

Electronic Discovery in Intellectual Property Litigation

THE TOP DOS AND DON'TS OF MANAGING DISCOVERY IN THE DIGITAL AGE

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Over the last five to ten years, electronic discovery has blossomed into its own area of law as technical innovations have leapfrogged discovery and the Rules of Civil Procedure. As more and more corporate documents are created, distributed, and maintained entirely in electronic form, corporate legal counsel must face the sometimes overwhelming tasks of preserving, collecting, reviewing and producing these materials when confronted with litigation. These problems can be made even more complex and troublesome in intellectual property litigation where technology and digital reproduction form the heart and soul of the case. As a defendant in a trade secret case, should counsel image any or all of the client's lap top computers? As a plaintiff in a patent infringement litigation, should counsel produce all of the underlying data for the tests that were the basis of the invention? If so, how and in what format? If your client has been accused of copyright infringement because of its website, how does counsel preserve and produce, in what can be a very dynamic environment, the most important interface between the client and its customers?

Technical innovation and digital documents, however, should not cause counsel and their corporate clients from abandoning the polestar for all civil discovery: reasonableness. Plaintiffs and defendants that act reasonably with respect to electronic discovery are less likely to fall into the traps and pitfalls that have become infamous through several high-profile electronic discovery cases with their accompanying expensive sanctions. In any litigation, and particularly in large intellectual property litigations, it is important that both counsel and client keep an eye on the big picture and plan well ahead for possible eventualities. Counsel almost never need to overturn the entire company and preserve and produce every electronic document; parties are obligated to preserve only those documents that are reasonably relevant to the litigation and produce non-privileged documents that are responsive to unobjectionable requests. *China Ocean Shipping Co. v. Simone Metals Inc.*, No. 97-26941999 U.S. Dist. LEXIS 16264, at *12 (N.D. Ill. Sept. 30, 1999) (litigant has a duty to preserve evidence over which it had control and "reasonably knew or could reasonably foresee was material to a potential legal action," but does not have to go to "extraordinary measures."); *Wiginton v. CB Richard Ellis*, No. 02-68322003 U.S. Dist. LEXIS 19128, at *13 (N.D. Ill. Oct. 24, 2003) (A litigant "does not have to preserve every single scrap of paper in its business.") While every case is different and the scope and needs of electronic discovery need to be considered based on the specific facts of the litigation, there are a few classic "dos and don'ts" of managing electronic discovery.

DO BE PROACTIVE AND DON'T DELAY.

The worst thing one can possibly do in electronic discovery is waiting for the problem to come to you. What often gets lawyers and parties in trouble is that they wait to handle problems for as long as possible and then, realizing the scope of the discovery before them, cut corners in order to make deadlines. In electronic discovery this can be a path to disaster. See, e.g., *Coleman (Parent) Holdings, Inc. v. Morgan Stanley &*

Co. Inc., No. 502003CA005045XXOCAJ, ¶ 1 (Fla. 4th DCA Mar. 2005). The fact is that in the digital age, especially now that memory has become relatively cheap, employees tend to keep documents. They archive e-mail and burn electronic documents to CD or stash them on remote servers. The sheer volume of electronic documents has grown dramatically and when counsel realizes the sheer scope of the documents that need to be preserved, collected and reviewed, it can lead to cutting corners and either the destruction or non-production of responsive documents.

This is why it is critical for counsel to recognize the size and scope of their potential e-discovery as soon as they anticipate litigation. Counsel should determine who the key players are in the litigation and, through them, determine where potentially responsive documents might be located throughout the company. By determining the potential universe of responsive documents before the opposition even serves its first discovery request, in-house counsel can plan and prepare for the scope of the litigation and budget time and resources appropriately. If a party falls behind in the discovery and tries playing catch-up, the sheer volume of electronic discovery can cause a party to lose leverage in the litigation very quickly, making it more difficult to execute the intended trial strategy or to settle the litigation on favorable terms.

DO HAVE A DOCUMENT RETENTION POLICY AND DON'T HAVE "SHRED" DAYS.

Every company, whether involved in IP litigation or not, is well served by having a thoughtful and detailed document retention policy. As part of that policy, the corporation should determine the life cycle of its documents and, in turn, decide when documents should be kept and when they should be discarded for business purposes. Keeping documents forever is an expensive and unnecessary proposition. First, without a legal or regulatory reason to keep a specific document, corporations are under no duty to retain documents outside of litigation. In fact, if a relevant document is destroyed prior to litigation, the fact that it was done pursuant to a reasonable document retention policy will act as a mitigating factor against later claims of spoliation. *Lewy v. Remington Arms Co.*, 836 F.2d 1104 (8th Cir. 1988); *Telectron, Inc. v. Overhead Door Corp.*, 116 F.R.D. 107, 127

(S.D. Fla. 1987). Most corporate documents, however, serve a business purpose – normally the reason they were created in the first place – and corporations should not discard documents that still have a value to the company. On the other hand, keeping documents only for the sake of not discarding them increases the burden and stress on the company’s storage facilities and IT systems. It also increases the burden and expense to the company, if and when litigation comes, because it increases the amount of documents – most of which are completely irrelevant and unresponsive – that need to be sifted through and reviewed in order to fulfill the company’s discovery obligations. Thus, any good document retention policy should include guidelines and procedures for determining when a record has outlived its business function, is no longer useful to the company and should be discarded.

The orderly and necessary elimination of documents under a thoughtful and reasonable document retention program, however, does not require “shred days”. In *Rambus Inc. v. Infineon Technologies AG*, 220 F.R.D. 264 (E.D. Va. 2004), Rambus got into trouble for two reasons. First, once a party reasonably anticipates litigation, it has an affirmative obligation to preserve any and all documents it reasonably believes are relevant to the litigation. See *Silvestri v. General Motors Corp.*, 271 F.3d 583, 591 (4th Cir. 2001). Thus, any reasonable and thoughtful document retention program should include a procedure to stop – “hold” – the destruction of potentially relevant documents once the company reasonably anticipates litigation. This undertaking is generally known as a “litigation hold.” See *Rambus*, 220 F.R.D. at 298 (“[L]awful programs must be suspended or adjusted when litigation is reasonably anticipated and the in-place program runs the risk of destroying potentially relevant materials.”)

In the *Rambus* case, Infineon argued that just prior to filing suit against it for patent infringement, Rambus systematically deleted documents relevant to the litigation, even though Rambus was in the midst of drafting the complaint. Infineon argued, therefore, that Rambus had reasonably anticipated the patent infringement litigation but destroyed relevant documents nonetheless. The second problem for Rambus was that the destruction of the documents was completed on “shred days” – a

term coined by Rambus – involving celebrations with beer, pizza and Champagne. See *Rambus*, 220 F.R.D. at 291. It is not that companies cannot have days dedicated to organizing and cleaning their offices – a task that is sometimes hard to do in the ordinary course of business – but such days need to be carefully run and special attention needs to be paid to ensure that a company’s preservation obligations are kept (and calling it “Shred Day” is not wise). Even if Rambus’ destruction had been more reasonable, the public relations problems caused by its “shred days” make this a highly suspect practice. In the end, Rambus was sanctioned for its conduct including the waiver of the attorney-client privilege under the crime/fraud exception. See *id.* at 298.

DO DISTRIBUTE A LITIGATION HOLD NOTICE AND DON'T FORGET TO REMIND PEOPLE PERIODICALLY.

One of the worst mistakes a party and its counsel can make – and a surprisingly common one – is the failure to carefully instruct the company’s employees that potentially have relevant material not to destroy it. While this may seem obvious, many parties fail to take this basic step. A company should have a standard preservation notice that can be tailored to different litigations and a process for distribution of the notice to the appropriate employees once litigation becomes reasonably anticipated. A best practice for the preservation notice should include:

- The name of the litigation and the list of anticipated parties;
- A general description of the potential claims and defenses that may be asserted;
- A general description of the facts at issue in the litigation;
- A reasonable description of the types of documents that need to be preserved, specifically mentioning both paper and electronic documents;
- A process by which employees are to preserve their potentially relevant documents (both paper and electronic); and
- A contact person (usually in the legal department) for employees to call or e-mail with questions regarding preservation.

As a litigation progresses, the parties typically learn more about the case and what is actually relevant to the litigation. In

turn, this may expand or narrow the scope of preservation as what is relevant becomes better understood. A party may need to expand its list of employees with potentially relevant information, and thus, the preservation notice may need to be distributed more broadly. On the flip side, a certain issue may be resolved or withdrawn from the litigation and documents relating to it become irrelevant. In any event, because litigation, and particularly intellectual property litigation, can take months or years to conclude, counsel should periodically re-examine the scope of litigation, adjust the litigation hold accordingly, and redistribute the notice to remind employees of their obligation to preserve relevant material.

DO MEMORIALIZE YOUR DECISIONS AND DON'T ASSUME COMPLIANCE.

The most important part of electronic discovery is being reasonable. One of the problems with electronic discovery, however, is that with the benefit of hindsight and more perfect information, opposing counsel and the court might see decisions made at the very beginning of litigation as unreasonable. The best way to prevent this problem is for in-house counsel and the corporation to memorialize the decisions they make as discovery develops. Counsel should keep a log of their discovery decisions, including why certain documents were collected and other documents were not, and why the litigation hold notice was sent to certain employees but not to others. It is impossible to undertake any discovery, much less an electronic discovery, perfectly, but that is not what is required. What is required is for parties to act reasonably with the knowledge and information available. Courts are much less likely to sanction a party, even a party that has made a mistake and has destroyed potentially responsive documents, if that party can show it tried its best to reasonably fulfill its obligations to preserve and produce the proper documents.

One error that has emerged repeatedly in electronic discovery is that counsel discusses the size and scope of electronic discovery only with a few top management personnel who are involved in litigation and does not dig deeper within the organization. See, e.g., *Zubulake v. UBS Warburg LLC*, No. 02 Civ. 1243 (SAS), 2004 U.S. Dist. LEXIS 13574, at *10 (S.D.N.Y. Jul. 20, 2004); *Telecom Int’l Am., Ltd. v. AT&T*

Corp., 189 F.R.D. 76, 81 (S.D.N.Y. 1999) (“[T]he obligation to preserve evidence runs *first* to counsel, who then has a duty to advise and explain to the client its obligations to retain pertinent documents that may be relevant to the litigation.”). For instance, counsel have gotten into trouble because they have sent preservation notices only to key managers within certain departments and not followed up to see that the notices have traveled down to the employees who are actually creating, maintaining and (hopefully not) destroying the documents relevant to a litigation. Moreover, counsel and parties have also gotten in trouble for relying on the policies and procedures of individual departments without confirming that those policies and procedures are actually being followed by their

employees. In counsel’s effort to determine this universe of potentially responsive documents, it is better practice not to rely solely on discussions with only a few key management personnel. Rather, counsel, probably through paralegals or other staff, need to interview all of the individuals whom counsel reasonably knows have materially relevant documents or information to determine where they actually keep their files and documents.

CONCLUSION

Counsel and companies that are comfortable with handling paper discovery can be intimidated by the complexities, scope and speed of electronic discovery. The bad news is that electronic discovery is only going to become more pervasive, especially

in intellectual property litigation where scientific data, digital images and innovation can be the focus of the dispute. The good news is that lawyers and parties need not abandon the principles that they have used in discovery in prior intellectual property cases: be reasonable, be prepared, be careful and be thorough. While problems in electronic discovery can grow bigger and faster than a similar problem in paper discovery – for instance, failing to establish a litigation hold at the appropriate time or for the appropriate departments can now cause the automatic deletion of e-mail in companies with “sweeper” programs - counsel who are prepared to act reasonably can move quickly to protect their clients from these mistakes. 