

EVIDENCE RULE 502: THE SOLUTION TO THE PRIVILEGE-PROTECTION PUZZLE IN THE DIGITAL ERA

*John M. Barkett**

INTRODUCTION

The inadvertent production of privileged or work-product protected documents¹ is a genuine risk in litigation today because of the magnitude of electronically stored information (ESI) and the electronic transmission habits of individuals who send and receive privileged communications.² In the digital era, it is too easy to replicate electronic documents. Even the most well-intended individual might propagate email unthinkingly, creating nightmares for parties trying to extract at a reasonable cost all privileged documents from an electronic production.

Lawyers are, or should be, genuinely concerned about how to solve this privilege-protection puzzle. Rule 1.6 of the Model Rules of Professional Conduct obliges lawyers to protect the privileged information of their clients.³ Model Rule 1.6(c), which went into effect in August 2012, adds a specific requirement that “[a] lawyer shall make reasonable efforts to

* Mr. Barkett is a partner at the law firm of Shook, Hardy & Bacon L.L.P. in its Miami office. Mr. Barkett is a commercial litigator (contract and corporate disputes, employment, trademark, and antitrust), environmental litigator (CERCLA, RCRA, and toxic tort), and, for the past several years, a peacemaker and problem solver, serving as an arbitrator, mediator, facilitator, or allocator in a variety of environmental, commercial, or reinsurance contexts. Mr. Barkett is an adjunct professor of law at the University of Miami School of Law where he teaches a class on E-Discovery, a topic he has written extensively about. In March 2012, Chief Justice Roberts appointed Mr. Barkett to serve on the Advisory Committee for Civil Rules of the Federal Judicial Conference.

1. In this Essay, as a convention, I frequently refer only to “privileged” documents instead of “privileged and work-product protected” documents, recognizing that work-product can be entitled to less protection than attorney-client communications.

2. In the author’s experience, this risk is as great for plaintiffs and defendants, whether they are individuals or business entities.

3. Model Rule 1.6(a) provides that “[a] lawyer shall not reveal information relating to the representation of a client unless the client gives informed consent, the disclosure is impliedly authorized in order to carry out the representation, or the disclosure is permitted by paragraph (b).” MODEL RULES OF PROF’L CONDUCT R. 1.6(a) (2012). Model Rule 1.6(b) permits disclosure of information relating to the representation of a client in limited circumstances. *See id.* at R. 1.6(b). The Model Rules do not directly govern the conduct of lawyers; state rules of professional conduct do, and state rules are based on the Model Rules. The duty to protect information related to the representation of a client, however, is applicable to all lawyers in the United States.

prevent the inadvertent or unauthorized disclosure of, or unauthorized access to, information relating to the representation of a client.”⁴

What are “reasonable efforts” when a privileged document is buried within gigabytes or terabytes⁵ of data? This is where Federal Rule of Evidence 502(d) plays an important role—if lawyers would take advantage of the value it brings to solving the privilege-protection puzzle. In this Essay, I explain why lawyers should maximize the use of Rule 502(d) orders. Because my conclusion is intertwined with both a rule of professional conduct and a rule of procedure adopted before Rule 502(d) was enacted—but with similar purposes—I discuss them first. I then describe the terms of Rule 502, explaining how Rule 502(a) has eliminated “subject matter” waiver concerns except where the production of a privileged document is intentional, and how Rule 502(b) has standardized in federal courts the factors that determine whether the inadvertent production of privileged information results in a waiver. Then I focus on the application of Rule 502(b) in recent cases. Finally, I discuss how Rule 502(d) can eliminate privilege waiver worries under Rule 502(b) and why a properly framed Rule 502(d) order should be routinely sought by litigants in federal court.

I. MODEL RULE 4.4(B), NOTICE REQUIREMENTS UNDER RULE 26, AND CLAWBACK AGREEMENTS

ABA Model Rule of Professional Conduct 4.4(b) was added in 2002 to address the receipt by a lawyer of documents or electronically stored information⁶ that the lawyer “knows or reasonably should know” was sent inadvertently.⁷ While Model Rule 4.4(b) does not address substantive legal issues concerning return of the documents or privilege waiver, it does impose an ethical duty on a recipient to “promptly notify the sender.”⁸

Comment 2 to Rule 4.4 suggests that the Rule is not limited to privileged documents, but embraces any documents “that [were] mistakenly sent or

4. *Id.* R. 1.6(c). Model Rule 1.6(c) will eventually percolate its way into state rules of professional conduct to the extent that it has not already done so.

5. “One gigabyte is the equivalent of 500,000 typewritten pages. Large corporate computer networks create backup data measured in terabytes, or 1,000,000 megabytes; each terabyte represents the equivalent of 500 billion typewritten pages of plain text.” MANUAL FOR COMPLEX LITIGATION (FOURTH) § 11.446 (2004).

6. The phrase “or electronically stored information” was added to Model Rule 4.4(b) in August 2012. ABA COMM’N ON ETHICS 20/20, RESOLUTION 105A, 196–99 (2012). Whether state bar associations adopt the change remains to be seen, as it is unlikely that anyone would interpret “document” to exclude electronically stored information, at least for purposes of Rule 4.4(b). Ethics opinions on the propriety of lawyers to explore metadata in an electronic document, for example, have been issued by several state bar ethics opinion writers without making a distinction between document or electronically stored information. *See, e.g.*, ABA, Standing Comm. on Ethics & Prof’l Responsibility, Formal Op. 06-442 (2006); D.C. Bar Ass’n, Ethics Op. 341 (2007), available at http://www.dcb.org/for_lawyers/ethics/legal_ethics/opinions/opinion341.cfm; Fla. St. Bar. Ass’n, Ethics Op. 06-2 (2006).

7. MODEL RULES OF PROF’L CONDUCT R. 4.4(b).

8. *Id.*

produced by opposing parties or their lawyers.”⁹ Comment 2 further states that whether the lawyer is required to do more than give notice to the sender, “such as returning the [original] document . . . is a matter of law beyond the scope of these Rules, as is the question of whether the privileged status of a document . . . has been waived.”¹⁰

Model Rule 4.4(b) is a component of the privilege-protection puzzle and should play a role in evaluating the conduct of lawyers in a privilege waiver analysis under Rule 502. Rule 4.4(b) may help an inadvertent producer where the timeliness of the request to retrieve the privileged information is material to the outcome of the request.¹¹

Rule 4.4(b) also should not be taken lightly by lawyers in litigation. In *Stengart v. Loving Care Agency, Inc.*,¹² the New Jersey Supreme Court determined that counsel for an employer violated Rule 4.4 when the lawyer retrieved privileged emails located in the cache folder of temporary internet

9. *Id.* at R. 4.4(b) cmt. 2.

10. *Id.* Comment 3 to Model Rule 4.4 provides:

Some lawyers may choose to return a document . . . unread, for example, when the lawyer learns before receiving [the document] that it was inadvertently sent [to the wrong address]. Where a lawyer is not required by applicable law to do so, the decision to voluntarily return such a document . . . is a matter of professional judgment ordinarily reserved to the lawyer. See Rules 1.2 and 1.4.

Id. at R. 4.4(b) cmt. 3. Lawyers should consider “applicable law” and the Rules of Professional Conduct (RPC) and ethics decisions of the jurisdiction in which the lawyer is offering legal services in evaluating how to proceed under Rule 4.4. Model Rule 1.2(a) provides in pertinent part that:

[A] lawyer shall abide by a client’s decisions concerning the objectives of representation and, as required by Rule 1.4, shall consult with the client as to the means by which they are to be pursued. A lawyer may take such action on behalf of the client as is impliedly authorized to carry out the representation.

Id. at R. 1.2(a). Model Rule 1.4(a) provides in part that a lawyer shall “(2) reasonably consult with the client about the means by which the client’s objectives are to be accomplished; (3) keep the client reasonably informed about the status of the matter”; and “(5) consult with the client about any relevant limitation on the lawyer’s conduct when the lawyer knows that the client expects assistance not permitted by the Rules of Professional Conduct or other law.” *Id.* at R. 1.4(a).

11. Rule 4.4 has been adopted in different forms by several states. The ABA Center for Professional Responsibility has collated the various forms of Rule 4.4. See AM. BAR ASS’N, CPR POLICY IMPLEMENTATION COMMITTEE, VARIATIONS OF THE ABA MODEL RULES OF PROFESSIONAL CONDUCT: RULE 4.4 RESPECT FOR RIGHTS OF THIRD PERSONS (2012), available at http://www.americanbar.org/content/dam/aba/administrative/professional_responsibility/mrpc_4_4.authcheckdam.pdf. In New Hampshire, for example, Rule 4.4(b) provides that a lawyer that receives privileged material and knows it was inadvertently sent “shall promptly notify the sender and shall not examine” the materials. It further provides that the receiving lawyer “shall abide by the sender’s instructions or seek determination by a tribunal.” N.H. RULES OF PROF’L CONDUCT R. 4.4(b) (2008). In New Jersey, a lawyer is not only prohibited from reading the document and must stop reading the document if he or she has begun to read it, but also must return the document to the sender:

A lawyer who receives a document and has reasonable cause to believe that the document was inadvertently sent shall not read the document or, if he or she has begun to do so, shall stop reading the document, promptly notify the sender, and return the document to the sender.

N.J. RULES OF PROF’L CONDUCT R. 4.4(b) (2004).

12. 990 A.2d 650, 655 (N.J. 2010).

files on a former employee's laptop's hard drive.¹³ The court held that counsel should have set aside the "arguably privileged messages once [counsel] realized they were attorney-client communications."¹⁴ Counsel then erred by "failing either to notify its adversary or seek court permission before reading further."¹⁵ The matter was remanded to determine what sanction to impose, including, potentially, disqualification.¹⁶

Federal Rule of Civil Procedure (FRCP) 26(b)(5)(B), adopted on December 1, 2006,¹⁷ may help the inadvertent producer as well. It addresses the handling by a recipient of inadvertently produced privileged documents after the producing party provides notice of the mistaken production. Specifically, Rule 26(b)(5)(B) provides that "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."¹⁸ In addition to giving notice, which, based on the committee note, should be in writing "unless the circumstances preclude it,"¹⁹ the producing party must "preserve the information until the claim is resolved."²⁰

Upon receipt of this notice, the receiving party is obliged to "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."²¹ Rule

13. *Id.* at 666 ("We find that the Firm's review of privileged e-mails between Stengart and her lawyer, and use of the contents of at least one e-mail in responding to interrogatories, fell within the ambit of *RPC* 4.4(b) and violated that rule.")

14. *Id.*

15. *Id.* The Court said there was no evidence of bad faith since the employer had a policy in place that provided that the employer could access employee emails. *Id.* "Nonetheless," the Court held, the law firm "should have promptly notified opposing counsel when it discovered the nature of the e-mails." *Id.*

16. *Id.* at 666-67. The New Jersey Supreme Court issued this instruction to the trial court: "In deciding what sanctions to impose, the trial court should evaluate the seriousness of the breach in light of the specific nature of the e-mails, the manner in which they were identified, reviewed, disseminated, and used, and other considerations noted by the Appellate Division." *Id.* at 666. "As to plaintiff's request for disqualification, the court should also 'balance competing interests, weighing the need to maintain the highest standards of the profession against a client's right freely to choose his counsel.'" *Id.* (quoting *Dewey v. R.J. Reynolds Tobacco Co.*, 536 A.2d 243 (N.J. 1988) (internal quotation marks omitted)). The Appellate Division had identified these considerations:

[T]he content of the emails, whether the information contained in the emails would have inevitably been divulged in discovery that would have occurred absent [the Firm's] knowledge of the emails' content, and the nature of the issues that have been or may in the future be pled in either this or the related Chancery action.

Stengart v. Loving Care Agency, Inc., 973 A.2d 390, 403 (N.J. Super. Ct. App. Div. 2009).

17. FED. R. CIV. P. 26(b)(5)(B).

18. *Id.* The notice also must be more than perfunctory. The committee note explains that it must be "as specific as possible" in identifying the information inadvertently produced and must state the basis for the claim. *Id.* advisory committee's note. The notice also "should be sufficiently detailed so as to enable the receiving party and the court to understand the basis for the claim and to determine whether waiver has occurred." *Id.*

19. *Id.*

20. FED. R. CIV. P. 26(b)(5)(B).

21. *Id.*

26(b)(5)(B) also provides that if the receiving party has already disclosed the information before being notified of the claim of privilege, it “must take reasonable steps to retrieve the information.”²²

The receiving party may “promptly present the information to the court under seal for a determination of the claim.”²³ The committee note provides that in presenting the question to the district court, “the party may use the content of the information only to the extent permitted by the applicable law of privilege, protection for trial-preparation material, and professional responsibility.”²⁴

Rule 26(b)(5)(B) does not give the producing party a time period within which to give notice of the production of privileged or protected documents. The Rule, by design, stays out of the battle of whether the producing party’s delay in giving notice results in a waiver of the privilege or protection. The committee note states: “Courts will continue to examine whether a claim of privilege or protection was made at a reasonable time when delay is part of the waiver determination under the governing law.”²⁵

Some litigants seek to eliminate the risk of waiver or reduce the cost of a privilege review by entering into nonwaiver agreements by stipulation or through a court order. These agreements allow a producing party to “claw back” privileged documents inadvertently produced even after an opposing party has had a “quick peek” of the privileged documents.²⁶ FRCP 26(f)(3)(D) supports this kind of agreement.²⁷ It provides that counsel, in the “meet and confer” session required under Rule 26, must consider whether they can agree that the court should enter an order protecting the right to assert any privilege or protection *after* production of the privileged or protected information.²⁸ In making this change to Rule 26, the Advisory Committee suggested that parties consider use of “quick-peek” and “clawback” agreements to minimize the risk of a privilege waiver and to reduce the costs of litigation.²⁹

22. *Id.* The receiving party, in effect, must keep control over copies that have been made of the privileged or protected documents. In today’s litigation world, where document copies can proliferate, that may not be an easy task.

23. *Id.*

24. *Id.* advisory committee’s note.

25. *Id.* In other words, it does not eliminate the disparity in waiver outcomes that, before the adoption of Rule 502, was dependent upon the law of the jurisdiction where the action happens to reside. *See infra* note 36 and accompanying text.

26. *See infra* note 29 and accompanying text.

27. FED. R. CIV. P. 26(b)(5)(D).

28. *See id.* As noted above, privilege review costs are particularly concerning when electronically stored information is in issue because of, among others, the volume of such data; the propensity for e-mail to be forwarded to many parties; the operation of computer programs that retain drafts, editorial comments, and deleted data; or metadata.

29. FED. R. CIV. P. 26(b)(5)(B) advisory committee’s note; *see, e.g.*, J.C. Assocs. v. Fid. & Guar. Ins. Co., No. 01-2437(RJL/JMF), 2005 WL 1570140, at *2 (D.D.C. July 1, 2005) (where plaintiff sought claims files that defendant estimated might total 1.3 million, and plaintiff then focused on a geographic subset of 448, the magistrate judge proposed a quick-peek and clawback protective order and gave defendant ten days to determine whether it would surrender the 428 files on this basis); Zenith Elecs. Corp. v. WH-TV Broad. Corp.,

However, while there may be sensible economic reasons to enter into such agreements, litigants still feared that the stipulation or court order precluding waiver was not applicable to third parties. In addition, litigants continued to seek uniformity in the law in the case of inadvertent production, especially regarding the scope of the waiver with respect to information concerning the same subject matter as the inadvertently produced information. Relief in both respects arrived in the form of Rule 502.

II. FEDERAL RULE OF EVIDENCE 502

In May 2007, the Advisory Committee on the Federal Rules of Evidence proposed Rule 502.³⁰ It has two purposes: (1) to resolve the disparate lines of authority on inadvertent waiver, and (2) to respond to subject matter waiver claims where, to reduce privilege review costs, a disclosure of privileged information (“however innocent or minimal”) has been made in a federal proceeding under a court order or to a federal agency.³¹ Rule 502 had to be approved by the Congress before it could go into effect.³² On December 11, 2007, S. 2450 was introduced in the U.S. Senate to adopt Rule 502.³³ The bill was passed by the Senate on February 27, 2008, approved by the House on September 8, 2008, and signed by the President on September 19, 2008.³⁴ It became effective in all proceedings “commenced after the date of enactment” and “insofar as is just and practicable, in all proceedings pending” on the date of enactment.³⁵

No. 01 C 4366, 2003 WL 21911066, at *4 (N.D. Ill. August 7, 2003) (clawback procedure ordered).

30. For a thorough discussion of Rule 502’s origins and the initial case law interpreting the rule, see Paul W. Grimm Lisa Yurwit Bergstrom & Matthew P. Kraeuter, *Federal Rule of Evidence 502: Has It Lived Up to Its Potential?*, 17 RICH. J.L. & TECH. 8 (2011).

31. See FED. R. EVID. 502 advisory committee’s note; see also JUDICIAL CONF. OF THE UNITED STATES, COMM. ON RULES OF PRACTICE AND PROCEDURE, REPORT OF THE ADVISORY COMMITTEE ON EVIDENCE RULES 3–4 (2007); Letter from Lee H. Rosenthal, Chair, Committee on Rules of Practice and Procedure, to Patrick J. Leahy, Chairman, Senate Committee on the Judiciary (Sept. 26, 2007) [hereinafter Rosenthal Letter], available at http://www.uscourts.gov/uscourts/RulesAndPolicies/rules/Hill_Letter_re_EV_502.pdf.

32. See Rosenthal Letter, *supra* note 31, at 1.

33. S. 2450 (110th): *A Bill To Amend the Federal Rules of Evidence To Address the Waiver of the Attorney-Client Privilege*, GOVTRACK.US, <http://www.govtrack.us/congress/bills/110/s2450> (last visited Feb. 15, 2013).

34. *Id.*

35. Pub. L. No. 110-322, § 1(c), 122 Stat. 3537, 3538 (2008) (codified as amended at 28 U.S.C. app.). The explanatory note on Rule 502, prepared by the Advisory Committee on Evidence Rules, states that Rule 502 does not attempt “to alter federal or state law on whether a communication or information is protected under the attorney-client privilege or work product immunity as an initial matter. Moreover, while establishing some exceptions to waiver, the rule does not purport to supplant applicable waiver doctrine generally.” FED. R. EVID. 502 advisory committee’s note. The explanatory note also states that common-law waiver doctrines still may be applicable where there is no disclosure of privileged information or work product. *Id.* The Advisory Committee on Evidence Rules cited to cases involving an advice-of-counsel defense, *Nguyen v. Excel Corp.*, 197 F.3d 200 (5th Cir. 1999), and an allegation of lawyer malpractice, *Byers v. Burleson*, 100 F.R.D. 436 (D.D.C. 1983).

Rule 502(a) provides that if a disclosure of privileged information is made in a federal proceeding or to a federal agency and “waives the attorney-client privilege or work-product protection,” the waiver extends to an “undisclosed” communication or information (i.e., so-called subject matter waiver) in a federal or state proceeding³⁶ *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.”³⁷ In other words, for an inadvertent disclosure, subject matter waiver cannot occur at all under Rule 502(a).³⁸

Rule 502(b) addresses disclosures generally in a federal proceeding or when made to a federal office or agency.³⁹ The inadvertent disclosure does *not* operate as a waiver in a federal *or a state*⁴⁰ proceeding if the holder of the privilege or work product protection “took reasonable steps to prevent [such a] disclosure”⁴¹ and the holder “promptly took reasonable steps to rectify the error,” including (if applicable) following Rule 26(b)(5)(B), as discussed above.⁴² This is a fact-specific inquiry to be made on a case-by-

36. The reference to a state proceeding here is designed, according to the explanatory note to Rule 502(a), to assure “protection and predictability” in that the federal rule on subject matter waiver will govern “subsequent state court determinations on the scope of the waiver” by the disclosure. FED. R. EVID. 502(a) advisory committee’s note.

37. FED. R. EVID. 502(a). The explanatory note to Rule 502(a) borrowed the language “ought in fairness” from Federal Rule of Evidence 106: “If a party introduces all or part of a writing or recorded statement, an adverse party may require the introduction, at that time, of any other part—or any other writing or recorded statement—that in fairness ought to be considered at the same time.” FED. R. EVID. 106. The note explains that under both Rules, “a party that makes a selective, misleading presentation that is unfair to the adversary opens itself to a more complete and accurate presentation.” FED. R. EVID. 502(a) advisory committee’s note.

38. The explanatory note to Rule 502(a) specifically states: “The rule rejects the result in *In re Sealed Case*, 877 F.2d 976 (D.C. Cir. 1989), which held that inadvertent disclosure of documents during discovery automatically constituted a subject matter waiver.” FED. R. EVID. 502(a) advisory committee’s note. I do not dwell on Rule 502(a) in this Essay, but its value to litigants cannot be underestimated since a properly framed Rule 502(d) order should eliminate any concern regarding subject matter waiver.

39. The Advisory Committee on Evidence Rules recognized that the consequences of waiver and the related costs of pre-production privilege review can be just as great when disclosures are made “to offices and agencies as they are in litigation.” FED. R. EVID. 502(b) advisory committee’s note. Hence, Rule 502(b) covers federal offices or agencies and includes those acting in the course of their “regulatory, investigative or enforcement authority.” *Id.* Illustratively, EPA’s issuance of a Section 104(e) information request under the federal Superfund law, 42 U.S.C. § 9404(e) (2006), would be embraced by Rule 502(b).

40. Under 28 U.S.C. § 2074(b), Rule 502 can only bind state courts if it is adopted by Congress.

41. FED. R. EVID. 502(b) advisory committee’s note.

42. FED. R. EVID. 502(b). The explanatory note to Rule 502(b) states that the Advisory Committee on Evidence Rules “opt[ed] for the middle ground” of the three lines of authority on when inadvertent disclosure represents a waiver. FED. R. EVID. 502(b) advisory committee’s note. To put this statement in context, theretofore, courts reacted to inadvertent waiver of attorney-client privileged information and work product in three ways. Some courts had held that inadvertent production of a privileged communication is an irretrievable waiver: the First Circuit, District of Columbia Circuit, and the Federal Circuit adhered to this view. *See* *Hopson v. Mayor of Balt.*, 232 F.R.D. 228, 235 & n.15 (D. Md. 2005). Other courts held that unless the disclosure of the privileged information was intentional or there

case basis but demonstrates the value of promptly implementing Rule 26(b)(5)(B) if it is applicable.

The explanatory note provides guidance to courts and counsel on the application of new Rule 502(b) and, in particular, its flexibility in an era when the volume of documents is measured not by banker's boxes but by gigabytes:

Cases such as *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 104 F.R.D. 103, 105 (S.D.N.Y. 1985) and *Hartford Fire Ins. Co. v. Garvey*, 109 F.R.D. 323, 332 (N.D. Cal. 1985), set out a multifactor test for determining whether inadvertent disclosure is a waiver. The stated factors (none of which is dispositive) are the reasonableness of precautions taken, the time taken to rectify the error, the scope of discovery, the extent of disclosure and the overriding issue of fairness. The rule does not explicitly codify that test, because it is really a set of non-determinative guidelines that vary from case to case. The rule is flexible enough to accommodate any of those listed factors. Other considerations 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. The implementation of an efficient system of records management before litigation may also be relevant.⁴³

The explanatory note to Rule 502(b) adds that a producing party need not engage in post-production review to determine whether a protected communication or information has been accidentally produced.⁴⁴ However, the note continues, a producing party is required "to follow up on any obvious indications that a protected communication or information has been produced inadvertently."⁴⁵

Rule 502(c) addresses disclosures generally made in state proceedings where the disclosure is not the subject of a state-court order concerning waiver. The disclosure does *not* operate as a waiver in a Federal proceeding as long as 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."⁴⁶ The explanatory note to Rule 502(c) states that the Evidence Rules Advisory Committee elected to have

was gross negligence, there was no waiver. The Eighth Circuit and a number of district courts adopted this approach. *Id.* at 235–36. The remaining courts that addressed the topic took a middle ground. They looked at the facts to determine the circumstances of the disclosure and they evaluated the reaction of the producing party to the discovery of the production. Under prior case law, the more careless the production and the more dilatory the response to obtain return of privileged information, the more likely a court determined the privilege was waived. *Id.* at 236.

43. FED. R. EVID. 502(b) advisory committee's note.

44. *Id.*

45. *Id.*

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

courts “apply the law that is most protective of privilege and work product”⁴⁷:

If the state law is more protective (such as where the state law is that an inadvertent disclosure can never be a waiver), the holder of the privilege or protection may well have relied on that law when making the disclosure in the state proceeding. Moreover, applying a more restrictive federal law or waiver could impair the state objective of preserving the privilege or work-product protection for disclosures made in state proceedings. On the other hand, if the federal law is more protective, applying the state law of waiver to determine admissibility in federal court is likely to undermine the federal objective of limiting the costs of production.⁴⁸

Rule 502(c) specifically does not address the enforceability in a federal proceeding of a state-court order protecting the confidentiality of documents produced. The explanatory note to Rule 502(c) said that it was unnecessary to do so because “a state court order finding no waiver in connection with a disclosure made in a state court proceeding is enforceable under existing law in subsequent federal proceedings.”⁴⁹ In view of this statement, parties in state-court proceedings seeking disclosure protection unquestionably should obtain state-court confidentiality orders.

I discuss Rule 502(d) in greater depth later, but for this descriptive narrative, Rule 502(d) addresses the binding effect of a federal district court order on nonwaiver. It provides in full: “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.”⁵⁰ This language gives force to a nonwaiver order approving a clawback procedure. Party agreement is not necessary to enforce a 502(d) order, but any party agreeing to a clawback of privileged or protected documents or information will also want to have the court enter a 502(d) order.

47. *Id.* advisory committee’s note.

48. *Id.*

49. FED. R. EVID. 502(c). The Evidence Rules Advisory Committee relied upon 28 U.S.C. § 1738, which provides that state judicial proceedings “shall have the same full faith and credit in every court within the United States . . . as they have by law or usage in the courts of such State . . . from which they are taken,” and *Tucker v. Ohtsu Tire & Rubber Co.*, 191 F.R.D. 495, 499 (D. Md. 2000), which the explanatory note characterizes as “noting that a federal court considering the enforceability of a state confidentiality order is ‘constrained by principles of comity, courtesy, and . . . federalism.’” FED. R. EVID. 502(c) advisory committee’s note.

50. FED. R. EVID. 502(d). The explanatory note to Rule 502(d) states that this provision does not allow a federal court to enter an order determining the waiver effects of a separate disclosure of the same information in other proceedings, state or federal. If a disclosure has been made in a state proceeding (and is not the subject of a state-court order on waiver), then subdivision (d) is inapplicable. Subdivision (c) would govern the federal court’s determination whether the state-court disclosure waived the privilege or protection in the federal proceeding.

Id. advisory committee’s note.

Rule 502(e) requires that to be binding on third parties, agreements among parties on the effect of disclosure must be incorporated into a court order.⁵¹

Rule 502(f) identifies the breadth of Rule 502's protections and, in particular, with respect to state proceedings. It provides in full:

Notwithstanding Rules 101 and 1101,⁵² this rule applies to State proceedings and to federal court-annexed and federal court-mandated arbitration proceedings,⁵³ in the circumstances set out in the rule. And notwithstanding Rule 501, this rule applies even if state law provides the rule of decision.⁵⁴

The final subdivision of Rule 502, Rule 502(g),⁵⁵ in subparagraph (1) defines attorney-client privilege as “the protection that applicable law provides for confidential attorney-client communications,” and in subparagraph (2) defines “work-product protection” as the protection “that applicable law provides for tangible material (or its intangible equivalent) prepared in anticipation of litigation or for trial.”⁵⁶

Let me offer this illustration of the interplay of these various rules. If a lawyer receives an inadvertently produced privileged document, under Model Rule 4.4(b), the lawyer should “promptly” notify the sender. If the sender discovers the inadvertent production first in a federal proceeding, FRCP 26(b)(5)(B) should result in notice and resolution of the claim of waiver by the district court. Rule 502(b) would then provide a uniform rule of law to determine if a waiver has occurred. Parties that wish to address the potential of inadvertent production upfront should ask the district court

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

52. Rule 101 says that the Rules apply to proceedings in the courts of the United States to the extent and with the exceptions in Rule 1101. Rule 1101 lists, among other things, the federal court jurisdictions in which the Rules of Evidence apply. *See* FED. R. EVID. 101; FED. R. EVID. 1101. The explanatory note states that Rule 502(f) “is intended to resolve any potential tension between the provisions of Rule 502 that apply to state proceedings and the possible limitations on the applicability of the Federal Rules of Evidence otherwise provided by Rules 101 and 1101.” FED. R. EVID. 502(f) advisory committee’s note.

53. The explanatory note states that Rule 502(f) “is not intended to raise an inference about the applicability of any other rule of evidence in arbitration proceedings more generally.” FED. R. EVID. 502(f) advisory committee’s note.

54. FED. R. EVID. 502(f). According to the explanatory note, “[t]he costs of discovery can be equally high for state and federal causes of action, and the rule seeks to limit those costs in all federal proceedings, regardless of whether the claim arises under state or federal law. Accordingly, the rule applies to state law causes of action brought in federal court.” *Id.* advisory committee’s note.

55. The Advisory Committee considered an additional paragraph in Rule 502 on selective waiver—where a cooperating entity provides a government agency with privileged information without waiver as to third parties. It was too controversial to include in Rule 502, but the Advisory Committee provided draft language on selective waiver for Congress to consider. *See* JUDICIAL CONF. OF THE UNITED STATES, *supra* note 31, at 4. Congress did not act on this proposal in adopting Rule 502.

56. FED. R. EVID. 502(g). The explanatory note adds that the operation of waiver by disclosure as applied to other evidentiary privileges “remains a question of federal common law.” *Id.* 502(g) advisory committee’s note. The rule also does not apply to the Fifth Amendment privilege against self-incrimination. *Id.*

to enter a Rule 502(d) order to protect the parties from claims of privilege waiver by parties within the litigation or by third parties. Under Rule 502(a), only an intentional waiver can result in subject matter waiver if fairness dictates such an outcome and undisclosed information concerns the same subject matter. Finally, parties are advised to obtain confidentiality orders in state court to best protect themselves from waiver claims in federal proceedings, although Rule 502(c) may still offer protection if its terms are satisfied.⁵⁷

With this background, let me more sharply juxtapose Rule 502(b) and Rule 502(d) by looking at decisions under each Rule. Prudent litigators will quickly realize that there is no reason to put clients unnecessarily at risk of a claim of waiver or even of the need to expend resources and time to defend against a claim of waiver by eschewing a Rule 502(d) order. They will also see that there is no client risk to utilizing a properly framed Rule 502(d) order, while there is considerable client risk in failing to have one.

III. RULE 502(B) DECISIONS: INADVERTENCE IS IN THE EYES OF THE BEHOLDER—AND THAT’S TREACHEROUS

The failure to have a Rule 502(d) order puts litigators in Model Rule 1.6 jeopardy. A discussion of just a few decisions demonstrates why thoughtful litigators will pay more attention to entry of Rule 502(d) orders.

In *Ceglia v. Zuckerberg*,⁵⁸ the plaintiff argued that a privileged email dated March 6, 2011, had been inadvertently produced and sought the return or destruction of the email and any copies of the email.⁵⁹ In response, the defendant invoked Rule 502(b), arguing that the privilege had been waived.⁶⁰

Plaintiff’s counsel, Argentieri, was in California but needed a document from his computer in his office in Hornell, New York.⁶¹ So he retained an information technology expert, Flaitz, to recover the document, a PDF file labeled “Lawsuit Overview.”⁶² Flaitz was instructed to produce the file to defendants’ digital forensic consulting firm on December 16, 2011.⁶³ The Lawsuit Overview file was an attachment to a March 6 email.⁶⁴ Flaitz explained in a declaration that he inadvertently copied both the March 6 email and the attachment and burned them onto a CD that he gave to Argentieri’s secretary who then, “[u]pon information and belief,” forwarded

57. The form of a state confidentiality order is not the subject of this Essay, but there is no reason why a state court confidentiality order could not include a statement that the order is intended, at least in part, to achieve the protection offered by Rule 502(a) with respect to subject matter waiver, as well as the full protection from waiver offered by Rule 502(d).

58. No. 10-CV-00569A(F), 2012 WL 1392965 (W.D.N.Y. Apr. 19, 2012).

59. *Id.* at *2.

60. *Id.*

61. *Id.* at *8.

62. *Id.*

63. *Id.* at *7.

64. *Id.*

the CD to defendants' consultant.⁶⁵ Argentieri provided a declaration in which he stated he instructed Flaitz to copy only the attachment.⁶⁶ Flaitz apparently did not contest that he was so instructed.⁶⁷

Defendants' consultant, however, had received the Lawsuit Overview file and the March 6 email not by a CD, but by an email received on December 16, 2011.⁶⁸ This transmittal email had been originally sent from Argentieri's Gmail account and was forwarded by Flaitz to defendants' consultant, who added in his declaration that he never received a CD.⁶⁹ Defendants' consultant also, on January 4, 2012, produced the transmittal email to all parties, effectively putting plaintiffs on notice of the production of the privileged email.⁷⁰ Plaintiff's first request to return or destroy the March 6 email was not made, however, until March 12, 2012, or more than two months later.⁷¹

The magistrate judge identified the components of Rule 502(b)⁷² but then relied on pre-Rule 502 case law to establish the following test to evaluate waiver: "The burden is on the party claiming a communication is privileged to demonstrate it 'took reasonable steps to prevent' any inadvertent disclosure, tried to remedy such disclosure immediately, and that the opposing party will not be unduly prejudiced by a protective order."⁷³ The plaintiff failed to meet this burden. As to the reasonableness of the steps taken to prevent the inadvertent disclosure, the district court held that Argentieri erred by failing to have Flaitz forward to him first whatever documents Flaitz retrieved from the Hornell, New York office.⁷⁴ If the retrieval of documents from Argentieri's computer was that important, the court held that Argentieri should have supervised it himself, also adding that Argentieri had not proffered any explanation why his presence in New York was not possible.⁷⁵ Plaintiff also did not offer any explanation from Argentieri's secretary regarding the CD Flaitz said he had burned.⁷⁶

As to the immediacy of remedial action, the magistrate judge observed that "generally" a producing party must request the return or destruction of

65. *Id.* at *8.

66. *Id.* at *7.

67. *See id.*

68. *Id.*

69. *Id.*

70. *See id.* There is no indication in the opinion that Rule 4.4 was the basis for the notice. New York's Rule of Professional Conduct (RPC) 4.4(b) is identical to Model Rule 4.4(b). *Compare* N.Y. RULES OF PROF'L CONDUCT R. 4.4(b) (2012), *with* MODEL RULES OF PROF'L CONDUCT R. 4.4(b) (2012).

71. *Ceglia*, 2012 WL 1392965, at *9.

72. *Id.* at *8 ("The privilege will not be waived if (1) the disclosure is inadvertent; (2) the privilege holder took reasonable steps to prevent disclosure; and (3) the privilege holder took reasonable steps to rectify the error.").

73. *Id.* at *8 (quoting *Chapel Park Villa, Ltd. v. Travelers Ins. Co.*, No. 02-CV-407F, 2006 WL 2827867, at *5 (W.D.N.Y. Sept. 29, 2006)).

74. *Id.*

75. *Id.*

76. *Id.*

inadvertently produced privileged documents “within days after learning of the disclosure.”⁷⁷ The plaintiff’s delay until March 12, 2012, more than two months later, was too long, the court held.⁷⁸

The magistrate judge then added that the plaintiff failed to meet its burden of showing that the defendants would not suffer prejudice if no waiver was found: “Plaintiff has utterly failed to offer any explanation demonstrating that protecting belated protection of the March 6, 2011 email will not be unduly prejudicial to Defendants.”⁷⁹

Inhalation Plastics, Inc. v. MedexCardio Pulmonary Inc.,⁸⁰ involved the inadvertent production of less than 347 pages of privileged documents out of a production of 85,000 pages of documents that occurred in phases.⁸¹ A May 30, 2011 production was in issue.⁸² IPI successfully demonstrated that Medex had waived the privilege.⁸³

The magistrate judge began the waiver analysis by quoting the text from Rule 502(b) but then identified the following five factors for consideration in a waiver determination: “(1) the reasonableness of precautions taken in view of the extent of document production, (2) the number of inadvertent disclosures, (3) the magnitude of the disclosure, (4) any measures taken to mitigate the damage of the disclosures, and (5) the overriding interests of justice.”⁸⁴ The court recognized that this multifactor test is not a mandatory test under Rule 502(b), but instead “serves to guide a court’s analysis when appropriate under the particular circumstances of each case.”⁸⁵ Nonetheless, the court proceeded to evaluate each factor.

As to the reasonableness of the steps taken to prevent the disclosure of privileged documents, Medex told the court that there were several levels of review by attorneys, who “isolated the privileged documents.”⁸⁶ The magistrate judge was not persuaded. The court explained that Medex did

77. *Id.* at *9; *see also* U.S. Fid. & Guar. Co. v. Braspetro Oil Servs. Co., Nos. 97Civ.6124 (JGK)(THK), 98Civ.3099 (JGK)(THK), 2000 WL 744369, at *6 (S.D.N.Y. June 8, 2000) (one-day delay in making request represented prompt action); *Aramony v. United Way of Am.*, 969 F. Supp. 226, 237 (S.D.N.Y. 1997) (same); *Ga.-Pac. Corp. v. GAF Roofing Mfg. Co.*, No. 93 Civ. 5125 (RPP), 1995 WL 117871, at *2 (S.D.N.Y. Mar. 20, 1995) (two-day delay was timely).

78. *See Ceglia*, 2012 WL 1392965, at *9.

79. *Id.* It is not clear what the court meant by this statement. The email had identified a person, Holmberg, who prepared the Lawsuit Overview. That was significant because the court had earlier required the plaintiff to identify every person who had possession of the Lawsuit Overview. Holmberg had not been identified. If this was the basis of the prejudice, however, it was not explained why the defendants were “unduly prejudiced” by the failure to identify Holmberg earlier.

80. No. 2:07-CV-116, 2012 WL 3731483 (S.D. Ohio Aug. 28, 2012).

81. Medex sought privilege status for 347 pages of documents. *Id.* at *2–3. The magistrate judge determined that only some of the documents were privileged. *Id.*

82. *Id.* at *1.

83. *Id.* at *6.

84. *Id.* at *3 (quoting *Evenflo Co. v. Hantec Agents Ltd.*, No. 3:05-CV-346, 2006 WL 2945440, at *6 (S.D. Ohio Oct. 13, 2006)).

85. *Id.* (quoting *N. Am. Rescue Prods., Inc., v. Bound Tree Med., LLC*, No. 2:08-cv-101, 2010 WL 1873291, at *6 (S.D. Ohio May 10, 2010)).

86. *Id.* at *4.

not specify who reviewed the production in question, the steps taken to review the documents for privilege, and whether the May 30, 2011 production was different from prior productions.⁸⁷ It also did not produce a privilege log despite the fact that its declarations stated that “several layers of attorneys” had “isolated” privileged documents.⁸⁸ This misfeasance amounted to a failure to establish that reasonable precautions were taken to prevent an inadvertent disclosure.⁸⁹

The May 30, 2011 production consisted of 7,500 pages.⁹⁰ Thus, the 347 pages claimed to be privileged represented 4.6 percent of this production.⁹¹ Once again, the declaration that several layers of attorneys reviewed this production came back to haunt Medex.⁹² The court observed that this was a high percentage of privileged documents given this assertion by Medex.⁹³

What is meant by the third of the court’s factors: the “magnitude of disclosure”? Again emphasizing Medex’s assertion that several layers of attorneys reviewed the production, the court explained why the magnitude of the disclosure was high:

The documents disclosed in the May 30 production were essentially complete documents consisting of legal memoranda, emails and email attachments. The number of privileged documents that were disclosed was significant, those documents were not marked as confidential and no privilege log was provided with the disclosed documents. More importantly, the documents appear to be relevant to IPI’s claims and IPI has attempted to use them in depositions. These considerations all suggest that the magnitude of the disclosure was high.⁹⁴

In Rule 502(b) terms, Medex had acted quickly to rectify the disclosure. It learned of the disclosure when IPI sought to use the documents in depositions.⁹⁵ It immediately demanded return of the documents.⁹⁶ Yet, adding another gloss to Rule 502, the magistrate judge faulted Medex for failing to follow FRCP 26(b)(5)(B), which, the court said, required that Medex give notice to IPI, identify the privileged information, and state the basis for the claim of privilege.⁹⁷ Instead, Medex gave IPI notice that it intended to assert a claim of privilege, and that the documents “might

87. *Id.*

88. *Id.*

89. *Id.*

90. *Id.*

91. *Id.*

92. *Id.*

93. *Id.*; see also *Evenflo Co. v. Hantec Agents Ltd.*, No. 3-:05-CV-346, 2006 WL 2945440, at *6 (S.D. Ohio Oct. 13, 2006) (134 pages out of 10,085 pages resulted in a waiver); *Dyson v. Amway Corp.*, No. G88-CV-60, 1990 WL 290683, at *3 (W.D. Mich. Nov. 15, 1990) (93 documents out of 15,000 documents resulted in a waiver).

94. *Inhalation Plastics*, 2012 WL 3731483, at *4.

95. *Id.* at *1. There was no discussion in the opinion of Ohio RPC 4.4(b), which reads the same as Model Rule 4.4(b). Compare OHIO RULES OF PROF’L CONDUCT R. 4.4(b) (2012), with MODEL RULES OF PROF’L CONDUCT R. 4.4(b) (2012).

96. *Inhalation Plastics*, 2012 WL 3731483, at *5.

97. *Id.*

contain” privileged communications that were inadvertently produced.⁹⁸ It failed to identify any documents that were privileged and, as the court had repeatedly noted, had failed to generate a privilege log.⁹⁹ Medex also failed to state “a basis for the claimed privilege.”¹⁰⁰ The court noted that “[c]onsideration of Medex’s inaction and failure to comply with Rule 26 leads to the conclusion that Medex failed to take adequate measures to rectify or mitigate the damage of the disclosures.”¹⁰¹

Finally, much like the “undue prejudice” factor in *Ceglia*, the court held that the “interests of justice” factor favored IPI, because: (1) Medex did not specify a particular document that it claimed was privileged; (2) had not produced a privilege log; and (3) did not comply with Rule 26(b)(5)(B).¹⁰² On the other hand, IPI relied on the disclosures as evidenced by the “extent of the disclosure” and the “relevance of the information disclosed,” as well as IPI’s attempt to use the disclosures in depositions of three individuals.¹⁰³ The court concluded that “[t]hese factors, combined with Medex’s relatively weak response in its attempts to rectify the claimed inadvertent disclosure, suggest that the interests of justice militate in favor of IPI.”¹⁰⁴

The court in *Thorncreek Apartments III, LLC v. Village of Park Forest*¹⁰⁵ also found a waiver. The discovery process at issue involved a keyword search for documents on backup tapes by the defendant.¹⁰⁶ The village’s vendor, Kroll, placed the documents retrieved in an online database accessible only to counsel for the village, who then reviewed them for responsiveness and privilege.¹⁰⁷ The village said that its attorney reviewers labeled every document in the database as responsive, nonresponsive, or privileged.¹⁰⁸ On a rolling basis, Kroll then placed responsive documents into a database available to plaintiff’s counsel.¹⁰⁹ To assuage plaintiff’s concerns about the village’s decisions, the database was structured to allow plaintiff’s counsel to see documents that had been marked as nonresponsive.¹¹⁰

Production then occurred over a seven-month period through October 2009.¹¹¹ Within this time frame, the village did not produce a privilege log and its counsel told plaintiff’s counsel that it was not withholding any documents.¹¹² At a December 10, 2009 deposition, plaintiff sought to use

98. *Id.*

99. *Id.*

100. *Id.*

101. *Id.*

102. *Id.*

103. *Id.*

104. *Id.*

105. Nos. 08 C 1225, 08-C-0869, 08-C-4303, 2011 WL 3489828 (N.D. Ill. Aug. 9, 2011).

106. *Id.* at *1.

107. *Id.*

108. *Id.*

109. *Id.* at *2.

110. *Id.* at *1.

111. *Id.* at *2.

112. *Id.*

two documents that the village immediately claimed were privileged.¹¹³ Four months later, on April 26, 2010, the village produced a privilege log listing 159 documents that the village had marked as “privileged” during its review but had been inadvertently placed into the production database available to plaintiff.¹¹⁴ Several meet-and-confer sessions reduced the number of privilege claims to six documents, the focus of plaintiff’s waiver motion.¹¹⁵

The magistrate judge first determined that parts of the six documents contained privileged information.¹¹⁶ It then applied Rule 502(b) to determine whether waiver had occurred.

The court eschewed multifactor analyses to determine inadvertence. The magistrate judge explained that prior to the adoption of Rule 502(b), courts looked to “the extent of discovery and the level of care exercised during pre-production review to determine whether a disclosure was inadvertent.”¹¹⁷ After the passage of Rule 502(b), courts in the Northern District of Illinois, at least, had “largely abandoned” the multifactor test and instead asked the question of whether the producing party “intended a privileged or work-product protected document to be produced or whether the production was a mistake.”¹¹⁸

The second half of this disjunctive statement is what should control, since a lawyer should never intend to produce a privileged document except in rare circumstances. Nonetheless, the court sought to discern the village’s intent. Favoring the village, the court credited the statement in the village’s filing that its counsel was under the impression that documents that had been marked “privileged” would be withheld from the production database.¹¹⁹ It also recognized that the village objected at the deposition to the use of the privileged documents, saying then they had been inadvertently produced and following up with plaintiff’s counsel after the deposition to make the same point.¹²⁰ Disfavoring the village was the fact that, during the rolling production, its counsel had told plaintiff’s counsel three different times that no documents were being withheld, and a privilege

113. *Id.*

114. *Id.*

115. *Id.*

116. *Id.* at *4–5.

117. *Id.* at *5; *see also* Judson Atkinson Candies, Inc. v. Latini-Hohberger Dhimantec, 529 F.3d 371, 388 (7th Cir. 2008).

118. *Id.* (quoting Coburn Grp., LLC v. Whitecap Advisors LLC, 640 F. Supp. 2d 1032, 1038 (N.D. Ill. 2009)); *see also* Sidney I. v. Focused Retail Prop. I, LLC, 274 F.R.D. 212, 216 (N.D. Ill. 2011); Kmart Corp. v. Footstar, Inc., No. 09 C 3607, 2010 WL 4512337, at *3 (N.D. Ill. Nov. 2, 2010). The magistrate judge added that this analysis is preferred “because the drafters’ choice to separate inadvertent disclosure from subparts (b)(2) and (b)(3) suggests that they did not intend for courts to repeatedly consider the same facts at each step of Rule 502(b).” *Thorncreek Apts. III*, 2011 WL 3489828, at *5 (citing *Coburn*, 640 F. Supp. 2d at 1038).

119. *Thorncreek Apts. III*, 2011 WL 3489828, at *6.

120. *Id.*

log was never generated giving credence to that representation.¹²¹ On balance, the magistrate judge decided that the production was inadvertent.¹²²

The court recognized that the advisory committee note to Rule 502(b) states that Rule 502(b) does not “explicitly” codify the multifactor test used in prior case law¹²³ to determine whether a producing party took reasonable steps to prevent disclosure. The court, however, relied on the multifactor test because the note also states that Rule 502(b) is “flexible enough to accommodate any of those listed factors.”¹²⁴

The village did not provide the court with much to rely on to save the village from waiver. The village’s counsel said he “spent countless hours reviewing” documents and labeled privileged documents in the Kroll database, but the village itself never provided any sworn testimony regarding the review process, which the court regarded as significant.¹²⁵ The magistrate judge was also unimpressed by the lack of discipline in the privilege review when the “most the Village can say is that it ‘thought’ that marking a document as ‘privileged’” would cause Kroll to segregate the privileged documents.¹²⁶ Not surprisingly, the court pointed out that it would have been very simple for the village to check the production database to verify that privileged documents had not been included.¹²⁷ The court was impressed by another fact, however: the “abject failure” of the village’s process to protect any of its claimed privileged documents.¹²⁸

While the volume of documents—250,000—was large, the village took six months to produce them, meaning that, on these facts, time trumped volume. Time was not, however, the village’s friend when it came to evaluating the steps taken to rectify the inadvertent disclosure. While the

121. *Id.* at *2, *6.

122. *Id.* at *6 (“However, we are not persuaded by this evidence that the Village intended to produce these documents. There is no evidence that the Village sought to use these documents affirmatively—or even knew they had been produced until plaintiffs sought to use two of them at the Mick deposition. And, when plaintiffs sought to use these documents, the Village’s counsel immediately objected. That conduct is inconsistent with an intentional production. On balance, therefore, we are persuaded that the production was inadvertent.”).

123. *Id.* These are the same factors used in *Innovation Plastics*, which the court in *Thorncreek* summarized as “the reasonableness of precautions taken, the time taken to rectify the error, the scope of discovery, the extent of disclosure, and the overriding issue of fairness . . .” *Id.*

124. *Id.* (quoting FED. R. EVID. 502(b) (internal quotation marks omitted)).

125. *Id.* at *7. The court compared *Coburn* and *Kmart. Compare Coburn Grp., LLC v. Whitecap Advisors LLC*, 640 F. Supp. 2d 1032, 1034–38 (N.D. Ill. 2009) (finding an affidavit outlining a six-step review process sufficient to deny waiver), *with Kmart Corp. v. Footstar, Inc.*, No. 09 C 3607, 2010 WL 4512337, at *3 (N.D. Ill. Nov. 2, 2010) (holding that an affidavit from counsel stating that he personally reviewed documents with an eye toward identifying any privilege issues was an inadequate description without any further facts).

126. *Thorncreek Apts. III*, 2011 WL 3489828, at *7.

127. *Id.*

128. *Id.* The court cited *Harmony Gold U.S.A., Inc. v. FASA Corp.*, 169 F.R.D. 113, 117 (N.D. Ill. 1996), in which the court held that it is “axiomatic that a screening procedure that fails to detect confidential documents that are actually listed as privileged is patently inadequate.”

court acknowledged that the village reacted immediately when it learned of the disclosures at a deposition, and while the court chose not to penalize the village for the delay in producing a privilege log, the court could not overlook the failure of the village to figure out between March 2009—when production commenced—and the deposition in December 2009—when the village learned of the disclosures—that it had produced every one of its privileged documents.¹²⁹ The magistrate judge then evaluated “fairness,” giving the nod to the plaintiff because it had already used two of the documents in a deposition.¹³⁰

The final case I have chosen in this illustrative tour is *Rhoads Industries, Inc. v. Building Materials Corp. of America*.¹³¹ *Rhoads* highlights the role of a privilege log in the waiver analysis but from a different perspective than in *Inhalation Plastics* and *Thorncreek Apts*. It also highlights how the “interests of justice” differ from “overriding interests of fairness” or “undue prejudice” in a multifactor analysis of waiver.

In *Rhoads*, the plaintiff engaged consultants in early 2008 to conduct a thorough keyword search of ESI.¹³² The consultants designated 2,000 emails as privileged.¹³³ They were removed from electronic folders that were ultimately produced to the defendants, but they were not recorded on a privilege log.¹³⁴ The plaintiffs refined the keyword search to attempt to reduce the number of responsive documents, conducted a review of the resulting ESI, and generated a privilege log of privileged documents within this batch of ESI before it was produced to the defendants.¹³⁵

129. *Id.* at *8. After pointing out that the production began in March 2009, that the village’s counsel expected privileged documents to be excluded, that plaintiff was accessing the database and extracting documents for production, the court observed:

Yet, for some nine months, the Village apparently had no inkling that the production database contained documents that the Village wished to withhold as privileged, or that Thorncreek was reviewing and obtaining those documents. If that is true (and we accept that it is), that means the Village was not paying any attention whatsoever to what documents its opponent in the litigation was selecting from the database. Perhaps Thorncreek simply selected all of them; the parties’ briefs do not tell us if this is so. But, even if that were the case, a single visit to the production database could have alerted the Village to the problem.”

Id.

130. *Id.* There was no reference to Illinois Rule of Professional Conduct 4.4 in the opinion. Illinois’s RPC 4.4(b) reads: “A lawyer who receives a document relating to the representation of the lawyer’s client and knows that the document was inadvertently sent shall promptly notify the sender.” ILL. RULES OF PROF’L CONDUCT R. 4.4(b) (2010). Given the absence of a privilege log and the village’s representation that it was not withholding any documents, perhaps the lawyer did not know the two documents were privileged. It is difficult to discern from the court’s analysis whether any of the village’s six documents claimed to be privileged were, in fact, privileged, and whether the deposition exhibits were among them.

131. 254 F.R.D. 216 (E.D. Pa. 2008).

132. *Id.* at 222.

133. *Id.*

134. *Id.*

135. *Id.*

On June 5, 2008, the defendants identified documents within this production that appeared to be privileged and gave notice to the plaintiffs.¹³⁶ Plaintiff's counsel responded immediately that the production of privileged information had been inadvertent.¹³⁷ By June 30, 2008, the plaintiff produced a new privilege log adding 812 documents and requested that the defendant sequester the inadvertently produced documents.¹³⁸ The defendant then moved to have the court determine that the privilege had been waived.¹³⁹

In a subsequent hearing, counsel for the plaintiff admitted that the 2,000 emails originally identified as privileged by plaintiff's consultant had not been identified on a privilege log because they believed that these documents would have been captured on the June 6 log. That misfeasance was remedied on November 12, 2008, when the plaintiff produced another privilege log.¹⁴⁰ Of the 2,000 emails, after duplicates and nonresponsive documents were removed, 120 of them were responsive but privileged, and had not been logged on prior privilege logs.¹⁴¹

Under FRCP 26(b)(5)(A), a party that withholds discoverable information because it is privileged must generate a privilege log.¹⁴² Failure to do so may amount to a waiver.¹⁴³ The district court first determined that Rule 502(b) played no role in the determination of waiver as to the documents on the November 12, 2008 privilege log. The delay between June 30, 2008, and November 12, 2008, was too long to be excused, the court held, and thus, under FRCP 26(b)(5)(A), the privilege was lost as to documents logged for the first time on that date.¹⁴⁴

136. *Id.* There was no indication in the opinion that Pennsylvania RPC 4.4, which is identical to Model Rule 4.4, was the basis for the notice. Compare PA. RULES OF PROF'L CONDUCT R. 4.4(b) (2012), with MODEL RULES OF PROF'L CONDUCT R. 4.4(b) (2012).

137. *Rhoads*, 254 F.R.D. at 222.

138. *Id.* at 222–23.

139. *Id.* at 223.

140. *Id.*

141. *Id.*

142. Rule 26(b)(5)(A) provides:

When a party withholds information otherwise discoverable by claiming that the information is privileged or subject to protection as trial-preparation material, the 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.

FED. R. CIV. P. 26(b)(5)(A).

143. *Rhoads*, 254 F.R.D. at 221 (quoting *Mass. Sch. of Law at Andover, Inc. v. Am. Bar Ass'n*, 914 F. Supp. 1172, 1178 (E.D. Pa. 1996)). The district court in *Rhoads* laid out time contours: a delay of two months after production to produce a privilege log resulted in a waiver, see *Get-A-Grip, II, Inc. v. Hornell Brewing Co.*, No. CIV.A. 99-1332, 2000 WL 1201385, at *2–3 (E.D. Pa. 2000); while a delay of four days after the original production was timely, see *In re Total Containment, Inc.*, No. 04-13144BIF, 2007 WL 1775364, at *8 (Bankr. E.D. Pa. 2007). *Rhoads*, 254 F.R.D. at 221.

144. *Rhoads*, 254 F.R.D. at 226 (“Despite Rhoads’s attempts to justify, explain and minimize its failure to log all of its inadvertently privileged documents by June 30, 2008, the Court finds that the delay in doing so until November 12, 2008 is too long and inexcusable.”)

As to the Rule 502(b) waiver analysis, the district court first determined that the plaintiff had “minimally complied” with the three factors stated in Rule 502(b) but that “reasonableness” was in dispute.¹⁴⁵ To evaluate reasonableness, the court applied the “traditional five-factor test” articulated in *Fidelity & Deposit Co. of Maryland v. McCulloch*¹⁴⁶:

- (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 justice would or would not be served by relieving the party of its errors.¹⁴⁷

On the facts, the district court concluded that the first four factors favored the defendant, but that the interests of justice favored the plaintiff:

Loss of the attorney-client privilege in a high-stakes, hard-fought litigation is a severe sanction and can lead to serious prejudice. Although I have little knowledge of the content of Rhoads’s privileged documents, I assume they contain candid assessments of the facts and strategy in this case, as to which Rhoads understandably has a high degree of proprietary interest.¹⁴⁸

The district court added that the defendants would not be prejudiced because they had no “right or expectation to any of” plaintiff’s privileged communications.¹⁴⁹

These cases demonstrate why thoughtful lawyers will never want to rely on Rule 502(b) for protection against inadvertent disclosure. In *Ceglia*, the court had already decided that the plaintiff did not act reasonably in producing the document or in trying to retrieve it. Why add prejudice into the equation? Suppose the plaintiff had failed to take reasonable steps to prevent the production but acted immediately to try to retrieve it. Or suppose plaintiff had taken reasonable steps and acted immediately to retrieve it. Would prejudice matter in either case? When does prejudice

This conclusion does not entail any analysis of F.R.E. 502, because of the clear mandate of Federal Rule of Civil Procedure 26(b)(5).”)

145. *Id.* at 226.

146. 168 F.R.D. 516 (E.D. Pa. 1996).

147. *Rhoads*, 254 F.R.D. at 226.

148. *Id.* at 226–27.

149. *Id.* at 227. The court explained in full:

On the other hand, denying these documents to Defendants is not prejudicial to Defendants because, in the first place, they have no right or expectation to any of Rhoads’s privileged communications, and further, because of my ruling on the privileged documents not logged by June 30, 2008, the Defendants will receive a significant number of privileged documents. Furthermore, there has been abundant discovery on the merits of this case, and expert depositions await completion.

Id.

become “undue”? And what of the rights of the holder of the privilege? The text of Rule 502(b) does not mention the concept of prejudice; it focuses only on whether the disclosure was, in fact, inadvertent and the reasonableness of the steps taken to prevent the disclosure and rectify the error. A recipient of inadvertently produced privileged information that the producing party is trying to retrieve is likely always going to be prejudiced by the inability to use it.

Inhalation Plastics suggests that a recipient of inadvertently produced documents can improve its argument in support of waiver by trying to use the documents and then arguing the interests of fairness favor waiver because of the relevance of the privileged documents and an attempt to use them in discovery. It also introduces compliance with Rule 26(b)(5)(B) into the determination of the reasonableness of the steps taken to rectify an inadvertent disclosure.

Thorncreek cabins the use of multifactor tests to determine if the production of a privileged document was a mistake but minimizes the role that the volume of documents plays if a producing party spreads the production over a relatively long period of time—in effect suggesting that the inadvertent disclosure should have been discovered. It also paid no heed to the recipient’s Model Rule 4.4 duty to put the producing party on notice that it had received privileged documents.

Rhoads points out the hazard of trying to satisfy Rule 502(b) when there is no protective order and a party is aware of privileged documents but fails to include them on a privilege log that was generated. It also points out the variability in judicial reactions to the application of “interests of justice,” “fairness,” or “prejudice.”

Had a thoughtfully constructed Rule 502(d) order been entered, the producing parties in all of these cases could have avoided a Rule 502(b) analysis, and waiver would have been determined under the terms of the order, or not at all, if the order anticipated that privileged documents might be produced which, after all, is the purpose behind Rule 502(d).

IV. RULE 502(D) ORDERS: WISE LAWYERS WILL WELCOME THEM

Properly framed Rule 502(d) orders will change the focus of inadvertent production from the question of waiver to the question of privilege. But before we get to framing, let me paint the case law picture because it is an intricate one.

*Alcon Manufacturing, Ltd. v. Apotex, Inc.*¹⁵⁰ was a patent lawsuit involving one document, referred to as Exhibit 71 in the opinion. Exhibit 71 was a publication release form relating to the publication for a scientific article regarding an ophthalmic solution that was at issue in the litigation.¹⁵¹ There were handwritten notes of an attorney on the document, which was

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

151. *Id.* at *1.

part of an electronic production made by plaintiffs.¹⁵² On January 29, 2008, one of the plaintiffs' witnesses was deposed.¹⁵³ The exhibit was marked and shown to the witness who testified that she did not recognize it or the handwriting on the exhibit.¹⁵⁴ Counsel for the defendants moved on to the next exhibit.¹⁵⁵ Counsel for the plaintiffs made no objection at the time.¹⁵⁶

On February 6, 2008, counsel for the defendants deposed an in-house counsel of the plaintiff Alcon.¹⁵⁷ Exhibit 71 was shown to the witness who then explained that the handwriting at the top of the page was that of an in-house intellectual property lawyer.¹⁵⁸ After an eight-minute break, counsel for the defendants asked a question about the handwriting in the middle of the page.¹⁵⁹ Counsel for the plaintiffs then indicated that the writing may be privileged and moved to strike the notation on the exhibit.¹⁶⁰ Plaintiffs' counsel did not, at this time, identify the handwriting at the top of the document as privileged.¹⁶¹

The plaintiffs then determined that Exhibit 71 had been listed on its privilege log because of notes written on the document but that it had been inadvertently produced because of an electronic document break error.¹⁶² On February 11, 2008, the plaintiffs provided the defendants with a redacted version of the document and asked the defendants to destroy all copies of the documents containing any handwritten notations.¹⁶³ The defendants ignored the request and showed the document to one of its expert witnesses who relied on the document in rendering an expert report.¹⁶⁴

There was no dispute that the unredacted version of Exhibit 71 was privileged.¹⁶⁵ But the defendant argued that under Rule 502(b), the privilege had been waived.¹⁶⁶ A prescient pre-502(d) protective order rescued the plaintiff and changed the inquiry from waiver under 502(d) to compliance with the order.¹⁶⁷ Paragraph 20 of the order provided that as long as the producing party made a good-faith representation that an inadvertent production was a mistake and took prompt remedial action to

152. *Id.*

153. *Id.* at *2.

154. *Id.*

155. *Id.*

156. *Id.*

157. *Id.*

158. *Id.*

159. *Id.*

160. *Id.*

161. *Id.*

162. *Id.* The opinion does not explain this term, but presumably there was a computer-generated list of documents being produced for lawyer review, and the privileged document was not included because of a break in the electronic document listing.

163. *Id.*

164. *Id.*

165. *Id.* at *3.

166. *Id.*

167. *Id.* at *4.

withdraw the disclosure upon discovery, the recipient had to return the document and destroy all copies and summaries or notes relating to the document, and could not make a waiver claim.¹⁶⁸ Here is the text of Paragraph 20:

If a producing party inadvertently or mistakenly produces information, documents or tangible items in this Action that should have been withheld subject to a claim of attorney-client privilege or work product immunity, such production shall not prejudice such claim or otherwise constitute a waiver of any claim of attorney-client privilege or work product immunity for such information, provided that the producing party promptly makes a good-faith representation that such production was inadvertent or mistaken and takes prompt remedial action to withdraw the disclosure upon its discovery. Within three (3) business days of receiving a written request to do so from the producing party, the receiving party shall return to the producing party any documents or tangible items that the producing party represents are covered by a claim of attorney-client privilege or work product immunity and were inadvertently or mistakenly produced. The receiving party shall also destroy all copies or summaries of, or notes relating to, any such inadvertently or mistakenly produced information; provided, however, that this Order shall not preclude the party returning such information from making a motion to compel production of the returned information on a basis other than a waiver because of its inadvertent production as part of a discovery production under this protective order. The producing party shall retain copies of all returned documents and tangible items for further disposition.¹⁶⁹

The magistrate judge looked literally at compliance with the terms of the order. The plaintiffs made a good-faith representation.¹⁷⁰ They told the defendants at the second deposition that the disclosure was inadvertent.¹⁷¹ Five days later, they wrote the defendants a letter stating that the production was inadvertent.¹⁷² Bolstering plaintiffs' good faith, the court noted that Exhibit 71 had been placed on a privilege log and was produced only because of an electronic break error.¹⁷³ The defendants also acknowledged that they had no evidence to dispute the inadvertence of the production.¹⁷⁴

The court also regarded the plaintiffs as in compliance with the order's requirement that the producing party take prompt remedial measures to withdraw the disclosure. While plaintiffs' counsel did not immediately assert a privilege at the first deposition, and did not specifically object to the use of the handwriting until several days after the second deposition, the court remained comfortable that the protective order's requirements had been met:

168. *Id.*

169. *Id.*

170. *Id.* at *5.

171. *Id.*

172. *Id.*

173. *Id.* at *4.

174. *Id.*

[T]he handwriting on the privileged document—particularly the notation at the top of the sheet including the signature—is difficult to read. The handwriting at the top of the page is also rather similar to the handwriting in the center of the page, so on first glance both writings could easily be attributed to the same author. Failure by the attorney creating the privilege log to immediately recognize the handwriting at the top of the page as that of a different attorney is understandable. Likewise, the several-day delay Plaintiffs took after the Ryan deposition to review the document against its records, decipher the handwriting, and ascertain all communicators involved does not indicate a lack of prompt remedial action by Plaintiffs.¹⁷⁵

The court bolstered its views by invoking as one of the main purposes of Rule 502 the potential reduction in litigation costs:

Concluding otherwise would undermine one of the main purposes of new Evidence Rule 502, which codifies the primary purpose of provisions such as ¶ 20 of the protective order in this case: to address the “widespread complaint that litigation costs necessary to protect against waiver of attorney-client privilege or work product have become prohibitive due to the concern that any disclosure (however innocent or minimal) will operate as a subject matter waiver of all protected communications or information” which is “especially troubling in electronic discovery.” Perhaps the situation at hand could have been avoided had Plaintiffs’ counsel meticulously double or triple-checked all disclosures against the privilege log prior to any disclosures. However, this type of expensive, painstaking review is precisely what new Evidence Rule 502 and the protective order in this case were designed to avoid.¹⁷⁶

The order in *Alcon* superseded Rule 502(b). In contrast, the order in *United States v. Sensient Colors, Inc.*¹⁷⁷ made allowance for the application of Rule 502(b); thus, a waiver resulted.

In *Sensient Colors*, over a six-day period, the United States had produced 45,000 documents representing 135,000 pages in 450 boxes.¹⁷⁸ On August 29, 2008, the defendant returned eighty-one documents it thought might be privileged.¹⁷⁹ By letter dated September 10, 2008, the plaintiff confirmed that eighty of the eighty-one documents were privileged and inadvertently produced.¹⁸⁰ However, the United States took no other actions to reassess its production.¹⁸¹

On October 23, 2008, the defendant returned another eighty-nine documents as privileged.¹⁸² On November 21, 2008, the plaintiff produced a supplemental privilege log that listed most of the returned documents.¹⁸³

175. *Id.* at *6 (citation omitted).

176. *Id.*

177. Civ. No. 07-1275 (JHR/JS), 2009 WL 2905474 (D.N.J. Sept. 9, 2009).

178. *Id.* at *1.

179. *Id.*

180. *Id.*

181. *Id.*

182. *Id.*

183. *Id.*

On March 18, 2009, the plaintiff identified another document as privileged that had been produced.¹⁸⁴ After acquiring new software, the plaintiff reviewed its document database and determined that ninety-one more privileged documents had been inadvertently produced.¹⁸⁵ It identified six more such documents on August 6, 2009.¹⁸⁶ Finally, on August 7, 2009, the plaintiff advised the court that its privilege review process was completed and, in the end, 214 privileged documents had been produced inadvertently.¹⁸⁷

Claiming waiver, the defendant moved to compel production of the privileged documents. The United States argued that the parties' discovery plan precluded a privilege waiver.¹⁸⁸ Unfortunately, that document did not state that the parties were excused from Rule 502(b).¹⁸⁹ Paragraph VI of the discovery plan provided: "The Parties agree that the inadvertent production of privileged documents or information (including ESI) shall not, in and of itself, waive any privilege that would otherwise attach to the document or information produced."¹⁹⁰ The magistrate judge construed this language to mean that an inadvertent production was not an automatic waiver but that a waiver claim could still be made:

The most sensible construction of the parties' Discovery Plan is that the inadvertent production of a document "in and of itself" does not waive a privilege. In other words, the parties agreed not to subject themselves to the harsh rule that a mere inadvertent production results in a waiver. The Court agrees with defendant that the parties intended to incorporate the "flexible" standard to determine if a waiver occurred.¹⁹¹

The court added that the parties were represented by sophisticated counsel, and had they wanted to permit a clawback of privileged documents

184. *Id.*

185. *Id.*

186. *Id.*

187. *Id.* at *1–2.

188. *Id.* at *2.

189. *Id.*

190. *Id.* at *2 n.4.

191. *Id.* at *2 (citations omitted). The court agreed with the statement in *Koch Materials Co. v. Shore Slurry Seal, Inc.*, 208 F.R.D. 109 (D.N.J. 2002), that courts generally frown upon broad "blanket" disclosure provisions because they immunize attorneys from "negligent handling of documents, could lead to sloppy attorney review and improper disclosure which could jeopardize clients' cases." *Koch Materials*, 208 F.R.D. at 118. The "blanket provision" in *Koch Materials* was a letter agreement between counsel in which they agreed that documents that contained handwritten comments would not become the subject of a waiver argument. *Id.* The recipient of the privileged documents argued that the agreement applied only to a subset of the production and not to all documents produced and that, therefore, on the facts, a waiver had occurred. *Id.* This debate prompted the district court to say that where the "interpretation of the provision remains hotly disputed, as it is in this case, broad construction is ill advised." *Id.* The court then performed a substantive waiver analysis. *Id.* at 118–21. A 502(d) order is entered by the district court purposefully to protect the privileged materials from waiver due to inadvertent or even advertent disclosure in order to reduce the review costs associated with production of electronically stored information and minimize disputes unrelated to the merits.

inadvertently produced, they would have so stated.¹⁹² The court then proceeded to conduct a 502(b) waiver analysis substituting for the terms of 502(b) the five-factor test from *Ciba-Geigy Corp. v. Sandoz Ltd.*¹⁹³ The court upheld the privilege as to documents returned by the defendant as potentially privileged on August 29, 2008, but deemed the privilege waived for all inadvertently produced documents identified after that date because of the United States' failure to take "prompt and diligent steps to re-assess its document production" after it was put on notice of a problem by the August 29, 2008 letter.¹⁹⁴

*U.S. Home Corp. v. Settlers Crossing, LLC*¹⁹⁵ provides another example of a protective order framed, in hindsight, to trigger, instead of avoid, Rule

192. *Sensient Colors*, 2009 WL 2905474, at *2.

193. *Id.* at *3; see *Ciba-Geigy Corp. v. Sandoz Ltd.*, 916 F. Supp. 404, 411 (D.N.J. 1995). The test is as follows:

- (1) the reasonableness of the precautions taken to prevent inadvertent disclosure in view of the document production, (2) the number of inadvertent disclosures, (3) the extent of the disclosures, (4) any delay and measures taken to rectify the disclosure, and (5) whether the overriding interests of justice would or would not be served by relieving the party of its error.

Sensient Colors, 2009 WL 2905474, at *3 (citing *Ciba Geigy*, 916 F. Supp. at 411). The magistrate judge felt that the advisory committee note to Rule 502(b) allowed the court to utilize these factors. *Id.* at 3 n.8 ("The rule . . . is really a set of non-determinative guidelines that vary from case to case" and is designed to be "flexible."). In *Ciba Geigy*, the district court rejected a "blanket" inadvertent disclosure clause that was advocated by the plaintiff and "insisted that any such provision would not excuse the parties from conducting a privilege review prior to the production of documents, in accordance with controlling case law." *Ciba Geigy*, 916 F. Supp. at 406. In 1996, this may have been a sensible ruling. Today, courts are doing just the opposite: offering protective orders to prevent a producing party from having to incur the enormous costs of privilege review. See, e.g., *US Bank Nat'l Ass'n v. PHL Variable Ins. Co.*, No. 12 Civ. 6811(CM)(JCF), 2012 WL 5395249 (S.D.N.Y. Nov. 5, 2012); *Rowe Entm't, Inc. v. William Morris Agency, Inc.*, 205 F.R.D. 421, 432-33 (S.D.N.Y. 2002) (where, as a cost-saving measure, the magistrate judge proposed a clawback procedure so that the privilege could be asserted by the responding party after production and review of electronic documents by the requesting party). *U.S. Bank National Ass'n* involved a motion to quash subpoenas issued by the plaintiff and objected to by two nonparty insurance companies. *US Bank Nat'l. Ass'n*, 2012 WL 5395249, at *2. The information sought was only marginally relevant, which apart from Rule 45's requirement to protect the subpoena recipient from undue expense, prompted the court to require US Bank to bear the search, collection, and production costs associated with the subpoenas. *Id.* at *3-4. The magistrate judge was unwilling, however, to shift privilege review costs to the subpoena-issuer. *Id.* at *4. To ameliorate this conclusion, the court entered an order under Rule 502(d) to protect the nonparties from a privilege waiver leaving it up to the nonparties then to decide whether they wished to do a privilege review first at their expense: "Although Transamerica and SCOR are, of course, free to engage in as exacting a privilege review as they wish, entry of a Rule 502(d) order will give them the option of conducting a more economical analysis while minimizing the risk of waiver." *Id.* at *4.

194. *Sensient Colors*, 2009 WL 2905474, at *6. This failure triggered Rule 502(b)(3)'s application, and in support of its decision, the court relied on the advisory committee's note to Rule 502(b)(3): "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. But the rule does require the producing party to follow up on any obvious indications that a protected communication or information has been produced inadvertently." *Id.*

195. No. DKC 08-1863, 2012 WL 3025111 (D. Md. July 23, 2012).

502(b) in the face of an inadvertent production. The case has unusual facts. Defendant iStar subpoenaed plaintiffs' former counsel, Greenberg Traurig, seeking documents in the firm's possession.¹⁹⁶ Plaintiffs' litigation counsel, Womble Carlyle, was given notice of the subpoena.¹⁹⁷ Louis Rouleau of Womble Carlyle later reached Timothy Bass of Greenberg Traurig to discuss the response.¹⁹⁸ According to Rouleau's declaration submitted in the hopes of avoiding a privilege waiver, Bass assured Rouleau that Greenberg Traurig would handle "the matter properly on its own" adding, as Rouleau recalled, something like: "We got it. We know how to respond."¹⁹⁹

Rouleau then told the court:

Given (i) the assurances that Mr. Bass provided to me during our conversation on December 15, 2010, (ii) the fact that he is a litigation partner in a well-known, national law firm, and (iii) the subpoena's express and repeated limitation of its requests to "non-privileged" documents, Womble Carlyle did not further request to coordinate with and assist Greenberg Traurig in regard to the subpoena.²⁰⁰

In January 2011, Greenberg Traurig produced eighty-one documents consisting of 4,199 pages of material.²⁰¹ On January 25, 2011, iStar offered to provide a copy of the documents to Womble Carlyle.²⁰² Instead of saying "yes," Womble Carlyle asked for the cost of reproducing the documents.²⁰³ On March 15, they asked for copies of what Greenberg Traurig had produced.²⁰⁴

On April 13, 2011, Womble Carlyle realized that both privileged and work-product protected documents had been produced by Greenberg Traurig.²⁰⁵ It sought their return, to no avail.²⁰⁶ It then sought to enforce the clawback provisions of a "confidentiality order" that had been entered upon agreement of the parties.²⁰⁷ Paragraph 6 of the order read as follows:

Non-waiver of privilege for inadvertently disclosed materials. Pursuant to Fed. R. Evid. 502(d), the inadvertent disclosure of any document that is subject to a legitimate claim that the document is subject to the attorney-client privilege or the work-product protection shall not waive the protection or the privilege for either that document or for the subject matter of that document.²⁰⁸

196. *Id.* at *1.

197. *Id.*

198. *Id.*

199. *Id.* at *2.

200. *Id.* at *1.

201. *Id.* at *2.

202. *Id.*

203. *Id.*

204. *Id.*

205. *Id.*

206. *Id.*

207. *Id.*

208. *Id.*

Paragraph 7 of the confidentiality order required the recipient of the inadvertent disclosures to return or destroy the materials unless the recipient disputed the claim in which case the recipient could retain a “single copy” of the materials and, in what turned out to be a fateful phrase, seek a judicial determination of the matter “pursuant to Fed. R. Evid. 502.”²⁰⁹

There was considerable motion practice before a magistrate judge that ultimately resulted in a determination that there was no waiver.²¹⁰ Before the district court, iStar successfully objected to this determination.

Citing Rule 502(d) and (e), the district court recognized that the waiver “test” established in Rule 502(b) “may be superseded by court order or agreement of the parties.”²¹¹ However, the district court held that the confidentiality order did not supersede Rule 502(b) because the order lacked “concrete directives” regarding “each prong of Rule 502(b).”²¹² The district court explained that where a 502(d) order does not “provide adequate detail regarding what constitutes inadvertence, what precautionary measures are required, and what the producing party’s post-production responsibilities are to escape waiver, the court will default to Rule 502(b) to fill in the gaps in controlling law.”²¹³ Here, the confidentiality order was silent on the precautionary or post-production responsibilities to avoid waiver and allowed a disputant to obtain a determination “pursuant to Rule 502.”²¹⁴ Thus, the district court held, Rule 502(b) remained applicable to Womble Carlyle’s conduct.²¹⁵

209. *Id.*

210. *Id.* at *2–3. The magistrate judge first ruled that the privileged had been waived as to all but one of the documents in question, but then, on a motion for reconsideration, decided that the privileged had not been waived. *Id.*

211. *Id.* at *5.

212. *Id.*

213. *Id.*; see also *Mt. Hawley Ins. Co. v. Felman Prod., Inc.*, 271 F.R.D. 125, 130, 133 (S.D. W. Va. 2010), *overruled sub nom. Felman Prod., Inc. v. Indus. Risk Insurers*, 2010 WL 2944777 (S.D. W. Va. July 23, 2010); *Luna Gaming-San Diego, LLC v. Dorsey & Whitney, LLP*, No. 06cv2804 BTM (WMc), 2010 WL 275083, at *4 (S.D. Cal. Jan. 13, 2010). In *Mt. Hawley*, Rule 502(d) was not mentioned in either opinion. *Mt. Hawley* involved Section H of a stipulation of the parties that was not embodied in a court order. *Mt. Hawley*, 271 F.R.D. at 128. The stipulation provided that the return of “an Inadvertently Produced Document does not preclude the receiving party from disagreeing with the designation of the document as privileged or redacted and re-produced and bringing a Motion to Compel its production pursuant to the Federal Rules of Civil Procedure.” *Id.* at 129. The stipulation also contained a procedure for rectifying the disclosure and that contemplated the application of Rule 502(b): “Compliance by the producing party with the steps required by this Section H to retrieve an Inadvertently Produced Document shall be sufficient, notwithstanding any argument by a party to the contrary, to satisfy the reasonableness requirement of FRE 502(b)(3).” *Id.* *Luna Gaming* involved a protective order that provided that the inadvertent disclosure of privileged documents “shall not constitute a waiver of any privilege.” *Luna Gaming*, 2010 WL 275083, at *4. The order did not address “under what circumstances failure to object to the use of inadvertently produced privileged documents waives the privilege, which is what the Court must resolve here.” *Id.* The district court then applied Rule 502(b). *Id.* at *5–6. In both cases a waiver was found.

214. *U.S. Home Corp.*, 2012 WL 3025111, at *6.

215. *Id.* at *7–8.

Unfortunately, Womble Carlyle provided evidence of only two brief phone calls with Greenberg Traurig, only one of which was substantive.²¹⁶ “Such minimal efforts to secure the privilege or protection,” the court held, “are unreasonable” and amounted to “little more than a broad abdication of Womble Carlyle’s responsibility” to Greenberg Traurig.²¹⁷ The court added:

Womble Carlyle’s acceptance of Greenberg Traurig’s statements that they “got it” and “know how to respond” to the subpoena does not constitute a reasonable precaution to protect the attorney-client privilege or work product protection. Womble Carlyle was obligated to do more to protect its client and to demand that Plaintiffs’ interests feature more prominently in Greenberg Traurig’s efforts.²¹⁸

Because the second prong of Rule 502(b) was not satisfied, the court explained that it did not have to address the third prong, although it was skeptical that Womble Carlyle acted promptly to rectify the error.²¹⁹

This case law teaches that a thoroughly drawn Rule 502(d) order should disclaim the application of Rule 502(b), and instead identify the order as the sole vehicle under which the availability of the privilege should be evaluated. It should declare that any production of a privileged or work-product protected document is inadvertent. Indeed, the concept behind Rule 502(d) is to assist parties in minimizing the cost of reviewing a large electronic production to search for privileged documents by affording the parties the right to produce a privileged document with the absolute right to retrieve it without creating waiver.²²⁰ As just stated, the order should

216. *Id.* at *8.

217. *Id.*

218. *Id.* (footnotes omitted).

219. *Id.* at *9. The court explained:

Womble Carlyle requested a copy of the production—but only after requesting a cost estimate. Second, it took nearly another month for Womble Carlyle to review the production and discover that the contested documents had been produced; Womble Carlyle offers absolutely no explanation for this delay. And third, other than notifying Greenberg Traurig of the disclosures, Womble Carlyle fails to explain any other steps it took to rectify the error, let alone *when* it took such steps.

Id.

220. In a letter from the Committee on Rules of Practice and Procedure of the Judicial Conference of the United States to the Committee on the Judiciary of the United States Senate and House of Representatives, dated September 26, 2007, the problems being remedied by Rule 502 were identified:

In drafting the proposed Rule, the Advisory Committee concluded that the current law on waiver of privilege and work product is responsible in large part for the rising costs of discovery, especially discovery of electronic information. In complex litigation the lawyers spend significant amounts of time and effort to preserve the privilege and work product. The reason is that if a protected document is produced, there is a risk that a court will find a subject matter waiver that will apply not only to the instant case and document but to other cases and documents as well. Moreover, an enormous amount of expense is put into document production in order to protect against inadvertent disclosure of privileged information, because the producing party risks a ruling that even a mistaken disclosure can result in a subject matter waiver. Advisory Committee

provide for a return of privileged or protected documents at any time upon notice by the producing party of the inadvertent disclosure, or discovery by the receiving party that it received a document that appears to be privileged or protected. This latter obligation is imposed on lawyers independent of any order under each state's equivalent to Model Rule 4.4.²²¹ In the case of notice from the recipient to the producing party of the disclosure of privileged information, the order should provide for a reasonable time period within which the producing party must seek return of the information. The order then should provide for a time period within which any challenge to the assertion of the privilege must be made.

Since plaintiffs and defendants typically have similar worries about producing privileged or protected documents in any electronic production, especially when data-rich parties are in litigation with each other, they frequently agree on the terms of a 502(d) order. But there is already precedent that Rule 502 gives courts ample reasons to issue them even over a party's objection. Illustratively, in *S2 Automation LLC v. Micron Technology, Inc.*,²²² Micron proposed entry of a "Non-Waiver and Claw-Back Order" that provided in pertinent part that:

1. The inadvertent production of privileged or protected material during the course of discovery shall not be deemed a waiver or an impairment of any claim of privilege or protection, including the attorney-client privilege and the work-product doctrine, in this or any other state or federal proceeding, as to the material inadvertently produced or as to the subject matter thereof.

2. In the event counsel to a party producing documents in response to a request for production or disclosures pursuant to Federal Rule of Civil Procedure 26 ("Producing Party") discovers an inadvertent production of privileged or protected material, the Producing Party shall notify counsel to the party who received the inadvertent production ("Receiving Party") in writing and identify the privileged or protected material by Bates number. Upon receipt of a notice of inadvertent disclosure, the Receiving Party must refrain from viewing such material or using such material in any way, and must follow the Producing Party's instructions regarding the disposition of the material. To the extent there is a disagreement regarding the proper disposition of the material, the Receiving Party shall

members also expressed the view that the fear of waiver leads to extravagant claims of privilege. Members concluded that if there were a way to produce documents in discovery without risking subject matter waiver, the discovery process could be made much less expensive.

Rosenthal Letter, *supra* note 31, at 3. The advisory committee note to Rule 502(d) begins with this sentence: "Confidentiality orders are becoming increasingly important in limiting the costs of privilege review and retention, especially in cases involving electronic discovery." FED. R. EVID. 502(d) advisory committee's note.

221. Only six jurisdictions have not yet adopted some form of Model Rule 4.4(b): Georgia, Hawaii, Massachusetts, Missouri, Texas, and West Virginia. See AM. BAR ASS'N, *supra* note 11, at 1-6.

222. No. CIV 11-0884 JB/WDS, 2012 WL 3150387 (D.N.M. July 23, 2012).

refrain from using the material unless and until the Court makes a determination as to its proper disposition.

3. In the event the Receiving Party believes that the Producing Party inadvertently produced privileged or protected material, the Receiving Party shall notify the Producing Party in writing and identify the suspected privileged or protected material by Bates number within five business days of such discovery. Once the Receiving Party believes that there has been an inadvertent disclosure, the Receiving Party must refrain from viewing such material or using such material in any way and must follow the Producing Party's instructions regarding the disposition of the material. To the extent there is a disagreement regarding the proper disposition of the material, the Receiving Party shall continue to refrain from using the material unless and until the Court makes a determination as to its proper disposition.²²³

S2 objected to entry of the order on two grounds. First, S2 said that it did not want to be in a deposition, seek to use a document, and then have Micron object on the ground that the document was inadvertently produced.²²⁴ Second it said that the attorneys were subject to rules of professional conduct and, therefore, there was no need for the order.²²⁵ Citing extensively to the advisory committee notes to Rule 502 regarding the role that confidentiality orders can play in limiting the costs of privilege review, the court entered the order over these objections.²²⁶ There is no reason why other courts, similarly informed, should not reach the same result.

CONCLUSION

Rule 502 of the Federal Rules of Evidence provides uniformity in the law of privilege waiver and can provide relief to parties worried about inadvertent production of privileged documents in large electronic document productions. Rule 502 should reduce the cost of litigation, a goal all litigators should be seeking to advance to achieve the fair administration of justice.

Recent Rule 502(b) case law, however, demonstrates a stubborn adherence to former, not uniform case law as part of the application of a rule that was intended to create uniformity. In doing so, some courts have entered a time warp—as if e-discovery were nonexistent. A major goal of Rule 502 is to decrease litigation costs. This means looking at the data storage world we face today and eschewing reliance on cases decided in a different era that do not account for the costs of restoration, retrieval, and review of electronically stored information. Court orders need to encourage the use of technology in smart ways that may not be 100 percent privilege protective, meaning that these court orders must protect the privilege in

223. *Id.* at *2.

224. *Id.*

225. *Id.*

226. *Id.* at *3.

meaningful ways to avoid stifling the benefits technology can provide to reducing litigation costs.

A Rule 502(d) order achieves these goals. It can establish inadvertence, permit a party to reduce privilege review costs, avoid waiver in any proceeding, and avoid any concern about subject matter waiver. It can declare the procedure to be followed to return documents—including making the return automatic—and identify the consequences of a failure to abide by that procedure. It can establish a time frame for a determination of whether a document is, in fact, privileged or work-product protected. And it can disclaim application of Rule 502(b)(2) or (3), since the design of the order is to allow the producing party to produce privileged documents, and the order itself will set forth the procedure for return of the documents.²²⁷

The combination of Model Rule 4.4, FRCP 26(b)(5)(b) and 26(f)(3)(D), and Rule 502(d) demonstrates that rulemakers and Congress have recognized the challenges facing lawyers to protect privileged and work-product documents while simultaneously trying to control litigation costs that are financially choking those lawyers' clients. Model Rule 1.6(c) has recognized the risk of inadvertent disclosure in the digital world in which lawyers operate and tells lawyers that they must make "reasonable efforts to prevent the inadvertent or unauthorized disclosure of, or unauthorized access to, information relating to the representation of a client."²²⁸

Rule 502(d) had a quiet beginning. Properly used, it is an important part of the goal to make, in Rule 1²²⁹ terms, litigation speedier and less expensive without compromising the effective administration of justice.

227. To illustrate this point, see *Brookfield Asset Mgmt., Inc. v. AIG Fin. Prods. Corp.*, No. 09 Civ. 8285(PGG)(FM), 2013 WL 142503 (S.D.N.Y. Jan. 7, 2013). In this matter, redacted information appeared in metadata associated with various drafts of the minutes of an AIG Board of Directors meeting due to vendor error. There was no question that the redacted information was privileged. Because of the entry of a 502(d) order, the magistrate held that there could be no dispute over the right of AIG to "claw back" the minutes:

[E]ven if AIG or its counsel had dropped the ball (which they did not), the parties at my urging had entered into a Rule 502(d) stipulation which I so ordered on February 11, 2011. That stipulation (ECF No. 57) contains one decretal paragraph, which provides that "Defendants' production of any documents in this proceeding shall not, for the purposes of this proceeding or any other proceeding in any other court, constitute a waiver by Defendants of any privilege applicable to those documents, including the attorney-client privilege . . ." Accordingly, AIG has the right to claw back the minutes, no matter what the circumstances giving rise to their production were.

Since Rule 502(d) provides a clear answer—*i.e.*, Brookfield may not use documents that I have determined are privileged for any purpose—there is no need to consider any sanctions beyond directing the return of all copies (electronic or otherwise) of the draft Board minutes.

Id. (citation omitted).

228. MODEL RULES OF PROF'L CONDUCT R. 1.6(c) (2012).

229. FED. R. CIV. P. 1.