Commentary

'Oops, I Want That Back:' Clawing Back Privileged Documents And New Federal Rule Of Evidence 502[1]

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Introduction

"The inadvertent production of a privileged document is a specter that haunts every document intensive case."

FDIC v. Marine Midland Realty Credit Corp., 138 F.R.D. 479, 479-80 (E.D. Va. 1991)

Almost every attorney has been there. You have just produced thousands of documents to the other side. You are happy to have the documents finally out the door and off your desk (or computer screen). But a night or so later you wake up in a cold sweat wondering, "Did we adequately review all documents for privilege? Did I remember to double-check the production to make sure we withheld that investigative memo by the assistant general counsel?" In most circumstances the answers are yes. But it is likely that at some point in your long, successful career you will either inadvertently produce a privileged document or be the recipient of an inadvertently produced, privileged document. The possibility that you either produce or receive a privileged document is becoming ever greater in light of the vast numbers of electronic documents currently being produced, as the computer age continues to multiply, rather than reduce, the volume of discovery.

This article will address (a) the current status of the law regarding obligations of both producing and receiving parties in the event of privileged documents being inadvertently produced, (b) whether and under what circumstances an inadvertent production waives privilege, (c) the enforceability of clawback agreements, and (e) the new federal rule of evidence (Rule 502) regarding inadvertent production. In addition, it will address issues of inadvertent production that are unique to electronic discovery. Finally, it will provide an example of a clawback agreement for use in coverage litigation, as parties in large-scale

coverage cases are increasingly negotiating such agreements for their mutual protection.

I. What Are The Obligations Upon The Parties When A Privileged Document Is Inadvertently Produced?

A lawyer's obligation in regard to an inadvertently produced document has both an ethical and a legal component. ABA Model Rule of Professional Conduct 4.4(b) provides that "[a] lawyer who receives a document relating to the representation of the lawyer's client and knows or reasonably should know that the document was inadvertently sent shall promptly notify the sender." Comments to the rule state that whether an inadvertently received document can be used or must be returned is a matter of law beyond the scope of the ethical rules.

On December 1, 2006, Federal Rule of Civil Procedure 26(b)(5)(B) took effect, which provides:

> *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.*[2]

The Federal rule differs significantly from ABA Model Rule 4.4(b) in that it creates a mandatory obligation upon the receiving party to return, sequester or destroy information produced in discovery ***only*** if the producing party asserts it is subject to privilege or the work-product doctrine. Thus, until the sender notifies the recipient of the inadvertent disclosure, there is arguably no obligation upon the recipient, under Rule 26(b)(5)(B), to act. While the Federal rule provides a mechanism for the receiving party to have the validity of a privilege claim resolved by the court, it does not create any presumption or have any impact on the validity of the claim of privilege. The Federal rule does not excuse the inadvertent production of a privileged document. A court may still determine that the production waived a claim of privilege.

Accordingly, the procedure outlined in Rule 26(b)(5)(B) is simply that: a procedure that allows a party to assert a claim of privilege after production. See, e.g., Industrial Communications and Wireless, Inc. v. Town of Alton, 2008 WL 3498652, at *1 (D.N.H. 2008); St. Cyr v. Flying J, Inc., WL 2097611, at *4-5 (M.D. Fla. 2008). Once the procedure is invoked, the court must determine the effect of the disclosure on the asserted privilege according to the substantive inadvertent waiver law followed in the jurisdiction in which the litigation is pending.

II. Does An Inadvertent Disclosure Waive The Claim Of Privilege Under The Common Law?

While new Federal Rule of Evidence 502 (as discussed below) has changed the landscape substantially, at least in the federal courts, courts historically have taken three different approaches to determining whether an inadvertent production of attorney-client privileged or work-product protected materials constitutes a waiver: (1) the lenient approach; (2) the "middle of the road" approach; and (3) the strict approach. See Gray v. Bicknell, 86 F.3d 1472, 1483 (8th Cir. 1996).

Under the strict approach, any document produced — either intentionally or otherwise — loses its privileged status. See, e.g., In re Sealed Case, 877 F.2d 976 (D.C. Cir. 1989); International Digital Systems Corp. v. Digital Equipment Corp., 120 F.R.D. 445 (D. Mass. 1988). The advantage of this approach is its ease of application. It undoubtedly holds attorneys and clients accountable for carelessness in handling privileged documents. However, the result is especially harsh in the current era of e-discovery. E-discovery presents previously unrecognized risks of waiver of privilege even when parties exercise extreme care in the production.

Under the lenient approach, courts have held that inadvertent disclosure *never* waives the privilege. Those cases have held that a waiver can only be accomplished by an intentional and knowing relinquishment. See, e.g., State Compensation Ins. Fund

v. WPS, Inc., 70 Cal. App. 4th 644 (1999); Excell Construction, Inc. v. Michigan State Univ. Bd. of Trustees, 2003 WL 124297 (Mich. Ct. App. 2003); In re Christus Spohn Hospital Kleberg, 222 S.W.3d 434 (Tex. 2007); In re JDN Real Estate — McKinney, L.P., 211 S.W. 3d 907 (Tex. Ct. App. 2006); Harold Sampson Children's Trust v. Linda Gail Sampson 1979 Trust, 679 N.W.2d 794 (Wis. 2004). As noted by the Eighth Circuit in Gray v. Bicknell, while the lenient approach "remains true to the core principle of attorney-client privilege" it does not create an incentive for attorneys to protect the production of privileged material. 86 F.3d at 1483.

Other courts have taken the middle of the road approach (also called the Hydraflow test) and applied a balancing test, which includes an examination of the reasonableness of the precautions taken against inadvertent disclosure. Hydraflow Inc. v. Enidine Inc., 145 F.R.D. 626 (W.D. N.Y. 1993); P.L. Group v. Case, Kay and Lynch, 829 F.2d 909 (9th Cir. 1987); Wells Fargo Bank v. Superior Ct., 22 Cal. 4th 201 (2000); Matteson v. Baxter Health Care Corp., 2003 WL 22839808 (N.D. Ill.); JWP Zack, Inc. v. Hoosier Energy Rural Elect. Co-op., Inc., 709 N.E.2d 336 (Ind. Ct. App. 1999); Starway v. Indep. Sch. Dist. No. 625, 187 F.R.D. 595 (D. Minn. 1999); Adams Land and Cattle Co. v. Hartford Fire Ins. Co., 2007 4522627 (D. Neb. 2007). Typically, five factors are weighed in determining waiver under the middle of the road approach/Hydraflow test: (1) the reasonableness of the precautions taken to prevent inadvertent disclosure in view of the extent of document production; (2) the number of inadvertent disclosures, (3) the extent of the disclosures, (4) the promptness of the measures taken to rectify the disclosure, and (5) whether the overriding interest of justice would be served by relieving the party of its error. Hydraflow, 145 F.R.D. at 637. This approach attempts to balance the realities of litigation, attorney accountability, and the attorney-client privilege.

For example, in Fidelity and Deposit Co. of Maryland v. McCulloch, the court stated that "[c]onsideration of five factors determines whether an inadvertent disclosure constitutes a waiver" and then laid out the Hydraflow test., 168 F.R.D. 516, 521-22 (E.D. Pa. 1996). Applying the Hydraflow test to two separate sets of disclosures, the court reached different outcomes. Id. at 521-23. In regard to the first set of disclosures, the court held that the test was satisfied and that no waiver had occurred. Id. at 521-22. However, as to the second set of disclosures, the court held that waiver did in fact occur. Id. at 523.

In holding that there was no waiver as to the first set of disclosures, the court found that the precautions taken by counsel were "adequate." Id. at 521-22. The court cited the fact that Fidelity's attorneys spent over seven hours reviewing the documents and held that this was reasonable for the documents in question. Id. The court did, however, note that additional precautions were available, and pointed out that attorneys could have easily conducted a final review of the materials after the paralegal removed the privileged documents that counsel had tagged.[3] Id. at 522. The court then noted that the number of inadvertently disclosed documents was small, less than 10, in light of the total number of documents reviewed and discovered, over 5,000. Id. When discussing the extent of the disclosures, the court relied heavily on the fact that the documents did not disclose "significant facts concerning the substance of any legal opinion." Id. The court then discussed how the original discovery timeline was tight and glossed over the fact that in its opinion the "[p]laintiff has not been especially vigilant in its efforts to rectify these disclosures."[4] Id. On balance, the court held that Fidelity's actions did not constitute waiver under the Hydraflow test. Id.

On the other hand, in regard to the second set of disclosures, the court found that Fidelity's actions did amount to waiver of the privilege. Here, the court relied heavily on the fact that by this point in discovery Fidelity had reviewed the documents twice. Id. at 523. Concluding that the fact Fidelity had twice failed to prevent inadvertent disclosures illustrated that its precautions were less than reasonable. Id. The court also noted that two of the six documents in question went to the heart of the case because they described "in considerable detail the substance of outside counsel's legal opinion as to Plaintiff's liability under the Policy." In addition, the court pointed out that by this point discovery time pressures had subsided. Id. Finally, the court was less inclined to overlook the fact that once again Fidelity made little effort to rectify the disclosures. Id. Under these circumstances, the court held that

Fidelity's actions weighed toward a finding of waiver under the factors. Id.

Key Considerations For Effective Clawback Agreements

Lawyers can prevent many problems with inadvertent disclosure if they enter into a clawback agreement at the outset of the case.

I. Court Enforcement Of Clawback Agreements Generally

The various standards that courts of different jurisdictions apply to determine whether inadvertently disclosed documents will be protected by the asserted privilege may be altered by an agreement. Parties may negotiate "clawback" or nonwaiver agreements by which the inadvertently produced document can be returned to the disclosing party without a waiver of the attorney-client privilege or other potential confidential designation. The use of clawbacks has increased since the introduction of the 2006 federal e-discovery rules. In fact, the comments to Rule 26(b)(5)(B) suggest that clawback agreements may be appropriate in certain litigation. But, treatment of clawbacks by the courts has varied.

In some jurisdictions, the presence of an agreement may override the court's inadvertent disclosure standard. An agreement that "the facts or circumstances of the inadvertent production could not be used as a ground" for a motion to compel production of a document returned pursuant to an inadvertent disclosure agreement has been held to be a waiver of the standard adopted by the court and an agreement to "abide by the standard of inadvertence alone." Steadfast Ins. Co. v. Purdue Frederick Co., 2005 Conn. Super. LEXIS 2407, *5-6 (Sept. 7, 2005). In Steadfast, the court determined that the case was not appropriately decided under the otherwise applicable, "middle of the road" standard that the Connecticut Supreme Court had adopted for determining whether the attorney-client privilege had been waived by an inadvertent disclosure. 2005 Conn. Super. LEXIS 2407, at *5 (referencing Harp v. King, 226 Conn. 747, 768-69 (2003)). Because that standard required "an analysis of just such facts and circumstances" as the parties had agreed could not be used as grounds for a motion to compel concerning the inadvertent disclosure, the agreement constituted an effective waiver of the court's standard. Id. at *5-6.

Another court, without deeming the parties to have waived the court's standard, simply noted the presence of the agreement concerning inadvertent disclosure and only considered the nature of the document in its ruling on whether it was privileged and protected from discovery. Hexion Spec. Chem., Inc. v. Huntsman Corp., 2008 Del. Ch. LEXIS 108 (Ct. Ch. Del. Aug. 12, 2008); see also Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc., 2001 WL 699850, at *2-4 (S.D. Ind. 2001) (court upheld a non-waiver agreement despite its finding that "[i]f not for the terms of the protective order . . . factors would weigh in a finding of waiver here."); Prescient Partners, L.P. v. Fieldcrest Cannon, Inc., 1997 WL 736726 (holding that applying the nonwaiver provision to only documents deemed inadvertently produced under governing caselaw would defeat the parties' intent to avoid litigating instances of inadvertent production); In re Sulfuric Acid Antitrust Litigation, 235 F.R.D. 407, 417-19 (N.D. Ill. 2006) (when applying the terms of a nonwaiver agreement, the court noted that the parties entered into such because they recognized the inevitability of mistakes).

Even with a clawback agreement in place, it is still prudent to operate under conditions that would withstand the court's standard for addressing inadvertent disclosure issues in your jurisdiction. Indeed, some courts have refused to enforce the terms of a clawback agreement (at least where the agreement in question was particularly lax and permissive) — instead, relying on the applicable jurisdiction's standard for addressing inadvertent disclosure. Most cited for this proposition is Koch Materials Co. v. Shore Slurry Seal, Inc., in which it was stated that "[c]ourts generally frown upon 'blanket' disclosure provisions as contrary to relevant jurisprudence." 208 F.R.D. 109, 118 (D.N.J. 2002) (citing Ciba-Geigy Corp. v. Sandoz Ltd., 916 F. Supp. 404, 412 (D.N.J. 1995)). In Koch, the court held that the parties' clawback agreement[5] was a blanket disclosure provision and refused to enforce it. Id. at 118. The court's refusal was based on its belief that blanket non-waiver provisions immunized attorneys from the consequences associated with negligent handling of documents, which led to sloppy review and improper disclosure, and thus, jeopardized clients' cases. Id. The court also noted that a narrow application of the agreement was called for in this case because the clawback provi-

sion was "hotly debated" by the parties. Id. Thus, the Koch court chose to apply what it referred to as "substantive waiver" law and went on to apply the Hydraflow test to the facts at hand. Id.

Koch argued that its situation was analogous to the first set of disclosures in Fidelity. Id. at 118-19. The court, however, found that the facts were actually more similar to the second set of disclosures in Fidelity and held that waiver had occurred. Id. at 119. The court based its holding on the following facts: (1) Koch had reviewed the documents twice, (2) the disputed documents spoke to central issues Koch identified as "privileged" in its privilege log, and (3) Koch's efforts to retrieve the documents were minimal and retrieval was only sought after the opposing party claimed the disclosure warranted a more general subject matter waiver. Id. The court held that despite the relative small number of privileged documents produced, the interests of justice required a finding that Koch had waived its privilege due to the lack of precautions taken to protect and actions taken to retrieve such substantive disclosures. Id.

Similarly, in Ciba-Geigy, the court rejected the plaintiff's request for an inadvertent disclosure provision[6] because the court refused to approve any provision that would ultimately "excuse the parties from conducting a privilege review prior to the production of documents, in accordance with controlling case law." Ciba-Geigy Corp., 916 F. Supp. at 406, 412. However, the court did enter a protective order that included a "clawback" provision for inadvertently produced privileged documents. Id. But when defendants attempted to utilize the clawback provision to recover privileged documents, the court dismissed their argument that the provision applied. Id. at 412. The court held that the mere fact that the disclosure was unintentional did not establish that the disclosure was inadvertent. Id. In the court's opinion, defendants' argument that unintentional and inadvertent were one and the same rendered the provision a "blanket" disclosure provision, precisely what the court had previously declined to enforce. Id. Instead, the court held that for the clawback provision to apply, a party must show "it took reasonable precautions to avoid inadvertent disclosures of privileged documents." Id. The court went on to apply the five-factor Hydraflow test finding that the following all weighed toward a finding of waiver: the small size of the production (only 681 documents); the lack of time constraints; defendants admitted failure to conduct ***any*** privilege review in regard to both sets of production; that 23 pages of the 681 documents produced were privileged (resulting in the disclosure of six copies of the same privileged document); and that steps to rectify the disclosure were only made after the second production. Id. at 412-15. Accordingly, you do not want to rely too heavily on an inadvertent disclosure agreement to protect the privileged nature of your documents.

It is important to document during the production process your reasonable efforts to protect your documents and to prevent inadvertent disclosure. In fact, some courts have limited the effect of a clawback agreement when the attorney making the inadvertent disclosure acted recklessly or was grossly negligent in producing the privileged document. In other words, the process of the review may dictate whether a waiver has occurred. For example, in IBM v. Comdisco, Inc., 1992 Del. Super. LEXIS 255 (June 22, 1992), the court considered the "elaborate review process [that had] been set up to avoid inadvertent disclosure" to conclude that a disclosure was in fact inadvertent. Then, because the parties had an inadvertent disclosure agreement in place providing that the circumstances surrounding any inadvertent production of privileged documents could not be raised as grounds for an order compelling production of such documents, the court refused to allow the inadvertent disclosure to influence its application of the attorney-client privilege to the document in question.

Similarly, in VLT Corp. v. Unitrode Corp., 194 F.R.D. 8, 12 (D. Mass. 2000), the court applied a nonwaiver agreement that did not define inadvertence but did require the producing party to establish that the production was inadvertent. In that case, the producing party illustrated its methodology, which was a screening process determined by an attorney and carried out by a paralegal. Id. at 12. While the court noted that this process left much to chance, the court found that it was in accord with standard practice and that it only resulted in the production of two privileged letters out of a total of 25,000 pages. Id. Therefore, the court concluded that the production was "not a considered or grossly negligent decision, but the result of inattention, i.e. inadvertence." Id.

To illustrate what constituted gross negligence, the court noted that the conduct here contrasted with that in Amgen where "two hundred privileged documents constituting thousands of pages were wrongly produced." Id. (citing Amgen Inc. v. Hoechst Marion Roussel, Inc. 190 F.R.D. 287, 292-93 (D. Mass. 2000)).

Relying on VLT Corp.'s holding that inadvertence under a protective order that compels the return of inadvertently produced documents requires conduct that is "not considered or grossly negligent," the court in Ken's Foods, Inc. v. Ken's Steak House, Inc. found that the production at hand was not inadvertent so as to qualify it for "the Protective Order's refuge." 213 F.R.D. 89, 94-95 (D. Mass. 2002). The court concluded that 53 pages was "too significant a number to be simply overlooked." Id. In U.S. v. Pepper's Steel & Alloys, Inc. no waiver was found when four privileged pages (out of 100,000) were produced. 742 F. Supp. 641, 644-45 (S.D. Fla. 1990). The court held that the non-waiver agreement precluded any waiver of privilege and that on the facts it could not conclude that the producing party "was negligent in its attempt to preserve the privilege." Id. On the issue of negligence, the court pointed out that "[m]istakes of this type are likely to occur in cases with voluminous discovery." Id. Moreover, the court in Prescient Partners held that unless the disclosure was "completely reckless" the nonwaiver agreement would apply. 1997 WL 736726, at *4 (S.D.N.Y. 1997).

Counsel should not rely on an inadvertent disclosure agreement as a substitute for a privilege review. In the Steadfast case, discussed above, the court issued a subsequent decision after the parties continued to feud over recalls made on the basis of the agreement. 2005 Conn. Super. LEXIS 3287 (Nov. 30, 2005). The receiving party (Steadfast) argued that the recalls were based upon a change of mind about privilege after a second look, rather than inadvertent production. The court emphasized the existence of the agreement voluntarily made by the parties as it set forth two guidelines for future consideration: (1) production of documents without any privilege review whatsoever is not an inadvertent, but rather a purposeful act; and (2) the purpose of the stipulation was to protect against the dissemination of privileged material when there was no intent to waive the privilege. The court noted that the stipulation was not designed to allow counsel to change its mind. Consistent with the purpose of the stipulation, the court concluded there should be a presumption in favor of finding inadvertence. 2005 Conn. Super. LEXIS 3287, at *7.

An informal agreement that has not been reduced to writing may be a factor in determining whether a party has waived a privilege by inadvertent disclosure. Under *The Conference of Chief Justices (CCJ) Guidelines for State Trial Courts Regarding Discovery of Electronically Stored Information*, "the reasonable expectations and agreements of counsel" is the final factor that judges should consider in determining whether a party has waived the attorney-client privilege because of an inadvertent disclosure of attorney work-product or other privileged electronically stored information. Guideline 8, "Inadvertent Disclosure of Privileged Information." While the guideline does not apply when there is a written agreement concerning inadvertent disclosure, "the reasonable expectations and agreements of counsel has been added to reinforce the importance of attorneys discussing and reaching at least an informal understanding on how to handle inadvertent disclosures of privileged information." Comment to Guideline 8.

II. Federal Rule Of Evidence 502

Federal Rule of Evidence 502 was signed into law on September 19, 2008. It applies, by its terms, to all proceedings subject to the Rule that commence after that date or, "insofar as is just and practicable," are pending on that date. Pub. L. No. 110-322 § 1(c). The 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.

> *(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

(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 notwithstanding Rule 501, this rule applies even if State law provides the rule of decision.

Rule 502 has several important features. First, it provides that an inadvertent disclosure will not effect a subject-matter waiver — *i.e.,* a waiver of privilege beyond the inadvertently disclosed documents in question to all other, undisclosed documents discussing or involving the same subject. *See* Fed.R.Evid. 502(a).

Second, the new rule further provides that an inadvertent disclosure in *any* federal proceeding (in court or elsewhere) will not effect a waiver, even in regard to the produced documents themselves, provided that the disclosure was indeed inadvertent, reasonable steps had been taken to prevent the disclosure, and efforts to rectify the disclosure were both prompt and reasonable (including, where applicable, efforts to comply with Fed.R.Civ. P. 26(b)(5)(B)). *See* Fed.R.Evid. 502(b). The rule thus protects against waiving a privilege when the disclosure was the result of an innocent mistake and the disclosing party has acted reasonably and promptly, both in making its production and in calling back the inadvertently surrendered document. In so providing, Rule 502 adopts the "middle of the road" approach endorsed by many courts and discussed above.

Third, and most important, the new rule provides that clawback agreements and orders are effective in federal proceedings.[7] *See* Fed.R.Evid. 502(d)-(e). Thus, Rule 502 eliminates the question of whether or not a federal court will enforce a clawback agreement. Because the rule imposes no limitations on such agreements, ***parties are free to agree among themselves regarding what waiver rules apply and can reach an agreement, which will be enforceable in a federal proceeding, that limits or even eliminates the need for any pre-production review for privilege***.

Nevertheless, parties must continue to be vigilant and wary of entering into cursory clawback agreements,

or agreements that provide for no pre-production privilege review. There are many perils to producing privileged documents beyond the issue of waiver *vis-à-vis* one's immediate adversary, and while federal courts will have to enforce clawback agreements under Rule 502, the terms of the agreements will continue to be subject to the court's interpretation.

Rule 502 also makes the following points: (1) a non-waiver agreement between parties binds only those parties unless it is incorporated into a court order and (2) if the agreement is incorporated into a court order, the order is binding on all subsequent federal and state court proceedings. Currently it is unclear how willing courts will be to enter orders incorporating the parties' clawback agreements. Indeed, due to the fact that the order will impact other litigation, some courts may be reluctant to enter orders. Assuming that a court will enter an order, the question of whether or not the court will also take advantage of its authority to include conditions that it deems appropriate remains.

Even if a clawback agreement is not in place, one can still take advantage of the shelter that Rule 502 provides if the producing party can show that it took "reasonable steps" to both prevent and rectify any inadvertent disclosure. In essence, as noted above, Rule 502 codifies the middle approach, which is the general rule already followed in most jurisdictions. See Rhoads Industries, Inc. v. Building Materials Corp. of America, 2008 WL 4916026, at *2 (E.D. Pa. 2008) (applying Rule 502 "because its sets a well defined standard, consistent with existing mainstream legal principles on the topic of inadvertent waiver."). In this regard, Rule 502's effect will be felt more in minority jurisdictions that follow either the strict or lenient approaches, especially in lenient jurisdictions, where increased diligence will be required of counsel. However, Rule 502 does not provide guidance on what constitutes "inadvertence" or "reasonable steps." As seen from the case law discussed above, courts that follow the middle approach can reach very different conclusions based on similar facts. See Fidelity, 168 F.R.D. at 521-22 (finding no waiver despite attorney failing to review paralegal's work before producing documents); *contra Industrial Communications*, 2008 WL 3498652, at *2-4 (finding waiver because lead attorney did not review associate's work before producing documents).

Attorneys should be wary of placing too much reliance on the waiver protections afforded in Rule 502. While "no-privilege review" under Rule 502 will obviously lower costs and secure the return of documents, once the privileged document has been seen by the other side the damage might never be undone despite the return of the document. For example, if an opposing attorney or her expert reads a privileged document they immediately have some knowledge they did not previously have access to and it can shape their questions, case strategy or opinions. Thus, a real question remains as to whether the cost-savings goal of Rule 502 is realized if the end result is that an inadvertent production results in invaluable insight being given to the other side.

III. Court Orders Endorsing Clawback Agreements

You should obtain a court order recognizing the agreement of the parties concerning inadvertent disclosures at the outset of litigation. This may be in the form of a stipulated protective order or a confidentiality order. A court order may serve to sanction the agreed-upon treatment of inadvertently disclosed documents in a manner other than the jurisdiction's common law standard. See Steadfast, 2005 Conn. Super. LEXIS 2407.

A court order also may affect the ability of the agreement to bind non-parties. Under the new Rule 502(e), "[a]n 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." Furthermore, subsection (d) of that rule provides that a federal court can order that a disclosure does not waive a privilege or protection in not only that proceeding but other federal and state proceedings. As discussed in the Committee Notes to proposed Evidence Rule 502 (Report of the Advisory Committee on Evidence Rules, May 15, 2006), if there is no court order, confidentiality agreements that contract around common law waiver rules cannot bind non-parties.

In Hopson v. Mayor & City Council of Baltimore, the court specifically addressed the fact that parties should memorialize non-waiver agreements in a protective order issued by the court. 232 F.R.D. 228 (D. Md. 2005). The Hopson court also discussed the fact that Fed. R. Civ. P. 26(b)(5), pending at the time,

encourages parties to enter into such agreements. Hopson, 232 F.R.D. at 235-36. However, it is noteworthy that the cases cited in Hopson clearly illustrate that parties who have obtained court approval of their clawback agreements in the form a protective order have had more success in having them upheld when a dispute arises. See also Paul R. Rice, *Selective Waiver Forbidden Upon Partial Disclosure*, 2 Attorney-Client Privilege in the United States § 9:92 (March 2008). Moreover, Hopson proclaimed that "procedures agreed to by the parties and ordered by the court demonstrate that reasonable measures were taken to protect against waiver." Hopson, 232 F.R.D. at 240. The court also pointed out that another risk involved with proceeding under a nonwaiver agreement was whether or not the agreement would prove effective against third parties. Id. at 235-36. The court discussed holdings that extended the preservation of privilege claims against third parties based on the premise that a "compelled" disclosure can never result in waiver of a privilege. Id. at 243; see, e.g. Transamerica Computer Co. v. IBM, 573 F.2d 646 (9th Cir. 1978).

Thus, the court opined that parties could attempt to alleviate the risks associated with nonwaiver agreements by taking the following steps: (1) entering into an agreement to preserve such rights, (2) memorializing the agreement in a protective order issued by the court (i.e. making the disclosure "compelled" in nature), (3) taking reasonable steps under the circumstances to prevent disclosure, and (4) promptly asserting the privilege after learning of its disclosure. Hopson, 232 F.R.D. at 243. This portion of the case's discussion has been cited as the basis for the newly enacted Federal Rule of Evidence 502. See John M. Facciola, *Sailing on Confused Seas: Privilege Waiver and The New Federal Rules of Civil Procedure*, 2 Fed. Cts. L. Rev. 57, 62-63 (Fall 2007).

A court order blessing the agreement can provide extra protection. For example, in In re Ford Motor Co., 211 S.W. 3d 295 (Tex. 2006), the parties had entered into a "Stipulated Sharing Confidentiality Protective Order Regarding Volvo Documents" that was filed with the court. Under the protective order, the parties agreed not to disclose documents produced by a party that contained trade secrets or other confidential information. The protective order also contained a provision providing that the inadvertent disclosure of a document that should have been labeled confidential would not constitute a waiver of the party's claims of confidentiality. Under an exclusionary provision, the protective order did not apply to "documents submitted to any government entity without request for confidential treatment." Id. at *298. Ford then produced under seal numerous documents that were designated confidential.

In unrelated litigation pending in Florida state court, Volvo had submitted the same documents under seal and pursuant to a similar protective order. In violation of that order, the clerk of the Florida court inadvertently allowed an unknown number of persons access to the documents that eventually became posted on the National Highway Traffic Safety Administration's website. The Florida court protected their confidential status and the documents were removed from the website.

The plaintiff in the Texas case argued that the documents could not be deemed confidential as a result of their "widespread nationwide disclosure." The trial court agreed and granted the plaintiff's Motion to Deem Certain Documents Non-Confidential. The Texas Supreme Court conditionally granted mandamus relief. Significantly, in the Supreme Court's mandamus opinion, the Court focused on how the documents were disclosed and the lack of waiver by a voluntary disclosure on the part of the privilege holder. Neither Ford nor Volvo had submitted the documents to a governmental agency as required by the exclusionary provision. The Court noted that the violation of the Florida protective order "should not prejudice Volvo in the instant case by subverting a Texas protective order that the parties freely and carefully negotiated."

> *Agreed protective orders and confidentiality agreements matter; they matter because the parties vest confidence in them; and such confidence vanishes if these important protections are casually disregarded. See Arthur R. Miller, Confidentiality, Protective Orders, and Public Access to the Courts, 105 HARV. L. REV. 427, 501 (1991) ("The reality seems obvious: for protective orders to be effective, litigants must be able to rely on them."). Indeed, the phrase "protective order" becomes a misnomer if parties are unable to trust them — or trust*

the courts that enforce them — thus fueling litigation that is far more contentious and far more expensive.

211 S.W. 3d at 301.

The result of the Texas Supreme Court's ruling fostered the enforcement of the Florida protective order as to the Texas litigants as well as the enforcement of the parties' own confidentiality agreement.

Finally, with a court order, the jurisdiction of the court to enforce the agreement can survive post litigation. See Gutierrez v. Exxon Mobil Corp., 2005 Mass. Super LEXIS 476 (Aug. 30, 2005), for a Confidentiality Agreement and Order that provided that, "the court shall retain jurisdiction over the enforcement of this agreement notwithstanding the termination of THIS ACTION." Id. at *12.

IV. Possible Term: Time To Recall

One of the factors that is commonly used by courts to determine whether a waiver has occurred in connection with a claim of inadvertent disclosure is the time taken to rectify the error.

If you are going to create such a term, you need to consider the start date (production or discovery of the error) and whether to state that the request for return must be in a "reasonable" time or within a specified number of days. Obviously, it is important to act quickly upon discovering that you have inadvertently produced a privileged document. There also may be a fixed period of time to act under the rules of civil procedure in your jurisdiction, and you may not be able to contract around it. See In re: Arkansas Rules of Civil Procedure 4 and 26, 2008 Ark. LEXIS 435 (Ark. 2008) (Rule 26(b)(5) requires notice within 14 days of discovering the inadvertent disclosure).

If a clawback agreement does not include a time limit for reclaiming a document, a court may still consider a delay when determining whether to require that opposing counsel return the documents. In In re Circon Corp. Shareholders Litig.; United States Surgical Corp. v. Auhll, 1998 Del. Ch. LEXIS 121 (Del. Ch. July 6, 1998), the court noted that it "cannot agree with Circon that the discovery agreement's silence on this issue precludes me from considering the seven-month delay from the time of production and six-week delay from the time of the CFO Thompson deposition." Id. at *12. The court asked rhetorically, "If Circon did not recognize the documents as privileged until seven months after their 'inadvertent' production and their display at two depositions, how can Circon argue now that the documents are unambiguously and undisputably attorney-client communications." Id. at *13. "Circon has burdened both Surgical and this court by raising this issue only three weeks before trial. . . . Creating this burden at such a late stage in the proceedings when Circon had ample time to do so earlier is one factor mitigating in favor of not returning the documents." The court went on to conclude that the documents were not privileged as they did not contain legal advice or requests for legal assistance. Id. at *20. It is unclear what impact the timing actually had on the court's decision, but it obviously did not help the argument for return.

V. Possible Term: Obligation Of Receiving Party To Disclose To Producing Party Its Inadvertent Production Of Privileged Documents

What happens in the event that your adversary discovers your inadvertent disclosure instead of you? Having conducted a review of the documents being produced prior to production, you may not review them again. Your adversary, on the other hand, is going to be looking at them and may be the first to discover that you produced privileged documents. Therefore, a clawback agreement should include a provision addressing such a situation. The receiving party should be required to promptly provide written notice to the producing party that certain documents may have been inadvertently produced. Then, your agreement may give the producing party a specific window of time to assert a claim of privilege as to the documents. Otherwise, the privilege is waived and the receiving party shall have no further duty to protect the information.

The obligation of the receiving party to make this disclosure may be required by the ethics rules in your jurisdiction. As set forth above, the American Bar Association Model Rules of Professional Conduct, upon which some states rely in adopting their own rules, requires such conduct.

A lawyer who receives materials that on their face appear to be subject to the attorney-client

> *privilege or otherwise confidential, under circumstances where it is clear they were not intended for the receiving lawyer, should refrain from examining the materials, notify the sending lawyer and abide instructions of the lawyer who sent them as to how to treat the disposition of the confidential materials.*

ABA Formal Opinion 92-368; (see also Holland, Jr. v. The Gordy Co., et al., 2003 Mich. App. LEXIS 1065, *25 (Apr. 29, 2003)).

In addition to ethics considerations, the continued use of privileged documents could ultimately lead to disqualification from the case depending on the extent of the damages to the producing party and your jurisdiction's rules on disqualification. See Rico v. Mitsubishi Motors Corp., 171 P.3d 1092, 1100 (Cal. 2007) (addressing obligation of lawyer who receives privileged material through inadvertence to refrain from examining the materials anymore than is essential to ascertain if privileged, and immediately notify sender that she or he possesses materials that appear to be privileged; upholding disqualification of counsel who failed to do follow this standard that was set forth in an Appellate decision, State Comp. Ins. Fund v. WPS, Inc., 70 Cal. App. 4th 644, 656-57 (1999). Cf. In re Parnham, 263 S.W. 3d 97 (Tex. App. 2006) (Texas' snap-back provision "does not contemplate disqualification of counsel").

VI. Manner Of Reclaiming Documents And Resolving Disputes Over Privilege

A clawback agreement should address how the parties will notify each other and deal with the documents in the event of an inadvertent disclosure. The agreement should also address how the parties will resolve a dispute concerning the privileged nature of the recalled documents. The parties also should consider including a term that the fact or circumstances of the inadvertent production shall not be a factor in the court's decision on whether the document is privileged.

Typically, written notification is required to invoke the inadvertent disclosure provision. Additionally, the parties will usually agree that as soon as a privilege is asserted as to an inadvertent disclosure, the document may not be used or disclosed to others until any dispute concerning the privilege is resolved. The parties may agree that the receiving party must file a motion to compel and prevail on that motion in order to keep a document subject to an inadvertent disclosure claim. In In re Circon, 1998 Del. Ch. LEXIS 121, the Court noted that the procedural posture created by such an agreement may seem backwards. Id. at *3, n.3. However, it supports a presumption in favor of inadvertence that generally is consistent with the purpose of a clawback agreement: to expedite the production of documents while protecting against the dissemination of privileged material when there is no intent to waive the privilege. See Steadfast, 2005 Conn. Super. LEXIS 3287, at *7. Alternatively, the producing party would have to file a motion for protective order to get a ruling on the privileged nature of the document(s) at issue in order to obtain their return.

VII. Possible Term: Inadvertent Disclosure To Own Experts

An inadvertent disclosure agreement may not provide any protection after disclosure of privileged documents to a party's own testifying expert. In In re Christus Spohn Hosp. Kleberg, 222 S.W. 3d 434, 440-41 (Tex. 2007), the Texas Supreme Court held that the practice rule requiring production of all materials provided to a testifying expert trumps or prevails over the "snap back" civil procedure rule for inadvertent production so long as the expert intends to testify at trial.

The court reasoned that the rule's language and policy concerns required such a holding. The "testifying-expert disclosure rule" specifically states that all documents and tangible things provided to a testifying expert "even if made or prepared in anticipation of litigation or for trial . . . *is not work product* protected from discovery." Id. at 339 (citing Rule 192.3). Additionally, because of the unique status and import afforded to expert testimony, all documents that may have influenced the expert's opinion must be provided and available to the jury. "In terms of determining what effect documents provided to an expert had in shaping the expert's mental impressions and opinions, the attorney's intent in producing the documents is irrelevant." Id. at *440. The court did note that:

> *Of course, inadvertently produced material that could not by its nature have influenced the*

expert's opinion does not evoke the concerns the expert-disclosure rule was designed to prevent and the policy concerns underlying the rule's disclosure requirement would presumably never arise. In that event, there would be nothing to prevent the snap-back rule's application, although we note that a party seeking snap-back under such circumstances would bear a heavy burden in light of the disclosure rule's underlying purpose.

222 S.W. 3d at 441.

Other state courts also have held that privileged material has lost its privileged status by waiver once provided to a testifying expert, whether the disclosure is inadvertent or not. See Tracey v. Dandurand, 30 S.W. 3d 831, 836 (Mo. 2000) (inadvertent disclosure); Gall v. Jamison, 44 P. 3d 233, 234 (Co. 2002) (disclosure not inadvertent).

Finally, the Standing Committee on Civil Rules is considering a change to Federal Rule 26 that would prevent the disclosure to the opposing party of privileged material provided to experts. Nevertheless, if there is no rule or caselaw like this in your jurisdiction, you should consider protecting otherwise privileged documents provided to experts.

VIII. Possible Term: Allocating The Cost Of Compliance

Reclaiming documents and rectifying an inadvertent disclosure may be costly depending on the manner and volume of production, the passage of time, and perhaps the number of legal professionals who have worked with the documents. It may be prudent to include a provision in the clawback agreement concerning the allocation of costs in the event of an inadvertent disclosure. An agreement that each party pays its own costs to comply with a recall request spreads the risk (and the cost) of an inadvertent disclosure. In the absence of an agreement concerning the allocation of costs, courts have held the recalling party responsible for bearing the reasonable costs of complying with a recall. See Steadfast Ins. Co. v. The Purdue Frederick Co., 2005 Conn. Super. LEXIS 2407, *7-8 (Conn. Super. Sept. 7, 2005); Commerce & Industry Ins. Co. v. E.I. DuPont de Nemours and Co., 12 Mass. L. Rep. 574 (Dec. 11, 2000).

In Steadfast, the language of the "Amended Stipulation and Protective Order" that contained the inadvertent disclosure agreement specified the manner in which recalled documents would be returned and/or destroyed, but did not address the issue of costs.

> 2. *If reasonably prompt notification is made, such inadvertently produced documents and all copies thereof, as well as all notes or other work product reflecting the contents of such materials, shall be returned to the producing party or destroyed, upon request of the producing party, and such returned or destroyed material shall be deleted from any litigation-support or other database. No use shall be made of such documents during depositions or at trial, nor shall they be disclosed to anyone who was not given access to them before the request to return or destroy.*

2005 Conn. Super. LEXIS 2407, at *1 (quoting Agreement, Sec. VII, ¶2).

The recalling party (Purdue), as part of its motion to resolve the dispute over the inadvertently disclosed document, requested that the information in the document be deleted from the receiving party's (Steadfast) litigation support and other databases. Counsel for Steadfast "submitted an affidavit setting forth the difficulties of achieving that result after the information had been in its possession for nine months." Id. at *7. The court ordered the return and deletion as requested, but ordered "Purdue to pay the reasonable expenses of this endeavor." Id.

In Commerce & Industry Insurance Co. v. E.I. DuPont de Nemours and Co., the court ordered "C&I to reimburse the defendants for any reasonable costs incurred in the return of the documents, including all costs of creating CD copies of documents produced which do not include the inadvertently produced documents." Id. at *15.

As suggested above, to avoid such a one-sided result, the parties might want to consider a cost-sharing provision for their clawback agreement. Alternatively, the parties might want to make sure that the recalling party bears the full cost and therefore they could insert a cost-shifting provision.

Addressing Inadvertent Disclosure Of Privileged Materials Through Electronic Discovery

As set forth above, two federal rules have recently been adopted to address inadvertent disclosure of privileged material: Federal Rule of Civil Procedure 26(b)(5)(B)[8] and Federal Rule of Evidence 502.[9] These rules were adopted, in part, to respond to unique discovery issues arising in the age of electronic discovery. The Advisory Committee's notes to Fed. R. Evid 502 state that it was crafted specifically to "respond[ ] to the widespread complaint that litigation costs necessary to protect against waiver of the attorney-client privilege or work product have become prohibitive[,] . . . especially . . . in cases involving electronic discovery." It "seeks to provide a predictable, uniform set of standards under which parties can determine the consequences of a disclosure of a communication or information covered by" a privilege or work-product protection. Id.

I. Application Of Privilege And Discovery Rules To Electronic Documents

Electronic discovery is clearly different from traditional paper discovery in many ways, not the least of which is the sheer volume of information that a given request can encompass. See Zubulake v. UBS Warburg LLC, 216 F.R.D. 280 (S.D.N.Y. 2003) (discussing, inter alia, cost-shifting due to volume of electronic documents potentially responsive to discovery request). The hurdles — both financial and temporal — to thoroughly reviewing such a volume of information for privilege prior to producing it show why Rule 502 is necessary. See generally Fed. R. Evid. 502 advisory committee's notes. But pre-Rule 502 cases also point to a number of other issues that are unique to electronic discovery, and that potentially can result in inadvertent disclosure of privileged material: the hazards of metadata, the form in which the information should be produced, the development of search terms for determining which documents are or could be privileged, and the inadvertent production of information due to technological issues.

A. Metadata

Metadata is unique to electronic discovery, and presents unique challenges in the discovery context. Metadata is data embedded in a document, "not readily visible" when the document is displayed on the screen or printed out, that provides information about the document itself, such as the author of the document, the date it was created, and when it was modified. Williams v. Sprint/United Mgmt. Co., 230 F.R.D. 640, 647 (D. Kan. 2005); see also J. Brian Beckham, *Production, Preservation, and Disclosure of Metadata*, 7 Colum. Sci. & Tech. L. Rev. 1 (2006). Producing documents in their native format, which preserves all the metadata, can lead to inadvertent production of privileged material or, at the very least, to the disclosure of information the producing party does not realize is being disclosed. Williams, 230 F.R.D. at 647. This disclosure could not only waive a privilege, but it "could give rise to an ethical violation[,]" as well. Id.

On the other hand, "scrubbing" the metadata has its own set of hazards. See id. In Williams, the plaintiff, Shirley Williams, sued Sprint for age discrimination when the company terminated her employment pursuant to a reduction-in-force (RIF). Id. at 641. Pursuant to Williams' discovery requests, Sprint produced Excel spreadsheets related to the RIF. Id. at 642. Prior to producing the spreadsheets, however, Sprint deleted certain information, including an "adverse impact analysis" contained in the spreadsheets, the social security numbers of employees referenced in the spreadsheets, and the files' metadata. Id. at 645. Sprint also "locked the value of the cells in the spreadsheets." Id. Although Sprint indicated that it made the changes in good faith and for legitimate purposes, the court required it to produce the spreadsheets in the format in which they were maintained. Id. at 652. That is, "the producing party should produce the electronic documents with their metadata intact, unless that party timely objects to production of metadata, the parties agree that metadata should not be produced, or the producing party requests a protective order." Id. The court said that the producing party carries the burden to object to, or otherwise challenge, the production of metadata. Id.

Similarly, United States v. O'Keefe, 537 F. Supp. 2d 14 (D.D.C. 2008), held that the government was required to produce the requested electronic documents with their metadata intact. Although O'Keefe was a criminal case, the court looked to the Federal Rules of Civil Procedure for guidance regarding discovery guidelines. Id. at 18-20. Thus, it appears that

O'Keefe agrees with Williams regarding the proper application of the Federal Rules of Civil Procedure to electronic discovery.

There is scant authority that discusses the issue of the disclosure of metadata during discovery, either in case law or otherwise. The Sedona Principles: Best Practices, Recommendations & Principles Addressing Electronic Document Production (The Sedona Conf. Working Group on Elec. Document Retention & Production ed., 2d ed. 2007), available at http://www.thesedonaconference.org/content/miscFiles/TSC_PRINCP_2nd_ed_607.pdf.[10] Comment 12 cautions that "[p]arties and counsel should consider" several things when determining the extent to which metadata should be produced, including (1) whether the metadata is relevant to the dispute (*i.e.*, needed to prove a claim or defense, or, as in Williams, essential to understanding the document data); and (2) whether readily accessible metadata can facilitate review and use of the information. Id. at Cmt. 12.a. Taken together, and looking forward, the cases that have addressed metadata and The Sedona Principles suggest that it is essential that parties make a joint determination regarding the necessity of producing documents' metadata. Parties may not make unilateral decisions regarding the importance or usefulness of metadata. And, should a party have an objection to producing electronic documents in their native format, they should raise the issue with the other side and with the court immediately, because the developing case law suggests that the default position is that metadata should be produced.

B. Form Of Production

The broader issue surrounding the production of metadata is whether electronic documents must be produced in their native format. Courts appear to believe that they should be, absent an agreement or other reason for not doing so. See Williams, 230 F.R.D. at 643 ("when things are maintained in the regular course of business in electronic form, they should be produced in that form, unless there's an agreement otherwise"); O'Keefe, 537 F. Supp. 2d at 23 ("a party is obliged to either produce documents as they are kept in the usual course of business or" to organize them to "correspond to the categories in the request") (internal quotation marks omitted) (citation omitted). Thus, again, parties should assume that the default position is that electronic documents are to be produced in native format, absent an agreement to the contrary.

C. Search Terms

Another point of contention regarding electronic discovery is how to determine which documents in an electronic collection are responsive and non-privileged. See O'Keefe, 537 F. Supp. 2d at 24 ("Whether search terms or 'keywords' will yield the information sought is a complicated question involving the interplay, at least, of the sciences and computer technology, statistics and linguistics."); see also Victor Stanley, Inc. v. Creative Pipe, Inc., 250 F.R.D. 251 (D. Md. 2008).[11] In Victor Stanley, Creative Pipe sought the return of 165 documents following a large production, claiming the documents were covered by the attorney-client privilege and were produced inadvertently. 250 F.R.D. at 253. The court held that the disclosure had waived the privilege because, in part, defendants "failed to demonstrate that the keyword search they performed on the text-searchable [electronically stored information] was reasonable." Id. at 262. Such a demonstration requires identification of the key words selected and "the qualifications of the persons who selected them to design a proper search," and some evidence of "quality-assurance testing" — figuring out whether the terms actually returned responsive documents and succeeded in culling out those protected by a privilege. Id.; see also O'Keefe, 537 F. Supp. 2d at 24.

The court in Victor Stanley provides useful advice for avoiding waiver by inadvertent disclosure due to inadequate search and retrieval tools. It first suggests that litigants follow the practice points articulated in *The Sedona Conference Best Practices Commentary on the Use of Search & Information Retrieval Methods in E-Discovery*, 8 Sedona Conf. J. 189 (2007). Parties should use care in choosing a vendor or information retrieval product; importantly, they "should make a good faith effort to collaborate on the use of particular search and information retrieval methods, tools and protocols"; and they should be prepared to explain to the court why they chose the search methodology implemented. Id. at 194-95. Compliance with these tips may "go a long way towards convincing the court that the method chosen was reasonable and reliable[.]" Victor Stanley, 250 F.R.D. at

262; see also Fed. R. Evid. 502 advisory committee's notes ("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.").

D. Inadvertent Production Due To Technology

A few cases have arisen in which parties have inadvertently disclosed information because they trusted technology. See Amersham Biosciences Corp. v. PerkinElmer, Inc., No. Civ. A. 03-4901 (JLL), 2007 WL 329290 (D.N.J. Jan. 31, 2007); Marrero Hernandez v. Esso Standard Oil Co., No. 03-1485 JAB/GAG, 2006 WL 1967364 (D. P.R. July 11, 2006). In Amersham, the plaintiff (the producing party) believed it had segregated privileged documents and then deleted them from the DVD provided to the vendor for conversion into single-page image files. 2007 WL 329290, at *1. When the vendor converted the files on the disk, the "deleted" documents also were converted and then produced to the defendant. Id. The parties had in place an agreement that inadvertently produced documents would be returned. Id. Here, however, the court determined that, because it was "apparent on the face of the documents" that privileged documents had been included with non-privileged, plaintiff would not get the benefit of the agreement's protection. Id. at *5.

In Marrero Hernandez, defendant Esso Oil Co. inadvertently produced a folder of documents that had been segregated as privileged during review. 2006 WL 1967364, at *1-2. Esso contended that the documents were produced pursuant to an "errant mouse click" that merged the segregated files with files to be produced. Id. at *3. The court was not sympathetic. It held that Esso had "failed to screen what was eventually produced to plaintiffs: the disks themselves." Id. Thus, Esso would bear the consequences.

Clearly, parties need to be especially vigilant about things such as deleted files and transfer of files in the final stages of privilege review. Courts probably will not be sympathetic to inadvertent disclosure that easily could have been prevented by reasonable diligence.

II. Seminal Interpretation Of Federal Rule Of Evidence 502

As of this writing, only one published case has relied on new Rule 502 in assessing whether privilege has been waived. See Rhoads Indus. v. Bldg. Materials Corp. of Am., No. Civ. A. 07-4756, 2008 WL 4916026 (E.D. Pa. Nov. 14, 2008). In Rhoads, the plaintiff inadvertently disclosed over 800 documents, and the parties had no claw-back agreement or order. Id. at *1. The defendants segregated the documents and provided them to the court for in camera review. Id. At that point, the parties reached agreement that defendants would return the documents "to Rhoads for logging on a privilege log and for further review." Id. Rhoads eventually complied, but first "conducted nine depositions and responded to" a motion to dismiss. Id. at *7. Nonetheless, defendant filed a motion to deem the privilege waived as to 812 emails identified on the belated log, claiming that "Rhoads's technical consultant and counsel were not sufficiently careful" in their review and that they did not "take steps to prevent disclosure when it appeared obvious that privileged material had filtered through the screening procedure." Id. The court concluded that defendants had "substantial facts to support" their allegations. Id.

The court's analysis in Rhoads is a straightforward examination of whether the steps taken by Rhoads (the producing party) to protect privileged documents were reasonable. Id. at *10-11. The court found that, on the whole, Rhoads' efforts to protect privileged material were "not reasonable." Id. For instance, although Rhoads "believed that its search terms would pick up all attorney-client communication[,]" the search did not use the names of all attorneys involved, causing some potentially privileged material to escape detection. Id. at *8. In addition, the search for attorneys' names was limited to the "e-mail address lines (as opposed to the e-mail body)." Id. at *9. The court also found that Rhoads's failure to adequately review the documents and its delay in producing a privilege log were not justified. Id. at *9-10. Rhoads's delay in producing the privilege log was especially problematic because "the obligation to log privileged documents is mandatory under the specific terms of Rule 26(b)(5)." Id. at *5. Thus, the court held that Rhoads had waived any privilege in the documents it had failed to log. Id. But it held the privilege preserved as to the rest of the documents, because "[l]oss of the attorney-client privilege in a high-stakes, hard-fought litigation

is a severe sanction and can lead to serious prejudice." Id. at 11.

It remains to be seen how courts will apply Rule 502 in the development of "a predictable, uniform set of standards under which parties can determine the consequences of disclosure of" putative privileged materials. Fed. R. Evid. 502 advisory committee's notes. Still, the approaches so far articulated by courts that have had to address inadvertent disclosure in the context of electronic discovery should provide a foundation from which to build what is "reasonable."

Sample Stipulated Protective Order

For illustrative purposes, the following is a stipulated protective order that, if agreed by the parties and entered by a court, would take into account the guidance provided above and give the parties maximum protection against unintended waivers of privilege in the event of an inadvertent disclosure. Stipulations based on this model have been entered in coverage litigation and have been relied upon courts to (a) find no waiver and (b) require the return of inadvertently produced documents, where privilege was shown to apply.

SUPERIOR COURT
OF THE STATE OF EUPHORIA
(UTOPIA DIVISION)

ACME WIDGET CORP.,	)	
Plaintiff,	)	
v.	)	ACTION NO. 1-CV-234-2008 (ABC)
ABC INSURANCE CO. AND XYZ INSURANCE CO.,	)	
Defendants.	)	

STIPULATED PROTECTIVE ORDER
REGARDING INADVERTENT DISCLOSURES

To expedite the prompt production of documents in this action, and in recognition of the high volume of documents to be collected, reviewed and produced, the parties hereby stipulate and agree, and the Court hereby orders, as follows:

1. **Inadvertent Disclosure: Notice by Producing Party.** Any party that inadvertently discloses or produces in this action a document or information that it considers privileged or otherwise protected from discovery, in whole or in part, shall not be deemed to have waived any applicable privilege or protection by reason of such disclosure or production if, within seven days of discovering that such document or information has been disclosed or produced, the producing party gives written notice to each receiving party identifying the document or information in question, the asserted privilege or protection, and the grounds there for, with a request that all copies of the document or information be returned or destroyed. Upon receipt of any such notice, each receiving party shall refrain from any effort to use or rely upon the document or information in question, for any purpose, until the privilege claim has been resolved in accordance with paragraph 2 below.

2. Within seven days of receiving any notification under paragraph 1 above, each receiving party either (a) shall return or destroy all copies of the inadvertently produced document or information, as requested, and shall provide written confirmation to the producing party of such action, or (b) shall notify the producing party in writing that it disputes the claimed privilege or protection and the reasons why it disputes the claim. If the privilege claim is disputed, the producing party may serve a motion seeking to establish the validity of its privilege claim within seven days of its receipt of written notice from a receiving party that the privilege claim is disputed. If any such motion is served by the producing party, the producing party shall bear the burden of establishing the validity of any privilege or protection claimed, and the receiving parties shall not use or attempt to rely upon the document or information in question for any purpose, within or outside

this action, unless and until the motion has been addressed and denied by the Court. In connection with any such motion, neither the inadvertent disclosure of the document or information in question nor its allegedly privileged content shall be cited or relied upon as a basis for disputing the privilege claim.

3. **Inadvertent Disclosure: Notice by Receiving Party.** Any party that receives any document or information during the course of discovery in this action that it knows or reasonably should know is likely to be subject to a claim of privilege or other protection from discovery shall so inform the producing party and all other parties in writing and shall identify the document or information in question within seven days of becoming aware of the potentially privileged document or information. All parties shall refrain from any effort to use or rely upon the document or information in question, for any purpose, until the privilege claim has been resolved in accordance with paragraph 4 below.

4. Within seven days of receiving any notification under paragraph 3 above, the producing party either (a) shall confirm in writing that it means to assert a privilege claim and request that all receiving parties return or destroy all copies of the information or document in question, or (b) shall confirm in writing that no privilege or protection from discovery is claimed. If a producing party asserts a privilege claim in response to a notice under paragraph 3 above, then, within seven days of the producing party's written confirmation of the privilege claim, each receiving party either (i) shall return or destroy all copies of the document or information in question, as requested, and shall provide written confirmation to the producing party of such action, or (ii) shall notify the producing party in writing that it disputes the claimed privilege or protection and the reasons why it disputes the claim. If the privilege claim is disputed, the producing party may serve a motion seeking to establish the validity of its privilege claim within seven days of its receipt of written notice from a receiving party that the privilege claim is disputed. If any such motion is served by the producing party, the producing party shall bear the burden of establishing the validity of any privilege or protection claimed, and the receiving parties shall not use or attempt to rely upon the document or information in question for any purpose, within or outside this action, unless and until the motion has been addressed and denied by the Court. In connection with any such motion, the inadvertent disclosure of the document or information in question shall not be cited or relied upon as a basis for disputing the privilege claim.

5. **Effect of Order.** This Stipulated Protective Order ("Order") is intended to protect all parties to this action, to the fullest extent permissible by law, against any unintended waiver of the attorney-client privilege and/or the attorney work product doctrine that might otherwise arise from the inadvertent disclosure of privileged or protected documents or information. This Order is intended to override any contrary law or presumptions, if and as applicable and permissible. The parties' execution of this Order, and compliance with its terms, shall be understood, for all purposes within and outside this action, to constitute reasonable and prompt efforts to preserve privileges and protections from discovery in respect to any inadvertently disclosed document or information.

SO AGREED:

_____

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Attorney for Defendant XYZ Insurance Co.

Date: _____

SO ORDERED:

_____

The Honorable Solomon King
Superior Court Judge

Date: _____

Endnotes

1. The authors wish to thank Siobhan Briley and Rachel Snow Kindseth for their substantial contributions to this article.

2. Some states have adopted a counterpart to Rule 26(b)(5)(B). See, e.g., Minn.R.Civ.P. 26.02(f)(2); I.C.A. rule 1.503 (Iowa); Maine Rules of Civil Procedure, Rule 26(b)(5)(B); Utah Rules of Civil Procedure, Rule 26(b)(6)(B); Texas Rules of Civil Procedure 193.3. In other states the ABA Model Rule is still the law governing the procedure to follow in the event of an inadvertent disclosure.

3. Cautionary note: other courts have found similar "precautions" to be inadequate under this test. See Industrial Communications and Wireless, Inc. v. Town of Alton, 2008 WL 3498652, at *2-4 (D.N.H. 2008) (holding that "[t]he precaution of assigning an associate to review and pull privileged material from the four boxes may very well have been reasonable, but without double checking by the more senior attorney directly responsible for the case . . . it was insufficient.").

4. Cautionary note: other courts have found inaction or delayed action to be inadequate under this test. See Carbis Walker, LLP v. Hill, Barth and King, LLC, 930 A.2d 573, 584-85 (Pa. Super. 2007) (finding fourth factor not met because of an 18-day delay in taking steps to rectify the disclosure).

5. Under the agreement, the parties agreed to produce documents with "hand-written attorney or client comments" in exchange for the promise that doing so would not waive any privilege applicable to the documents.

6. The provision would have permitted the parties to turn over documents without a privilege review, and then assert claims of privilege after production. While referred to here generally as an "inadvertent disclosure provision," the proffered provision is more often referred to as a "sneak peek" provision and differs from a "clawback" provision.

7. Rule 502 does not change state law, although it purports to have binding effect in state proceedings in limited circumstances. See Fed. R. Evid. 502(c), (e). So far, only one state has adopted a rule of evidence similar to Federal Rule 502 (see Ark. R. Evid. 502(e)), although many states can be expected to follow the federal government's lead, to the extent that they model their own evidence rules on the Federal Rules and/or have courts that look to federal standards for guidance. The Conference of Chief Justices did approve Guidelines for State Trial Courts Regarding Discovery of Electronically-Stored Information in August 2006 ("Guidelines"). See Bank of Am. Corp. v. SR Int'l Bus. Ins. Co., No. 05-CFS-5564, 2006 WL 3093174, at *6 (N.C. Super. Ct. Nov. 1, 2006) (reprinting Guidelines in their entirety). The Guidelines recommend that state courts adopt the "reasonableness" analysis in determining whether a party has waived the attorney-client privilege or work product protection due to inadvertent disclosure. Id. at *16. To date, however, no state cases have addressed this specific issue.

8. Federal Rule of Civil Procedure 26(b)(5)(B) is set out in its entirety infra at 2.

9. Federal Rule of Evidence 502 is set out in its entirety infra at 8-9.

10. The Sedona Conference is a nonprofit research and education institute dedicated to the advanced study of law and policy. It exists to allow jurists, lawyers, experts, academics and others to engage in dialogue in an effort to move the law forward in a reasoned and just way. See *http://www.thesedonaconference.org/content/tsc_mission/show_page_html*.

11. Victor Stanley was decided on May 29, 2008, a few months prior to the enactment of Federal Rule of Evidence 502. ■