

GEORGETOWN LAW
CONTINUING LEGAL EDUCATION

GAME ON: ETHICS AND EDISCOVERY

Presenters



David Cohen
Partner
Reed Smith LLP



Sara Anne Hook
Professor
Indiana University



Jeannine Kenney
Associate
Hausfeld LLP



Elizabeth Stafford
Magistrate Judge
Eastern District of
Michigan

Program Format

- ❑ This is an *INTERACTIVE* program so prepare to participate
- ❑ You will be presented with a hypothetical case involving a series of ethical decisions related to the discovery process
- ❑ On each decision you will be asked to vote on whether counsel acted ethically or unethically
- ❑ You vote by marking your game board **AND** using the red and green colored cards at your place
- ❑ Following each vote, we will provide you with our interpretation of the correct answer, and the basis for that interpretation
- ❑ To protect the innocent (and we are all presumed innocent until proven guilty) all are required to agree to the following disclaimer:

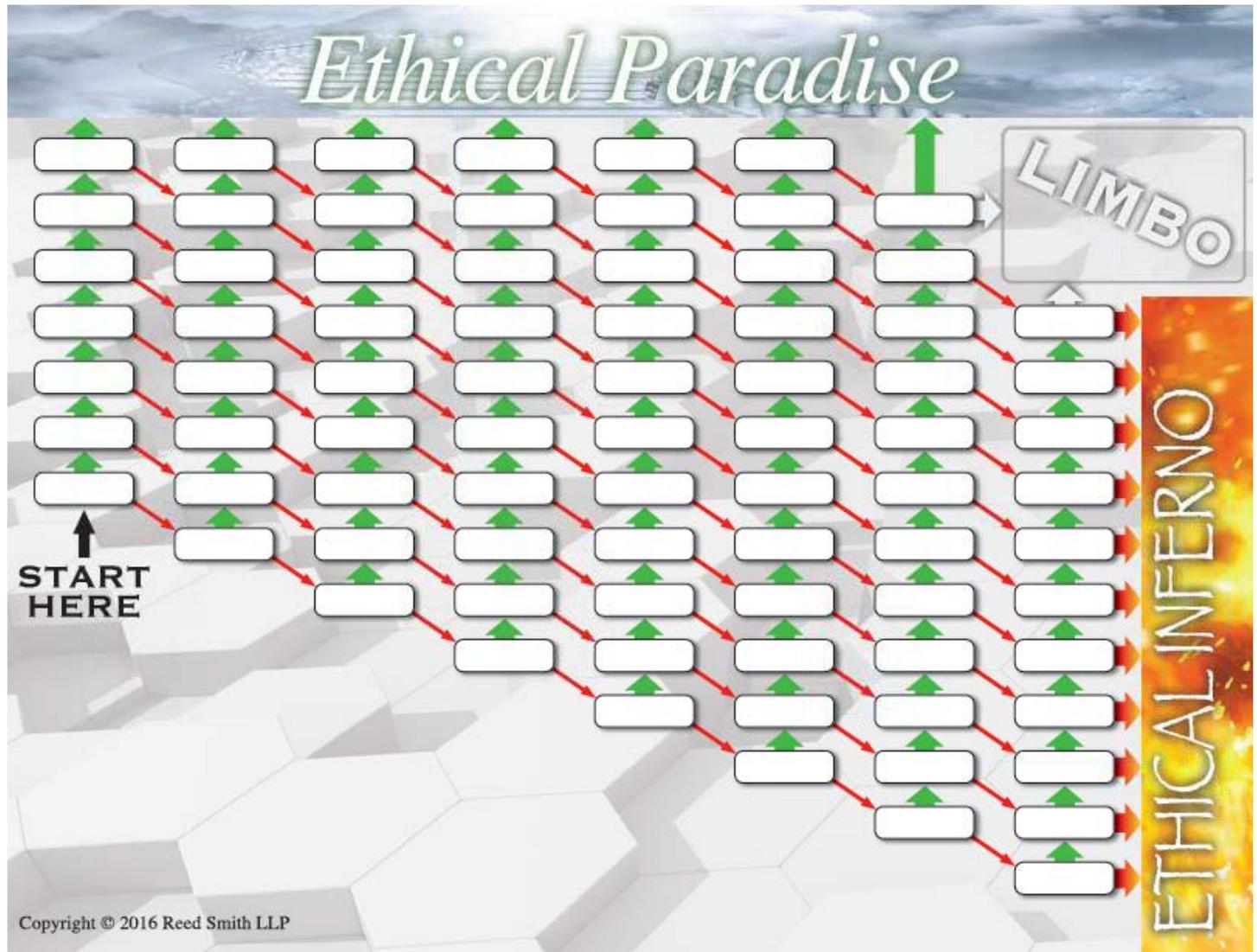
Disclaimer

- ❑ This program is solely for educational/discussion purposes
- ❑ The individuals and circumstances presented in this hypothetical are fictional and any resemblance to actual persons or events is purely coincidental
- ❑ Any research or opinions presented are not meant to apply to any real-life situations, which will invariably have unique facts and circumstances
- ❑ Nothing in this presentation and none of these votes may be referenced in any real matter, particularly any matter involving any law firms, companies or other organizations of those in attendance here today!

The Gameboard

For every
Correct
answer,
move up
one square

For every
Incorrect
answer,
move down
and to the
right



“Ethical” vs. “Unethical” Conduct for Game Purposes

- ❑ In labeling conduct ethical vs. unethical, we are referring to the ethical rules and guidelines applicable to U.S. licensed attorneys and their delegees – not necessarily what might be considered ethical or unethical in a non-legal context
- ❑ Just because conduct may not comply with “best practices,” that alone does not make it “unethical” for present purposes
- ❑ For this game, conduct will be considered unethical if it:
 - ❑ Violates one or more applicable ethical rules; and/or
 - ❑ Violates one or more legal ethics opinions; and/or
 - ❑ Would leave a party or its counsel at substantial risk of being sanctioned based on existing rules or case law

Fact Pattern:

Plain Language Term Finder, Inc. v. Digital E-Finder, Inc. et al.

- ❑ Gil Teanott was an employee of Plain Language Term Finder, Inc. (“PLTF”) until January of last year
- ❑ While working there, Teanott was part of the development team for the Search Matcher (“SM”)
- ❑ The SM was developed as a proprietary way to match advertisements to on-line internet search results
- ❑ It has allowed PLTF to collect millions of dollars of increased advertising revenue since its release in 2014

Fact Pattern:

Plain Language Term Finder, Inc. v. Digital E-Finder, Inc. et al.

- ❑ In June 2015, Teanott was recruited by Digital E-Finder, Inc. (“DEF”), PLTF’s primary competitor in the field of web searching
- ❑ Six months ago DEF announced the upcoming release of its Brand Dominator (“BD”)
- ❑ The BD is similar to the SM in that it matches a user’s search results to potential advertisers to target online ads
- ❑ Four weeks after the announcement, PLTF filed suit against DEF and Teanott, alleging theft of trade secrets

Legal Cast of Characters

Gil Teanott, Defendant



Gil claims that he did nothing wrong!

Legal Cast of Characters

Ian Ink is In-house counsel for DEF, Inc.



Ian has been in-house with DEF, Inc. for a dozen years.

Legal Cast of Characters

Scott Free, **Outside Counsel** for DEF



Scott is known for getting his clients off “**scott free.**”

Legal Cast of Characters

Sue Anne **Grillum** is counsel for PLTF.



She loves to **sue** (and **grill**) tech company adversaries.

Case Evaluation & Planning

- ❑ Inside counsel Ian and outside counsel Scott plan to issue a legal hold with instructions to preserve everything relating to PLTF's claims.
- ❑ Scott tells Ian to include in the hold notice:
 - 1) Going forward, employees should only communicate over the phone or in person regarding the litigation or underlying facts. If an email **must** be drafted, then Scott or other legal counsel must be copied; and
 - 2) Employees who have used any sort of text messaging service to discuss their work at DEF must not delete those messages unless/until Scott or other legal counsel has a chance to look at them.

1. Are these instructions ethical?

Green: Yes

Red: No

Legal Hold Ethics

Yes

- ❑ Legal hold language may include forward-looking instructions on monitoring communications.
- ❑ Consideration of text messages and other ephemeral forms of communication that might be relevant to litigation is an important aspect of preservation that is often overlooked:
 - ❑ ***Small v. University Medical Center of Southern Nevada***, No. 2:13-cv-00298-APG-PAL (D. Nev. Aug. 18, 2014)

Case Evaluation & Planning

- ❑ After issuing the hold notice, in-house counsel Ian and outside counsel Scott discuss collection methods for email.
- ❑ Starting with the key custodians, they will interview custodians and help them identify relevant documents.
- ❑ They will then forward emails identified as potentially relevant to a special email box set up to collect those emails for potential production.

2. Is this collection plan ethical?

Green: Yes

Red: No

Collections

Probably

- ❑ ***Zubulake*** endorses direct contact with at least the key custodians to help ensure proper preservation and collection.
- ❑ Counsel’s involvement in identifying the relevant email helps avoid self-selection issues (*See Burd v. Ford Motor Co.*, No. 3:13-cv-20976 (S.D. W.Va. July 8, 2015)).
- ❑ This might not be a “forensic” collection method, but all metadata likely to be needed should still be available.
- ❑ There is no “one size fits all” in regard to collection methods.
- ❑ No case law or rule says this type of collection method is unethical.

Third Parties

- ❑ In-house counsel Ian tells outside counsel Scott about two former employees who worked on the BD, plus an independent third-party software design firm that DEF contracted with to help with programming. He asks if they should be informed about the litigation and asked to preserve relevant evidence.
- ❑ Scott tells Ian that would not hurt, and at the same time they should be warned that PLTF's counsel may be contacting them and they should not share any documents or other information with PLTF's counsel absent a formal subpoena.

3. Would such notice to these parties be ethical?

Third Parties

Probably Not

- ❑ Model Rule 3.4 provides that “[a] lawyer shall not:… request a party other than a client to refrain from voluntarily giving relevant information to another party unless… the person is a relative or employee or other agent of a client…”

Case Evaluation & Planning

- Scott and Ian direct the DEF Marketing Dept. to immediately take down all information about the BD appearing on the company website, which will make it inaccessible to PLTF (and others) absent formal discovery mechanisms.

4. Is this course of action ethical?

Green: Probably

Red: Probably Not

Green and Red: It Depends on the Jurisdiction

Removal of Online Data

Probably

- ❑ No rules require websites to stay unchanged following a preservation trigger.
- ❑ However, potentially relevant information must still be preserved, even if it is no longer available to the public (*See Allied Concrete Co. v. Lester*, 285 Va. 295, 736 S.E.2d 699, 2013 ILRC 1053 (2013)).

Preservation of Relevant Records

- ❑ Ian inquires as to whether he needed to take any action to preserve DEF's backup tapes, which are recycled and overwritten on a 12-month cycle.
- ❑ Scott notes that those tapes are intended for disaster recovery purposes, and are not “reasonably accessible.” Also, most emails on the backup tapes would still be preserved on live systems.
- ❑ Scott tells Ian that there is no need to deviate from the ongoing backup tape rotation.

5. Is Scott's advice ethical?

Backup Tapes

Probably Not

- ❑ Under FRCP 26(b)(2)(B), “[a] party need not provide discovery of electronically stored information from sources that the party identifies as not reasonably accessible because of undue burden or cost.” However, even upon a “not reasonably accessible” showing “***the court may nonetheless order discovery from such sources if the requesting party shows good cause.***” (see also ***Ocwen Loan Servicing, LLC v. Ohio Pub. Emps. Ret. Sys.***, 49 Misc. 3d 1219(A) (NY 2015)).
- ❑ Here, since some relevant information may not be available on live systems, failing to halt recycling could result in spoliation of unique evidence.

Gil Teanott, Co-Defendant

- ❑ DEF offers to have outside counsel, Scott, represent him personally as well as DEF. Teanott accepts the offer and expresses his gratitude.
- ❑ When Scott meets with co-defendant Teanott to discuss the case, Teanott reveals that he still has retained some material about the SM project from his time at PLTF.
- ❑ Scott tells Teanott to provide to him the PLTF data so Teanott no longer has access to it while they decide next steps.

6. Has Scott acted ethically?

Obligations in Joint Defense Situations

Probably Not

- ❑ Model Rule 1.7 provides that “a lawyer shall not represent a client if the representation involves a concurrent conflict of interest. A concurrent conflict of interest exists if... there is a significant risk that the representation of one or more clients will be materially limited by the lawyer's responsibilities to another client...” (subject to exceptions not applicable here).
- ❑ Scott failed to analyze potential conflicts between the two clients, or to disclose to Teanott that his duties to DEF could be adverse to Teanott, prior to eliciting confidential information from him.

Preservation of Relevant Records

- ❑ Co-defendant Teanott tells outside counsel Scott that he needs to buy a new home computer because his is out-of-date and slow. However, Scott is concerned because Teanott's personal computer has not yet been searched for documents relevant to the litigation.
- ❑ Teanott offers to print everything work-related before disposing of the old computer.
- ❑ Scott requests that Teanott copy any potentially relevant information over to his new computer, so that all data and metadata are preserved, before disposing of his old computer.

7. Are Scott's instructions ethical?

Preservation of ESI on Personal Systems

Probably Not

- ❑ Outside counsel Scott has not done enough to ensure preservation of evidence and left both of his clients open to spoliation accusations:
 - ❑ ***Jones v Bremen High Sch. Dist. 228***, No. 1:2008-cv-03548 (N.D. Ill. Mar. 4, 2009): It is unreasonable to allow a party's interested employees to make the decision about the relevance of ...documents, especially when those same employees have the ability to permanently delete unfavorable email from a party's system.
 - ❑ Scott left potentially unique evidence in the control of a custodian personally accused of trade secret theft. The obvious option of having counsel preserve the old computer rather than disposing of it was not suggested.

Lost Data 1

- ❑ After Gil Teanott left PLTF, and the BD was announced, PLTF hired a third party consultant to update its SM software. The update altered some of the original SM computer source code that Teanott had worked on.
- ❑ The update was completed a week before PLTF sued DEF. Neither PLTF nor the consultant maintained all of the original source code for the BD.
- ❑ PLTF produced the current version of source code, along with everything they still had of the prior code. PLTF also fully disclosed to DEF the situation and that the consultant had failed to maintain a full copy of the original source code after updating it.

8. Did PLTF fulfill its ethical duties?

Third Party Spoliation

Probably Not

- ❑ The original source code could be material evidence. At least since the time the BD was announced, and they planned to sue, PLTF had a duty to preserve that evidence independent of any duty of third party consultants.
- ❑ By authorizing the consultant to update the software, without ensuring preservation of a copy of the original, PLTF failed to fulfill its preservation duties. ***BMG Rights Mgmt. LLC v. Cox Comms., Inc.*** (E.D. Va. Aug. 8, 2016)(plaintiff guilty of spoliation for failing to maintain original relevant software); FRCP 37(e)

Lost Data 2

- ❑ DEF receives a document request for email on back up tapes going back six months before DEF hired Teanott.
- ❑ Outside Counsel Scott Free objects to that request on the ground that backup tapes are beyond the reasonable scope of discovery, an objection he believes to be meritorious after researching prevailing rules and commentaries.
- ❑ Free reasons that if PLTF moves to compel, and that objection is ultimately overruled, at that point he would disclose that they no longer have those backup tapes.

9. Is Scott acting ethically?

Duty of Candor

Probably Not

- ❑ Scott's boilerplate objection is likely to mislead the court and opposing counsel into believing that the backup tapes still exist, resulting in unnecessary motions practice, and concealing possibly violative spoliation. *See Kounelis v. Sherrer*, 529 F. Supp. 2d 503, 521 (D.N.J. 2008).
- ❑ Scott has also violated FRCP 1 because the waste of time and money arguing discoverability of ESI that does not exist does not promote the "just, speedy, and inexpensive" resolution of the dispute

Responding to Document Requests

- ❑ PLTF issues a second set of Requests for Production to DEF and co-defendant Gil Teanott.
- ❑ In-house counsel Ian asks outside counsel Scott if there is anything they can do to delay discovery. Delay increases the chance they can negotiate a settlement before going further down the road of expensive discovery.
- ❑ Scott advises seeking an extension for the response and then filing objections to the document requests, because many of the requests are overbroad or otherwise objectionable.

10. Is this proposed course of conduct ethical?

Scheduling, Legitimate Objections

Probably

- ❑ Model Rule 3.2 requires lawyers to make reasonable efforts to expedite litigation, but the explanatory comment notes that “[t]he question is whether a competent lawyer acting in good faith would regard the course of action as having some substantial purpose other than delay.”
- ❑ Here, Scott has expressed the belief that he can make valid objections to many of the requests, and the recommended course also has a legitimate goal of seeking a resolution to the matter before costs increase.

Responding to Document Requests

- Due to the overbreadth of some of the document requests, outside counsel Scott instructs his paralegal, Paul, to draft responses, all of which should include the objection “overbroad and unduly burdensome, and not reasonably calculated to lead to the discovery of material evidence.”
- Scott then customizes each objection by adding “notwithstanding the above objection we will produce...” and then lists the categories of documents that will be produced in response to each request.

11. Are these responses ethical?

Use of Boilerplate

Probably Not

- ❑ Newly amended Rule 34(b)(2)(B) provides that any objection must “state **with specificity the grounds for objecting to the request**, including the reasons.”
- ❑ Even prior to the new rules “... ***boilerplate objections... were improper unless based on particularized facts.***” *Mancia v. Mayflower Textile Servs. Co.*, 253 F.R.D. 354 (D. Md. 2008)
- ❑ Judge Grimm notes that boilerplate objections are tantamount to waiving objections altogether, thereby breaching counsel’s duties to his/her client.
- ❑ Accordingly, the overbreadth objection needs to be used selectively, only where merited – not in response to every document request.

Responding to Document Requests

- ❑ DEF has received PLTF's Discovery Responses electronically.
- ❑ The Word document seems to have some odd formatting and phrasing, so outside counsel Scott turns on "Track Changes."
- ❑ He finds hidden comments and analysis from PLTF's counsel Sue Anne Grillum and deleted passages referring to a legacy server not otherwise disclosed.

12. Has Scott acted ethically?

Green: Yes, in CO, MD, OR, VT, WA, WI, and under ABA guidelines

Red: No, in AL, AZ, DC, FL, ME, MS, NH, NY, NC, and WV

Green and Red: Both Green & Red

No Card: None of the above



Metadata Mining

Both Green & Red

- ❑ Review of such metadata is prohibited in AL, AZ, DC, FL, ME, MS, NH, NY, NC, and WV.
 - ❑ *See e.g. D.C. Bar Ethics Opinion No. 341 – Review and Use of Metadata in Electronic Documents*
 - ❑ *See e.g. Illinois Rule of Professional Conduct 4.4(b) and comments (notification requirement re inadvertent disclosures)*
- ❑ Review of metadata is permissible under ethics opinions in CO, MD, OR, VT, WA, and WI and under ABA Opinion 06-442.
- ❑ MN and PA consider it on a case-by-case basis. (*see, e.g., Pa. Bar Ethics Opinion 2009-10*)

Responding to Document Requests

- ❑ Upon analyzing the comments, Scott sees that PLTF's counsel, Sue Anne Grillum, asked about a legacy server that might contain relevant data.
- ❑ PLTF's legal team did a full forensic examination of the server that revealed no relevant records.
- ❑ Accordingly, Grillum deleted the references to the legacy server before serving the final response on DEF's counsel.

13. Did PLTF's counsel fulfill her ethical obligations in finalizing their discovery response?

Metadata Awareness

Probably Not

- ❑ The failure of PLTF's counsel to scrub the metadata revealed confidential attorney-client communications.
- ❑ The attorneys had a duty to scrub the confidential metadata prior to serving the response under ethics opinions in every state with an opinion on that issue (including DC, FL, NY, and PA).
- ❑ The Duty of Competence has generally been extended to include technological competence, which readily covers metadata awareness.
 - ❑ *See* ABA Model Rule 1.1, DC Bar Ethics Opinion 341, and PA Bar Ethics Opinion 2009-10

Review of Potentially Responsive Material

- ❑ In-house counsel Ian decides to apply technology-assisted review (TAR) to the collected documents and generate “relevance” scores.
- ❑ Each document receives a relevance score from 0-100, with higher scores indicating higher likelihood of relevance/responsiveness.
- ❑ Ian’s review of 500 randomly selected documents with relevance scores under 40 reveals no responsive documents.
- ❑ Based on this, DEF will not review or produce any other docs with scores <40, and will not reveal the use of TAR to opposing counsel unless specifically asked.

14. Is this approach ethical?

Use of Technology-Assisted Review

Probably

- ❑ ***Rio Tinto PLC v. Vale S.A.***, 306 F.R.D. 125 (S.D.N.Y. 2015)
 - ❑ “[T]he case law has developed to the point that it is now black letter law that where the producing party wants to utilize TAR for document review, courts will permit it.”
 - ❑ “[T]he court is not normally in the business of dictating to parties the process that they should use when responding to discovery.” *Id.*; ***Dynamo Holdings Ltd. P’ship v. Comm’r***, 143 T.C. No. 9 (Sept. 17, 2014)

Review of Potentially Responsive Material

- ❑ In-house counsel Ian's random sampling shows that most documents with a relevance score of 41-70 are not relevant or responsive.
- ❑ To save time and money, he opts to send those documents for review by attorneys at an e-discovery agency in India.
- ❑ Any documents deemed relevant and non-privileged will be produced directly to PLTF, and any deemed relevant but privileged will be withheld and logged.

15. Is this approach ethical?

Offshore Review, Supervision

Probably Not

- ❑ Lawyers not licensed in the U.S. are considered “non-lawyers” under U.S. rules.
- ❑ The Model Rules and ABA Formal Opinion 08-451 impose requirements on lawyers outsourcing legal support services.
 - ❑ The ABA opinion cites Model Rules 1.1 (Competence), 5.1 (Supervision of Attorneys), and 5.3 (Supervision of Nonlawyers).
 - ❑ Multiple state opinions follow similar reasoning (*See e.g.* LACBA Formal Opinion 518).
 - ❑ *See also* Illinois Rule of Professional Conduct 5.3 (Responsibilities Regarding Non-Lawyer Assistance)
- ❑ Here, supervision is insufficient: among other things, the legal judgments (relevance and privilege) by non-lawyers are not being checked by any U.S. attorneys.

Review of Potentially Responsive Material

- ❑ In-house counsel Ian plans to personally review all documents with a relevance score of 90 or above; the relevant non-privileged documents will be produced through DEF's e-discovery vendor, Acme E-Discovery, a company owned by a variety of investors.
- ❑ Random sampling of documents scored 71-89 shows a mix of relevance and irrelevance. Ian opts to have those reviewed by U.S. licensed contract attorneys employed by Acme.
- ❑ Any documents deemed relevant and non-privileged by either Ian or Acme reviewers will be prepared for production by the lit tech specialists at Acme, supervised by Acme lawyers.

16. Is this approach ethical?

Review & Production by Staffing Agencies

Probably Not

- ❑ Companies that are not 100% lawyer owned are not permitted to practice law, regardless of the use of licensed attorneys.
- ❑ Model Rule 5.4 – Professional Independence of a Lawyer
- ❑ Failing to appropriately supervise Acme’s process or the reviewers’ legal decisions regarding relevance and privilege puts Ian in the position of having abetted the unauthorized practice of law in violation of Model Rule 5.5.
- ❑ *See also* D.C. Bar Ethics Opinion No. 362 – Nonlawyer Ownership of Discovery Service Vendors

Review of Potentially Responsive Material

- ❑ After the review plan is set, outside counsel Scott grows concerned about the ethical implications of producing documents from two review agencies without any QC of the work.
- ❑ DEF does not want to pay for Scott or his firm to review the lower-ranked documents.
- ❑ Scott is offered a free trial of another TAR program, and decides to use that to identify additional documents that he will personally check without charging DEF.
- ❑ If he finds that relevant or privileged documents are being missed, he intends to further consult with Ian/DEF.

17. Is Scott's plan ethical?

Review of Potentially Responsive Material

- ❑ DEF maintains three separate shared data stores, each containing thousands of electronic and paper (scanned) documents. One has R&D and product design files for DEFs various products for the last 5 years, one has financial documents for the last 5 years, and one has market research and strategic planning documents for the last five years
- ❑ Searching these thousands of records for relevant evidence and privilege would be very time consuming and costly. To save time and money, in-house counsel Ian proposes simply allowing PLTF to access the warehouse to search for relevant documents.
- ❑ Outside counsel Scott approves that plan, provided that a FRE 502(d) privilege non-waiver order is first entered by the court.

18. Have Ian and Scott acted ethically?

Green: Probably, regardless of the 502(d) order

Red: Probably, but only if a 502(d) order is secured

Green and Red: Probably Not

17. Communications: Was it Okay for Scott to not consult with DEF?

Probably Not

- ❑ Model Rule 1.4 – Communication
 - (a) A lawyer shall... reasonably consult with the client about the means by which the client's objectives are to be accomplished.
- ❑ Here, Scott should not depart from the plan agreed to with his client without advance consultation with his client.
- ❑ Scott's actions could end up having significant consequences for his client, for example if results of the latter TAR program undermines reliance on the first.

18. Keys to the Kingdom: Was it Okay to allow PLTF to access DEFs Data Stores?

Green and Red: Probably Not

- ❑ Giving DEF's primary competitor access to confidential research and development, product design, financial, and market research/strategic planning breaches confidentiality concerns beyond privilege; 502(d) only provides privilege protection.
- ❑ *Cal. State Bar Formal Opinion No. 2015-193*
- ❑ Model Rule 1.6 provides that "(a) A lawyer shall not reveal information relating to the representation of a client unless the client gives informed consent..." Both lawyers missed an important issue that competent representation should catch.

Questions?



David Cohen

drcohen@reedsmith.com



Elizabeth Stafford

Elizabeth_Stafford@mied.uscourts.gov



Sara Anne Hook

sahook@iupui.edu



Jeannine Kenney

jkenney@hausfield.com