. Del. June 4, 2008). The participants in that case recognized that it could include the largest production of electronic evidence ever, so Intel instituted a process to preserve such materials. Although Intel did not suspend its email system's automatic deletion function, its preservation plan included instructions to its key employees to preserve relevant emails and a migration of key files to separate servers for weekly back up.

When Intel disclosed that some employees had made "inadvertent" preservation mistakes, AMD and the plaintiffs negotiated a stipulated order with Intel requiring it to submit an expedited report describing the preservation issues with respect to 239 custodians and thereafter to provide the same information about other employees. Drawing from its counsel's interview notes and other sources, Intel eventually provided individualized summaries of preservation issues and their possible effects on over 1,000 custodians' files. Notwithstanding Intel's compliance with the terms of their agreed order, AMD and the plaintiffs moved to compel production of the attorney notes underlying the summaries.

According to a Report and Recommendation (to which Intel did not object), AMD and the plaintiffs had demonstrated substantial need for fact work product within the attorney notes, *i.e.*, the information gathered from the custodians, because they would otherwise be forced to rely on Intel's counsel's version of events. As to undue hardship, the Special Master decided that this was a more efficient way of discovering the underlying events compared to obtaining the same information through deposition questions. 2008 WL 2310288 at * 15-17.

As to the obvious counter-argument that the selection of questions to ask particular custodians would reveal the theories and impressions of counsel, the Special Master provided a novel analysis without citation to authority. "[T]o the extent that the primary focus of the interviews reflect the mental impressions of Intel counsel, it cannot be said that the focus was chosen by Intel counsel alone. Rather, the focus was developed collaboratively with all of the parties with the ultimate *imprimatur* of the Court," notwithstanding the Special Master's acknowledgement that some of the interviews were conducted months before the order that supplied the court's approval. 2008 WL 2310288 at * 17.

The court did not rule that the work product was not core, or opinion, work product. Indeed, prior to mountains of ESI requiring parties to cooperate in pretrial discovery, work product in counsel's notes reflecting the lawyers' impressions would have been sacrosanct. And, perhaps surprisingly, notwithstanding the ability of Intel's opponents to obtain the same information through depositions, in the court's view, the efficiency concerns of substantial need and undue hardship outweighed the protection to be afforded counsel's "impressions." *Cf.* Fed. R. Civ. P. 26(b)(3) ("when the required showing has been made, the court *shall* protect against disclosure of the mental impressions ... of an attorney or other representative of a party ... concerning the litigation") (emphasis added). So, in order

to run to ground all pretrial questions about Intel's ESI and its compliance with its discovery obligations under Rule 26, the court ordered it to cooperate with its opponents over and above the extra discovery those parties had previously agreed upon.

III. EVIDENCE RULE 502 AND WAIVER OF ATTORNEY-CLIENT PRIVILEGE

Federal Rule of Evidence 502 is perhaps the most important of recent changes in the law of evidence. Like the developments discussed above, Rule 502 was designed to ease the burdens of discovery in the age of mushrooming ESI. The most significant of those burdens in terms of both effort and expense is the work required prior to production of ESI in order to avoid inadvertently producing documents protected by the attorney-client privilege and the work product doctrine.

[Rule 502] 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. *See, e.g., Hopson v. City of Baltimore*, 232 F.R.D. 228, 244 (D.Md. 2005) (electronic discovery may encompass "millions of documents" and to insist upon "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").

Fed. R. Evid. 502, Advisory Committee Note.

Whether and to what extent waiver results from inadvertent disclosure of privileged materials is a matter that courts previously have addressed in three ways. *See, e.g., Victor Stanley, Inc. v. Creative Pipe, Inc.*, 250 F.R.D. 251, 254 (D.Md. 2008) (delineating three approaches); *Hopson v. City of Baltimore*, 232 F.R.D. 228 (D.Md. 2005) (same). Under the strict rule, any non-compelled disclosure of privileged communications, whether or not inadvertent, waived the protection. The intermediate approach considered the circumstances of the production and any corrective action to determine whether, on balance, a waiver occurred. The lenient standard held that inadvertent production standing alone did not ever result in waiver on the theory since that such a drastic result should be restricted to intentional disclosures. *See Victor Stanley*, 250 F.R.D. at 254; *see also* Haig, Robert, ed., SUCCESSFUL PARTNERING BETWEEN INSIDE AND OUTSIDE COUNSEL, Chapter 33, *Attorney-Client Privilege and Attorney Work Product Protections* at § 33:61-33:68 (West Group 2008) (citing cases applying each approach).

Federal Rule of Evidence 502(b) now provides a uniform, federal rule most akin to the intermediate approach. Waiver is to be determined by whether the holder of the protection took reasonable steps both to avoid inadvertently producing the materials and to retrieve them once the mistake is noticed. That is, Rule 502 "adopts a national standard that an inadvertent disclosure of privileged information does not waive the privilege if the holder of the privilege took reasonable steps to

prevent disclosure and to rectify the error.” *Rhoads Indus. v. Building Materials Corp. of America*, 254 F.R.D. 216 (E.D. Pa. 2008). Rule 502, therefore, has changed the law in federal jurisdictions that previously applied the strict and lenient approaches to determine the effects of inadvertent production. In jurisdictions that previously applied the strict approach, Rule 502 expands the scope of privilege and work product protections. But in jurisdictions that applied the lenient approach, those protections have been narrowed. In all federal jurisdictions, however, Rule 502(a) limits any resulting waiver to the particular document that was disclosed without a broader, subject matter waiver unless fairness requires a different result.

Rule 502 also provides a safer mechanism by which federal litigants can engage in “quick peek” and similar productions subject to “claw-back” arrangements. 502(d) specifically allows the parties to agree to limit the effect of inadvertent disclosure, but only as between the parties themselves. To protect against waivers as to third parties outside the litigation (which would generally arise from a disclosure between litigants), the parties must do more than agree among themselves. They must obtain an equivalent confidentiality order from their court “that the privilege or protection is not waived by disclosure connected with the litigation pending before the court.” Rule 502(c).

IV. PRESERVING APPROPRIATE PROTECTIONS

In light of these changes, how can counsel best protect a client’s interest? First, follow the mandate to cooperate in good faith. The criticisms offered in this white paper are intended to demarcate as boldly as possible the different, often narrower scope of privilege and work product protections that a party can rely upon in the era of ESI. That is not to suggest that the opinions discussed here are wrong as they interpret the privileges in the modern age. Moreover, other rules require much the same result. Fed. R. Civ. P. 37 requires a party wishing the court to compel discovery “to make a good faith attempt to resolve the discovery dispute [] before filing a motion to compel discovery responses.” Fed. R. Civ. P. 37(a)(2)(A). The mandate requires more than a polite demeanor while one goes through the motions of appearing to cooperate. “A reasonable effort to confer means more than mailing or faxing a letter to the opposing party. It requires that the parties in good faith converse, confer, compare views, consult and deliberate, or in good faith attempt to do so.” *U.S. Fire Ins. Co. v. Bunge North American, Inc.*, 2008 U.S. Dist. LEXIS 49024 at *20 (June 23, 2008) (citations and quotations omitted).

Second, when drawing lines in the sand about ESI discovery, choose your battles carefully. That means choosing to fight only after agreeing to (or at least offering) what is reasonable and cost effective in light of the relevant circumstances and articulating your position in terms of what is reasonable and cost effective for the discovery process as a whole. The more effectively the parties cooperate in exchanging information about discoverable materials, the more effectively and successfully a party will be able to articulate a line in the sand while narrowing any discovery dispute. In situations where opposing counsel is unwilling to reciprocate, ensure that your party’s position is reasonable for the parties and the court in light of the costs and benefits of advancing the case. To whatever extent the parties reach agreement and can demonstrate a reasonable attempt to limit disagreement, there is a correspondingly smaller opportunity for a court to impose a solution that neither side will find

reasonable or desirable. *See, e.g., United States v. O'Keefe*, 537 F. Supp. 2d 14, 21 (D.D.C. 2008) (because “the parties did not discuss this [discovery] problem before hand, the eggs have been scrambled and the only hope is [for the court] to try to create a solution”).

Third, do the work necessary to gain the protections offered through Rule 502. That requires at least two initiatives. Get a court order pursuant to Rule 502(d) to protect against waiver or at least narrow the effect of inadvertent productions. And be sure that the agreed procedures and limits to be ordered by the court are reasonable in the circumstances of the case as a whole, its discovery requirements, and the needs of the parties and the court, particularly with respect to notice from opposing counsel about inadvertent productions and the means and time for responding to that notice. *See Fed. R. Evid. 502(b); Rhoads Indus. v. Building Materials Corp. of America*, 254 F.R.D. 216 (E.D. Pa. 2008) (finding waiver of 120 documents not logged prior to motion because party “failed to prepare for the segregation and review of the privileged documents sufficiently far in advance of the inevitable production of a large volume of documents”). Magistrate Judge Grimm has provided similar warnings in both *Victor Stanley* and *Hopson*.

In *Hopson*, this court discussed the dangers inherent in using non-waiver agreements, such as “clawback” or “quick-peek” agreements, and noted that reliance on them could nonetheless result in a determination that privilege and work-product protection had been waived, notwithstanding the agreement, given the current state of the substantive law regarding privilege waiver. *Hopson*, 232 F.R.D. at 236-38. The court further identified a process that could be employed within the boundaries of existing privilege waiver law that would significantly improve the likelihood of avoiding privilege waiver. The court noted: “[I]t is essential to the success of this approach in avoiding waiver that the production of inadvertently produced privileged electronic data must be at the compulsion of the court, rather than solely by the voluntary act of the producing party, and that the procedures agreed to by the parties and ordered by the court demonstrate that reasonable measures were taken to protect against waiver of privilege and work product protection.” *Id.* at 240.

Finally, when it comes to pretrial discovery about ESI, memorialize strategy separately from ordinary work product. Record considerations about how you will cooperate separately from the factual information that may be the subject of, or necessary to resolve, a discovery dispute. Information that might have to be disclosed, such as the content, status, and condition of ESI, should be memorialized in materials kept separate from strategic considerations. That is, before putting a tribunal in the position of making its own decision about what is core, opinion work product that it should protect under Rule 26(b)(3), judiciously separate your strategy for cooperating on ESI when generating work product about discovery.