THE DOS AND DON'TS IN ASSERTING AND CHALLENGING PRIVILEGE AND CONFIDENTIALITY DESIGNATIONS

BROWN BAG LUNCH SERIES
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OLD MYTHS AND NEW REALITIES

I. THE STANDARDS:

A. F.R.C.P Rule 26 (b) (1): discovery of "any non-privileged material relevant to any party's claim or defense and ***proportional*** to the needs of the case . . ."

B. Rule 26 (b) (5) withheld information under claim of privilege must expressly make the claim and "describe the nature of the documents, communications, or tangible things not produced or disclosed—and do so in a manner that, without revealing information itself privileged or protected, will enable other parties to assess the claim."

Issue: ***How do you collect the "relevant" documents and efficiently segregate privileged from non-privileged documents?***

II. BEST PRACTICES FOR COLLECTION AND SORTING OF RESPONSIVE DOCUMENTS:

A. **Man vs Machine**: human review is not better than Technology-Assisted Review (TAR); may be worse. "Statistics clearly show that computerized searches are at least as accurate, if not more so, than manual review." *Da Silva Moore v. Publicis Groupe*, 287 F.R.D. 182, 190 (S.D.N.Y. 2012) (Peck, Mag. J.).

Keyword searching not nearly as effective. Studies show lawyers greatly overestimate the effectiveness of their searching. Studies show Boolean search identifies only 24% or 22% of documents.

Concept searching/ Predictive coding/seed sets [use of algorithms to "find more documents like this"] Recognize large number of documents as a cohesive group and code them uniformly.

"Recall" = Fraction of relevant documents actually retrieved (How complete the search was). Humans miss 20% to 75% of all relevant documents

"Precision" = Fraction of retrieved documents that are, in fact, relevant (How accurate the search was) 65% for human reviewers

Tension between finding as many responsive documents as possible regardless of cost/time vs finding responsive documents as efficiently as possible, with least number of non-responsive documents. "Perfect" = the enemy of "good enough").

TAR can achieve significantly higher Recall and Precision and enormous cost savings.

1. ***Courts have upheld TAR tools for searching, relevance determinations and privilege reviews.***
   - *Da Silva Moore, supra* (leading case has been cited many times by other courts).
   - *Global Aerospace Inc. v. Landow Aviation, L.P.*, 2012 WL 1431215, No. CL 61040 (Va. Cir. Ct., Apr. 23, 2012).
   - *National Day Laborer Org. Network v. ICE,* 877 F. Supp. 2d 87 (S.D.N.Y. 2012).
   - *Gabriel Technologies Corp. v. Qualcomm Inc.*, 2013 WL 410103, No. 08cv1992 AJB (MDD), *3-5 (S.D. Cal., Feb 1, 2013).
   - *Matter of Facebook Account etc.,* 2013 WL 7856600, Case No. 13-MJ-742(JMF) (D.D.C. Nov. 26, 2013) (Facciola, Mag. J.)
   - *In re Biomet*, 2013 WL 1729682, 2013 WL6405156 (N.D. Ind. Apr. 18, 2013); 2013 WL 6405156, No. 3:12–MD–2391 (N.D. Ind. Aug. 21, 2013).
   - *Rio Tinto PLC v. Vale S.A.,* 306 F.R.D. 125 (S.D.N.Y. 2015) (Peck, Mag. J.)

Whether particular document is covered by A/C Privilege or Work Product is often fairly debatable. See *Graco, Inc. v. PMC Global, Inc*. (Arpert 2011) for a comprehensive discussion of the standards and case law.

2. Needs to be "reasonable." *Da Silva Moore* ("***computer-assisted review is not perfect, [but] the Federal Rules of Civil Procedure do not require perfection***.").

   - Rule 34 only requires "reasonable efforts to identify and produce responsive, non-privileged documents"
   - Sedona Principles: "good faith obligation to preserve and produce relevant ESI [can be satisfied] by using electronic tools and processes . . . to *identify data reasonably likely to contain relevant information*."
   - Rule 34 (b): not required to produce ESI from sources that are "not reasonably accessible because of undue burden or cost." *See also* Rule 26 (c) (permitting a party to seek relief from "undue burden or expense").
   - Rule 26 (g) obligation to make a timely, reasonable and diligent search for all documents responsive to the discovery requests. Certification that "to the best of the attorney's or party's knowledge, information and belief formed after a reasonable inquiry . . ." it is "complete and correct as of the time it was made. . ."

- Court involvement may differ widely: some courts have ordered parties to produce samples of irrelevant documents to confirm their collection is reasonable and thorough. *Winfield v City of New York*, 2017 U.S. Dist. LEXIS 194413 (S.D.N.Y. Nov. 27, 2017).

3. Needs to be "defensible": can it withstand a challenge by the opposing party?
- ***Not all TARs are created equal***. Needs to be well thought out with substantial human input on the front end. (Sedona)
- Search for ESI may need to be supported by **experts**. Court needs to determine whether the search produced results that are valid and consistent with F.R.C.P.
- Whether the particular tool or method has accurately collected or captured responsive documents and ESI. [Sedona]

4. ***Defensibility improves if it has been discussed with adversary counsel***.
- Rule 26 (f) and L.Civ.R. 26.1(d): meet and confer requirement.
- Consider sharing protocols for "seed sets"/ agreement on search terms.
- May be valid work product concerns.
- Consequences of unilateral actions may be to redo the work!
- ESI formats are important!

"The proper and most efficient course of action would have been agreement by Huron and Defendants as to search terms and data custodians prior to Huron's electronic document retrieval. Selecting search terms and data custodians should be a matter of cooperation and transparency among parties and non-parties." Dagger v. Gilles, 755 F. Supp. 2d 909, 929 (N.D. Ill. 2010).

B. Risks of Over-Production and Under Production

1. Cost/Inefficiency. Most efficient human reviewers = 50-100 documents per hour; MB = 50-75 pages; GB = 50,000-75,000 pages. Avg. hard drive = 20 GB if full.

2. Waiver of Privilege: *See, e.g.*, *Mt. Hawley Ins. Co. v. Felman Prod., Inc.* 271 F.R.D. 125, 136 (S.D. Va. 2010) (plaintiff produced one million documents, 30% of which were irrelevant; court found plaintiff waived privilege over inadvertently produced attorney- client document). *See, e.g.*, *U.S. v. O'Neill*, 619 F. 2d 222, 227 (3d Cir. 1980) ("The indiscriminate claim of privilege may in itself be sufficient reason to deny it.")

3. Use TAR in sorting privileged documents:

Advisory Committee Notes to F.R.E. 502(b):

"[C]onsiderations bearing on the reasonableness of a producing party's efforts include the number of documents to be reviewed and the time constraints for production. Depending on the circumstances, ***a party that uses advanced analytical software applications and linguistic tools in screening for privilege and work***

product may be found to have taken "reasonable steps" to prevent inadvertent disclosure."

4. Discovery Disputes/Motions to Compel. Use experts and detailed certifications from client IT representative to establish reasonableness of search and costs/burdens.

OVER DESIGNATION OF CONFIDENTIAL AND PRIVILEGED DOCUMENTS:

APPLICABLE FRCPS

The key Federal Rules of Civil Procedure are 26(c) and 37(a)(5). The former provides:

a) Protective Orders:

In general, a party or any person from whom discovery is sought may move for a protective order in the court where the action is pending — or as an alternative on matters relating to a deposition, in the court for the district where the deposition will be taken. The motion must include a certification that the movant has in good faith conferred or attempted to confer with other affected parties in an effort to resolve the dispute without court action. The court may, for good cause, issue an order to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense, including one or more of the following:

(A) forbidding the disclosure or discovery;
(B) specifying terms, including time and place or the allocation of expenses, for the disclosure or discovery;
(C) prescribing a discovery method other than the one selected by the party seeking discovery;
(D) forbidding inquiry into certain matters, or limiting the scope of disclosure or discovery to certain matters;
(E) designating the persons who may be present while the discovery is conducted;
(F) requiring that a deposition be sealed and opened only on court order;
(G) requiring that a trade secret or other confidential research, development, or commercial information not be revealed or be revealed only in a specified way; and
(H) requiring that the parties simultaneously file specified documents or information in sealed envelopes, to be opened as the court directs.

- *Ordering Discovery.* If a motion for a protective order is wholly or partly denied, the court may, on just terms, order that any party or person provide or permit discovery.

- *Awarding Expenses.* Rule 37(a)(5) applies to the award of expenses.

1. **FRCP 26(c):**

Reference is made within FRCP 26(c)(3) to FRCP 37(a)(5), which addresses permittable sanctions for discovery violations. That rule provides:

a) Motion for an Order Compelling Disclosure or Discovery.

Payment of Expenses; Protective Orders.

(A) If the Motion Is Granted (or Disclosure or Discovery Is Provided After Filing). If the motion is granted—or if the disclosure or requested discovery is provided after the motion was filed—the court must, after giving an opportunity to be heard, require the party or deponent whose conduct necessitated the motion, the party or attorney advising that conduct, or both to pay the movant's reasonable expenses incurred in making the motion, including attorney's fees. But the court must not order this payment if:

i. the movant filed the motion before attempting in good faith to obtain the disclosure or discovery without court action;

ii. the opposing party's nondisclosure, response, or objection was substantially justified; or

iii. other circumstances make an award of expenses unjust.

(B) If the Motion Is Denied. If the motion is denied, the court may issue any protective order authorized under Rule 26(c) and must, after giving an opportunity to be heard, require the movant, the attorney filing the motion, or both to pay the party or deponent who opposed the motion its reasonable expenses incurred in opposing the motion, including attorney's fees. But the court must not order this payment if the motion was substantially justified or other circumstances make an award of expenses unjust.

(C) If the Motion Is Granted in Part and Denied in Part. If the motion is granted in part and denied in part, the court may issue any protective order authorized under Rule 26(c) and may, after giving an opportunity to be heard, apportion the reasonable expenses for the motion.

2. **FRCP 37(a)(5):**

Case Law – Consequences of Over Designation of Confidential or Privileged/Attorney Work Product Documents.

CASES WHERE OVER DESIGNATION OF "CONFIDENTIAL" DOCUMENTS RESULTS IN SANCTIONS:

- ***Procaps S.A. v. Patheon, Inc.*, 2015 U.S. Dist. LEXIS 94010 (S.D. Fla. July 20, 2015)**

  - Addresses over-designation of confidential documents.
  - Facts: Defendant marks 141,525 of 148,636 (95%) of its forensically-produced documents as "highly confidential," a/k/a attorneys-eyes only ("AEO"). Of the 155,759 total documents produced (hard documents + ESI), over 91% were marked "highly confidential."
  - The parties had a Confidentiality Order permitting "confidential" and "highly confidential" markings. The Order also provided "that if one party over-designates in bad faith, then the burden shifts to the producing party to re-review the designation."
  - Ultimate holding: The defendants are given ten days to re-start the designation process. Anything not marked "highly confidential" or "confidential" in good faith during that ten-day period is deemed to be neither. The defendants are also ordered to pay $25,000 in attorneys' fees and costs.
  - Interesting holdings of note:
    - Defendants' counsel stated that it used a third-party vendor to do the document review. The court was unmoved and found trial counsel to ultimately be responsible for the oversight of the production.
    - As it concerned FRCP 37(a)(5), the court cited to an N.D. Cal. case, stating "[t]he 'failure to obey a protective order's prohibition against indiscriminate designations is covered by Rule 37' and its fee-shifting presumption in favor of the party prevailing on a motion to compel."
    - The court observed that "[m]any courts have noted that a good faith requirement is 'implicit' in the protective order and its provision for designating documents as confidential or AEO (or highly confidential)." [The court then noted that, in the instant case, that good faith requirement was actually agreed to by the parties in the Confidentiality Order itself.]
    - Therefore, by the recognition of an implicit obligation, or by the terms of the Order itself, a party must act in good faith when designating documents.
    - The court also observed that "[a]lthough federal courts do not seem to have established a specific bright line test to determine when a party's designation of discovery as AEO in excess of a certain percentage is deemed presumptively improper, designation percentages of 95% … have frequently been condemned." The court then cited to cases stating: (i) 79% is "absurdly high"; (ii) 99% was "gross abuse;" and, (iii) 90% is "an absurd number."

- ❖ The court rejected the defendant's alternative suggestions of either having the plaintiff specifically identify the documents it wants or having an ESI Special Master review the materials. In rejecting the former suggestion, the court noted this would unduly punish the innocent plaintiff seeking documents. As to the latter suggestion, the court said this would result in reasonable delay.

- ❖ The court found there to be "ample legal authority to support the remedy of allowing [the plaintiff] to use all the documents designated from the forensic production as highly confidential, subject to [the defendant's] good faith re-designation on a specific, document-by-document, [within ten days]." (This includes a cite to an SDNY case – *Broadspring, Inc.* – reference below.)

- ❖ The court found the awarding of attorneys' fees to be the appropriate sanction. Plaintiff sought $34K. The court awarded $25K. This $25K did not include costs and included a reduction in the requested fees.

- ➢ ***Broadspring, Inc. v. Congoo, LLC*, 2014 U.S. Dist. LEXIS 116070 (S.D.N.Y. Aug. 20, 2014)**

  - Addresses over-designation of confidential documents.

  - Facts: Defendants could mark documents "confidential" or "highly confidential" / AEO. Remarkably, the defendants re-designated their documents nine times. The ninth such redesignation occurred following a court conference, which resulted in the "highly confidential" label being removed from 780 improperly-marked documents. Approximately 1,000 documents remained marked "highly confidential" and the plaintiff challenged the designation of just 19 of those documents. At issue were a number of email threads, where the entire thread received the designation.

  - The Protective Order itself provided that: "Designations that are shown to be clearly unjustified, or that have been made for an improper purpose (e.g., to unnecessarily encumber or retard the case development process, or to impose unnecessary expenses and burdens on other parties), may expose the Designating Party to sanctions."

  - Ultimate holding: The defendants are given one-week to re-designate and re-produce the documents as "confidential," with designations identified by email within a thread. Plaintiff is also entitled to costs and fees incurred as a result of the improper designation of just these nineteen documents.

  - Interesting holdings of note:

    - ❖ The court was very caught up on the repeated re-designations by the defendants, which it viewed as admissions of improper designations in the first instance. The court found that "[t]he fact that Defendants' designations were 'clearly unjustified' by itself, warrants the imposition of sanctions under the Protective Order. Sanctions are even more appropriate in view of Defendants' abuse of the AEO designation throughout the discovery process. As noted above, Defendants re-designated and re-produced documents on nine separate

occasions – including, most notably, 780 documents that were re-designated only after evidence of some patently improper designation prompted the Court, on Plaintiff's application, to order Defendants to engage in a wholesale review of all documents it had designated AEO."

- ❖ Practice point: The importance of a provision with a Confidentiality Order – like in *Procaps* – addressing a good faith obligation and the consequences of failing to abide by that duty.

CASE WHERE OVER-DESIGNATION OF "PRIVILEGED" DOCUMENTS RESULTS IN SANCTIONS:

- ➢ ***N.M. Oncology & Hematology Consultants v. Presbyterian Healthcare Servs.*, 2017 U.S. Dist. LEXIS 130959 (D.N.M. Aug. 16, 2017)**

  - Addresses over-designation of privileged documents.
  - Facts: Defendants produced a privilege log and a redaction log with 4,143 entries. Plaintiff objected to 2,831 of those entries. Following a re-review, the defendants removed 1,095 documents from the privilege log and 864 documents on the redaction log. The plaintiff objected to the remaining combined 1,312 entries. Defendants did a second re-review and produced an additional 861 documents.
  - A motion to compel was filed and referred to a Special Master. The Special Master found that an additional 197 documents "are not protected by either the attorney-client privilege or work product doctrine or are to be produced as part of a subject matter waiver." Before the Magistrate Judge, the plaintiffs requested sanctions; specifically, either default judgment or an adverse jury instruction.
  - Ultimate holding: The court did not impose the stiff sanctions sought by the plaintiffs, but did require the defendants to pay costs related to the plaintiff's repeated attempts to get the withheld documents.
  - Interesting holdings of note:
    - ❖ The court found that the stiffer penalties were not warranted because "[w]hile Defendants made many mistakes and were often uncooperative in attempting to resolve issues raised by Plaintiff, [] they did not act in bad faith." Still, "lesser sanctions are appropriate."
    - ❖ "Defendants' over-designation of documents as privileged, as discussed above, constitutes their most egregious discovery violation. Defendants over-designated documents in their original privilege and redaction logs, then did so a second time after conducting their first re-review, and then did so a third time after conducting their second re-review. Despite multiple chances to correct their errors, Defendants continued to withhold documents and information on an improper claim of privilege. Because of Defendants' continued violations, Plaintiff was forced to file a Motion to Compel and for Sanctions, and a Special Master finally resolved the issue over a year after Defendants' produced their

initial privilege and redaction logs. Therefore, Defendants shall pay Plaintiff costs associated with its Motion to Compel and for Sanctions , which was denied by the Court without prejudice due to the assignment of the Special Master to resolve the issue. Defendants shall also pay Plaintiff costs associated with its briefing of the issues resolved by the Special Master's first Report and Recommendations. Finally, Defendants shall also pay Plaintiff's costs in preparing objections to Defendants' privilege designations throughout the course of this lawsuit."

- Practice point: All these cases show the importance of making a good faith effort in the first instance to make a credible withholding.

CONSEQUENCES OF UNDER DESIGNATION OF - OR FAILURE TO DESIGNATE AS - "PRIVILEGED AND WORK PRODUCT" DOCUMENTS: WAIVER OF PRIVILEGE

APPLICABLE RULES OF EVIDENCE / FRCP:

When determining whether a party's document production results in the waiver of privilege of attorney-client communications and/or work product, courts refer to FRE 502(b) and FRCP 26(b)(5)(B).

The evidence rule provides:

- 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.

- **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
    3. the holder promptly took reasonable steps to rectify the error, including (if applicable) following [FRCP 26(b)(5)(B)].

FRE 502(b):

The prompt steps referenced in FRE 502(b)(3) are found within the Federal Rules of Civil Procedure, which provides:

- **Discovery Scope and Limits.**
    1. *Claiming Privilege or Protecting Trial-Preparation Materials.*
        i. 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.

FRCP 26(b)(5)(B):

CASE LAW – EXAMPLES OF FINDINGS OF WAIVER BY FAILING TO PROPERLY REVIEW DOCUMENTS PRIOR TO PRODUCTION – INADVERTENT PRODUCTIONS:

- ***Graco, Inc. v. PMC Global*, 2011 U.S. Dist. LEXIS 14718 (D.N.J. Feb. 14, 2011)**

  - Hon. Douglas E. Arpert, U.S.M.J.
  - Facts: Plaintiff accused defendant of misappropriating trade secrets and confidential business information. Plaintiff specifically alleged that defendant did this via a business relationship it had with a third-party. At issue was a request by plaintiff for documents reflecting agreement, communications, and negotiations between the defendant and the third-party.
  - Originally, the defendants denied the existence of any such documents. Then, they produced a privilege log identifying 250 documents, while also attempting to claw back a few previously produced documents.
  - Legal: The court included a section on the implied waiver of privilege and the limitations on a waiver.

    As to the implied waiver of privilege, the court recited the law as follows (internal citations omitted):

    > Privilege may not be used both as a sword and a shield. Indeed, "a litigant cannot at one and the same time make use of those privileged communications which support his position while hoping to maintain the privilege as those communications which undercut his legal position." "Courts have found an implied waiver of the attorney-client and/or attorney work product privilege where a client affirmatively places otherwise privileged information at issue in the case." There are several factors that courts have considered in determining whether a waiver by affirmative reliance has occurred. These include:

1) assertion of the privilege was a result of some affirmative act, such as filing suit, by the asserting party;
2) through this affirmative act, the asserting party put the protected information at issue by making it relevant to the case; and
3) application of the privilege would have denied the opposing party access to information vital to his defense.

Other courts have focused on overriding fairness considerations in assessing whether an implied waiver has occurred. Whether fairness requires disclosure is decided "on a case-by-case basis, and depends primarily on the specific context in which the privilege is asserted."

As to the limitations on waiver, the court simply quoted FRE 502(b). (The court also noted that the Protective Order in the case required the disclosing party to "promptly notify" the receiving parties of any inadvertent disclosures.)

- Holding: The court called for an *in camera* review of the documents.

➢ ***D'Onofrio v. Borough of Seaside Park*, 2012 U.S. Dist. LEXIS 75651 (D.N.J. May 30, 2012)**

- Hon. Tonianne J. Bongiovanni, U.S.M.J.
- Facts: Bar owner sues borough for tortious interference and other counts. Counsel for the borough receives two set of documents: (i) eight boxes directly from the borough ("the Borough Documents"); and, (ii) six boxes directly from two attorneys who represented the borough in matter underlying the litigation ("the Ryan/McKenna documents"). A partner reviewed every document in the latter production and marked 1,000+ documents as privileged. She then had a clerical employee separate the privileged from non-privileged documents, have them separately bates stamped, and have the non-privileged documents burned on a disc. A privilege log was to be created later. The clerical employee, however, only separated privileged / non-privileged documents as to the first two boxes, resulting in the inadvertent production of 872 would-be privileged documents from four of the six boxes.
- The first production was made via disc in August 2010. Thereafter, a different clerical employee realized that: (i) the 30K documents had been uploaded as separate .PDF documents and could be uploaded more efficiently; and, (ii) that some of the attorney's e-comments were on the documents. A second disc was produced in November 2010.
- The plaintiff had a technical issue with the second disc. A third disc was issued in December 2010.
- In December 2010, defense counsel began creating a privilege log. They realized there was a discrepancy in the number of Ryan/McKenna documents on the log and what they expected to be on the log based on the partners' notes, but they did not conduct a re-review of the disc production.

- In March 2011, the plaintiff informed the defendants that the documents that had been produced were out-of-order. Defense counsel realized it was only a technical issue related exclusively to the Borough Documents and had their IT Department correct it. During this review, however, defense counsel also learned that 700+ Borough Documents had been mistakenly produced. Thus, in issuing the fourth disc in April 2011, those documents were removed. This did not, however, trigger a re-review of the documents.
- In January 2012, plaintiffs submitted papers in support of a motion. The partner recognized these as McKenna/Ryan documents that should have been withheld. Shortly thereafter, defense counsel informed all parties of the inadvertent production and asked that they discard the documents pursuant to FRCP 26(b)(5)(B).
- Ultimate holding: The documents produced constituted a limited waiver of privilege and can be used during litigation. The production does not constitute a broad subject matter waiver, as the defendants lacked the intent of using the documents as both a sword and a shield.
- Standard of review: The court first quoted FRE 502(b) and FRCP 26(b)(5)(B). The court then stated (internal citations omitted):

> In determining whether inadvertently produced documents should be returned, the Court engages in a two-step analysis. First, the Court must determine whether the documents are, in fact privileged. Second, if privileged, then the Court must determine whether the aforementioned three prongs of FRE 502(b) have been met. The disclosing party has the burden of proving that the elements of FRE 502(b) have been satisfied. Similarly, the burden of proving that a privilege exists rests with the party asserting the privilege.
>
> The approach set forth in FRE 502(b) is essentially the same as that used in *Ciba-Geigy Corp. v. Sandoz Ltd.*, 916 F.Supp. 404, 411 (D.N.J. 1995). Under [that approach], the Court engages in a multi-factor analysis to determine whether a waiver occurred. Factors considered are: (1) the reasonableness of the precautions taken to prevent inadvertent disclosure in view of the extent of the document production; (2) the number of inadvertent disclosures; (3) the extent of the disclosure; (4) any delay and measures taken to rectify the disclosure; and, (5) whether the overriding interests of just would or would not be served by relieving the party of its error.

- Interesting holdings of note:

- ❖ The court found the disclosure inadvertent but noted that the fact that a disclosure was "unintentional does not go far in establishing the absence of waiver."

- ❖ The court also found the initial review – with attorneys spending 250 hours – to be reasonable. Further, the failure to re-review the disc was not unreasonable, as "the rule 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."

- ❖ The court found the number and extent of disclosures – 872 of 100,000 pages of documents – to be "neutral."

- ❖ The court, however, found that defendants "did not take reasonable steps to remedy the error," as they "should have been aware that something was amiss with their document production long before [the motion papers]." The court excused the failure to notice an issue in November '10 (when the notes were found) and December'10 (when the log was produced). But by March '11, when they discovered that Borough Documents had been mistakenly produced, the defendants should have engaged in a re-review. "The key is that once a party has notice that something is amiss with its production and privilege review, that party has an obligation to promptly reassess its procedures and recheck its production."

- ❖ The court found that the interests of justice favor finding that a waiver occurred, as "a party's negligence has resulted in the inadvertent production of a privileged document."

- ❖ Interestingly, the court also noted that plaintiffs' counsel had failed in their ethical obligation under RPC 4.4(b) to inform defense counsel of the inadvertent disclosure and found that "[t]his fact obviously weighs against finding that a waiver occurred." (Though on the balance, the court found defense counsel's conduct to be worse.)

- ❖ The court cited to case law that said that broad subject matter waiver is typically not appropriate with an inadvertent disclosure, as opposed to a situation where a party seeking to use privilege as both a sword and shield.

- ➢ ***Shire, LLC v. Amneal Pharms.*, 2014 U.S. Dist. LEXIS 53802 (D.N.J. Jan. 10, 2014)**

  - Hon. Cathy L. Waldor, U.S.M.J.
  - Facts: Late in discovery, on July 25, the defendants discovered archived emails that had not been reviewed. They were ordered to produce those emails by August 20. They complied with that Order, producing 249K documents. On August 23, the

plaintiffs advised the defendants that there appeared to be privileged documents. Prior to this production, defendants had made eight separate productions of documents.

- In the first eight productions, defendants utilized analytical software employing targeted search terms. They also utilized third-party vendors, but all documents did undergo attorney review. The documents produced between July 25 – Aug. 1, however, underwent an "expedited review," whereby defendants electronically searched the documents with targeted search terms that had been written by attorneys. This process did not include a document-by-document review by counsel.
- When informed of the inadvertent production, defendants wrote back that same day and attempted to utilize the clawback provision of the Confidentiality Order, which said that an inadvertent production did not constitute a waiver if the producing party "promptly notifies" the receiving party of the error and requests destruction of the materials.
- Ultimate holding: There is a limited waiver of the documents produced. This did not constitute a subject-matter waiver.
- Standard of review re: waiver generally: The court cited to FRE 502(b) and the five-factor test.
- Standard of review re: subject matter waiver: On the topic of subject matter waiver, the court held (citations omitted):

> When a disclosure waives privilege or work-product protection, that waiver will extend to undisclosed documents or communication 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 be considered together. FRE 502(a).
>
> In this District, a subject matter waiver is found "when the privilege-holder has attempted to use the privilege as both a 'sword' and 'a shield' or when the party attacking the privilege will be prejudiced at trial."

- Interesting holdings of note:
  - ❖ The court held that "mere inadvertency does not end the inquiry" of waiver, and that the analysis instead focuses on the reasonable precautions taken by the disclosing party.
  - ❖ On factor #1 – the reasonableness of precautions taken – the court found that the use of analytical software is not itself unreasonable, but the lack of an attorney review is unreasonable.
  - ❖ On factor #2 – the number of inadvertent disclosures – the court found that 47 / 249K document is small and that "this factor does not weigh in favor of finding waiver."

- ❖ On factor #3 – the extent of the disclosure – the court found this to weigh in favor of disclosure as the documents "contain Defendants' internal analysis of the patents-in-suit."
- ❖ On factor #4 – the efforts to rectify the error – the court found that the defendants did not conduct a remedial investigation until after the plaintiffs raised the issue. (Which was just three days later.)
- ❖ On factor #5 – the interests of justice – the court first noted that "the relevancy of the document to the ultimate issue of the case is not part of this analysis." Rather, the court focused on the fact that these disclosures were the result of a failure to review, and thus found "that justice is served by a finding of waiver in this instance."
- ❖ On subject matter waiver: the court held that defendants had not waived subject matter privilege. It was noted that "[Plaintiff] argues that evidence before this Court demonstrates that Defendants withheld documentation of their willful infringement of [plaintiff's] patents and that the privileged documents produced indicate a pattern of unfair selective disclosure." But, the court noted that this argument "requires evidence of Defendants' intent to gain an unfair advantage through intentional disclosure of privileged material – the sword and shield analogy," and that such intent was lacking with this inadvertent disclosure. In other words: "[t]his Court has already found that Defendants unintentionally produced privileged documents to Shire. The basis for that decision was Defendants' inexcusable neglect in the review process. It follows that the Court cannot find that Defendants waived subject matter privilege when that privilege must be intentionally waived."

CASE LAW: FAILURE TO PRODUCE A PRIVILEGE LOG OR PRODUCTION OF INADEQUATE PRIVILEGE LOG – RESULTS IN WAIVER OF PRIVILEGE:

- ➢ ***Wachtel v. Health Net, Inc., 239 F.R.D. 81*** **(D.N.J. 2006)**
  - Hon. Faith S. Hochberg, U.S.D.J. (Ret.)
  - Log provided too late; privilege waived.
  - Legal standard (emphasis added):

    The purpose of a privilege log is to identify for the opposing side those documents that exist in response to a document request but are not being produced because of a privilege assertion. The privilege log then allows the court and counsel to determine whether there should be a further inquiry into the bases for the assertion. This process cannot begin if the documents, which are the subjects of the log, are never identified in discovery. Local Civ. R. 34.1 and [FRCP 26(b)(5)] govern the production of privilege logs in discovery. The Advisory Committee Notes to the 1993 Amendments of Rule 26(b)(5) state:

    > A party must notify other parties if it is withholding materials otherwise subject to disclosure under the rule or pursuant to a

> discovery request because it is asserting a claim of privilege or work product protection. To withhold materials without such notice is contrary to the rule, subjects the party to sanctions under Rule 37(b)(2), and may be viewed as a waiver of the privilege or protection. (emphasis added)

Courts have interpreted Rule 26 to require production of a privilege log within a sufficient amount of time after a document request is served in order to preserve the privilege of documents called for in the production. *See Burlington N. & Santa Fe Ry. Co. v. United States District Court*, 408 F.3d 1142 (9th Cir. 2005) (finding waiver of privilege where log was not filed until **five months** after the document request); *see also Get-A-Grip, II, Inc. v. Hornell Brewing Co.*, 2000 U.S. Dist. LEXIS 11961, 2000 WL 1201385 (E.D. Pa. Aug. 8, 2000) (finding waiver where privilege log was approximately **two months** late).

- Holding: In this case, two privilege logs at issue were served more than two years after the close of discovery and included communications from the files of six witnesses. The court struck the privilege designation of the documents identified in these two logs.

➢ ***Schaeffer v. Tracey*, 2017 U.S. Dist. LEXIS 15708 (D.N.J. Feb. 2, 2017)**

- Hon. Steven C. Mannion, U.S.M.J.
- Inadequate log – very generic subject matter description. Privilege waived.
- Facts: Plaintiff sued township and police officers, alleging civil rights violations (§ 1983). The plaintiff filed a subpoena for internal affairs files. The Morris County Prosecutor's Office sought a protective order. The documents were submitted for *in camera* review.
- Holding: The inadequate privilege log resulted in the waiver of the privilege. The court held:

> Next we ask whether any of the relevant records are subject to a privilege that prevents disclosure. The Prosecutor has supplied counsel and the Court with a privilege log referencing the withheld documents by marking author, recipient, and a very generic subject matter description. The Federal Rules require a detailed and specific showing to withhold discovery on grounds of privilege. The production of an inadequate privilege log or none at all, "is contrary to the rule, subjects the party to sanctions under Rule 37(b)(2), and may be viewed as a waiver to the privilege." A withholding party must "(i) expressly make the claim; and (ii) describe the nature of the documents, communications, or tangible things not produced or disclosed-and do so in a manner that, without revealing information itself privileged or protected, will enable other parties to assess the claim." In *Torres*, this

> Court expressly applied this standard to claims of privilege over police internal affairs records and found that the defendant's "broad speculations of harm potentially flowing to the officers involved" were insufficient to support a finding of privilege.
>
> Here, the Prosecutor's Office privilege log asserts that the "law enforcement privilege" applies and prohibits the disclosure of all the withheld documents. The privilege log, however, included only generic subject matter descriptions that do not adequately "describe the nature of the . . . communications . . . in a manner that . . . will enable other parties to assess the claim" as required by Rule 26(b)(5). Accordingly, the Court finds that law enforcement privilege has been waived in this instance. In the abundance of caution the Court will nonetheless analyze the merits of the privilege.

- ***Aurora Loan Servs. v. Posner, 499 F. Supp. 2d 475*** **(S.D.N.Y. 2006)**

  - Log does not distinguish between attorney-client privilege and work product doctrine; log does not identify the recipients of communications. Privilege waived.

  - Holding (emphasis added):

> The burden of establishing attorney-client or work product privilege is on the party asserting the respective privilege. *United States v. Construction Products Research, Inc.,* 73 F.3d 464, 473 (2d Cir. 1996). **Failure to furnish an adequate privilege log is grounds for rejecting a claim of attorney client privilege. *Id.* Here, Judge Smith held that the privilege log was inadequate, on the grounds that the log does not identify which privilege is being asserted (attorney-client or work product) and often does not identify the parties to the communication**.
>
> In response to Judge Smith's order, Plaintiff submitted an amended privilege log. Although Defendants attempt to demonstrate that the current log is also inadequate, they also correctly point out that Plaintiff's amended privilege log is essentially a concession that the initial privilege log was inadequate, and Plaintiff has not made any arguments to this court as to why the original privilege log was adequate. The Court finds no clear error to Judge Smith's rulings that the privilege log was inadequate, on the grounds that the log does not identify which privilege is being asserted, and often fails to identify the parties to the communication. Given the deference due to the rulings of the Magistrate Judge, her order to produce those documents is upheld.

BALANCE BETWEEN THE UNDULY BURDENSOME TASK OF CREATING A LENGTHY, DETAILED PRIVILEGE LOG AND NOT WAIVING PRIVILEGE: THE CATEGORICAL PRIVILEGE LOG

- Not adopted in every jurisdiction.

- **New York**: The Supreme Court prefers a categorical privilege log *in the Commercial Division* but not in the normal civil part.

- Rule 11-b of § 202.70 of the Civil Rules for the Supreme Court:

  Rule 11-b. Privilege logs.
  Categorical Approach or Document-By-Document Review.

  (1) The preference in the Commercial Division is for the parties to use categorical designations, where appropriate, to reduce the time and costs associated with preparing privilege logs. The parties are expected to address such considerations in good faith as part of the meet and confer process (see paragraph (a) above) and to agree, where possible, to employ a categorical approach to privilege designations. The parties are encouraged to utilize any reasoned method of organizing the documents that will facilitate an orderly assessment as to the appropriateness of withholding documents in the specified category. For each category of documents that may be established, the producing party shall provide a certification, pursuant to 22 NYCRR § 130-1.1a, setting forth with specificity those facts supporting the privileged or protected status of the information included within the category. The certification shall also describe the steps taken to identify the documents so categorized, including but not limited to whether each document was reviewed, or some form of sampling was employed, and if the latter, how the sampling was conducted. The certification shall be signed by the Responsible Attorney, as defined below, or by the party, through an authorized and knowledgeable representative.

  (2) In the event the requesting party refuses to permit a categorical approach, and instead insists on a document-by-document listing on the privilege log, then unless the Court deems it appropriate to issue a protective order pursuant to CPLR 3103 based upon the facts and circumstances before it the requirements set forth in CPLR 3122 shall be followed. In that circumstance, however, the producing party, upon a showing of good cause, may apply to the court for the allocation of costs, including attorneys' fees, incurred with respect to preparing the document-by-document log. Upon good cause shown, the court may allocate the costs to the requesting party.

(3) To the extent that a party insists upon a document-by-document privilege log as contemplated by CPLR 3122, and absent an order to the contrary, each uninterrupted e-mail chain shall constitute a single entry, and the description accompanying the entry shall include the following: (i) an indication that the e-mails represent an uninterrupted dialogue: (ii) the beginning and ending dates and times (as noted on the e-mails) of the dialogue: (iii) the number of e-mails within the dialogue: and (iv) the names of all authors and recipients- together with sufficient identifying information about each person (e.g.. name of employer, job title, role in the case) to allow for a considered assessment of privilege issues.

- Adopted in July 2014; little guidance as to what is adequate in terms of form and substance.

- Cited in just two cases, and not analyzed. *Bank of N.Y. Mellon v. WMC Mtge., LLC*, 2017 N.Y. Misc. LEXIS 222 (N.Y. County Jan. 18, 2017) – citing to cost efficiency of the categorical privilege log.

- **New Jersey**: The term "categorical privilege log" is not cited in *any* case – state or federal – in the State of New Jersey.

➢ ***Tyco Healthcare Group, LP v. Mutual Pharm. Co., Inc.*, 2012 WL 1585335 (D.N.J. May 4, 2012).**

- Hon. Michael Shipp, U.S.MJ.

  ❖ Facts: In patent infringement suit, the defendants demand that the plaintiff create a privilege log. Plaintiff objects to same. At issue are 3,000 documents that have been flagged as privileged, which postdate the filing of the Complaint. Plaintiff argued it should be permitted to produce "a limited, categorical post-complaint log."

  ❖ Notably, in arguing to be permitted to produce such a log, the plaintiff did not cite to any DNJ / 3d Circuit case that explicitly permitted / favored such a log. They did cite to a California case.

  ❖ The court found that producing an item-by-item privilege log for 3,000 documents was not "unduly burdensome" and required plaintiff to produce such a log.

- **S.D.N.Y.** – Recognized by Local Rule.
- Local Rule 26.2(c):

> Efficient means of providing information regarding claims of privilege are encouraged, and parties are encouraged to agree upon measures that further this end. For example, when

> asserting privilege on the same basis with respect to multiple documents, it is presumptively proper to provide the information required by this rule by group or category. A party receiving a privilege log that groups documents or otherwise departs from a document-by-document or communication-by-communication listing may not object solely on that basis but may object if the substantive information required by this rule has not been provided in comprehensible form.

- Re: "substantive information," Local Rule 26.2(a)(2), a privilege log entry for a document must include: (i) the type of document (*i.e.*, letter, memo, etc.); (ii) the general subject matter of the document; (iii) the date of the document; (iv) the author and recipient of the document and, where not apparent, the relationship between the author and recipient.
- ***Auto. Club of N.Y., Inc. v. Port Auth. of N.Y. & N.J.*, 297 F.R.D. 55 (S.D.N.Y. 2013) –** the court held that FRCP 26 "applies with the same force to a categorical log as it does to a traditional log," and that "a categorical privilege log is adequate if it provides information about the nature of the withheld documents sufficient to enable to receiving party to make an intelligent determination about the validity of the assertion of the privilege."
- "In determining whether a categorical log is appropriate, Courts consider whether its justification is "directly proportional to the number of documents withheld." *Norton v. Town of Islip*, 2017 U.S. Dist. LEXIS 33977, at *26 (E.D.N.Y. March 9, 2017). (citing to *Auto. Club of N.Y., Inc.*, 297 F.R.D. at 60; and *In re Imperial Corp. of Am.*, 174 F.R.D. 475, 478 (S.D. Cal. 1997) (allowing a categorical privilege log where the documents ranges in the "hundreds of thousands, if not millions").