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FEDERAL RULE OF EVIDENCE 502: THE "GET OUT OF JAIL FREE" PROVISION—OR IS IT?

Ann M. Murphy*

INTRODUCTION

At first blush, the "Inadvertent Disclosure of Privileged Documents" provision now contained in the Federal Rules of Evidence appears to be a godsend to practicing attorneys. The provision was added when then-President George W. Bush signed it into law on September 19, 2008.[1] Federal Rule of Evidence 502 was enacted by Congress, and it provides a saving provision for the inadvertent disclosure of privileged material (attorney-client and attorney work product).[2] The change was a response to the sheer volume of "electronically stored information."[3] In the past the rule was a wholesale waiver of the privilege if material was inadvertently disclosed; the waiver is now strictly limited under certain conditions. Is it really a boon to attorneys, or simply a way for "Big Law" to save on the costs of litigation, or perhaps neither of these? An individual attorney or a firm seeking to maintain privilege continues to have the

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1. Pub. L. 110-322, 122 Stat. 3537; *see also* 2450, 110th Cong. § 1 (2008) (bill considered and passed in the Senate); 154 Cong. Rec. H7817-20 (daily ed. Sept. 8, 2008) (debate from the House of Representatives considering and discussing S. 2450); S. Rep. No. 110-264, at 1–6 (2008) (a report from the Senate Judiciary Committee considering Senate Bill 2450 and recommending that the bill pass). Rule 502 applies to all proceedings commenced after the date of enactment "insofar as it is just and practicable." Pub. L. 110-322, 122 Stat. 3538.

2. Courtney Ingraffia Barton & David D. Cross, *Protecting the Privilege: New Federal Rule of Evidence 502*, 23 IN-HOUSE LITIGATOR, A.B.A. SEC. LITIG. 2, 8 (2009).

3. Electronically Stored Information, or ESI "includes e-mails, webpages, word processing files, and databases stored in the memory of computers, magnetic disks (such as computer hard drives and floppy disks), optical disks (such as DVDs and CDs), and flash memory (such as 'thumb' or 'flash' drives)." BARBARA J. ROTHSTEIN, RONALD J. HEDGES & ELIZABETH C. WIGGINS, FED. JUDICIAL CTR., MANAGING DISCOVERY OF ELECTRONIC INFORMATION: A POCKET GUIDE FOR JUDGES 2 (2007), *available at* http://www.fjc.gov/public/pdf.nsf/lookup/eldscpkt.pdf/$file/eldscpkt.pdf.

burden to show a disclosure was inadvertent.[4] An attorney is still duty-bound to keep a client's information confidential.[5] If an inadvertent disclosure is made, the attorney must seek the protection of Rule 502, or potentially the attorney has waived not only the privilege for that disclosed document, but also for the entire subject matter mentioned by the disclosed document.[6] A secondary consequence of the disclosure is that he or she may have violated ethical rules, depending upon the circumstances.[7] The damage to the client will be limited, provided the attorney proves the disclosure was inadvertent. Is the damage similarly limited for the attorney? The new inadvertent privilege evidence rule has been interpreted in many different ways by courts, creating uncertainty, and it is not a panacea for the attorney who inadvertently discloses privileged material.

This article explores this new evidence rule and the consequences for the attorney and client. The consequences for the client are clearly spelled out, yet those for the attorney are not. Part I discusses the background and intent of the inadvertent disclosure provision and its relation to the E-discovery provisions of the Federal Rules of Civil Procedure. Part II illustrates and analyzes U.S. District Court cases decided immediately before the new rule and after, in 2008, 2009, 2010, and 2011. Part III explores issues attorneys face with individual state ethics rules on confidentiality and inadvertent disclosure, and Part IV gives advice to attorneys and courts that by necessity must face ever-increasing burdens with electronically stored information and state rules regarding confidentiality. Finally, the article concludes with thoughts for the future. Due to the practical impossibility of preventing disclosure in the electronic age, perhaps ethical rules need to be altered to take into account this reality.

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4. Amobi v. D.C. Dept. of Corr., 262 F.R.D. 45, 53 (D.D.C. 2009).

5. *See* MODEL RULES OF PROF'L CONDUCT R. 1.6 (a) (2002) ("A lawyer shall not reveal information relating to representation of a client . . . .").

6. *See* United States v. Jones, 696 F.2d 1069, 1072 (4th Cir. 1982) ("Any voluntary disclosure by the client to a third-party waives the privilege not only as to the specific communication disclosed, but often as to all other communications relating to the same subject matter.") (citing *In re* Sealed Case, 676 F.2d 793, 808–809 (D.C. Cir. 1982)).

7. *See, e.g.*, The State Bar of Cal. Standing Comm. on Prof'l Responsibility and Conduct, Formal Op. 2010-179 (2010) (discussing under what circumstances an attorney violates his duty of confidentiality and competence when using technology to send or store confidential client information).

I. THE BACKGROUND AND INTENT OF THE INADVERTENT DISCLOSURE EVIDENCE RULE

Part of the impetus for the change to the Federal Rules of Evidence regarding inadvertent disclosure was the dramatic increase in the cost of litigation due to E-discovery.[8] The volume of electronically stored information is staggering.[9] For example, in one recent case 2.3 million documents were produced and privileges were claimed by the producing law firm for an additional 30,000 documents.[10] In the year 2011, it is estimated that "the world will create, capture, or replicate nearly 1,800 exabytes (EB) of information."[11] An exabyte is 1,152,921,504,606,846,976 bytes, and one exabyte of storage "could contain 50,000 years' worth of DVD-quality video."[12] By one estimate, "all the printed material in the world only takes up about five exabytes."[13]

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8. Jessica Wang, *Nonwaiver Agreements after Federal Rule of Evidence 502: A Glance at Quick-Peek and Clawback Agreements*, 56 UCLA L. REV. 1835, 1845 (2009); *see also* Roland Bernier, *Avoiding an E-discovery Odyssey*, 36 N. KY. L. REV. 491, 495 (2009) (stating that Rule 502 "was passed, in part, to stem concerns that productions of electronically stored information (ESI) were vulnerable to inadvertent production of privileged material and a resulting waiver of privilege"); Barton & Cross, *supra* note 2, at 8 ("This new rule addresses privilege waiver—arguably one of the greatest risks and sources of costs associated with the incredible volume of information (primarily electronic) that is now being produced in litigation."). The Amendments and the Committee Comments to the Federal Rules of Civil Procedure do not define "E-discovery" or "Electronically Stored Information" (ESI), but according to Kenneth J. Withers, Managing Director of The Sedona Conference, "it is understood to mean information created, manipulated, communicated, stored, and best utilized in digital form, requiring the use of computer hardware and software." *See* Kenneth J. Withers, *Electronically Stored Information: The December 2006 Amendments to the Federal Rules of Civil Procedure*, 4 NW. J. TECH. & INTELL. PROP. 171, 173 (2006).

9. *See* The Honorable John M. Facciola & Jonathan M. Redgrave, *Asserting and Challenging Privilege Claims in Modern Litigation: The Facciola-Redgrave Framework*, 2009 FED. CTS. L. REV. 19, 36 (stating that there has been a tremendous increase in the volume of documents requested and reviewed for discovery purposes).

10. *Id.* at 36–37 (citing *In re* Vioxx Products Liab. Litig., 501 F. Supp. 2d 789 (E.D. La. 2007).

11. Paula Schaefer, *The Future of Inadvertent Disclosure: The Lingering Need to Revise Professional Conduct Rules*, 69 MD. L. REV. 195, 199 (2010) (citing JOHN F. GANTZ, ET AL., THE DIVERSE AND EXPLODING DIGITAL UNIVERSE: AN UPDATED FORECAST OF WORLDWIDE INFORMATION GROWTH THROUGH 2011 3 (2008), http://www.emc.com/collateral/analyst-reports/diverse-exploding-digital-universe.pdf.).

12. *Exabyte*, SEARCH STORAGE.COM, http://searchstorage.techtarget.com/sDefinition/0,,sid5_g ci212085,00.html (last visited Feb. 26, 2010).

13. *Exabyte*, TECH TERMS.COM, http://www.techterms.com/definition/Exabyte. (lasted visited Feb. 26, 2010).

The problems with computer-based discovery came to light in 1996, and the Advisory Committee for the Federal Rules of Civil Rule Procedure (FRCP Advisory Committee) began intensive work on changes to the Federal Rules of Civil Procedure in 1999.[14] Before Congress changed the Federal Rules of Evidence (FRE), the Supreme Court approved changes to the Federal Rules of Civil Procedure (FRCP) (the "E-discovery Amendments") effective in 2006.[15] These changes to the FRCP were the result of "nearly ten years of extensive study."[16]

A. E-discovery Amendments to the Federal Rules of Civil Procedure

The Rule 502 change to the FRE was necessary because of the changes to the FRCP. Specifically, FRCP Rules 26(b)(5)(B) and (f)(3)(D) provided procedural rules for the inadvertent production of electronically stored information (ESI) and privileges.[17] The FRCP did not of course address the evidentiary privileges, as any change in that area needed congressional action and could not be accomplished through the FRCP Advisory Committee and adoption by the Supreme Court.[18]

The FRCP Advisory Committee purposely did not precisely define "electronically stored information" when it suggested amendments to the procedural rules.[19] As originally enacted, Rule 34 referred to "docu-

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14. *E-Discovery Amendments to the Federal Rules of Civil Procedure Go into Effect Today*, K & L Gates (Dec.1, 2006), http://www.ediscoverylaw.com/2006/12/articles/news-updates/ediscovery-amendments-to-the-federal-rules-of-civil-procedure-go-into-effect-today; Withers, *supra* note 8, at 191.

15. Damian Vargas, *Electronic Discovery: 2006 Amendments to the Federal Rules of Civil Procedure*, 34 RUTGERS COMPUTER & TECH. L.J. 396, 396 (2008). The 2006 changes to the FRCP were adopted by Supreme Court Order on April 12, 2006, and transmitted to Congress by the Chief Justice on the same day and became effective December 1, 2006. STAFF OF H. COMM. ON THE JUDICIARY, 111TH CONG., FED. R. CIV. P. XII (Comm. Print 2009), *available at* http://judiciary.house.gov/hearings/printers/111th/civil2009.pdf. The amendments affected Rules 5, 9, 14, 16, 24, 26, 33, 34, 37, 45, 50, and 65.1 and Form 35. *Id.* Note that further changes to the procedural rules have been made in 2007, 2008, and 2009. *Id.*

16. Hopson v. City of Balt., 232 F.R.D. 228, 233 (D. Md. 2005).

17. *See* FED. R. CIV. P. 26(b)(5)(B), (f)(3)(D).

18. *See* Withers, *supra* note 8, at 201 ("[T]he Committee wanted even more to avoid creating a federal rule of privilege waiver, expressly or implicitly, in Rule 26(b)(5). Not only could that invade the territory of the Evidence Rules Advisory Committee, but it could also be viewed as establishing or modifying substantive law under the guise of adopting a procedural rule."); *see also* ROTHSTEIN, HEDGES & WIGGINS, *supra* note 3, at 15 ("Because substantive privilege (and waiver) rules are beyond the scope of the Federal Rules of Civil Procedure . . . .").

19. *See* FED. R. CIV. P. 34 Advisory Committee's note (a); *see also* Carl G. Roberts, *The 2006 Discovery Amendments to the Federal Rules of Civil Procedure*, 2006

ments" and "things."[20] In 1970, the rule was amended to include "data compilations" due to the use of computers.[21] According to the committee, e-mails are a form of ESI and included within the terms "document" or "data compilation."[22] Nevertheless, the committee found that "it has become increasingly difficult to say that all forms of electronically stored information, many dynamic in nature, fit within the traditional concept of a 'document.'"[23] However, instead of a limited or precise definition of ESI, the committee opted for an expansive definition.[24] The new procedural rules were "intended to be broad enough to cover all current types of computer-based information, and flexible enough to encompass future changes and developments."[25]

The change in the form of information made a change in the procedural rules necessary, and the procedural rules changes made a change in the evidentiary rules necessary. Rule 26(b)(5)(B) provides the following:

> (b) Discovery Scope and Limits.
> . . . .
> (5) *Claiming Privilege or Protecting Trial-Preparation Materials*.
> . . . .
> (B) Information Produced. If information produced in discovery is subject to a *claim of privilege or of protection as trial-preparation material*, the party making the claim may notify any party that received the information of the claim and the basis for it. After being notified, a party must promptly return, sequester, or destroy the specified information and any copies it has; must not use or disclose the information until the claim is resolved; must take reasonable steps to retrieve the information if the party disclosed it before being notified; and may promptly present the information to the court under seal for a determination of the claim. The producing party must preserve the information until the claim is resolved.[26]

Federal Rule of Civil Procedure Rule 26(f)(3)(C) and (D) provide the following:

A.B.A. L. PRAC. MGMT. SEC., *available at* http://www.abanet.org/lpm/lpt/articles/tch08061.shtml.

20. FED. R. CIV. P. 34 Advisory Committee's note (a).
21. *Id.*
22. *Id.*
23. *Id.*
24. *Id.*
25. *Id.*
26. FED. R. CIV. P. 26(b)(5)(B) (emphasis added).

> (f) Conference of the Parties; Planning for Discovery.
> . . . .
> (3) *Discovery Plan*. A discovery plan must state the parties' views and proposals on:
> . . . .
> (C) any issues about disclosure or discovery of electronically stored information, including the form or forms in which it should be produced;
> (D) any issues about *claims of privilege or of protection as trial-preparation materials*, including—if the parties agree on a procedure to assert these claims after production—whether to ask the court to include their agreement in an order.[27]

Rule 26(b)(5)(B) imposes what is called a "litigation hold" on discoverable material.[28] The cat is already out of the bag, so to speak. The material that is allegedly protected by privilege has already been provided to the requesting party. This provision is also referred to as a "claw-back" provision.[29] The FRCP Advisory Committee, however, makes it quite clear that the rule "does not address whether the privilege or protection that is asserted after production was waived by the production."[30]

In addition to adhering to the requirements of Rule 16, referred to as the "meet and confer" rule,[31] section (f) of Rule 26 also mandates that the parties to the action discuss, plan, and propose issues about discovery of ESI and claims of privilege or protection.[32] The committee cites the "substantial costs" for the producing party and the time that might "sub-

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27. FED. R. CIV. P. 26(f)(3)(C)–(D) (emphasis added).

28. Roberts, *supra* note 19; *see also FAQ's of E-Discovery*, IN CAMERA (Fed. Judges Ass'n Newsl.), Nov. 29, 2006, *available at* http://www.fjc.gov/public/pdf.nsf/lookup/FAQEDisc.pdf/$file/FAQEDisc.pdf (providing answers to the ten most frequently asked questions regarding the 2006 amendments to Federal Rules of Civil Procedure).

29. *See* Vargas, *supra* note 15, at 412.

30. FED. R. CIV. P. 26 Advisory Committee's note (b)(5); *see also* ROTHSTEIN, HEDGES & WIGGINS, *supra* note 3, at 15. This is due to the fact that the Rules of Civil Procedure did not and could not change the substantive rules of privilege and waiver. The privilege rules are governed by the principles of common law (Rule 501). A change in the Rules of Evidence was necessary to change the substantive law on privilege and waiver.

31. FED. R. CIV. P. 16. The "meet and confer conference" requires the parties to meet, and they must meet at least 21 days before the scheduling conference. *Id*.

32. FED. R. CIV. P. 16; FED. R. CIV. P. 26(f)(3)(C)–(D); *see also*. Sharon Nelson & John Simek, *The New Federal Rules of Civil Procedure: An ESI Primer*, LAW PRAC. MAG., A.B.A., *available at* http://www.americanbar.org/publications/law_practice_home/law_practice_archive/lpm_magazine_articles_v32_is8_an7.html (last visited June 15, 2011).

stantially delay access" for the requesting party when working with ESI.[33] It also mentions the new terminology that has emerged in electronic discovery, namely "quick peek" protocol agreements, "claw-back agreements," and "metadata."[34]

A "quick peek" agreement is an arrangement where the "parties agree to an 'open file' review of each other's data collections prior to formal discovery, reserving all rights to assert privilege while responding to the actual document request."[35] A "claw-back" agreement is one in which "counsel on both sides agree to surrender any documents they receive from the other if a privilege claim is asserted in a timely manner after production, and if there is a disagreement, to place the document on a privilege log for review by the judge at an appropriate time."[36] "So-called 'claw back' provisions 'essentially undo a document production' and allow the return of documents that a party belatedly determines are protected by the attorney–client privilege or work product immunity."[37] Metadata is essentially the history and context of ESI.[38] Metadata has been referred to as the "electronic equivalent of DNA, ballistics, and fingerprint evidence."[39] The FRCP Advisory Committee noted that the metadata "is usually not apparent to the reader viewing a hard copy or a screen image."[40] Again, the committee made it quite clear that whether the privilege is waived under any of these circumstances is a determination for the courts and is not something addressed by the procedural rule

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33. FED. R. CIV. P. 26 Advisory Committee's note (f).

34. *Id.*

35. Withers, *supra* note 8, at 202.

36. *Id.*; *see also* Zubulake v. UBS Warburg LLC, 216 F.R.D. 280, 290 (S.D.N.Y. 2003) (defining a claw-back agreement as an agreement "that allow[s] the parties to forego privilege review altogether in favor of an agreement to return inadvertently produced privileged documents").

37. Rajala v. McGuire Woods, LLP, No. No. 08-2638-CM-DJW, 2010 WL 2949582, at*3 (D. Kan. July 22, 2010) (quoting United States v. Sensient Colors, Inc., No. 07-1275 (JHR/JS), 2009 WL 2905474, at *2 n.6 (D.N.J. Sept. 9, 2009)).

38. Roberts, *supra* note 19; *see also* Vargas, *supra* note 15, at 399 ("When a digital document is created, modified, or transmitted, new data associated with the document is also created. This new data, called metadata, is stored in the associated electronic document and is typically hidden. However, extracting metadata will create a new electronic document of its own.").

39. *FAQ's of E-Discovery*, supra note 28 (quoting Craig Ball, "I Never Metadata I Didn't Like" (January 2006) (unpublished manuscript, on file with Craig Ball)).

40. FED. R. CIV. P. 26 Advisory Committee's note (f).

changes.[41] Any change in evidentiary privilege rules was to be addressed elsewhere.

The change in the FRCP did not affect the issue of actual waiver of privilege because the "Rules Enabling Act dictates that the Supreme Court can only promulgate rules prescribing the practice and procedure of federal courts," but may not "abridge, enlarge, or modify any substantive right"[42]—this may only be done by Congress.[43]

B. History of Federal Rule of Evidence 502

In April 2004, work commenced on the new FRE 502.[44] Work in earnest began on the project in January of 2006, when then-Chairman of the House Judiciary Committee James Sensenbrenner sent a letter to Ralph Mecham, the Director of the Administrative Office of the U.S. Courts, in which he requested that they begin work on what would later become Rule 502.[45] Chairman Sensenbrenner suggested the rule address three specific areas, which he listed as the following:

> 1. [P]rotect against the forfeiture of privilege where a disclosure in discovery is the result of an innocent mistake;
> 2. [P]ermit parties, and courts, to protect against the consequences of waiver by permitting disclosures of privileged information between the parties to a litigation; and

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41. *Id.* "Rule 26(b)(5)(B) does not address whether the privilege or protection that is asserted after production was waived by the production. The courts have developed principles to determine whether, and under what circumstances, waiver results from inadvertent production of privileged or protected information." *Id.* Advisory Committee's note (b)(5).

42. Wang, *supra* note 8, at 1845 (quoting 28 U.S.C. § 2074 (2006)).

43. 28 U.S.C. § 2074(b). Section 2074(b) provides that "(a)ny such rule creating, abolishing, or modifying an evidentiary privilege" must be "approved by [an] Act of Congress." *Id.*

44. *See Timeline—Federal Rule of Evidence 502*, FEDERALEVIDENCE.COM, http://federalevidence.com/node/288 (last visited Feb. 27, 2011); *see also President Bush Signs into Law S. 2450, a Bill Adding New Rule 502 to the Federal Rules of Evidence*, EDISCOVERYLAW.COM (Sept. 22, 2008), http://www.ediscoverylaw.com/articles/federal-rules-amendments (providing a brief overview of the history of Rule 502).

45. *Understanding New FRE 502 (Attorney-Client Privilege and Work Product Doctrine)*, 5 Fed. Evid. R. 1433, 1455 (Oct. 2008), *available at* http://federalevidence.com/pdf/2008/FRE502/502Excerpt.pdf (citing Letter from James Sensenbrenner, Jr., former Chairman of the House Judiciary Comm., to Ralph Mecham, Dir. of the Admin. Office of the U.S. Courts (Jan. 23, 2006)) [hereinafter *Understanding New FRE 502*]; *see also* Kenneth S. Broun & Daniel J. Capra, *Getting Control of Waiver of Privilege in the Federal Courts: A Proposal for a Federal Rule of Evidence 502*, 58 S.C. L. REV. 211, 246 (2006) (providing excerpts of Representative Sensenbrenner's letter to Ralph Mecham).

> 3. [A]llow persons and entities to cooperate with government agencies by turning over privileged information without waiving all privileges as to other parties in subsequent litigation.[46]

The Administrative Office of the U.S. Courts responded to Chairman Sensenbrenner and indicated that it had referred the project to the U.S. Judicial Conference, specifically to the Federal Rules of Evidence Advisory Committee (FRE Advisory Committee).[47] By April 2006, the FRE Advisory Committee produced a draft rule.[48]

The FRE Advisory Committee purposely drafted the rule broadly, and indicated that it could cut back the rule, if necessary.[49] The committee did in fact decide to "cut back on some of its more dramatic provisions."[50] Specifically, the committee believed it needed to provide "for certain situations in which a waiver will not be found, even though it otherwise might be found under common law."[51] Additionally, the committee indicated it would "especially appreciate public input" on the "selective waiver" provision.[52] The selective waiver provision was later included in the revised version of Proposed Rule 502, and it specified that if a disclosure was "made to a federal public office or agency in the exercise of its regulatory, investigative, or enforcement authority" there would be no waiver to "non-governmental persons or entities."[53] This is what Chairman Sensenbrenner requested in his third bullet point above. Finally, the committee voiced concern about a federal rule affecting state proceedings in any way.[54]

In August 2006, the rule was published for public comment.[55] The FRE Advisory Committee "received more than 70 public comments and heard testimony from 20 witnesses at two public hearings."[56] The committee ultimately decided against inclusion of the "selective waiver" provision.[57] "Unlike inadvertent waivers, which raise the costs and burdens of the discovery phase of litigation, an area of great concern to the rules committees, the selective waiver provision addresses policy matters, prin-

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46. Broun & Capra, *supra* note 45, at 246.
47. *Understanding New FRE 502*, *supra* note 45, at 1455.
48. *See id.* The draft rule was published after the "Mini-Conference on Privilege Waiver" held at Fordham University School of Law. *Id.*
49. Broun & Capra, *supra* note 45, at 247.
50. *Id.* at 248.
51. *Id.*
52. *Id.* at 249.
53. *Id.* at 250–51.
54. *Id.* at 249.
55. *Understanding New FRE 502*, *supra* note 45, at 1455.
56. S. REP. NO. 110-264, at 4 (2008).
57. *Id.*

cipally the effectiveness of government investigations, which are largely outside the competence and jurisdiction of the rules committees."[58] Approximately one year after the publication of the proposed rule, it was sent to members of the House and Senate Judiciary Committees.[59]

On December 11, 2007, Senator Patrick Leahy (D-VT), the Chairman of the Senate Judiciary Committee introduced Senate Bill 2450, "A Bill to Amend the Federal Rules of Evidence to Address the Waiver of the Attorney–Client Privilege and the Work Product Doctrine."[60] On July 24, 2008, Representative Sheila Jackson-Lee (D-TX) introduced an identical bill to the House of Representatives.[61] Both bills were referred to their respective Judiciary Committees and were reported without amendment.[62] The Senate bill "attracted widespread support from major legal organizations representing stakeholders on all sides of modern litigation," such as the American Bar Association, the American College of Trial Lawyers, and the U.S. Chamber of Commerce.[63]

The Senate Judiciary Committee referred to the privilege law as "outdated."[64] The committee report contained the following observation:

> Currently, the inadvertent production of even a single privileged document puts the producing party at significant risk. If a privileged document is disclosed, a court may find that the waiver applies not only to that specific document and case but to all other documents and cases concerning the same subject matter. Furthermore, the privilege can be waived even if the party took reasonable steps to avoid disclosing it.[65]

The committee emphasized the effect e-mail and other "electronic media" had on the time needed to review documents and the overall cost of

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58. *Id.*

59. *Understanding New FRE 502*, *supra* note 45, at 1455.

60. *See id.* at 1456; S. REP. NO. 110-264, at 1 (2008). Senate Bill 2450 became Pubic Law No. 110-322. *Understanding New FRE 502*, *supra* note 45, at 1256. Senator Arlen Specter (R-PA (now D-PA)) and Senator Lindsey Graham (R-S.C.) joined Chairman Leahy and co-sponsored this bill. *S. 2450: A bill to amend the Federal Rules of Evidence to address the waiver of the attorney-client.*, GOVTRACK.US, http://www.govtrack.us/congress/bill.xpd?bill=s110-2450 (last visited June 16, 2010).

61. See *Bill Summary & Status 110th Congress H.R. 6610*, THE LIBRARY OF CONGRESS, http://thomas.loc.gov/cgi-bin/bdquery/z?d110:HR06610:@@@L&summ2=m& (last visited June 16, 2011).

62. *See id.*; *Bill Summary & Status 110th Congress S. 2450,* THE LIBRARY OF CONGRESS, http://thomas.loc.gov/cgi-bin/bdquery/z?d110:SN02450:@@@L&summ2=m (last visited June 16, 2011).

63. S. REP. NO. 110-264, at 3 (2008).

64. *Id.* at 1.

65. *Id.* at 2.

litigation.[66] Further, it indicated that "the fear of waiver also leads to extravagant claims of privilege" and "the costs of privilege review are often wholly disproportionate to the overall cost of the case."[67]

Senator Arlen Specter indicated in his floor statement that the rule alleviates the burdens of modern discovery in two ways. First, it "protects against undue forfeiture of attorney–client privilege and work product protections when privileged communications are inadvertently produced," and second, "it permits parties and courts to protect against the consequences of waiver by permitting limited disclosure of privileged information between the parties to litigation."[68] The bill was passed by the Senate on February 27, 2008,[69] and passed in the House of Representatives on September 8, 2008.[70] Then-President George W. Bush signed the bill on September 19, 2008, effective as of that date.[71]

FRE 502 in its final form states the following:

> **Rule 502. Attorney-Client Privilege and Work Product; Limitations on Waiver.**
>
> The following provisions apply, in the circumstances set out, to disclosure of a communication or information covered by the attorney-client privilege or work-product protection.
>
> (a) DISCLOSURE MADE IN A FEDERAL PROCEEDING OR TO A FEDERAL OFFICE OR AGENCY; SCOPE OF A WAIVER.—When the disclosure is made in a Federal proceeding or to a Federal office or agency and waives the attorney-client privilege or work-product protection, the waiver extends to an undisclosed communication or information in a Federal or State proceeding only if:
>
> (1) the waiver is intentional;
>
> (2) the disclosed and undisclosed communications or information concern the same subject matter; and
>
> (3) they ought in fairness to be considered together.
>
> (b) INADVERTENT DISCLOSURE.—When made in a Federal proceeding or to a Federal office or agency, the disclosure does not operate as a waiver in a Federal or State proceeding if:
>
> (1) the disclosure is inadvertent;
>
> (2) the holder of the privilege or protection took reasonable steps to prevent disclosure; and

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66. *Id.*

67. *Id.*

68. 153 CONG. REC. S15143 (daily ed. Dec. 11, 2007) (statement of Senator Arlen Specter).

69. 154 CONG. REC. S1318–19 (daily ed. Feb. 27, 2008).

70. Pub. L. No. 110-322, 122 Stat. 3538 (2008).

71. Pub. L. No. 110-322, 122 Stat. 3538 (2008); Wang, *supra* note 8, at 1835.

(3) the holder promptly took reasonable steps to rectify the error, including (if applicable) following Federal Rule of Civil Procedure 26(b)(5)(B).

(c) DISCLOSURE MADE IN A STATE PROCEEDING.—When the disclosure is made in a State proceeding and is not the subject of a State-court order concerning waiver, the disclosure does not operate as a waiver in a Federal proceeding if the disclosure:

(1) would not be a waiver under this rule if it had been made in a Federal proceeding; or

(2) is not a waiver under the law of the State where the disclosure occurred.

(d) CONTROLLING EFFECT OF A COURT ORDER.—A Federal court may order that the privilege or protection is not waived by disclosure connected with the litigation pending before the court—in which event the disclosure is also not a waiver in any other Federal or State proceeding.

(e) CONTROLLING EFFECT OF A PARTY AGREEMENT.—An agreement on the effect of disclosure in a Federal proceeding is binding only on the parties to the agreement, unless it is incorporated into a court order.

(f) CONTROLLING EFFECT OF THIS RULE.—Notwithstanding Rules 101 and 1101, this rule applies to State proceedings and to Federal court-annexed and Federal court-mandated arbitration proceedings, in the circumstances set out in the rule. And notwith- standing [sic] Rule 501, this rule applies even if State law provides the rule of decision.

(g) DEFINITIONS.—In this rule:

(1) "attorney-client privilege" means the protection that applicable law provides for confidential attorney-client communications; and

(2) "work-product protection" means the protection that applicable law provides for tangible material (or its intangible equivalent) prepared in anticipation of litigation or for trial.[72]

The notes of the FRE Advisory Committee indicate that the rule was a response to "widespread complaint[s] 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."[73] Additionally, the rule "resolves some longstanding disputes in the courts about the effect of certain dis-

72. Pub. L. No. 110-322, 122 Stat. 3537–38 (2008).

73. FED. R. EVID. 502 Advisory Committee's note.

closures of communications or information protected by the attorney-client privilege or as work product."[74] To properly understand the waiver issue, it is first necessary to understand the attorney–client privilege and the attorney-work-product doctrine.

C. Attorney–Client Privilege and the Attorney-Work-Product Doctrine

Certain communications between an attorney and a client are protected from disclosure "to encourage full and frank communication between attorneys and their clients and thereby promote broader public interests in the observance of law and administration of justice."[75] In our system of justice, we believe that only when the communication is protected from public disclosure will clients feel fully free to discuss their legal issues with their attorneys. When lawyers are armed with all of the facts and circumstances, they will be able to zealously represent their client.[76] The privilege belongs to the client, not to the attorney.[77] Attorneys are expected to assert the privilege on behalf of their client.[78] For the privilege to apply, the communication must be made in confidence, and the client must be seeking legal advice.[79]

The work product doctrine, on the other hand, is held by both the attorney and the client, and either (or both) may claim its protection.[80] A waiver by either the attorney or the client does not waive the protection with respect to the other.[81] The work product doctrine was established by the U.S. Supreme Court in *Hickman v. Taylor* in 1947.[82] In *Hickman*, during pretrial discovery, one party requested the notes of witness interviews prepared by the other party's attorney.[83] The Court held that the notes were protected from discovery because they were prepared by the attorney in anticipation of litigation.[84] The Court reasoned that if one party was given full access to the other party's documents, information, and thoughts prepared in anticipation of litigation "[t]he effect on the legal profession would be demoralizing."[85] Attorneys would be unlikely to document any of their work if opposing counsel could acquire the notes, doc-

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74. *Id.*
75. Upjohn Co. v. United States, 449 U.S. 383, 389 (1981).
76. *See id.* (citing Trammel v. United States, 445 U.S. 40, 51 (1980)).
77. Sandra T.E. v. S. Berwyn Sch. Dist. 100, 600 F. 3d 612, 618 (7th Cir. 2009).
78. United States v. Loften, 518 F. Supp. 839, 845 (S.D.N.Y. 1981).
79. *See Sandra T.E.*, 600 F. 3d at 618.
80. *In re* Grand Jury Subpoenas, 561 F. 3d 408, 411 (5th Cir. 2009).
81. *Id.*
82. Hickman v. Taylor, 329 U.S. 495 (1947).
83. *Id.* at 499.
84. *Id.* at 511.
85. *Id.*

uments, or things simply by asking for the material via a discovery request.[86] Rather, courts have recognized "the need to protect trial counsel's thoughts."[87] This doctrine has been partially codified in FRCP 26(b)(3), which provides the following: "Documents and Tangible Things. Ordinarily, a party may not discover documents and tangible things that are prepared in anticipation of litigation or for trial by or for another party or its representative (including the other party's attorney, consultant, surety, indemnitor, insurer, or agent)."[88] The term "in anticipation of litigation" is defined by most circuit courts by answering the question of whether the document or thing was created "because of" the anticipated litigation.[89]

In the event a party waives the attorney–client privilege or work product protection, "[t]he widely applied standard for determining the scope of a waiver . . . is that the waiver applies to all other communications relating to the same subject matter."[90] It should be noted that "a waiver of the attorney-client privilege is not the same for waiver of work product protection."[91] Voluntary disclosure waives the attorney–client privilege, but it does not necessarily waive work product protection.[92] The attorney–client privilege is more easily waived than work product protection.[93]

The FRE Advisory Committee "concluded that if there were a way to produce documents in discovery without risking subject matter waiver, the discovery process could be made much less expensive."[94] The committee believed that court decisions on the effect of inadvertent disclosure

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86. *Id.*

87. *See, e.g.*, *In re* Seagate Tech., LLC, 497 F. 3d 1360, 1373 (Fed. Cir. 2007).

88. FED. R. CIV. P. 26(b)(3)(A).

89. *See, e.g.*, United States v. Deloitte, 610 F. 3d 129, 137 (D.C. Cir. 2010). The Fifth Circuit "requires that anticipation of litigation be the 'primary motivating purpose' behind the document's creation." *Id.* (citing United States v. El Paso Co., 682 F.2d 530, 542 (5th Cir. 1982)).

90. *In re* Seagate Tech., LLC, 497 F. 3d at 1372 (quoting Fort James Corp. v. Solo Cup Corp., 412 F.3d 1340, 1349 (Fed. Cir. 2005)).

91. Hopson v. City of Balt., 232 F.R.D. 228, 234 n.8 (D. Md. 2005).

92. *Deloitte*, 610 F. 3d at 139.

93. *Hopson*, 232 F.R.D at 233 n.8 (citing Nutramax Laboratories, Inc. v. Twin Laboratories, Inc., 183 F.R.D. 458, 463–64 (D. Md. 1998); *In re* Martin Marietta Corp., 856 F.2d 619, 623–24 (4th Cir. 1988)).

94. *See* Letter from Lee H. Rosenthal, Comm. Chair on Rules of Practice and Procedure of the Judicial Conference of the United States, to Patrick J. Leahy, Chairman of the Comm. on the Judiciary, and Arlen Specter, Ranking Member of the Comm. on the Judiciary 3 (Sept. 26, 2007), *available at* http://www.uscourts.gov/uscourts/RulesAndPolicies/rules/Hill_Letter_re_EV_502.pdf [hereinafter Letter from Lee H. Rosenthal].

were "far from consistent or certain."[95] One of the purposes of Rule 502 was to provide uniform rules applicable when a party inadvertently disclosed a document.[96]

D. Purposes of Federal Rule of Evidence 502

The FRE Advisory Committee relies heavily on the *Hopson v. City of Baltimore* case, written by U.S. Magistrate Judge Paul W. Grimm.[97] This opinion contains an exhaustive history of inadvertent waiver issues and is law review-esque in its detail. The Fourth Circuit, to which Judge Grimm's district is bound, had not yet considered the inadvertent disclosure issue.[98] In *Hopson*, Judge Grimm illustrated the disparate treatment different courts had given to waiver issues.[99] He cited the varying treatment given to counsel "non-waiver" agreements.[100] He also outlined the three approaches courts had taken concerning whether privileges were waived by inadvertent disclosure, the "strict accountability" approach, the "lenient" approach, and the "balancing test" approach.[101]

Courts following the strict accountability approach held that "inadvertent disclosure of documents during discovery automatically constituted a subject matter waiver" notwithstanding protections taken to avoid such a disclosure.[102] Under the lenient approach, courts excuse all inadvertent disclosures, provided the disclosure was truly inadvertent and not intentional.[103] The majority of courts followed the balancing test approach (deemed the "middle ground" by the FRE Advisory Committee).[104] According to the committee, under this approach the inadvertent disclosure constitutes a waiver only if "the disclosing party acted carelessly in disclosing the communication or information and failed to request its return in a timely manner."[105] By incorporating this "middle ground" approach in the rule, Congress attempted to legislate uniformity throughout the country for the law on inadvertent disclosure.

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95. *See id.*
96. FED. R. EVID. 502 Advisory Committee's note.
97. *See id.*; *Hopson*, 232 F.R.D at 233 n.8.
98. *Hopson*, 232 F.R.D at 234.
99. *Id.* at 232.
100. *Id.* at 235.
101. *Id.* at 235–36.
102. FED. R. EVID. 502 Advisory Committee's note (a). The committee cited *In re Sealed Case*, 877 F.2d 976 (D.C. Cir. 1989), as an example of the strict accountability approach and specifically rejected it. *Id.*
103. *Id.* at Advisory Committee's note (b).
104. *Id.*
105. *Id.*

Congress also specified the treatment for disclosures made in a federal proceeding or to a federal agency, disclosures made in state proceedings, and the effect of a court order and private agreement between parties to an action.[106] Ideally, litigants would no longer need to be concerned about the particular law within their particular jurisdiction—precisely the problem outlined by Judge Grimm.[107] However, both the FRE Advisory Committee and Congress indicated that no change was intended with respect to the actual substantive law of the attorney–client privilege or work product protection.[108] This was to remain as it was under common law and by court decisions.[109]

In a federal proceeding or when a disclosure is made to a federal office or agency, there is no longer a blanket subject-matter waiver of the attorney–client privilege or work product doctrine if the waiver was unintentional, unless the disclosing party attempted to use the inadvertently disclosed material as both a sword and a shield.[110] Therefore, a party may not advertently disclose a protected document and later claim an inadvertent disclosure when the document is used by the opposing party. Thus, the "subject matter waiver is limited to situations in which a party intentionally puts protected information into the litigation in a selective, misleading and unfair manner."[111]

Subsection (c) of the rule addresses when disclosures are made in state court proceedings. The rule differentiates between a waiver when a state court order is issued and a waiver when there is no state court order.[112] If there is no state court order, then there is no waiver in the fed-

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106. FED. R. EVID. 502 (a), (c), (e).

107. *See Hopson*, 232 F.R.D at 236.

108. *Understanding New FRE 502*, *supra* note 45, at 1457.

109. *Id.*

110. *See* FED. R. EVID. 502(a)(2)–(3) (specifying that waiver will apply if the disclosure is unintentional and the "disclosed and undisclosed communications or information concern the same subject matter" and the situation "ought in fairness to be considered together"); Gareth T. Evans & Farrah Pepper, *Federal Rule of Evidence 502: Getting to Know an Important E-Discovery Tool*, ORANGE COUNTY LAW. MAG. Nov. 2009, Vol. 51, No. 11, at 10, 11 (stating a party uses the inadvertent disclosure as shield and sword when the party "would gain an unfair advantage by intentionally and selectively producing favorable privileged documents while simultaneously seeking to protect damaging documents on the same subject"); *see also* Starsight Telecast, Inc. v. Gemstar Dev. Corp., 158 F.R.D. 650, 653 (N.D. Cal. 1994) ("In general, a party's voluntary disclosure of one or more privileged communications between the party and his attorney waives the privilege as to all communications between the party and his attorney on the same subject") (citing Hercules, Inc. v. Exxon Corp., 434 F. Supp. 136, 156 (D. Del. 1977)).

111. FED. R. EVID. 502 Advisory Committee's note (a).

112. FED. R. EVID. 502(c).

eral proceeding if there would not have been a waiver under the Federal Rule (if made in a federal proceeding), or the law of the state where the disclosure provides there would be no waiver.[113] The rule purposely does not address when the waiver is the subject of a state court order, "as that question is covered both by statutory law and principles of federalism and comity."[114]

If a party wants to be fully protected in the event of an inadvertent disclosure, he or she should request a court order. If a federal court issues an order that "the privilege or protection is not waived by disclosure," then the material is protected in any other federal or state proceeding.[115] This is a very broad provision and applies even to individuals and entities that are not a party to the litigation for which the order is issued.[116] Note that there is no reasonableness standard in this instance, so it applies even if the disclosing party was careless, reckless, or negligent in providing the material to the requesting party, as long as a court order had been issued.[117] Additionally, the court order may incorporate a "claw-back" or "quick peek" agreement made by the parties, or the court may even order it in the absence of a specific party agreement.[118] Thus the rule allows a court to issue an order at the parties' request or even *sua sponte*.[119]

Finally, the rule was changed to provide uniformity and predictability[120] and it specifies that parties may enter into an agreement without a court order.[121] These "claw-back" or "quick peek" agreements will be enforced against either party to the agreement by the court.[122] However, these agreements are not enforceable by the court against any non-party to the agreement.[123] Rule 502 was designed to give attorneys much

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113. *Id.*

114. FED. R. EVID. 502 Advisory Committee's note (c).

115. *Id.* at 502(d).

116. Evans & Pepper, *supra* note 110, at 11.

117. *See id.*

118. *See* FED. R. EVID. 502 Advisory Committee's note (d) ("Under the rule, a confidentiality order is enforceable whether or not it memorializes an agreement among the parties to the litigation. [The] party agreement should not be a condition of enforceability of a federal court's order."); *see, e.g.*, Rajala v. McGuire Woods, LLP, No. No. 08-2638-CM-DJW, 2010 WL 2949582, at*5–7 (D. Kan. July 22, 2010) (imposing a claw-back agreement despite the objection of one of the parties).

119. Paul W. Grimm, Lisa Yurwit Bergstrom & Matthew P. Kraeuter, *Federal Rule of Evidence 502: Has It Lived Up to Its Potential?* 17 RICH. J.L & TECH. 8, ¶102 (2011), *available at* http://jolt.richmond.edu/v17i3/article8.pdf ("[P]ursuant to Rule 502(d), the court may issue an order—at the parties' behest or *sua sponte*. . . .")

120. FED. R. EVID. 502 Advisory Committee's note.

121. FED. R. EVID. 502(e).

122. *Id.*

123. FED. R. EVID. 502 Advisory Committee's note (e).

needed predictability and the rules throughout the country were to be uniform.

II. CASES AND RULINGS IN THE POST-FRE 502 WORLD

A. Setting the Stage for Post-502 Rulings

There are approximately eighty reported cases and rulings that have been issued since Congress passed FRE 502, from which some trends emerge. In making a fact-based inquiry in each case, courts are more forgiving if massive amounts of material are involved. If attorneys engage commercial third parties to do document reviews, courts tend to find the disclosures inadvertent. However, as noted by one group of commentators, there are numerous examples of inconsistencies in courts' application of Rule 502.[124]

After the bill proposing Rule 502 was passed in the Senate, but before the bill had passed in the House, Judge Grimm, the magistrate judge and author of *Hopson*, issued another ruling on inadvertent disclosure, *Victor Stanley v. Creative Pipe*.[125] The plaintiff, Victor Stanley, filed a motion seeking a ruling that 165 documents were properly discoverable.[126] The defendant, Creative Pipe, argued that the documents were protected by the attorney–client privilege and/or the work product doctrine, and that protection had not been waived.[127] Judge Grimm found the documents were not protected because Creative Pipe had waived the privilege/protection.[128] Creative Pipe provided some documents to Victor Stanley and once Victor Stanley noticed that some of the documents were potentially privileged, it informed Creative Pipe.[129] Interestingly, Creative Pipe had earlier "abandoned their efforts to obtain a claw back agreement and committed to undertaking an individualized document review."[130] Judge Grimm used a five-factor balancing test and used the "intermediate test" to determine if the privilege/protection had been

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124. Grimm, Bergstrom & Kraeuter, *supra* note 119, ¶2 ("[C]ourts have not interpreted Rule 502 with sufficient consistency in reported decisions to enable practitioners and their clients to predict how they will fare if they attempt to take advantage of the rule. . . .").

125. 250 F.R.D. 251 (D. Md. 2008) (opinion issued May 29, 2008, the Senate passed Rule 502 on Feb. 27, 2008, and the House passed the bill on Sept. 8, 2008).

126. *Id.* at 253.

127. *Id.*

128. *Id.* at 253–54.

129. *Id.* at 255.

130. *Id.*

waived.[131] The five-factor balancing test he used comprises these items: "(1) the reasonableness of the precautions taken to prevent inadvertent disclosure; (2) the number of inadvertent disclosures; (3) the extent of the disclosures; (4) any delay in measures taken to rectify the disclosure; and (5) overriding interests in justice."[132]

The FRE Advisory Committee noted other, similar factors to determine whether an inadvertent disclosure was a waiver.[133] The committee cited *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 104 F.R.D. 103, 105 (S.D.N.Y. 1985) and *Hartford Fire Ins. Co. v. Garvey*, 109 F.R.D. 323, 332 (N.D. Cal. 1985) as the origins of the "multifactor" test.[134] The multifactor test comprises these items: "(1) the reasonableness of precautions taken; (2) the time taken to rectify the error; (3) the scope of discovery; (4) the extent of disclosure; and (5) the overriding issue of fairness."[135] The committee noted that the rule did not in fact codify any test, "because it is really a set of non-determinative guidelines that vary from case to case."[136] The committee also mentioned two other factors—the number of documents to be reviewed, and the time constraints for production.[137] However, it did specify that the rule should be "flexible enough to accommodate any of those listed factors."[138]

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131. *Id.* at 259. Judge Grimm cited *McCafferty's, Inc. v. Bank of Glen Burnie*, 179 F.R.D. 163, 167 (D. Md. 1998), as the origin of this five-factor test. *Id.*

132. *Id. Victor Stanley* later proved just how important it is to respond to ESI requests in a timely fashion. In a subsequent ruling, Judge Grimm imposed a prison term on the defendant for willful spoliation of ESI, not to exceed two years "unless and until he pays . . . [the] [p]laintiff the attorney's fees and costs . . . awarded . . . as the prevailing party." Victor Stanley, Inc. v. Creative Pipe, Inc. (*Victor Stanley II*), 269 F.R.D. 497, 500 (D. Md. 2010). However, Judge Grimm's order was later modified by District Court Judge Garbis, who ruled that the defendant should not be incarcerated until he failed to comply with Judge Grimm's payment order. Melissa DeHonney, *District Judge Overturns Part of Victor Stanley II Ordering Immediate Jail Time to a Defendant Based on a Possible Future Failure to Pay Spoliation Sanctions*, GIBBONS E-DISCOVERY LAW ALERT (Nov. 19, 2010), http://www.ediscoverylawalert.com/tags/victor-stanley-ii. In January 2011, the defendant was ordered to pay costs and fees to the plaintiff in the total amount of $1,049,850. Victor Stanley, Inc. v. Creative Pipe, Inc. (*Victor Stanley III*), Civil No. MJG.-06-2662 (D. Md. Jan. 24, 2011), *available at* http://www.applieddiscovery.com/ksc_assets/blog/victor-stanley-fee-award.pdf.

133. FED. R. EVID. 502 Advisory Committee's note (b).

134. *Id.*

135. *Id.*

136. *Id.*

137. *Id.*

138. *Id.*

B. Post-Rule 502 Cases: 2008

The first reported ruling that applied new Rule 502 was *Rhoads Industries v. Building Materials Corp. of America*.[139] Interestingly, District Court Judge Baylson, the author of *Rhoads*, was a non-voting member of the FRE Advisory Committee for the new rule.[140] Obviously Judge Baylson has a great familiarity with ESI and his work on the rule would not preclude his consideration of the case. In this case, plaintiff Rhoads Industries produced over 800 privileged documents during the discovery phase of the litigation.[141] First, Judge Baylson determined that of the 800 documents, 120 had not been listed on any privilege log.[142] He ordered Rhoads to produce those documents to the defendant (in actuality these had already been produced, but had been segregated and held by the defendant).[143]

The issue in the case was whether the disclosure of the remaining documents was inadvertent under Rule 502(b).[144] Judge Baylson initially looked to the actual requirements of Rule 502(b)—that the disclosure be inadvertent, that the holder of the privilege took reasonable steps to prevent disclosure, and that the holder of the privilege promptly took reasonable steps to rectify the error.[145] Next he quickly turned to "a widely cited case setting an appropriate standard," *Fidelity & Deposit Co. of Maryland v. McCulloch*.[146] The factors in *Fidelity* are the same as those cited in *Victor Stanley*.[147] Although Judge Baylson found that four of the five *Fidelity* factors favored the defendant, he determined that there was no waiver of the privilege by Rhoads.[148] He relied heavily on the fifth factor, the "overriding interests of justice," and noted that "the loss of privilege

139. 254 F.R.D. 216 (E.D. Pa. 2008); Grimm, Bergstrom & Kraeuter, *supra* note 119, ¶52. This ruling was later clarified by *Rhoads Indus. v. Bldg. Materials Corp. of Am.*, 254 F.R.D. 238 (E.D. Pa. 2008).

140. *Id.* at 218 n.1.

141. *Id.* at 223.

142. *Id.* at 223–24; *see also* Colleen M. Kenney & Marc E. Raven, *First Cases Under Federal Rule of Evidence 502 Reflect Variety of Approaches, Underscore Importance of "Clawback" Orders*, BLOOMBERG FIN. (May 2009) *reprinted by* Sidley Austin, LLP, *available at* http://www.sidley.com/Publications/?Archive=1 (click on article listed middle of the page) (last visited June 16, 2011) (providing the history and purpose of Rule 502 and outlining some of the first cases that applied the rule).

143. *Rhoads*, 254 F.R.D. at 218, 224.

144. *See id.* at 216.

145. *Id.* at 218–19 (citing FED. R. EVID. 502(b)(1)–(3)).

146. *Id.* at 219.

147. *Id.* at 220.

148. *Id.* at 226–27.

would be highly prejudicial" to Rhoads.[149] Judge Baylson took a bit of a swipe at Judge Grimm and termed his analysis an

> application of hindsight, which should not carry much weight, if any, because no matter what methods an attorney employed, an after-the-fact critique can always conclude that a better job could have been done . . . the fifth factor, the interest of justice, strongly favors Rhoads. Loss of the attorney-client privilege in a high-stakes, hard-fought litigation is a severe sanction and can lead to serious prejudice.[150]

Another case decided soon after the passage of FRE 502 was *Laethem Equipment Co. v. Deere & Co.*[151] Magistrate Judge Komives looked only at the three listed requirements of FRE 502(b) and concluded that all of the elements were met.[152] He denied the defendant's request for an order that the privilege was waived.[153] He dismissed any alleged discovery abuses, as he determined they were not relevant under the rule.[154] The judge was apparently impressed by the speed by which the plaintiff took reasonable steps to rectify the error, one of the conditions of the rule.[155] The judges in both the *Rhoads* and *Laethem* cases certainly took to heart the FRE Advisory Committee's recommendation that

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149. *Id.* at 225; *see also* Kenney & Raven, *supra* note 142, at 2 ("The [*Rhoads*] court thus held that no waiver had occurred, even though four of the five factors weighed in favor of such a finding.").

150. *Id*. at 226–27. For an excellent article comparing *Rhoads* to *Victor Stanley*, see Jerold S. Solovy & Robert L. Byman, *Mistakes Happen*, NAT'L LAW J., Jan. 19, 2009, *available at* http://www.jenner.com/files/tbl_s69NewsDocumentOrder/FileUpload500/5933/Solovy_Byman_MistakesHappen.pdf. In a later case, a district judge for the Western District of Pennsylvania stated that, "[p]ost-amendment, district courts in the Third Circuit have continued to consider" the five *Rhoads* factors relevant to the issue of inadvertent disclosure. Rhoades v. YWCA Ass'n of Greater Pittsburgh, No. 09-261, 2009 WL 3319820, at *2 (W.D. Pa. Oct. 14, 2009).

151. No. 2:05-CV-10113, 2008 WL 4997932 (E.D. Mich. Nov. 21, 2008).

152. *Id.* at *9.

153. *Id.* at *8.

154. *Id.*; *see also Has Federal Rule of Evidence 502 Healed the Heartache of Inadvertent Disclosure?* KROLL ONTRACK (June 2009), http://www.krollontrack.com/newsletters/clu_0609.html#2 ("[T]he rule is intended to focus on the disclosure of privileged information not discovery abuses.") (citation omitted).

155. *Laethem Equip. Co.*, No. 2:05-CV-10113, 2008 WL 4997932, at *8–9; *see also* Kenney & Raven, *supra* note 142, at 2 ("The [*Laethem*] court noted that plaintiffs lodged an objection immediately during the deposition in which the disclosed documents were used, sent a follow-up letter the same day, and offered repeated objections at later depositions.").

courts should take a flexible approach to FRE 502.[156] In *Rhoads*, Judge Baylson found that one of the five "reasonableness" factors was so important that it virtually took over the other factors, and in *Laethem*, Judge Komives did not conduct a "five-factor" analysis but instead relied completely on the test contained in FRE 502(b).[157]

Other courts have not been as flexible, as is illustrated by *Relion, Inc. v. Hydra Fuel Cell Corp*., which was decided by the U.S. District Court for the District of Oregon.[158] Relion sought the return of two e-mails it maintained were privileged.[159] The magistrate judge stated that it would "find the privilege preserved if the privilege holder has made efforts 'reasonably designed' to protect and preserve the privilege; conversely, the court deems the privilege waived if the privilege holder fails to pursue all reasonable means of preserving the confidentiality of the privileged matter."[160] Although the judge cited Rule 502, he seems to have relied exclusively on a pre-Rule 502 Ninth Circuit case in reaching his decision, which was that Relion waived the privilege.[161] One odd element in *Relion* is that the parties had a protective order in place in the litigation, although it was not subject to much discussion in the decision.[162]

Alcon Manufacturing Ltd. v. Apotex, Inc. was another case decided just after Rule 502 was passed.[163] In *Alcon*, only one document was at issue—"Deposition Exhibit 71."[164] The parties to the case did, in fact have a protective order from the court concerning the privileged document.[165] Nevertheless, the defendant claimed the protective order no longer applied because the document had been made part of a deposition record.[166] The court quickly dismissed this argument and indicated that the protective order applied despite the use of the document in the deposition.[167] The court ultimately ordered the document returned, because the plaintiff had followed the specifications of the protective order (requiring

156. Rhoads Indus. v. Bldg. Materials Corp. of Am., 254 F.R.D. 216, 220–21 (E.D. Pa. 2008); *Laethem Equip. Co.*, No. 2:05-CV-10113, 2008 WL 4997932, at *9–10.

157. *See* Kenney & Raven, *supra* note 142, at 3.

158. No. CV06-607-HU, 2008 WL 5122828 (D. Or. Dec. 4, 2008).

159. *Id.* at *2.

160. *Id.*

161. *Id.* at *2–4. The court relied on *United States v. de la Jara*, 973 F. 2d 746 (9th Cir. 1992).

162. *Id.* at *2.

163. No. 1:06-cv-1642-RLY-TAB, 2008 WL 5070465 (S.D. Ind. Nov. 26, 2008).

164. *Id.* at *1.

165. *Id.*

166. *Id.* at *3.

167. *Id.*

prompt remedial action), and it was compliant with the intent of Rule 502.[168] The judge stated the following:

> Perhaps the situation at hand could have been avoided had Plaintiffs' counsel meticulously double or triple-checked all disclosures against the privilege log prior to any disclosures. However, this type of expensive, painstaking review is precisely what new Evidence Rule 502 and the protective order in this case were designed to avoid.[169]

The critical factor in *Alcon* is that the plaintiff followed the terms of the protective order.[170] Comparing the above four cases, one quickly concludes that different judges take different approaches yet all seem to look at the "big picture" of reasonableness.

One other issue that was determined by a court in 2008 was the question of whether a protective order may cover an entire document or only that portion of a document that is protected by a privilege or doctrine.[171] Magistrate Judge Baker found that the entire document should be covered by the protective order and stated that "an entire document may be marked as 'confidential' if done so in good faith, in light of the costs and burdens that might be required by a more discerning review of voluminous production."[172]

C. Post-Rule 502 Selected Cases and Rulings: 2009

Coburn Group, LLC v. Whitecap Advisors, LLC[173] has received a significant amount of commentary since it was decided by the District Court for the Northern District of Illinois in August 2009.[174] In *Coburn*, the Coburn Group brought a breach of oral contract claim against White-

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168. *Id.* at *6.

169. *Id.*

170. *Id.*; *see also* Schaefer, *supra* note 11, at 222 ("Citing FRE 502(d) and setting out the terms of the order, the [*Alcon*] court determined that the plaintiff had complied with the order, justifying a conclusion that the privilege was not waived.").

171. Containment Techs. Grp., Inc. v. Am. Soc'y of Health Sys. Pharmacists, No. 1:07-cv-997-DFH-TAB, 2008 WL 4545310, at *1 (S.D. Ind. Oct. 10, 2008).

172. *Id.* at *6.

173. 640 F. Supp. 2d 1032 (N.D. Ill. 2009)

174. *See, e.g.*, *Case Highlights Inadvertent Disclosure Standards Under FRE 502(b)*, FED. EVID. REV. (Sept. 8, 2009), http://federalevidence.com/blog/2009/september/case-highlights-inadvertent-disclosure-standards-under-fre-502b; Robert D. Owen & Melissa H. Cozart, *FRE 502: One Year Later*, L. TECH. NEWS, (Oct. 13, 2009), http://www.law.com/jsp/lawtechnologynews/PubArticleLTN.jsp?id=1202434493885.

cap Advisors.[175] During discovery, Whitecap presented to one of its attorneys, Michael Hultquist, a computer hard drive that contained approximately "72,000 pages of potentially responsive documents."[176] Mr. Hultquist assigned two seasoned paralegals to review the documents, and he implemented a protocol for them to follow during their review.[177] After the review, Whitecap provided approximately 40,000 documents to Coburn.[178] The production included a half-page-long e-mail that was the subject of the motion to return the document.[179] Magistrate Judge Brown determined that the e-mail was protected by the work product doctrine, following which she turned her attention to the application of Rule 502.[180] The judge used *Heriot v. Byrne* (see below) as an example of a case in which the determination of whether a disclosure was "inadvertent" (under 502(b)(1)) was too complex.[181] She favored a much simpler approach "essentially asking whether the party intended a privileged or work product protected document to be produced or whether the production was a mistake."[182] Next, she discussed the other two requirements of Rule 502, sections (b)(2) (reasonable steps to prevent disclosure) and (b)(3) (reasonable steps to rectify the error).[183] In her analysis under subsection (b)(2), the judge respectfully disagreed with the judge in *Relion*,[184] and she stated the following:

> The standard of Rule 502(b)(2) is not "all reasonable means," it is "reasonable steps to prevent disclosure." Furthermore, the decision appears to be contrary to the view of the Judicial Conference Rules Committee that Rule 502 "does not require the producing party to engage in a post-production review to determine whether any protected communication or information has been produced by mistake."[185]

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175. *Coburn*, 640 F. Supp. 2d at 1035.
176. *Id.*
177. *Id*. at 1035, 1039. One of the interesting aspects of the case is that Coburn argued that assigning the document review task to paralegals was in and of itself unreasonable. *Id.* at 1039. The court did not agree. *Id.* at 1040.
178. *Id.*
179. *Id.* at 1035.
180. *Id.* at 1037.
181. *Id.* at 1038.
182. *Id.*
183. *Id.* at 1039–41.
184. *Id.* at 1040.
185. *Id.* (quoting Rule 502 FRE Advisory Committee explanatory note (2007)).

Judge Brown ultimately determined that there was no waiver of work product protection, that the e-mail was protected against disclosure.[186] Interestingly, another magistrate judge in the very same district, later referred to and used the analysis set forth in *Heriot*.[187] This illustrates the fact that each case is decided based upon each judge's particular analysis. The sought after uniformity may not be achieved under their approach. In *Comrie v. IPSCO, Inc.,* the court found the waiver was not inadvertent under Rule 502 despite the fact that it was one e-mail out of 5,500 documents produced (with "several thousand more" documents reviewed) and a protective order had been signed by the parties.[188] The magistrate judge in *Comrie* found a lack of any evidence to support that the disclosure was inadvertent or that the disclosing party had taken reasonable steps to prevent disclosure.[189]

A Kansas case, *Spieker v. Quest Cherokee, LLC*,[190] has also received some attention due to the fact that the court dismissed one party's offer to enter into a waiver agreement, finding that a claw-back agreement would have been ineffectual absent a party's reasonable steps taken to prevent disclosure of privileged material.[191] Hugo Spieker and others were suing Quest Cherokee (Quest) for the payment of royalties they maintained Quest owed them on oil and gas leases.[192] Spieker served discovery, and Quest objected to the production of certain ESI.[193] Quest maintained during an earlier discovery hearing that it would cost between

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186. *Id.* at 1043.

187. Comrie v. IPSCO, Inc., No. 08 C 3060, 2009 WL 4403364, at * 2 (N.D. Ill. Nov. 30, 2009).

188. *Id.* at *1, *3.

189. *Id.* at *2.

190. No. 07-1225-EFM, 2009 WL 2168892, at *3 (D. Kan. July 21, 2009).

191. *See, e.g.*, H. Christopher Boehning & Daniel J. Toal, *Kansas Case Casts Doubt on Usefulness of Rule 502*, 242 N.Y. L.J. (2009), *available at* http://www.law.com/jsp/nylj/PubArticleNY.jsp?id=1202435048078&slreturn=1&hbxlogin=1 (discussing how the *Spieker* decision seems be at odds and with the purpose and history of Rule 502); Amy Longo, *Decision Rejects Use of "Quick Peek" Agreements Under Federal Rule of Evidence 502*, O'MELVENY & MYERS LLP (Aug. 24, 2009) http://www.omm.com/newsroom/publication.aspx?pub=852 (arguing that if *Spieker* were followed it could "limit the extent to which Rule 502 enables parties to achieve cost savings in privilege reviews"); *Rule 502—Applying The Inadvertent Disclosure Test to E-Discovery*, MCGUIRE WOODS (Aug. 26, 2009), http://www.mcguirewoods.com/news-resources/item.asp?item=4211 ("As the [*Spieker*] magistrate judge . . . noted, Rule 502 only protects against inadvertent disclosure where the producing party establishes that reasonable steps were taken to prevent such disclosure, and it is inadequate to turn over all materials subject to a non-waiver agreement.").

192. *Spieker*, 2009 WL 2168892, at *1.

193. *Id.*

$82,000 and $375,000 to comply, and that Spieker had not shown the ESI was even relevant to the issues in the case.[194] During the second hearing (to which this ruling applied), Magistrate Judge Humphreys found that Spieker proved the relevance of the requested documents and she ordered that Quest produce them.[195]

Judge Humphreys seemingly erred when he described the plaintiffs' proposed claw-back agreement as part of its motion to compel production as not helpful absent the plaintiff taking reasonable steps to prevent the disclosure of privileged material.[196] Judge Humphreys seems to find that the reasonableness requirements of 502(b) apply to claw-back agreements under 502(d) or (e).[197] In actuality, each section of 502 should and does stand on its own.[198] Judge Humphreys stated the following about the proposed claw-back agreement:

> Plaintiffs suggest that defendant can minimize its costs by turning over a copy of all of defendant's ESI in native format with an agreement under Fed.R.Civ.P. 26(b)(5)(B) and Fed.R.Evid. 502 that defendant has not waived the attorney client privilege. The difficulty with this argument is that Rule 502(b) preserves the privilege if "the holder of the privilege or protection took reasonable steps to prevent disclosure" of the privileged material. Simply turning over all ESI materials does not show that a party has taken "the reasonable steps" to prevent disclosure of its privileged materials and plaintiffs' proposal is flawed.[199]

This statement has understandably made practitioners question the utility of a claw-back agreement under 502(d) or (e).[200] Other courts will be unlikely to follow Judge Humphreys' reasoning due to basic statutory

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194. *Id.* An earlier motion was denied without prejudice because of the high cost it would impose on Quest and Spieker failed to show the relevance of the ESI. *Id.*

195. *Spieker*, 2009 WL 2168892, at *2, *5.

196. *See id.* at *3 ("The difficulty with this [using such an agreement] is that Rule 502(b) preserves the privilege if 'the holder of the privilege or protection took reasonable steps to prevent disclosure' of the privileged material.") (quoting FED. R. EVID. 502(b)).

197. *See id.*

198. *See* Conceptus, Inc. v. Hologic, Inc., No. C 09-02280 WHA, 2010 U.S. Dist. LEXIS 109598, at *1 (N.D. Cal. Oct. 5, 2010) ("The[ ] three requirements [to preclude waiver] are separate and should not be conflated in the analysis; in particular, inadvertence under the first prong does not turn on the reasonable steps taken to prevent mistaken disclosure addressed in the second prong.") (internal citation omitted).

199. *Spieker*, 2009 WL 2168892, at *3.

200. *See, e.g.*, Boehning & Toal, *supra* note 191 ("Just when you thought it was safe to enter into 'quick peek' and 'clawback' agreements, along comes *Spieker v. Quest Cherokee, LLC*.").

construction rules as well as the FRE Committee's comments, comments such as: "[A] court order may provide for return of documents without waiver irrespective of the care taken by the disclosing party; the rule contemplates enforcement of 'clawback' and 'quick peek' arrangements as a way to avoid the excessive costs of preproduction review for privilege and work product."[201] As a practical matter it is likely courts will be encouraging and enforcing these agreements as a matter of necessity.[202] Our use of ESI will only continue to grow.

One other area of interest in *Spieker* is Judge Humphreys' response to Quest's claim that it was unable to conduct an in-house ESI search because its employees had no experience with document production.[203] The judge responded by stating the following: "[D]efendant's assertions that its IT employees have no experience producing discovery in litigation carries no weight. This court is aware of no case where a party has been excused from producing discovery because its employees 'have not previously been asked to search for and/or produce discovery materials."[204] The judge ultimately granted Spieker's motion to compel production of documents due undoubtedly to Quest's failure to cooperate in even a minimal manner on the ESI document request.[205] In short, it appears the judge was punishing Quest's lack of cooperation.

Heriot v. Byrne, discussed previously, is notable for a number of reasons.[206] First, like the judge in *Coburn*, Magistrate Judge Ashman found in *Heriot* that the use of paralegals and non-lawyers to manage the E-discovery was not an automatic disqualification for relief under FRE 502.[207] Second, the judge determined that factors that predated Rule 502 could be used to determine whether the tests of Rule 502(b) were satisfied.[208] The judge indicated he did not agree with the *Rhoads* approach.[209] Third,

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201. FED. R. EVID. 502 Advisory Committee's note (d). Although this wording is not included in the Advisory Committee's Notes to subdivision (e), the committee indicates that the difference between (d) and (e) is the enforcement against non-parties *See* FED. R. EVID. 502 Advisory Committee's note (e). Thus, presumably the same theory of no required preproduction review applies to (e).

202. For an excellent discussion of the problematic approach of *Spieker*, see Grimm, Bergstrom & Kraeuter, *supra*, note 119, ¶79 ("Rulings such as that rendered in *Spieker* fly in the face of the clear intent of Rule 502 and ignore the rule's explicit provisions.").

203. *Spieker*, 2009 WL 2168892 at *3.

204. *Id.*

205. *Id.* at *3–5.

206. 257 F.R.D. 645 (N.D. Ill. 2009).

207. *See id.* at 660.

208. *Id*. at 655 (stating "the court may, but need not, use some or all of the *Judson* factors to assess whether FRE 502(b)'s requirements have been satisfied").

209. *Id.* at 655 n.7.

Judge Ashman found that although the disclosure was not insignificant (13 percent of all documents produced), it would be unfair to penalize a party for the errors of its document review vendor, in this case Open Door Solutions, LLP.[210] He specifically found that "[p]laintiffs had no duty to re-review the documents after providing them to the Vendor," as this would be "duplicative, wasteful and against the spirit of FRE 502."[211] The judge added that if such a duty were imposed it "would chill the use of e-vendors, which parties commonly employ to comply with onerous electronic discovery."[212] Further, the judge stated, "Plaintiffs relied, and should be able to rely, on their Vendor to faithfully carry out the instructions it has been given."[213] Finally, the judge stated, "*how* the disclosing party *discovers and rectifies* the disclosure is more important than *when* after the inadvertent disclosure the discovery occurs."[214]

In *Amobi v. Department of Corrections,* the U.S. District Court for the District of Columbia followed the same reasoning as the *Coburn* court on whether factors outside of the text of Rule 502 should be considered by a court.[215] The magistrate judge in *Amobi* found that the three-part test of Rule 502 (b) (Rule 502(b)(1), (2), and (3)) provides for a very simple analysis of the term "inadvertent," and he followed the definition given in *Coburn*.[216] On the other hand, the judge mentioned factors set forth by the FRE Advisory Committee about reasonable steps taken to prevent the disclosure.[217] He ultimately determined that the Department of Corrections did not take reasonable steps to avoid the disclosure.[218] It is clear from the opinion that the Department did little to prove it took reasonable steps to prevent the disclosure, and the judge stated the following: "Thus, while Rule 502(b) would in essence allow me to round up the animals and put them back in the barn, defendants have not provided

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210. *See id.* at 651, 660–62 ("this Court also considered the unfairness of penalizing Plaintiffs for an error that it neither caused nor anticipated.").

211. *Id.* at 660.

212. *Id.*

213. *Id.*

214. *Id.*

215. 262 F.R.D. 45 (D.D.C. 2009).

216. *See id.* at 53. Magistrate Judge Facciola added this humorous line: "Lawyers make inadvertent mistakes; it is *judges* who never make mistakes." *Id.* at 54. One court took an even easier route to determine inadvertence, "if the material is clearly privileged, the court presumes that the party did not intend to produce it." Michael J. Burg & Richard Hunter, *A Review of How Courts Are Analyzing New Federal Rule of Evidence 502*, 78 U.S.L.W. 2499 (Mar. 2010) (citing Preferred Care Partners Holding Corp. v. Humana, Inc., 258 F.R.D. 684 (S.D. Fla. 2009)).

217. *Amobi*, 262 F.R.D. at 54.

218. *Id.* at 55.

any evidence that they took reasonable efforts to keep the barn door closed."[219]

Although a thorough analysis of all cases decided under Rule 502 is beyond the scope of this article, certain findings may be illustrated by these and some of the other cases decided in 2009.[220] For example, many courts decided that the burden of proof under Rule 502 is on the party claiming the benefit of FRE 502.[221] The facts and circumstances of disclosures are of utmost importance, but courts are using various tests and factors to analyze those facts and circumstances.[222] One court stated that

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219. *Id.* Judge Facciola takes this animal analogy from *Victor Stanley*. Victor Stanley, Inc. v. Creative Pipe, Inc., 250 F.R.D, 257, 263 (D. Md. 2008).

220. This article investigates the general findings of courts over a three-year period in broad strokes. Certainly a more detailed analysis could be performed in another article at some point in the future.

221. *See, e.g.*, *Amobi,* 262 F.R.D. at 53 ("In this district, prior to the enactment of the rule [502], 'the proponent of the privilege . . . [had] the burden of showing that it [had] not waived attorney-client privilege.' I see no reason why Rule 502 can be interpreted to modify that rule and I will apply it.") (citations omitted); Callan v. Christian Audigier, Inc., 263 F.R.D. 564, 566 (C.D. Cal. 2009) ("[T]he Court adopts the 'standard practice[,]' which is to place the burden on the party claiming inadvertent disclosure"); United States v. Sensient Colors, Inc., No. 07-1275, 2009 WL 2905474, at *3 (D.N.J. Sept. 9, 2009) ("Plaintiff, the disclosing party, has the burden to prove that the elements of FRE 502(b) have been met."); Heriot v. Byrne, 257 F.R.D 645, 658 (N.D. Ill. 2009) ("Prior to the 2008 amendment of FRE 502, 'the burden of proving inadvertent disclosure [was] on the party asserting the privilege.' This Court sees no reason to modify this approach and so applies it to FRE 502(b).") (citations omitted).

222. *See, e.g.*, Eden Isle Marina, Inc. v. United States, 89 Fed. Cl. 480, 502 (2009) (citing the Advisory Committee's eight factors for determining whether inadvertent disclosure is a waiver, but stressing two factors in particular: "the extent to which an attempt was made to rectify the disclosure and the amount of time taken to rectify an inadvertent disclosure") (citation omitted); *Sensient Colors, Inc.*, 2009 WL 2905474, at *3 n.8 (using a multifactor test consisting of the "reasonableness of precautions taken, the time taken to rectify the error, the scope of discovery, the extent of disclosure and the overriding issue of fairness . . . the number of documents to be reviewed and the time constraints for production . . . [yet] [n]o one factor is dispositive"); Infor Global Solutions (Michigan), Inc. v. St. Paul Fire & Marine Ins. Co., No. C 08-02621, 2009 WL 2390174, at *2 (N.D. Cal. Aug. 3, 2009) (describing its test as a "holistic reasonableness analysis"); Peterson v. Bernardi, 262 F.R.D. 424, 428–30 (D.N.J. 2009) (opting for the middle-ground approach, which was described as the *Ciba-Geigy* approach and includes at least five factors: "(1) the reasonableness of the precautions taken to prevent inadvertent disclosure . . . ; (2) the number of inadvertent disclosures; (3) the extent of the disclosures; (4) any delay and measures taken to rectify the disclosure, and; (5) . . . the overriding interests of justice") (citing Ciba-Geigy Corp. v. Sandoz Ltd., 916 F. Supp. 404, 411 (D.N.J. 1996)); Kumar v. Hilton Hotels Corp., No. 08-2689 D/P, 2009 WL 1683479, at *3 (W.D. Tenn. June 16, 2009) ("adopting a multifactor test that includes the "reasonableness of precautions taken, the time taken to rectify the error, the scope of discovery, the extent of disclosure and the overriding

"[t]he law does not require 'strenuous or Herculean efforts,' only 'reasonable efforts."[223] Although criticized by a commentator, District Judge Rakoff was correct in his ruling in *S.E.C. v. Bank of America Corp.* that even if the parties sign a protective order and that protective order is incorporated into a court order, non-parties may later challenge whether the documents subject to the protective order are indeed privileged.[224] Judge Rakoff stated "the Protective Order in no way precludes any party in or any other case from challenging on any other ground Bank of America's assertion of attorney-client privilege or work-product protection regarding any information."[225] This only makes sense. The waiver provisions of FRE 502 of course only apply if a document is actually privileged or protected. Therefore, FRE 502 would not apply at all if a document was not privileged or protected in the first place. The rules of privilege are to be narrowly construed, and Judge Rakoff applies the rule correctly.

D. Post-Rule 502 Selected Cases and Rulings: 2010

An interesting case that may strike fear in the heart of practitioners is *Felman Production, Inc. v. Industrial Risk Insurers*, in which the district court affirmed the magistrate judge's ruling that Felman waived privilege because the "ridiculously high number of irrelevant materials and the large volume of privileged communications produced demonstrate a lack of reasonableness."[226] The magistrate judge used the *Victor Stanley* five-

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issue of fairness."); *Heriot*, 257 F.R.D at 658 (the court concluded that a better approach was to focus "on the elements required by FRE 502 and use[ ] the Judson factors, where appropriate, to supplement this analysis.") (citing Judson Atkinson Candies, Inc. v. Latini-Hohberger Dhimantec, 529 F. 3d 371 (7th Cir. 2008)).

223. *Infor Global Solutions*, 2009 WL 2390174, at *2 (citation omitted).

224. S.E.C. v. Bank of Am. Corp., No. 09 Civ. 6829(JSR), 2009 WL 3297493, at *1 (S.D.N.Y.); *see also 2009 Year-End Electronic Discovery and Information Law Update,* GIBSON DUNN (Jan. 15, 2010), http://www.gibsondunn.com/publications/Pages/2009YearEndElectronicDiscoveryUpdate.aspx ("In effect, [Judge Rakoff[appeared to suggest that despite the intention of Rule 502(d), the language of this particular stipulated order (which in part was phrased in terms of selective waiver) might be insufficient to prevent a waiver of the privilege."). Actually, the court was correct. Rule 502 does not alter the substantive law of privilege—it only provides treatment if something that *is in fact privileged* is inadvertently produced.

225. *S.E.C.*, 2009 WL 3297493, at *1.

226. No. 3:09-0481, 2010 WL 2944777, at *3 (S.D. W.Va. July 23, 2010), *aff'g* Mt. Hawley Ins. Co. v. Felman Production, Inc., 271 F.R.D. 125 (S.D. W.Va. 2010). Though a recent decision, Felman has already attracted academic and legal attention. *See, e.g.*, Grimm, Bergstrom & Kraeuter, *supra* note 119, ¶¶46–50; Ralph Losey, *The Good, the Bad, and the Ugly: "Mt. Hawley Ins. Co. v. Felman Production, Inc.,"* E-Discovery Team, http://e-discoveryteam.com/2010/06/10/the-good-the-bad-and-the-

factor balancing test and the district court, in its review, found no clear error, based upon the results of the company's E-discovery.[227] Felman had produced more than one million pages, but approximately 30 percent of the documents produced were inadvertently disclosed and "thousands of attorney-client protected communications were produced."[228] The district court indicated that "[t]hese facts, standing alone" weighed heavily in its approval of the magistrate judge's ruling.[229] This is essentially a look no further approach—if too many privileged or protected documents are released, it is automatically deemed unreasonable. This certainly appears to be a less flexible approach than that suggested by the FRE Advisory Committee and one that ultimately may not be advisable.

In *Roe v. Saint Louis University,* a district judge for the Eastern District of Missouri applied the same five factors from *Victor Stanley*, but took the test from *Gray v. Bicknell*, a case from the Eighth Circuit.[230] In *Roe*, the court found that St. Louis University waived work product protection based upon the factors from Gray and indicated that "[t]he three-page chronology was provided as part of a document production consisting of only 82 pages, and the University's sole explanation for the inadvertent disclosure was a supposed copying error committed after counsel completed her review."[231]

On the other hand, in *North American Rescue Products, Inc. v. Bound Tree Medical, LLC,* the District Court for the Southern District of Ohio specifically found that the five-factor balancing test was not required.[232] According to the court, "Rule 502 does *not* set forth a five-factor test for determining waiver; instead, Rule 502(b) sets forth three elements that must be met in order to prevent the disclosure of privileged materials from operating as waiver."[233] Instead, the court stated that the five-factor test, argued by the plaintiff as applying, predated Rule 502 and merely serves as guide to a court's analysis when appropriate based on the circumstances of each case.[234] Thus, the court found that the only required test is the one set forth in the text of Rule 502(b).[235]

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ugly-%E2%80%9Cmt-hawley-ins-co-v-felman-production-inc-%E2%80%9D/ (last visited June 19, 2011).

227. *Id.*

228. *Id.* at *4.

229. *Id.*

230. No. 4:08CV1474 JCH, 2010 WL 199948 (E.D. Mo. Jan. 14, 2010) (citing Gray v. Bicknell, 86 F.3d 1472 (8th Cir. 1996)).

231. *Id.* at *2.

232. No. 2:08-cv-101, 2010 WL 1873291 (S.D. Ohio May 10, 2010), at *8.

233. *Id.*

234. *Id.* at *9.

235. *Id.* at *8.

This is similar to the treatment used by the *Laethem* court described previously.[236] Moreover, it illustrates that the FRE Advisory Committee probably did not intend a new test, as it was aware of the five-factor test but did not incorporate it. Instead, the test incorporated in Rule 502 is clear for practitioners and results in more predictability.

There is also evidence, from at least one court's opinion, that for Rule 502 to be operative parties must execute a formal agreement. In *Community Bank v. Progressive Casualty Insurance Co.*, Magistrate Judge Magnus-Stinson clarified that an informal "courtesy" does not qualify as an agreement under Rule 502(e).[237] Community Bank (Community) sued Progressive Casualty Insurance (Progressive) over coverage, and during the discovery phase, Progressive inadvertently disclosed many documents.[238] Not only did Community destroy what had been produced, once notified by Progressive, it also informed Progressive that it had also produced other, possibly protected, documents.[239] Community's counsel sent a letter to Progressive enclosing some potentially privileged documents and stated, in part, the following: "I trust that you will be similarly accommodating if we ask for the return of inadvertently produced privileged/protected documents in the future. And I hope we will not face a debate about 'inadvertently,' diligent review, etc."[240]

Progressive responded, "I appreciate your courtesy in this regard and the consideration you afforded us in that regard. Should the occasion arise, you can expect the same courtesy in return."[241] However, rather than return the "courtesy," Progressive proceeded to file a motion for summary judgment that attached two of Community's privileged documents.[242] Community argued that it had an agreement with Progressive under Rule 502(e) and those documents were privileged and the privilege had not been waived.[243] Judge Magnus-Stinson disagreed, finding that the courtesy language was "too amorphous to be binding."[244] She determined the wording in issue was moral in nature, but did not create a legally binding agreement under Rule 502(e).[245]

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236. *See supra* notes 151–152 and accompanying text.
237. No. 1:08-cv-01443-WTL-JMS, 2010 WL 1435368, at *3 (S.D. Ind. Apr. 8, 2010).
238. *Id.* at *1–2.
239. *Id.* at *2.
240. *Id.*
241. *Id.*
242. *Id.*
243. *Id.* at *2–3.
244. *Id.* at *3.
245. *Id.* The judge ultimately decided that Progressive violated FRCP 26(b)(5) because it used the two documents in a motion *before* this issue had been resolved. *Id.*

Furthermore, in *Trustees of the Electrical Workers Local No. 26 Pension Trust Fund v. Trust Fund Advisors, Inc.*, Magistrate Judge Facciola found that Rule 502 "abolishes the dreaded subject-matter waiver, i.e., that any disclosure of privileged matter worked a forfeiture of any other privileged information that pertained to the same subject matter."[246] According to Judge Facciola, "the disclosure of privilege information may lead to the additional and compelled disclosure of additional privileged information, if they concern the same subject matter and ought in fairness be considered together."[247] Furthermore, he clarified that if the information disclosed was *not* privileged in the first place, there is no such provision, so that "it is perfectly legitimate for a party to disclose a non-privileged communication but to decline to disclose a privileged communication, even though the privileged communication would prove that the party is lying through his teeth."[248] Thus, the "ought in fairness to be considered together" language prevents a party from using the attorney–client privilege and work product doctrine as both a shield and a sword. The privilege was never meant to act as a sword.

In *DJ Coleman, Inc. v. Nufarm Americas, Inc.* the U.S. District Court for the District of North Dakota shed some light on the actual number of documents that may or may not be considered "voluminous."[249] In this case, the district judge did not believe the production of 850 pages of documents was voluminous.[250] Nufarm gave DJ Coleman eight potentially protected documents, and the judge found "the extent of

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at *4. As a sanction, the judge said that Progressive could not use the documents as substantive evidence in the case. *Id.* at *5. In the context of electronic discovery, courts are likely to deal harshly with parties found to have engaged in the spoliation of relevant documents. *See, e.g.*, Pension Comm. of Univ. of Montreal Pension Plan v. Bank of Am. Sec., LLC, 685 F. Supp.2d 456, 479–80, 497 (S.D.N.Y. 2010) (holding that the actions of plaintiff's counsel amounted to gross negligence and imposing sanctions).

246. 266 F.R.D. 1, 11 (D.D.C. 2010).

247. *Id.*

248. *Id.* at 10.

249. No. 1:08-cv-051, 2010 WL 731110, at *4 (D.N.D. Feb. 25, 2010).

250. *Id.*; *see also* Lisa C. Wood & Ara B. Gershengorn, *Rule 502: Does It Deliver on Its Promise?,* 24 ANTITRUST 3, at 85 (2010), *available at* http://www.foleyhoag.com/Services/Litigation/publications.aspx (follow "Rule 502: Does It Deliver on Its Promise?") ("The size of the production appears to be a significant factor in courts' determinations. Thus, for example, where a party produced only 850 pages of documents, the court noted that '[t]his was not a case in which the document was produced as part of a voluminous production,' contrasting the situation with another case in which 22 privileged documents were mistakenly produced along with 16,000 other documents") (quoting *DJ Coleman, Inc.*, 2010 WL 731110, at *4).

disclosure is potentially significant."[251] While determining it was a close case, the judge found the privilege was not waived because it "is consistent with the purpose of the attorney-client privilege, which is designed for the client's benefit and generally advances the overriding interests of justice."[252]

Luna Gaming-San Diego, LLC v. Dorsey & Whitney, LLP is another case that may send a chill down a practicing attorney's spine.[253] The parties had a general protective order that provided that inadvertent disclosure of privileged documents "shall not constitute a waiver of any privilege."[254] Oddly enough, District Court Judge Moskowitz found that Luna Gaming's "repeated failures to object to the use of the Privileged Documents . . . waived any protections it could have invoked under the Protective Order."[255] He believed that the protective order should have included a provision addressing "under what circumstances failure to object to the use of inadvertently produced privileged documents waives the privilege."[256] In his analysis, Judge Moskowitz considered only the three subparts of Rule 502(b) and found Luna Gaming lacking on the third element, promptly taking reasonable steps to rectify the error.[257] This type of reasoning certainly provides a disincentive for parties to work together, as they would never be able to predict how a judge would rule on their agreement. This is not advisable in our current environment of high-cost litigation. Ultimately the clients are not well served.

E. Post-Rule 502 Selected Cases and Rulings: 2011

There are some 2011 cases dealing with waivers made in a federal proceeding and when such a waiver may extend to cover further undisclosed matters under Rule 502(a), as well as when inadvertent disclosures do not serve as waivers under Rule 502(b). Rule 502(a) waivers involve the determination of when a disclosure made "in a Federal proceeding or to a Federal office or agency" may extend also to serve as a waiver for an undisclosed communication in that proceeding. In addition to the requirements of 502(a)(1) and (2) that the waiver be "intentional," and the disclosed and undisclosed communications concern "the same subject

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251. *DJ Coleman*, 2010 WL 731110, at *1, *4.
252. *Id.* at *4.
253. No. 06cv2804 BTM (WMc), 2010 WL 275083 (S.D. Cal. Jan. 13, 2010).
254. *Id.* at *4.
255. *Id.*
256. *Id.*
257. *Id.* at *4–7 (Judge Moskowitz did not address the other two elements "because the Court has affirmed the magistrate judge's finding regarding the first element, and second element is not disputed").

matter," subparagraph (3) requires a further finding that that "they ought in fairness to be considered together." In *In re Urethane Antitrust Litigation*, the court held that when the witness testified beyond the explanation of what actions she took regarding her notes and discussed what her attorneys instructed her to do with the notes, she waived the attorney–client privilege.[258] Thus, when she responded that she didn't remember whether they asked her to give them a copy of the notes, the court ruled that response also waived further undisclosed communications about the instructions from the lawyer.[259] The court applied the "ought in fairness" factor to require the answer to the further questions, because "Rule 502(a) requires consideration of disclosed and undisclosed communication together in order to avoid a misleading and incomplete presentation of information."[260]

In *Seyler v. T-Systems North America, Inc.,* the court did not extend the waiver to undisclosed matters under Rule 502(a) because the disclosure of the plaintiff's one e-mail exchanged with her sister (who happened to be an attorney) was not "intentional."[261] Furthermore, borrowing the standard from *Eden Isle Marina*—a weighing of the circumstances approach to the fairness requirement[262]—the *Seyler* court further concluded that under these circumstances, where the plaintiff had no intent to use the disclosed e-mail, this is not a situation where the "fairness" requirement mandated extension of the waiver to allow further discovery of material at the sister's law firm.[263]

In *Pilot v. Focused Realty Property I, LLC* the trial judge grappled with the two differing approaches used in his judicial district to determine 502(a)(1) inadvertence—i.e., the multifactor approach used before enactment of Rule 502, as applied in *Heriot v. Byrne*, and the intent approach used in *Coburn Group, LLC v. Whitecap Advisors LLC*.[264] In doing so, the *Pilot* court opted for "the simpler method, because [in its view] the Rule 502(b)(1) poses a straightforward question of intent," while "the multi-factor approach is redundant . . . [because it] simply restate[s] the inquiries spelled out in Rule 502(b)(2) and (3)."[265] The court went on,

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258. No. 04-MD-1616-JWL, 2011 U.S. dist. LEXIS 9923, at *42 (D. Kan. Jan. 31, 2011).
259. *Id.*
260. *Id.*
261. No. 10 Misc. 7 (JGK), 2011 U.S. Dist. LEXIS 6065, at *9 (S.D.N.Y. Jan. 21, 2011).
262. *See* Eden Isle Marina, Inc. v. United States, 89 Fed. Cl. 480, 503 (2009).
263. *Seyler*, 2011 U.S. Dist. LEXIS 6065, at *9.
264. No. 09 C 6879, 2011 U.S. Dist. LEXIS 33710, at * 10–11 (N.D. Ill. Mar. 30, 2011).
265. *Id.* at *11.

however, to conclude, that although the disclosure was inadvertent, plaintiffs waived the privilege because they had failed to take reasonable steps to prevent the disclosure and to rectify their error as required by Rule 502(b)(2) and (3).[266]

Finally, in *Datel Holdings, Ltd. v. Microsoft Corp.*, the court made clear that the three requirements of Rule 502(b) are separate and distinct and there should be no reasonableness requirement for the inadvertence inquiry.[267] This is the same approach advocated by Magistrate Judge Grimm and his coauthors in their 2011 law review article.[268]

F. Post-Rule 502 Rulings and Cases: Conclusions, Themes, and Questions

There are a few basic principles that derive from the foregoing cases. First, and not surprisingly, it is often a question of fact whether Rule 502 applies,[269] and the party claiming relief under FRE 502 bears the burden of proving it applies.[270] Second, courts seem to welcome new Rule 502 as an improvement to pre-Rule 502 law;[271] in fact, the Judicial Conference of the United States recommended its passage.[272] Third, courts agree

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266. *Id.* at *10–18.

267. No. C-09-05535 EDL, 2011 U.S. Dist. LEXIS 30872, at *7 (N.D. Cal. Mar. 11, 2011).

268. Grimm, Bergstrom & Kraeuter, *supra* note 119, ¶100 ("[R]easonableness of pre-production procedures should not be a consideration in determining whether production of attorney–client privileged documents was inadvertent under Rule 502(b)(1). The more useful approach is to equate "inadvertence" under Rule 502(b)(1) with 'mistaken' or 'unintentional' production."). A fascinating opinion on electronic discovery and metadata was issued by District Court Judge Shira A. Scheindlin (S.D.N.Y.) on Jan. 7, 2001, http://www.ediscoverylawalert.com/uploads/file/2011_U_S__Dist__LEXIS_11655.pdf. On June 17, 2011, Judge Scheindlin withdrew her Order of Feb. 7, 2011, because "the parties have recently resolved their dispute." See http://e-discoveryteam.com/2011/02/07/new-opinion-by-judge-scheindlin-on-foia-metadata-and-cooperation.

269. *See, e.g.*, Rhoads Indus. v. Bldg. Materials Corp. of Am., 254 F.R.D. 216, 224–26 (E.D. Pa. 2008) (weighing various factors to determine whether privilege was waived); Valentin v. Bank of N.Y. Mellon Corp., No. 09 Civ. 9448, 2011 U.S. Dist. LEXIS 40711, at *5 (S.D.N.Y. Apr. 14, 2011) ("Finding a waiver is a fact-sensitive determination dependent on factors that vary from case to case.) (citation and quotation marks omitted).

270. *See supra* note 221.

271. *See, e.g.*, Trs. of the Elec. Workers Local No. 26 Pension Trust Fund v. Trust Fund Advisors, Inc., 266 F.R.D. 1, 11 (stating that Rule 502 "abolishes the dreaded subject-matter waiver").

272. *See* Letter from Lee H. Rosenthal, *supra* note 94.

that E-discovery poses challenges that they could not have envisioned even ten years ago.[273]

Among the challenges are those that derive from the fact that many parties are now relying on outside vendors to help them collect and sort through massive amounts of documents.[274] As far back as June 2007, The Sedona Conference[275] Working Group stated "[t]he number of vendors in the electronic discovery business has ballooned in recent years, and there are now hundreds of companies offering electronic discovery services in one form or another."[276] This appears to be a prudent practice if a party is later subject to a FRE 502 hearing.[277] Under those circumstances courts will have to evaluate the conduct of those vendors, as well as that of the parties, the lawyers, and their more traditional assistants.[278] Courts also seem to agree that the use of a paralegal or non-lawyer does not automatically equate to unreasonableness.[279]

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273. *See, e.g*, Zubulake v. UBS Warburg LLC, 216 F.R.D. 280 (S.D.N.Y. 2003); Grimm, Bergstrom & Kraeuter, *supra* note 119, ¶6 ("With such exorbitant costs, 'insist[ing] in every case upon 'old world' 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.'") (quoting Hopson v. Mayor of Balt., 232 F.R.D. 228, 244 (D. Md. 2005)).

274. *See Fulbright's 6th Annual Litigation Trends Survey Report*, FULBRIGHT & JAWORSKI L.L.P. 59 (2009), *available at* http://www.fulbright.com/litigationtrends08 (according to a survey conducted by Fulbright & Jaworski, 24 percent of respondents are outsourcing certain E-discovery functions through preferred provider relationships). Twenty-six percent of respondents in the survey indicated that they used "law firms with specialized E-discovery practices" to reduce E-discovery costs. *Id.*

275. THE SEDONA CONFERENCE, http://www.thesedonaconference.org (last visited Mar. 22, 2011). "The Sedona Conference is a nonprofit, 501(c)(3) research and educational institute dedicated to the advanced study of law and policy in the areas of antitrust law, complex litigation, and intellectual property rights." *Id.*

276. *Best Practices for the Selection of Electronic Discovery Vendors: Navigating the Vendor Proposal Process*, THE SEDONA CONF. WORKING GROUP SERIES 3 (June 2007), *available at* http://www.thesedonaconference.org/content/miscFiles/RFP_Paper.pdf.

277. *See Heriot*, 257 F.R.D. at 660 (stating that disclosure mistakes were made after the plaintiffs gave the documents to the vendor and "thus, the procedures used to review the documents were reasonable, and sufficient to prevent an inadvertent disclosure. This factor therefore weighs in favor of inadvertent disclosure").

278. *See, e.g.*, *Rhoads Indus.*, 254 F.R.D. at 226–27; Heriot v. Byrne, 257 F.R.D 645, 659, 661–62 (N.D. Ill. 2009); Kmart Corp. v. Footstar, Inc., No. 09 C 3607, 2010 WL 4512337, at *4–5 (N.D. Ill. Nov. 2, 2010).

279. *See, e.g.*, Coburn Group, LLC v. Whitecap Advisors, LLC, 640 F. Supp. 2d 1032, 1037–38 (N.D. Ill. 2009) ("[T]his court joins with *Heriot* in declining to hold that the use of paralegals or non-lawyers for document review is unreasonable in every case."); *Heriot*, 257 F.R.D. at 660 n.10 ("this Court declines to hold that a procedure is

Furthermore, as previously discussed, many courts look beyond the three elements of FRE 502(b) claims of inadvertent disclosure, most often looking to the *Victor Stanley* five factors,[280] while others limit themselves to the three subsections of FRE 502(b) itself.[281] Furthermore, some courts might follow the *Coburn* "simple" intent analysis to determine inadvertence, or a more holistic approach.[282] All of which makes it incumbent on litigants to be aware of the approach in a particular district, or among different judges in the district, and to be prepared to litigate the "approach" question before those courts that have yet to decide on the issue.

On a related matter, there appears to be some agreement that the wording used by the FRE Advisory Committee establishes that a reasonable search of the records is not required if parties are relying on FRE 502(d) and (e).[283] The one court that has used FRE 502(b)'s "reasonable" analysis for party agreements seems to be an aberration,[284] and some courts have emphasized that the language of party agreements drafted with enough specificity may protect parties from waiver of the privilege.[285]

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unreasonable in every case that a paralegal or non-lawyer reviews documents for privilege.").

280. *See, e.g.*, Martin v. State Farm Mut. Auto. Ins. Co., No. 3:10-cv-0144, 2011 U.S. Dist. LEXIS 36058, at *12–18 (S.D. W.Va. Apr. 1, 2011) (listing and applying the *Victor Stanley* factors); Felman Prod., Inc. v. Indus. Risk Ins., No. 3:09-0481, 2010 WL 2944777, at *3–4 (S.D. W.Va. July 23, 2010) (upholding the magistrate judge's use of the *Victor Stanley* factors in determining whether Felman waived privilege); Roe v. Saint Louis Univ., No. 4:08CV1474 JCH, 2010 WL 199948, at *2 (E.D. Mo. Jan. 14, 2010) (applying a five-factor test similar to that from *Victor Stanley*); Rhoads Indus. v. Bldg. Materials Corp. of Am., 254 F.R.D. 216, 220–21 (E.D. Pa. 2008) (applying the *Victor Stanley* factors).

281. *See, e.g.*, Laethem Equip. Co. v. Deere & Co., No. 2:05-CV-10113, 2008 WL 4997932, at *8–9 (E.D. Mich. Nov. 21, 2008); North Am. Rescue Products, Inc. v. Bound Tree Med., LLC, No. 2:08-cv-101, 2010 WL 1873291, at *8 (S.D. Ohio. May 10, 2010).

282. *See, e.g.*, Amobi v. Dep't of Corrs., 262 F.R.D. 45, 53 (D.D.C. 2009) (stating that the *Coburn* "interpretation seems to be in line with one of the goals of the drafting committee"); Infor Global Solutions (Michigan), Inc. v. St. Paul Fire & Marine Ins. Co., No. C 08-02621, 2009 WL 2390174, at *2 (N.D. Cal. Aug. 3, 2009) (using a "holistic reasonableness analysis" the court found the plaintiff waived privilege).

283. *See, e.g.*, Alcon Mfg., Ltd. v. Apotex, Inc., No. 1:06-cv-1642-RLY-TAB, 2008 WL 5070465 (S.D. Ind. Nov. 26, 2008).

284. *See* Spieker v. Quest Cherokee, LLC, No. 07-1225-EFM, 2009 WL 2168892, at *3–5 (D. Kan. July 21, 2009).

285. *See* Community Bank v. Progressive Casualty Ins. Co., No. 1:08-cv-01443-WTL-JMS, 2010 WL 1435368, at *3 (S.D. Ind. Apr. 8, 2010) ("The Court finds, however, such language is too amorphous to be binding.").

A number of other questions remain about the application of Rule 502. For example, how often will a court simply resort to the "interests of justice" and completely minimize the importance of other factors? Also, what is it that the courts will consider to be sufficient to establish compliance with the notion of substantial disclosure.

Perhaps the most disturbing aspect is the differing treatment courts give to party agreements. Given the onerous task now faced by attorneys with E-discovery, one would expect courts to heavily favor claw-back or quick peek agreements, but that is not necessarily so. Unfortunately courts have treated similar situations differently.[286] While it may be expected that courts will differ in their analysis of Rule 502,[287] and that differences within the same district may occur,[288] the problem is exacerbated by the fact that magistrate judges generally handle these discovery/privilege disputes.[289] In fact, under 28 U.S.C. section 636(b)(1), district judges

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286. *See, e.g.*, Comrie v. IPSCO, Inc., No. 08 C 3060, 2009 WL 4403364, at * 2 (N.D. Ill. Nov. 30, 2009) (granting plaintiff's motion to compel despite that the parties had a protective order in place, which provided "how to mark confidential documents and describes the procedures for 'clawing back' documents"); Containment Techs. Grp., Inc. v. American Soc'y of Health Sys. Pharmacists, No. 1:07-cv-997-DFH-TAB, 2008 WL 4545310, at *1 (S.D. Ind. Oct. 10, 2008) (granting in part and denying in part plaintiff's request for a protective order); Relion, Inc. v. Hydra Fuel Cell Corp., No. CV06-607-HU, 2008 WL 5122828, at *3 (D. Or. Dec. 4, 2008) (holding that Relion waived privilege because its discovery documents were inspected by attorneys and support staff, there was no surprise or deception on the part of the opposing party, and there were numerous opportunities to inspect the documents before opposing counsel reviewed them).

287. *See* Cynthia A. Mellon Balmer, Michael J. Weber & Grace W. Cranley, *Not So Fast . . . "Send" Is a Four-Letter Word: The Implications of Electronic Discovery*, 15 FIDELITY L.J. 149, 200 (Oct. 2009), *available at* http://www.fidelitylaw.org/Publications/Journals/PDF/2009/__2009-balmer.pdf. ("The *Heriot* court criticized the approach by the Eastern District of Pennsylvania in *Rhoads Indus. v. Bldg. Materials Corp. of Am.*, which adopted the approach taken by the Federal Rules Advisory Committee. . . . However, in a more recent case, *Coburn Group, LLC v. Whitecap Advisors, LLC*, the court criticized the test set forth by *Heriot* . . . .") (citations omitted).

288. *Compare* Coburn Group, LLC v. Whitecap Advisors, LLC, 640 F. Supp. 2d 1032, 1037–38 (N.D. Ill. 2009) (applying a multifactored test to determine inadvertence under Rule 502(b)(1), *with* Heriot v. Byrne, 257 F.R.D. 645, 660 (N.D. Ill. 2009) (applying an intent test to determine inadvertence under Rule 502(b)(1)).

289. *See* Paul Mark Sandler, *The World of a U.S. Magistrate Judge: An Interview with Paul W. Grimm*, SHAPIRO SHER GUINOT & SANDLER, (Jan. 26, 2007), http://www.shapirosher.com/PaulW.Grimm.htm. According to Judge Grimm:

> Magistrate judges spend a significant amount of time on the resolution of discovery disputes. There are different philosophies. Some district judges refer many if not all of their discovery disputes to the magistrate judges. Others only do it from time to time. As we get into an era of the new Rules of Civil

may delegate pretrial issues to magistrate judges.[290] "This authority is frequently used in complex cases to have the magistrate preside over discovery disputes."[291] As of March 2009, there were 517 full-time and 42 part-time authorized magistrate judgeships in the United States.[292] There are ninety-four district courts.[293] This leads to many different rulings and opinions. In a recent U.S. Supreme Court opinion, the Justices held that a decision on a privilege waiver is not reviewable until the final decision by the court in a case.[294] Accordingly, as of June 11, 2011, there is no reported federal appellate court opinion on FRE 502. As the substantive issues in these cases are tried and some of the cases are appealed, we will begin to have an indication about how U.S. appellate courts will interpret FRE 502.[295] Hopefully appellate courts will enthusiastically endorse agreements amongst the parties; this will lead to cost savings and predictability—the very reasons for the creation and addition of Rule 502 to the Federal Rules of Evidence.

III. THE ETHICAL DUTY OF CONFIDENTIALITY AND RULE 502

The inadvertent disclosure rules bring up the issue of client confidentiality. "Despite the protections of Rule 502, parties still cannot 'put the genie back in the bottle' once information has been disclosed—even inadvertently. Attorneys retain a duty to their clients to safeguard confi-

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> Procedure regarding electronically stored information, it may well be that some of the issues that are expected to arise will be complex and time consuming, so we will probably get additional discovery referrals, and there will be more work in this area as we learn to deal with these new Rules.

290. 28 U.S.C. § 636(b)(1)(B) ("a [district] judge may also designate a magistrate [magistrate judge] to conduct hearings, including evidentiary hearings, and to submit to a judge of the court proposed findings of fact and recommendations for the disposition, by a judge of the court, of any motion . . . .").

291. THOMAS SULLIVAN, DOUGLAS FLOYD, RICHARD D. FREER & BRADLEY G. CLARY, COMPLEX LITIGATION 508 (Mathew Binder LexisNexis 2009).

292. *History of the Federal Judiciary: Magistrate Judges*, FEDERAL JUDICIAL CENTER, http://www.fjc.gov/history/home.nsf/page/judges_magistrate.html (last visited Mar. 24, 2011).

293. *District Courts*, UNITED STATES COURTS, http://www.uscourts.gov/FederalCourts/UnderstandingtheFederalCourts/DistrictCourts.aspx (last visited June 23, 2011).

294. Mohawk Indus. v. Carpenter, 130 S. Ct. 599, 603 (2009) (holding that a discovery order on the attorney–client privilege does not qualify for immediate review under the collateral order doctrine).

295. *See* Hernandez v. Tanninen, 604 F.3d 1095, 1100 n.1 (9th Cir. 2010) (in this case, decided post-*Mohawk Industries* and on an attorney–client privilege waiver issue, the Ninth Circuit specifically held that Rule 502 did not apply).

dential information, and the rule does not eliminate that duty."[296] American Bar Association Rule 1.6 sets forth the obligation requiring a lawyer to protect client confidentiality.[297] Neither the new E-discovery FRCP nor FRE 502 affect a lawyer's duty of confidentiality to his or her client.[298] Model Rule 1.6 provides the following (in part):

> (a) A lawyer shall not reveal information relating to the representation of a client unless the client gives informed consent, the disclosure is impliedly authorized in order to carry out the representation or the disclosure is permitted by paragraph (b).

"Violation of this duty constitutes cause for disbarment or suspension of the attorney's license to practice."[299] It may also result in private malpractice damages.[300] The Model Rule does not currently address E-discovery issues, although nine comments have recently been proposed by an academic.[301] The Model Rule and individual state ethical rules need to be modified as a matter of practical necessity.

The Model Rules "[h]owever prominent nationally . . . are not self-executing and carry no independent authority—ultimately a lawyer's ethical obligations are determined by the laws (or rules) of the state (or states) in which the lawyer is licensed to practice."[302] At least sixteen states have addressed the issue of inadvertent disclosure and the duty of confidentiality to one's client.[303] All of these opinions require that the

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296. David M. Greenwald, Robert R. Stauffer & Erin R. Schrantz, *New Federal Rule of Evidence 502: A Tool for Minimizing the Cost of Discovery*, BLOOMBERG FINANCE L.P. (2009), http://www.jenner.com/files/tbl_s20Publications%5CRelatedDocumentsPDFs1252%5C2399%5CBloomberg_Greenwald_Stauffer_Schrantz.pdf.

297. MODEL RULES OF PROF'L CONDUCT R. 1.6 (2002).

298. *See* Wang, *supra* note 8, at 1855–57.

299. Henry S. Noyes, *Federal Rule of Evidence 502: Stirring the State Law of Privilege and Professional Responsibility with a Federal Stick*, 66 WASH. & LEE L. REV. 673, 745 (2009).

300. *See* Noyes, *supra* note 299, at 745.

301. *See* Schaefer, *supra* note 11, at 247–49, 254–57 (proposed comments 19–28).

302. Debra Lyn Bassett, *E-Pitfalls: Ethics and E-Discovery*, 36 N. KY. L. REV. 449, 451 (2009).

303. *See, e.g.*, Ala. State Bar Office of the Gen. Counsel, Formal Op. 2007-02 (2007); State Bar of Ariz. Ethics Counsel, Formal Op. 07-03 (2007); Ethics Comm. of the Colo. State Bar Ass'n Formal Op. 119 (2008); D.C. Bar Legal Ethics Comm., Op. 341 (2007); Fla. Bar Ethics Dep't, Op. 06-02 (2006); Ky. Bar Ass'n. Office of Bar Counsel, Op. KBA E-374 (1995); Me. Prof'l Ethics Comm., Op. 196 (2008); Minn. Lawyer's Prof'l Responsibility Board, Op. No. 22 (2010); N.H. Bar Ass'n., Ethics Comm., Op. 2008–2009/4 (2008–2009), N.J. Advisory Comm. on Prof'l Ethics, Op. 701 (2006); N.Y. State Bar Ass'n, Comm. on Prof'l Ethics, Op. 749 (2001); N.Y. State Bar Ass'n, Comm. on Prof'l Ethics, Op. 782 (2004); Vt. Bar Ass'n, Op. 2009-1 (2009);

attorney take "reasonable steps" "reasonable precautions" or "reasonable care" in transmitting a client's documents and information. As will become evident below, this creates a problem for an attorney's use of FRE 502(d) and (e).

IV. GOING FORWARD—ADVICE FOR ATTORNEYS AND THE COURTS ON INADVERTENT DISCLOSURE AND ETHICAL RULES

Given the divergent treatment courts have given Rule 502 as well as state ethics rules, what advice might be given attorneys and judges who are faced with the everyday reality of E-discovery (which means *every* attorney and judge)? There is a dilemma facing litigators. The discovery rules are extremely broad but many times the costs of compliance are extremely high—and thus this current system is unsustainable given the volume of material and consequent costs.[304] There is very little certainty in this area from the court opinions and rulings. What might be considered voluminous to one judge may not be to another. There is yet to be agreement on the factors to be weighed and considered, even within a particular federal district. Judges weigh the factors on a case-by-case ba-

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W.Va. Bar Ass'n, Lawyer Disciplinary Board, Formal Op. L.E.O. 2009-1 (2009); *see also* Louise Hill, *Emerging Technology and Client Confidentiality: How Changing Technology Brings Ethical Dilemmas*, 16 B.U. J. SCI. & TECH. L. 1, 27–45 (2010) (summarizing some of the ethical opinions); Jay T. Westermeier, *Recent Ethics Opinion on Metadata Support New Best Practice*, FINNEGAN, HENDERSON, FARABOW, GARRETT & DUNNER, LLP (June 2009), http://www.finnegan.com/resources/articles/articlesdetail.aspx?news=d97d5c0d-7f3d-4b58-9aee-18fa5e35c2a4 (providing a conceptual overview from some recent ethics opinions on discovery documents derived from metadata); David G. Keyko, *Recent Developments in Ethics: E-Discovery*, 191 PLI/NY 393 (2009) (listing states and cases various approaches to review of metadata). The American Bar Association has an excellent chart of ESI opinions. *Metadata Ethics Opinions Around the U.S.*, A.B.A. (May 3, 2011), http://www.abanet.org/tech/ltrc/fyidocs/metadatachart.html.

304. *See* Herbert v. Lando, 441 U.S. 153, 177 (1979) ("The Court has more than once declared that the deposition-discovery rules are to be accorded a broad and liberal treatment to effect their purpose of adequately informing the litigants in civil trials."); *Navigating the Hazards of E-discovery: A Manual for Judges in State Courts Across the Nation*, INST. FOR THE ADVANCEMENT OF THE AM. LEGAL SYS. AT THE UNIV. OF DENV. 8 (2007), *available at* http://www.du.edu/legalinstitute/pubs/E-discovery.pdf (stating that "the costs of electronic discovery can be staggering, often totaling hundreds of thousands, or even millions, of dollars in a given case") [hereinafter *Navigating the Hazards of E-discovery*]; SULLIVAN, FLOYD, FREER & CLARY, *supra* note 291, at 644 (relying on a survey which found that more than 75 percent of trial lawyers believe that discovery costs have increased disproportionately as a share of litigation costs due to E-discovery) (citation omitted).

sis, which gives flexibility but also breeds uncertainty. Party agreements certainly assist the parties but judges have even differed on the treatment of these. Party agreements also pose problems under the state ethical rules.[305]

The FRE Advisory Committee purposely proposed a "flexible" test for inadvertent disclosure under FRE 502.[306] It is a test of reasonableness, so of course reasonable minds may differ.[307] On the other hand, one of the purposes of the rule was a "predictable, uniform set of standards under which parties can determine the consequences of a disclosure of a communication or information covered by the attorney-client privilege or work product protection."[308] If faced with uncertainty, parties would be well advised to seek a court's "blessing" under FRE 502(d), because, as the committee notes indicate, a court could provide for the return of documents "without waiver irrespective of the care taken by the disclosing party."[309] The problem is that this very notion is contrary to the state ethics opinions, which require reasonable actions.[310] Thus, an attorney risks violating his or her state bar ethical rules if he or she enters into an agreement with opposing counsel and does not exercise reasonable care when disclosing documents and information. Certainly an attorney must always exercise reasonable care but party agreements should be encouraged. Moreover, court recognition of party agreements will motivate parties to cooperate, and thus most courts should encourage such agreements, and ethical rules should follow suit.

Parties have a natural aversion to providing privileged or protected documents and information—once the information is provided, the "cat is out of the bag." An attorney, has a personal as well as a professional interest in guarding client secrets and his or her own work product. If the attorney is sloppy or negligent, there will be no relief under Rule 502(b) and although there will generally be no subject-matter waiver under 502(a), he or she will pay the price on that particular document or information, as the privilege will be waived.[311] Additionally attorneys risk sanctions from their state bar association as well as potential malpractice liability to the client.

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305. For an excellent discussion of the varying treatment by courts of Rule 502, see Grimm, Bergstrom & Kraeuter, *supra* note 119.

306. FED. R. EVID. 502 Advisory Committee's note (b).

307. *See id.*

308. FED. R. EVID. 502 Advisory Committee's note.

309. FED. R. EVID. 502 Advisory Committee's note (d).

310. *See supra* notes 302–303 and accompanying text.

311. *See* FED. R. EVID. 502 (a), (b).

Courts are well aware of the dilemma attorneys face in the digital age. The rules of broad discovery have hit a roadblock called ESI.[312] "[D]iscovery is not just about uncovering the truth, but also about how much of the truth the parties can afford to disinter."[313] Courts should freely incorporate the terms of the parties' agreement in a court order if requested to do so. Attorneys will naturally avoid disclosing client information that is protected or privileged and the courts should strongly encourage cooperation among parties. As a result, the courts will be cognizant that not only are these agreements and orders binding the parties to the litigation, they are also binding non-parties once incorporated through a court order.[314] However, a non-party may always assert that there is no privilege or protection for the document or information itself and thus the protective order would not apply.[315] The freely granted protective order is particularly problematic with respect to work product, because that protection is not absolute.[316]

Attorneys should seek informed consent from their clients, as this may protect them from state bar ethical violations as well as damages from malpractice. It is also possible that protective orders agreed upon by the parties and sanctioned by a court may pass the "disclosure is impliedly authorized in order to carry out the representation" provision of Rule 1.6 from the Model Rules of Professional Conduct.[317]

District courts should consider creating a universal protocol for ESI. Uniform application of Rule 502 will only become more important in the years ahead, as nearly every case begins to have E-discovery issues.[318] "E-discovery is quickly becoming a fact of life for all courts, at every level. Every kind of civil action, from complex commercial litigation to domes-

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312. *See* Jason R. Baron, *Law in the Age of Exabytes: Some Further Thoughts on "Information Inflation" and Current Issues in E-Discovery Search*, 17 RICH. J.L. & TECH. 9, ¶5 (2011), *available at* http://jolt.richmond.edu/v17i3/article9.pdf. ("[T]he greater challenge [to the legal profession] is how best to reasonably (not perfectly) manage the exponentially growing amount of ESI caught in, and subject to, modern-day discovery practice.").

313. Rowe Entm't v. William Morris Agency, Inc., 205 F.R.D. 421, 423 (S.D.N.Y. 2002).

314. *See* FED. R. EVID. 502 committee comment (e) ("The rule makes clear that if parties want protection against non-parties from a finding of waiver by disclosure, the agreement must be made part of a court order.").

315. *See* Trs. of the Elec. Workers Local No. 26 Pension Trust Fund v. Trust Fund Advisors, Inc., 266 F.R.D. 1 (D.D.C. 2010) (a non-party may always assert that there is no substantive privilege at all, and Rule 502 is inapplicable in that case).

316. *See* United States v. Nobles, 422 U.S. 225, 239 (1975) (stating that "[t]he privilege derived from the work-product doctrine is not absolute").

317. MODEL RULES OF PROF'L CONDUCT R. 1.6 (a) (2002).

318. *Navigating the Hazards of E-discovery*, *supra* note 304, at 2.

tic relations cases, has seen increased use of electronically stored information."[319] Criminal cases are beginning to feel the effects as well. Forensic data analysis of computer files and Twitter messages have been performed in criminal cases.[320] However, in criminal cases the effect may be less dramatic, as generally less data is stored by individuals than by companies. In 2009, it was estimated that e-mail alone accounted for 247 billion messages sent per day.[321] In 2013, it is expected to be 507 billion messages per day.[322] For those e-mail messages in the business setting, it is estimated that 75 percent contain proprietary information.[323]

The Sedona Conference, a nonprofit group made up of "leading jurists, lawyers, experts, academics and others, at the cutting edge of issues in the area of . . . complex litigation," has, through its Working Groups, provided "best practices" guidelines concerning protective order and confidentiality issues.[324] Due to the explosion of ESI, these helpful guides from The Sedona Conference should be issued much more frequently and the organization, a 501(c)(3) entity, should be supported. Attorneys should also pay close attention to the experts, academics, and attorneys who have published in the field.[325]

V. CONCLUSION

Complex litigation, or even relatively simple litigation calls for the retrieval, review, and exchange of ESI. Not only is it difficult to retrieve and review, it is exceedingly costly to do so. "In one recent case, for example, a litigant spent eighteen months and $11.4 million to hire contract

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319. *Id.*; *see also* Janet Kornblum, *Getting a Divorce? Be Aware of What's in Your E-mail*, USA TODAY, Feb. 14, 2008, at 9D (describing how matrimonial lawyers have seen an increase in divorce cases in which evidence taken from electronic data is used to prove a spouse's incriminating behavior).

320. *See* Joseph Goldstein, *In Social Media Postings, a Trove for Investigators*, N.Y. TIMES, Mar. 2, 2011, http://www.nytimes.com/2011/03/03/nyregion/03facebook.html ("As Twitter, Facebook and other forms of public electronic communication embed themselves in people's lives, the postings, rants and messages that appear online are emerging as a new trove for the police and prosecutors to sift through after crimes.").

321. Press Release, Radicati Group, Inc., Email Statistics Report, 2009–2013 (May 6, 2009), http://www.radicati.com/?p=3237.

322. *Id.*

323. *Navigating the Hazards of E-discovery*, *supra* note 304, at 4.

324. *See* THE SEDONA CONFERENCE, http://www.thesedonaconference.org (last visited Mar. 31, 2010).

325. *See, e.g.*, SHIRA A. SCHEINDLIN, DANIEL J. CAPRA & THE SEDONA CONFERENCE, ELECTRONIC DISCOVERY AND DIGITAL EVIDENCE (West 2009); Grimm, Bergstrom & Kraeuter, *supra* note 119.

attorneys to review electronic documents culled from 127 document custodians for privilege prior to production."[326] The current system of attorney discovery requests and thorough attorney review is simply not sustainable in many cases. The new E-discovery civil procedure rules and the FRE on inadvertent disclosure were not only necessary, but compelled by the digital age. As technology progresses, so must attorneys, courts, bar associations, and advisory groups. Attorneys need to cooperate, enter into agreements with opposing counsel, and secure informed consent from their clients. Courts need to establish district-wide and preferably nationwide protocols on ESI and inadvertent disclosure so that there is uniformity and predictability for parties. Outside interested parties (such as the Sedona Conference) need to assist the courts and parties by suggesting "best practices" for ESI issues. Rule 502 is not a "get-out-of-jail-free" provision for attorneys. Thus far, there has not been any evidence of cost savings.[327] More work needs to be done, to ensure that clients, lawyers, and courts have reasonable ways to resolve conflicts in the digital age.[328] Certainly Rule 502 is an improvement over past law on the waiver of privileges and protections, but much work needs to be done to protect attorneys and their clients.

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326. Donald Wochna, *Electronic Data, Electronic Searching, Inadvertent Production of Privileged Data: A Perfect Storm*, 43 AKRON L. REV. 847, 854 (2010) (citing Oracle v. SAP AG, 2009 WL 3009059, at *15 (N.D. Cal. 2009)).

327. *See Fulbright's 6th Annual Litigation Trends Survey Report*, *supra* note 274, at 62 (only 1 percent of respondents to the survey on electronic discovery indicated they had experienced "significant" cost savings and 89 percent indicated that they had experienced no savings).

328. *See* Bennett B. Borden et al., *Four Years Later: How the 2006 Amendments to the Federal Rules Have Reshaped the E-Discovery Landscape and Are Revitalizing the Civil Justice System*, 17 RICH. J.L. & TECH. 10, ¶60 ("The deluge of data threatens to overwhelm our civil justice system, driving the cost of resolving conflicts through that system beyond the benefit of doing so.")