

Although the discovery process is dreaded by most litigators, almost all would agree that it is one of the most important aspects of the case. Accordingly, all litigators practicing in federal court should be aware of the new e-discovery rules that were adopted in 2006, especially in light of the Southern District of California's recent decision imposing hefty fines on both the party and its attorneys for failing to search and produce 46,000 documents located on the company's email database. Moreover, federal court litigators should also be aware of the fact that in 2007, the Federal Judiciary Committee made new stylistic amendments to the Federal Rules of Civil Procedure and there are now 10 re-lettered e-discovery rules.

Litigators practicing in state court should also become familiar with e-discovery as they are going to see similar rules at the state court level in the coming year. As for new case law effecting discovery in 2007, the California State Courts decided some noteworthy cases pertaining to compelling discovery from non-party witnesses and the attorney-client privilege.

## ■ Judiciary Restyles Federal Rules of Civil Procedure

On December 1, 2007, the Federal Judiciary restyled the Federal Rules of Civil Procedure in order to make them more understandable. As the Rules Committee noted, "[t]hese changes are intended to be stylistic only."<sup>1</sup> Thus, the changes do not affect the substance of the rules. There are 10 re-lettered provisions in the new e-discovery rules and additional subparts. The following chart provides the previous rule numbers and the newly numbered rules:

Rule Title	Old Rule #	New Rule #
Pretrial Conferences	16(b)(5)	16(b)(3)(B)
Initial Disclosure	26(a)(1)(B)	26(a)(1)(A)(iii)
Discovery Plan	26(f)(3)	26(f)(3)(C)
Request to Produce Electronically Stored Information	34(a)(1)	34(a)(1)(A)
Form of Production of Electronically Stored Information	34(b)	34(b)(1)(C)
Responses to Request to Produce Electronically Stored Information	34(b)	34(b)(2)(D)
Production of Electronically Stored Information	34(b)	34(b)(2)(E)
Sanctions Exception for Loss of Electronically Stored Information	37(f)	37(e)
Subpoena + Electronically Stored Information	45(a)(1)(C)	45(a)(1)(A)(iii)
Subpoena for Production of Documents & Appearance	45(a)	45(a)(1)(C)

## ■ Court Sanctions Party \$8.5 Million, Refers The Party's Attorneys to the State Bar and Orders The Party and Its Attorneys to Create a Case Management Protocol as a Result of Discovery Violations

A recent decision out of the Southern District of California makes it clear that discovery obligations should not be taken lightly. In its ground breaking *Qualcomm Incorporated v. Broadcom Corp.* decision, the court sanctioned a party \$8.5 million and referred the party's attorneys to the state bar as a result of discovery violations.<sup>2</sup> The court made clear that when responding to discovery requests a party must search its computers and its attorneys must

<sup>1</sup> Committee Note, Rule 1, Letter to USSC, 11/1/06 by JCUS Rules Comm.  
<sup>2</sup> 2008 WL 66932 (S.D. Cal. 2008).

verify that the search was done and adequate search terms were used. In addition, the court ordered the party and its lawyers to create a case management protocol that litigants can use in future cases in the hope that such a process “will establish a turning point in what the Court perceives as a decline in and deterioration of civility, professionalism and ethical conduct in the litigation arena.”<sup>3</sup>

The facts of *Qualcomm* are instructive: practitioners be aware. Qualcomm brought a patent infringement action against Broadcom based on Broadcom’s manufacture, sale and offer to sell H.264-compliant products. Broadcom argued that Qualcomm had waived its infringement claims by participating in the Joint Video Team (“JVT”), which is the standards-setting body that created the H.264 compliance standard in 2002 and early 2003.<sup>4</sup> According to Qualcomm, it did not participate in the JVT until mid-May 2003 and, therefore, Broadcom infringed on its patents to the H.264 before they became part of the public domain. Whether Qualcomm participated in the JVT in 2002 and early 2003 was a critical issue in the case. If Qualcomm had participated during the time in question, it would have been required to identify the patents that were essential to the practice of the H.264 standard and therefore prohibited from suing Broadcom for utilizing the H.264 standard.<sup>5</sup>

Although Broadcom sought information concerning Qualcomm’s participation in and communications with the JVT, throughout the litigation, including during trial, Qualcomm maintained that it did not participate in the JVT during the time the JVT created the H.264 standard.<sup>6</sup>

While preparing a Qualcomm witness for trial, one of Qualcomm’s attorneys discovered

an August 6, 2002 email sent to the witness welcoming her to the “ave\_ce mailing list,” which was a JVT ad hoc committee. Several days later, Qualcomm’s attorneys searched the witness’ laptop computer using the search term “ave\_ce” and discovered 21 relevant emails that Qualcomm had not produced. The emails bore several different dates in November 2002, and discussed various issues related to the H.264 standard. Qualcomm’s attorneys, however, decided not to produce the emails, claiming that the emails were not responsive to Broadcom’s discovery requests. They also failed to further investigate whether there were more emails that had not been produced. In fact, because of Broadcom’s post-trial efforts to determine the scope of Qualcomm’s discovery abuses, Qualcomm located over 46,000 relevant documents that Broadcom had requested, but Qualcomm failed to produce.<sup>7</sup> As a result, the court sanctioned Qualcomm \$8.5 million and referred its attorneys to the State Bar.

According to the court, “[f]or the current ‘good faith’ discovery system to function in the electronic age, *attorneys and clients must work together to ensure that both understand how and where electronic documents, records and emails are maintained and to determine how best to locate, review, and produce responsive documents.* Attorneys must take responsibility for ensuring their clients conduct a comprehensive and appropriate document search.”<sup>8</sup>

The court found that Qualcomm’s failure to perform such “basic searches” as “pre-September 2003 JVT, avc\_ce, or H.264 records or emails on its computer system or email databases” and the “computers or email databases of the individuals who testified on Qualcomm’s behalf” was an “indicat[ion] that Qualcomm intentionally withheld the documents.”<sup>9</sup>

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<sup>3</sup> *Id.* at \*20.

<sup>4</sup> *Id.* at \*1.

<sup>5</sup> *Id.* at \*3.

<sup>6</sup> *Id.* at \*3.

<sup>7</sup> *Id.* at \*6.

<sup>8</sup> *Id.* at \*9.

<sup>9</sup> *Id.* at \*10.

The court rejected Qualcomm's argument that it inadvertently failed to find and produce such documents, stating that it was "inconceivable that Qualcomm was unaware of its involvement in the JVT and the existence of these documents."<sup>10</sup> The court said that it was "inexplicable that Qualcomm was able to locate the post-September 2003 JVT documents that either supported, or did not harm Qualcomm's arguments, but were unable to locate the pre-September 2003 JVT documents that hurt its arguments."<sup>11</sup> Moreover, the court found that Qualcomm's inadvertence argument was undercut by the fact that it was easily able to locate such documents when forced to do so, and because of the large number of employees and consultants who received the emails, attended the JVT meetings and knew about the information.<sup>12</sup>

Furthermore, the court found that even if Qualcomm did not know about the existence of the documents, it failed to heed several warning signs suggesting the documents existed. The first warning came during the depositions of the person most knowledgeable about Qualcomm's involvement in the JVT. At that time, Qualcomm did not search the witness' computer for JVT documents, did not provide the witness with documents to review prior to his deposition and did not make any other effort to make sure the person was, in fact, knowledgeable.<sup>13</sup> Troubled by Qualcomm's actions in this regard, the court stated, "If a witness is testifying as an organization's most knowledgeable person on a specific subject, the organization has an obligation to conduct a reasonable investigation and review to ensure that the witness does possess the organization's knowledge. An adequate investigation should

include an analysis of the sufficiency of the document search and, when electronic documents are involved, an analysis of the sufficiency of the search terms and locations."<sup>14</sup>

The court also sanctioned Qualcomm's lawyers because they "chose not to look in the correct locations for the correct documents, to accept unsubstantiated assurances of an important client that its search was sufficient, to ignore the warning signs that the document search and production were inadequate, not to press Qualcomm employees for the truth, and/or to encourage employees to provide information (or lack of information) that Qualcomm needed to assert its non-participation argument and to succeed in this lawsuit."<sup>15</sup> The court held that lawyers have "*an affirmative duty... to engage in discovery in a responsible manner and to conduct a 'reasonable inquiry' to determine whether discovery responses are sufficient and proper.*"<sup>16</sup> According to the court, a reasonable inquiry should have included searches using fundamental terms such as JVT, avc\_ce or H.264, on the computers belonging to knowledgeable people, like the ones who testified on Qualcomm's behalf. For the discovery process to work, the court noted, the critical inquiry for lawyers should be whether the client's document search was adequate. Lawyers have a duty to conduct a reasonable inquiry before making factual and legal arguments to the court to make sure the arguments are true.<sup>17</sup> Had Qualcomm's attorneys insisted on reviewing the records regarding the locations searched and the terms utilized, they would have discovered the inadequacy of the search and the suppressed documents.<sup>18</sup>

In addition to ordering Qualcomm to

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10 *Id.*

11 *Id.*

12 *Id.*

13 *Id.* at \*11.

14 *Id.* (internal citations omitted).

15 *Id.* at \*13.

16 *Id.* at \*13 (citing Fed.R.Civ.P. 26(g)).

17 *Id.* at \*14.

18 *Id.*

pay \$8.5 million in sanctions and referring Qualcomm's attorneys to the State Bar, the court also ordered Qualcomm and its attorneys to participate in what the court called a Case Review and Enforcement of Discovery Obligations ("CREDO") program. "This is a collaborative process to identify the failures in the case management and discovery protocol utilized by Qualcomm and its in-house and retained attorneys in this case, to craft alternatives that will prevent such failures in the future, to evaluate and test the alternatives, and ultimately, to create a case management protocol which will serve as a model for the future."<sup>19</sup> "At a minimum, the CREDO protocol must include a detailed analysis (1) identifying the factors that contributed to the discovery violation...(2) creating and evaluating proposals, procedures, and processes that will correct the deficiencies...(3) developing and finalizing a comprehensive protocol that will prevent future discovery violations...(4) applying the protocol that was developed...to other factual situations...(5) identifying and evaluating data tracking systems, software, or procedures that corporations could implement to better enable inside and outside counsel to identify potential sources of discoverable documents..., and (6) any other information or suggestions that will help prevent discovery violations."<sup>20</sup>

The reverberations of the *Qualcomm* decision will undoubtedly be felt far and wide in the ensuing months. For the time being, an old adage comes to mind: an ounce of prevention is worth a pound of cure.

### ■ Parties May Not Read Privileged Documents More Closely Than Necessary

In *Rico v. Mitsubishi Motors Corp.*,<sup>21</sup> the California

Supreme Court held that parties who inadvertently receive privileged documents may not read the documents more closely than necessary to determine the existence of a privilege. In *Rico*, the plaintiff's attorney inadvertently received a document containing the defense attorney's notes, summarizing conversations he had with the other defense attorney and their expert. The notes were dated, but were not marked "confidential" or "work product."<sup>22</sup> Plaintiff's attorney then used the notes during the deposition of one of the defendant's expert. Defendants moved to disqualify plaintiff's legal team and their experts on the ground that they had become privy to and had used defendant's work-product, which prejudiced defendants.<sup>23</sup> The California Supreme Court agreed and noted that "the absence of prominent notations of confidentiality does not make them any less privileged."<sup>24</sup>

The California Supreme Court found that the attorney's notes were protected by the work product doctrine, which is codified by C.C.P. §2018.030, and as a result, the plaintiff's attorney owed an ethical duty to the defendant once he received a copy of such document.<sup>25</sup> Relying on *State Comp. Ins. Fund v. WPS, Inc.*,<sup>26</sup> the court held: "When a lawyer who receives materials that obviously appear to be subject to an attorney-client privilege or otherwise clearly appear to be confidential and privileged and where it is reasonably apparent that the materials were provided or made available through inadvertence, the lawyer receiving such materials should refrain from examining the materials any more than is essential to ascertain if the materials are privileged, and shall immediately notify the sender that he or she possesses material that appears to be privileged."<sup>27</sup> The court noted

<sup>19</sup> *Id.* at \*18.

<sup>20</sup> *Id.* at \*19.

<sup>21</sup> 42 Cal. 4th 807 (2007).

<sup>22</sup> *Id.* at 761.

<sup>23</sup> *Id.* at 762.

<sup>24</sup> *Id.* at 767.

<sup>25</sup> *Id.* at 763-64.

<sup>26</sup> 70 Cal. App. 4th 644 (1999).

<sup>27</sup> *Rico*, 42 Cal. 4th at 766.

that a lawyer has “an obligation not only to protect his client’s interests but also to respect the legitimate interests of fellow members of the bar, the judiciary, and the administration of justice.”<sup>28</sup>

The standard to be used in determining whether the document is confidential is an objective one, i.e., “whether reasonably competent counsel, knowing the circumstances of the litigation, would have concluded the materials were privileged, how much review was reasonably necessary to draw that conclusion, and when counsel’s examination should have ended.”<sup>29</sup> In such situations, disqualification may be appropriate if an attorney “fails to conduct himself or herself in the manner specified above [and] other factors compel disqualification.”<sup>30</sup> Although standing alone, exposure to an adversary’s confidential information is insufficient to warrant an attorney’s disqualification, the Supreme Court found that disqualification was appropriate in *Rico* because the plaintiff’s counsel disseminated and used the privileged document, placing defendants at a “great disadvantage.”<sup>31</sup>

After the California Supreme Court’s holding in *Rico*, litigators should remember that when they receive a document from opposing counsel that is obviously confidential, they should immediately stop reading the document and notify the other side.

### ■ Attorney-Client Privilege Extends to a Corporation’s Agents’ Confidential Communications Regarding Legal Advice and Strategy

In *Zurich American Ins. Co. v. Superior Court*,<sup>32</sup> a California appellate court held that the attorney-client privilege extends to confidential communications between the clients’ agents

regarding legal advice and strategy, even when the corporation’s attorneys are not directly involved and/or the communications do not include excerpts of direct communications from the attorneys.

The court found that Evidence Code Section 952 extends the attorney-client privilege to confidential communications shared with a corporation’s agents who are present at the consultation to further the corporation’s interest or “those to whom disclosure is reasonably necessary for the transmission of the information or the accomplishment of the purpose for which the lawyer is consulted,....The key concept here is need to know. While involvement of an unnecessary third person in attorney-client communications destroys confidentiality, involvement of third persons to whom disclosure is reasonably necessary to further the purpose of the legal consultation preserves the confidentiality of the communication.”<sup>33</sup>

### ■ A Motion to Compel Business Records from a Non-Party Must Be Brought Within 60 Days of Objections to a Business Records Subpoena

In *Unzipped Apparel, LLC v. Bader*,<sup>34</sup> the Second District Court of Appeal determined that the 60 day time limit for bringing a motion to compel a non-party’s deposition testimony applies even when a party only seeks to compel a non-party’s business records.<sup>35</sup>

In *Unzipped Apparel*, the plaintiff sought documents from two non-party companies in California by serving Deposition Subpoenas for Production of Business Records. On the date the non-parties were supposed to produce the records, they responded by serving objections to the subpoenas and declining to produce

28 *Id.* at 766-67 (internal citations omitted).

29 *Id.* at 767.

30 *Id.* (internal citations omitted).

31 *Id.*

32 155 Cal. App. 4th 1485 (2007).

33 *Id.*

34 156 Cal. App. 4th 123 (2007).

35 *Id.* at 127.

any documents. When the parties were unable to resolve the matter through the meet and confer process, the plaintiff filed a motion to compel. The motion was filed approximately 85 days after the non-parties served their objections.<sup>36</sup> In opposition to the motion to compel, the non-parties argued that the motion was untimely because it was not brought within 60 days of the objections as required by C.C.P. §2025.480(b), which states that a motion to compel must “be made no later than 60 days after the completion of the records of deposition.”<sup>37</sup> The plaintiff convinced the trial court that the 60 day time limit did not apply because there had been no deposition.<sup>38</sup> The Court of Appeal, however, disagreed.

Looking at the Discovery Act as a whole, the Court of Appeal held that the Discovery Act “contemplates that discovery conducted by way of a business records subpoena is a ‘deposition.’”<sup>39</sup> Accordingly, objections served in response to a business records subpoena constituted a “record of a deposition” and “[t]he record was complete as of the date set for the production.”<sup>40</sup> The propounding party had 60 days to file a motion to compel once the record was complete. “The deadline [is] mandatory.”<sup>41</sup> Because 85 days had passed, the plaintiff’s motion was untimely.

Thus, after *Unzipped Apparel*, California State Court litigators should keep in mind that they must file a motion to compel a non-party witness’s business records no later than 60 days after the date set for production.

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<sup>36</sup> *Id.* at 128.

<sup>37</sup> *Id.* at 128-29.

<sup>38</sup> *Id.* at 129.

<sup>39</sup> *Id.* at 131.

<sup>40</sup> *Id.* at 136.

<sup>41</sup> *Id.*