

FEDERAL RULE OF EVIDENCE 502:  
HAS IT LIVED UP TO ITS POTENTIAL?

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I. INTRODUCTION

[1] Nothing causes litigators greater anxiety than the possibility of doing, or failing to do, something during a civil case that waives attorney–client privilege or work-product protection.<sup>1</sup> Attend any seminar, webcast, podcast, or other continuing legal education course dealing with the discovery of electronically stored information (“ESI”) and you are sure to hear about this concern and how to mitigate it.<sup>2</sup> Listen to any discussion

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<sup>1</sup> See FED. R. EVID. 502 advisory committee’s note (“[Rule 502] responds to 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.”).

<sup>2</sup> See, e.g., J. Michael Rediker, *E-mail and Document Production in Native Format*, in 767 PRACTICING LAW INSTITUTE, LITIGATION AND ADMINISTRATIVE PRACTICE COURSE HANDBOOK SERIES, LITIGATION 195, 206-07 (2007) (discussing concerns over waiver of privilege in e-discovery situations).

or read any article or lawyer survey addressing concerns about the escalating costs of pretrial discovery, particularly in cases where ESI discovery is expected to be prominent, and you also will hear that one of the greatest costs of discovery is the pre-production review of ESI designed to ensure that privileged or protected information is not disclosed.<sup>3</sup>

[2] The enactment of Federal Rule of Evidence 502 (“Rule 502”) in 2008 was intended to provide a vehicle to reduce the anxiety and costs associated with privilege review, but to date it has not lived up to its promise.<sup>4</sup> The explanation for why Rule 502 has fallen short may have to do with the reality that a disappointingly small number of lawyers seem to be aware of the rule and its potential, despite the fact that the rule is over two years old.<sup>5</sup> Also, courts have not interpreted Rule 502 with sufficient consistency in reported decisions to enable practitioners and their clients to predict how they will fare if they attempt to take advantage of the rule to reduce the need for manual, document-by-document pre-production review by either employing electronic search and retrieval methodologies or entering into time and money saving non-waiver agreements.<sup>6</sup>

[3] This Article will address the twin impediments to a fuller adoption of Rule 502 from the perspective of a trial judge who often is involved with regulating the discovery process in civil cases. This Article also provides the perspective of one who is particularly familiar with the goals that underlie the enactment of Rule 502, having authored one of the cases that discussed the then-existing state of the law on the eve of the adoption

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<sup>3</sup> See, e.g., Clayton L. Barker & Philip W. Goodin, *Discovery of Electronically Stored Information*, 64 J. MO. B. 12, 18 (2008) (discussing the “staggering” costs associated with pre-production review of ESI for privileged information).

<sup>4</sup> See FED. R. EVID. 502 advisory committee’s note.

<sup>5</sup> See, e.g., *Peterson v. Bernardi*, 262 F.R.D. 424, 427 (D.N.J. 2009) (noting that, one year after the enactment of Rule 502, lawyers failed to cite Rule 502 even though it controlled their motion).

<sup>6</sup> See discussion *infra* Part IV.C.

of the 2006 amendments to the Federal Rules of Civil Procedure that addressed the discovery of ESI and, in that case, expressed concern that the 2006 amendments did not contain sufficient protections against waiver of privilege or protection to promote the aspirations of the new rules.<sup>7</sup> To undertake this analysis, the Article will focus on Rule 502 itself, section by section, with particular emphasis on the Advisory Committee’s Note, and it will discuss the cases that have, to date, interpreted each section of the rule. Additionally, the Article will provide suggestions for interpreting and applying Rule 502 so that the rule effectively serves as a roadmap for avoiding or limiting the effect of disclosure of privileged or work-product protected information and any ensuing waiver.

## II. OVERVIEW

[4] Rule 502 is titled “Attorney–Client Privilege and Work Product; Limitations on Waiver.”<sup>8</sup> As the title makes clear, the rule applies only to the attorney–client privilege and the work product doctrine.<sup>9</sup> It has no effect on any other evidentiary privilege, such as the vast array of governmental, or other common law privileges, including the confidential marital communications privilege,<sup>10</sup> the psychotherapist–patient privilege,<sup>11</sup> the clergy–communicant privilege,<sup>12</sup> the “law enforcement” or

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<sup>7</sup> See *Hopson v. Mayor of Balt.*, 232 F.R.D. 228, 244 (D. Md. 2005); discussion *infra* Part II.A.

<sup>8</sup> FED. R. EVID. 502.

<sup>9</sup> See FED. R. EVID. 502. The differences between the attorney–client privilege and the work product doctrine are discussed *infra* Part II.B.

<sup>10</sup> See *Trammel v. United States*, 445 U.S. 40, 51 (1980) (noting that there is an “independent rule protecting confidential marital communications”).

<sup>11</sup> See *Jaffee v. Redmond*, 518 U.S. 1, 15 (1996) (noting that Rule 501 protects psychotherapist–patient communications).

<sup>12</sup> See *In re Grand Jury Investigation*, 918 F.2d 374, 384 (3d Cir. 1990) (citing 8 JOHN H. WIGMORE, EVIDENCE § 2285 (McNaughton rev. ed. 1961)) (describing the test for determining whether a communication with a clergyman is privileged).

“informer’s” privilege,<sup>13</sup> and the “deliberative process” privilege.<sup>14</sup> In addition, Rule 502 only applies to certain types of waiver of the attorney–client privilege or work-product protection, namely those made by an actual disclosure of the privileged or protected information.<sup>15</sup> Further, Rule 502 addresses how a party can waive, or not waive, the attorney–client privilege or work-product protection when making disclosures either in a “federal proceeding” or to a “federal agency.”<sup>16</sup> Thus, the rule reaches disclosures made during civil and criminal proceedings in federal court, during administrative proceedings, and to federal administrative agencies during investigative proceedings.

#### A. Legislative History

[5] Prior to, and foreshadowing, the enactment of Rule 502, in *Hopson v. Mayor of Baltimore*, the United States District Court for the District of Maryland recognized that the policy of “narrowly confining the attorney–client privilege to its essential purpose, with subject-matter waiver as the price for unprotected disclosure” was at odds with “the distinct trend towards limiting the nature and amount of discovery to the needs of the particular case, given the issues in the case, the importance of the facts sought to be discovered, and the resources of the parties.”<sup>17</sup> The court further acknowledged “the enormous costs that would accompany a requirement that in all civil cases the production of electronically stored information could not be accomplished until after a comprehensive

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<sup>13</sup> See *In re City of New York*, 607 F.3d 923, 927 (2d Cir. 2010) (considering the question of when the “law enforcement privilege” must yield to the needs of a party seeking discovery in a civil action”).

<sup>14</sup> See *Dep’t of Interior v. Klamath Water Users Protective Ass’n*, 532 U.S. 1, 8 (2001) (mentioning the “deliberative process” privilege as a civil discovery privilege).

<sup>15</sup> See FED. R. EVID. 502 advisory committee’s note (“[Rule 502] governs only certain waivers by disclosure. Other common-law waiver doctrines may result in a finding of waiver even where there is no disclosure of privileged information or work product.”).

<sup>16</sup> See FED. R. EVID. 502.

<sup>17</sup> See *Hopson v. Mayor of Balt.*, 232 F.R.D. 228, 238 (D. Md. 2005).

privilege review and particularized assertion of privilege and work product claims,” and noted that ESI production costs could amount to millions of dollars, including tens or hundreds of thousands of dollars in privilege review costs.<sup>18</sup> Additionally, the court observed that, “[w]ith regard to the process of assembling electronic information responsive to discovery requests, an entire industry of consultants ha[d] developed to provide services to litigants,” with one consultant estimating “‘2004 domestic commercial electronic discovery revenues were in the range of \$832 million - a 94 percent increase from 2003,’” and projecting revenues of \$1.282 billion for 2005, \$1.923 billion for 2006, and \$2.865 billion for 2007.<sup>19</sup>

[6] With such exorbitant costs, “insist[ing] in every case upon ‘old world’ record-by-record pre-production privilege review, on pain of subject matter waiver, would impose upon parties costs of production that bear no proportionality to what is at stake in the litigation.”<sup>20</sup> The court, quoting the Report of the Judicial Conference of the United States by the Advisory Committee on the Federal Rules of Civil Procedure, noted:

The problems that can result from efforts to guard against privilege waiver often become more acute when discovery of electronically stored information is sought. The volume of the information and the forms in which it is stored make privilege determinations more difficult and privilege review correspondingly more expensive and time-consuming, yet less likely to detect all privileged information. Inadvertent production is increasingly likely to occur.<sup>21</sup>

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<sup>18</sup> *See id.*

<sup>19</sup> *Id.* at 239 & n.32 (citing *Socha-Gelbmann 2005 Electronic Discovery Survey*, SOCHA CONSULTING LLC, <http://www.sochaconsulting.com/2005surveyresults.htm> (last visited Feb. 4, 2011)).

<sup>20</sup> *Id.* at 244.

<sup>21</sup> *Id.* at 232 (quoting COMM. ON RULES OF PRACTICE AND PROCEDURE, SUMMARY OF THE REPORT OF THE JUDICIAL CONFERENCE 27 (Sept. 2005) [hereinafter REPORT OF THE JUDICIAL CONFERENCE]).

Notably, pre-Rule 502 inadvertent production of privileged data could “constitute a waiver of privilege as to a particular item of information, items related to the relevant issue, or the entire data collection” in some jurisdictions.<sup>22</sup>

[7] Thus, significant discovery issues existed, including: the privilege review a party producing ESI had to perform; whether counsel could enter into non-waiver agreements to permit post-production assertion of privilege; whether such agreements would be effective; and whether, under principles of substantive evidence law, inadvertent production resulted in waiver of privilege.<sup>23</sup> Addressing these issues in *Hopson*, the court observed that “one of the most challenging aspects” of ESI discovery is “how properly to conduct Rule 34 discovery within a reasonable pretrial schedule, while concomitantly insuring that requesting parties receive appropriate discovery, and that producing parties are not subjected to production timetables that create unreasonable burden, expense, and risk of waiver of attorney–client privilege and work product protection.”<sup>24</sup>

[8] To address these challenges, pending amendments to Rules 16(b) and 26(f)<sup>25</sup> “encourage[d] the party receiving the electronic discovery to agree not to assert waiver of privilege/work product protection against an opposing party that agrees to provide expedited production of electronically stored information without first doing a full-fledged privilege review.”<sup>26</sup> Specifically, the amendments authorized the court to issue scheduling orders to address non-waiver agreements between the parties, permitted the parties to ask the court to adopt their agreements,

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<sup>22</sup> *Hopson*, 232 F.R.D. at 232.

<sup>23</sup> *Id.* at 231.

<sup>24</sup> *Id.* at 232.

<sup>25</sup> See STAFF OF H. COMM. ON THE JUDICIARY, 111TH CONG., FEDERAL RULES OF CIVIL PROCEDURE, at XII (Comm. Print 2009) (noting that the 2006 amendments went into effect on December 1, 2006).

<sup>26</sup> *Hopson*, 232 F.R.D. at 234.

and permitted the parties to make post-production claims of privilege and work-product protection for ESI.<sup>27</sup> However, as the court pointed out, the Report of the Judicial Conference noted that the proposed amendments only allowed for a party to *claim* privilege or work-product protection: it did not state definitively that producing documents pursuant to non-waiver agreements would not result in waiver of privilege or work-product protection.<sup>28</sup> Thus, the amendments would permit parties to reduce “the burdens of privilege review” for ESI, “but at the price of risking waiver or forfeiture of privilege/work product protection, depending on the substantive law of the jurisdiction in which the litigation was pending,” such that “no prudent party would agree to follow the procedures recommended in the proposed rule.”<sup>29</sup>

[9] Nonetheless, “parties, with the apparent encouragement of courts, ha[d] been using these procedures even in advance of the adoption of rule changes authorizing them.”<sup>30</sup> Parties were ““enter[ing] into agreements to disclose privileged materials provided the disclosure [was] not taken to entail waiver as to all privileged matters,”” and courts were upholding the agreements—or even adopting them as court orders—so that the parties, in theory, could ““avoid the general rule that partial disclosure on a given subject matter [would] bring in its wake total disclosure.””<sup>31</sup> The agreements ““protect[ed] responding parties from the most dire consequences of inadvertent waiver by allowing them to “take back” inadvertently produced privileged materials if discovered within a reasonable period, perhaps thirty days from production.””<sup>32</sup>

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<sup>27</sup> *Id.* at 233 (citing REPORT OF THE JUDICIAL CONFERENCE, *supra* note 21, at 26, 52).

<sup>28</sup> *Id.* (citing REPORT OF THE JUDICIAL CONFERENCE, *supra* note 21, at 26).

<sup>29</sup> *Hopson*, 232 F.R.D. at 233–34 (footnote omitted).

<sup>30</sup> *Id.* at 234, 235 n.10 (collecting cases from 1950 through 2003 and noting that “[n]ot all courts have approved non-waiver agreements between counsel”).

<sup>31</sup> *Id.* at 232 n.1 (quoting EDNA SELAN EPSTEIN, *THE ATTORNEY-CLIENT PRIVILEGE AND THE WORK-PRODUCT DOCTRINE* 287–88 (4th ed. 2001)).

<sup>32</sup> *Id.* at 232 (quoting *MANUAL FOR COMPLEX LITIGATION (FOURTH)* § 11.446 (2004)).

[10] But, prior to Rule 502, these non-waiver agreements would not necessarily “insulate the parties from waiver” or be enforceable as to third parties.<sup>33</sup> In part, their effectiveness depended on the court hearing a waiver argument, because the federal courts took “three distinct positions” as to whether inadvertent production waived privilege or work-product protection:

The “strict accountability” approach followed by the Federal Circuit and the First Circuit [and the District of Columbia] (which almost always finds waiver, even if production was inadvertent, because “once confidentiality is lost, it can never be restored”); the lenient/ “to err is human” approach, followed by the Eighth Circuit and a handful of district courts (which views waiver as requiring intentional and knowing relinquishment of the privilege, and finds waiver in circumstances of inadvertent disclosure only if caused by gross negligence); and the third approach, adopting a “ ‘balancing’ test that requires the court to make a case-by-case determination of whether the conduct is excusable so that it does not entail a necessary waiver” [(adopted by a number of district courts within the Fourth Circuit)].<sup>34</sup>

Considering these disparate views, the *Hopson* court cautioned that parties should “assume that complete pre-production privilege review is required, unless it can be demonstrated with particularity that it would be unduly burdensome or expensive to do so.”<sup>35</sup>

[11] The *Hopson* court presented a “viable method of dealing with the practical challenges to privilege review of electronically stored information without running an unacceptable risk of subject-matter

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<sup>33</sup> *Id.* at 235 (citing CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL RULES OF EVIDENCE § 55077, 579 n.22 (1986)).

<sup>34</sup> *Id.* at 235–36 (footnotes omitted).

<sup>35</sup> *Hopson*, 232 F.R.D. at 244.

waiver.”<sup>36</sup> Explaining that parties can avoid waiver successfully if “the production of inadvertently produced privileged electronic data [is] at the compulsion of the court, rather than solely by the voluntary act of the producing party,” and “the procedures agreed to by the parties and ordered by the court demonstrate that reasonable measures were taken to protect against waiver of privilege and work product protection,”<sup>37</sup> the court proposed that courts issue protective orders, scheduling orders, or discovery management orders “that incorporate procedures under which electronic records will be produced without waiving privilege or work product that the courts have determined to be reasonable given the nature of the case, and that have been agreed to by the parties.”<sup>38</sup> It elaborated:

[P]arties that have entered into an agreement to preserve privilege claims with respect to production of electronically stored information [may] avoid subsequent claims by third parties that the production waived the privilege, provided: (a) the party claiming the privilege took reasonable steps given the volume of electronically stored data to be reviewed, the time permitted in the scheduling order to do so, and the resources of the producing party; (b) the producing party took reasonable steps to assert promptly the privilege once it learned that some privileged information inadvertently had been disclosed, despite the exercise of reasonable measures to screen for privilege and, importantly; (c) the production had been compelled by court order that was issued after the court's independent evaluation of the scope of electronic discovery permitted, the reasonableness of the procedures the producing party took to screen out privileged material or assert post-production claims upon discovery of inadvertent production of privileged information, and the amount of time that the court allowed the producing party to spend on the

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<sup>36</sup> *Id.* at 239.

<sup>37</sup> *Id.* at 240.

<sup>38</sup> *Id.* at 239.

production.<sup>39</sup>

Thus, the permitted amount of ESI discovery would “be a function of the issues in the litigation, the resources of the parties, whether the discovery sought [was] available from alternative sources that [we]re less burdensome, and the importance of the evidence sought to be discovered by the requesting party to its ability to prove its claims.”<sup>40</sup>

[12] In its proposal, the court relied on Proposed Rule of Evidence 512, which, while rejected by Congress, nonetheless “evidence[s] the common law of privilege and therefore may be applied under Rule 501 if reason and experience make such application appropriate.”<sup>41</sup> Proposed Rule 512 provides: “Evidence of a statement or other disclosure of privileged matter is not admissible against the holder of the privilege if the disclosure was (a) compelled erroneously or (b) made without opportunity to claim the privilege.”<sup>42</sup> Thus, Proposed Rule 512 “can contain” damage caused by the inadvertent disclosure of privileged information.<sup>43</sup> Courts have relied on Proposed Rule 512 “to hold that a party that is compelled to produce privileged material, or erroneously produces it, does not waive the privilege.”<sup>44</sup> Simply put, “provided the holder of the privilege has taken all reasonable measures under the circumstances to prevent disclosure, but was prevented from doing so by matters beyond his control, a finding of waiver would be unfair and improper.”<sup>45</sup> While the mechanism to avoid

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<sup>39</sup> *Id.* at 242.

<sup>40</sup> *Id.* at 244.

<sup>41</sup> *Hopson*, 232 F.R.D. at 240 (citing JACK B. WEINSTEIN & MARGARET A. BERGER, WEINSTEIN’S FEDERAL EVIDENCE § 512.02 (Joseph M. McLaughlin ed., Matthew Bender 2d ed. 1997)).

<sup>42</sup> Rules of Evidence for U.S. Courts and Magistrates, 56 F.R.D. 183, 259 (1972) (Federal Rule of Evidence 512).

<sup>43</sup> *Hopson*, 232 F.R.D. at 241.

<sup>44</sup> *Id.* (citing *Transamerica Computer Co. v. IBM*, 575 F.2d 646 (9th Cir. 1978)).

<sup>45</sup> *Id.* at 243.

privilege waiver that *Hopson* suggested was a means to avoid the harsh effects of waiver, it was nonetheless a Rube Goldberg machine<sup>46</sup> that was both cumbersome and limited. Essentially, it required the court to burden the parties with compulsion to conduct discovery in a manner that would enhance the risk of unintentional disclosure of privileged or protected information.

[13] Two years after the *Hopson* decision, in September 2007, when the Judicial Conference's Committee on Rules of Practice and Procedure approved Proposed Rule 502 and the Judicial Conference recommended its enactment, the Committee submitted the proposed rule to Congress.<sup>47</sup> The Committee submitted the proposed rule to Congress because, while the Rules Enabling Act provides that "[t]he Supreme Court shall have the power to prescribe general rules of practice and procedure and rules of evidence for cases in the United States district courts (including proceedings before magistrate judges thereof) and courts of appeals,"<sup>48</sup> it also provides that "[a]ny such rule creating, abolishing, or modifying an evidentiary privilege shall have no force or effect unless approved by Act of Congress."<sup>49</sup> On February 25, 2008, Senator Patrick Leahy (D-VT) reported the legislation out of the Committee on the Judiciary without amendment.<sup>50</sup> By unanimous vote and without amendment, the Senate approved the legislation on February 27, 2008.<sup>51</sup> The legislation passed the House on September 8, 2008 with an addition to the explanatory note

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<sup>46</sup> See generally *Rube Goldberg Biography*, RUBE GOLDBERG, <http://www.rubegoldberg.com/> (last visited Feb. 14, 2011) ("A Rube Goldberg contraption . . . takes a simple task and makes it extraordinarily complicated.").

<sup>47</sup> *Bill Summary and Status, 110th Congress (2007 – 2008) S.2450, All Congressional Actions*, LIBR. CONGRESS, <http://Thomas.loc.gov/cgi-bin/bdquery/z?d110:SN02450:@@@X> (last visited Feb. 5, 2011) [hereinafter *Bill Summary and Status*].

<sup>48</sup> 28 U.S.C. § 2072(a) (2006).

<sup>49</sup> *Id.* § 2074(b).

<sup>50</sup> *Bill Summary and Status*, *supra* note 47.

<sup>51</sup> *Id.*

accompanying Rule 502 but without amendment to the proposed rule, and the President signed the rule into law on September 19, 2008.<sup>52</sup>

B. Distinguishing between Attorney–Client Privilege  
and Work Product Doctrine

[14] The attorney–client privilege and the work product doctrine are distinct evidentiary principles, each of which protects a different interest.<sup>53</sup> “The attorney–client privilege protects the confidentiality of communications between attorney and client made for the purpose of obtaining legal advice.”<sup>54</sup> Its purpose is “to promote communication between attorney and client by protecting client confidences.”<sup>55</sup> The attorney–client privilege “is one of the oldest recognized privileges for confidential communications.”<sup>56</sup> Courts have narrowly construed the attorney–client privilege.<sup>57</sup>

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<sup>52</sup> *Id.*

<sup>53</sup> *See* Nutramax Labs., Inc. v. Twin Labs. Inc., 183 F.R.D. 458, 463 n.10 (D. Md. 1998); *see also* United States v. Nobles, 422 U.S. 225, 238 n.11 (1975); Hickman v. Taylor, 329 U.S. 495, 508 (1947); Nat’l Union Fire Ins. Co. v. Murray Sheet Metal Co., 967 F.2d 980, 984 n.4 (4th Cir. 1992); Duplan Corp. v. Deering Milliken, Inc., 540 F.2d 1215, 1223 n.7 (4th Cir. 1976).

<sup>54</sup> Genentech, Inc. v. U.S. Int’l Trade Comm’n, 122 F.3d 1409, 1415 (Fed. Cir. 1997) (citing Am. Standard Inc. v. Pfizer Inc., 828 F.2d 734, 745 (Fed. Cir. 1987)).

<sup>55</sup> *In re* Martin Marietta Corp., 856 F.2d 619, 624 (4th Cir. 1988); *see* Swidler & Berlin v. United States, 524 U.S. 399, 403 (1998) (stating that the purpose of the attorney–client privilege is “to encourage ‘full and frank communication between attorneys and their clients and thereby promote broader public interests in the observance of law and the administration of justice’”) (quoting *Upjohn Co. v. United States*, 449 U.S. 383, 389 (1981)).

<sup>56</sup> *Swidler & Berlin*, 524 U.S. at 403 (citing *Upjohn*, 449 U.S. at 389); *see* Mohawk Indus., Inc. v. Carpenter, 130 S. Ct. 599, 606 (2009); *Hunt v. Blackburn*, 128 U.S. 464, 470 (1888) (recognizing the attorney–client privilege).

<sup>57</sup> *NLRB v. Harvey*, 349 F.2d 900, 907 (4th Cir. 1965) (quoting 8 J. WIGMORE, EVIDENCE § 2291, at 554 (McNaughton rev. ed. 1961)) (“The privilege remains an exception to the general duty to disclose . . . . It is worth preserving for the sake of a general policy, but it

[15] In contrast, the work product doctrine, first recognized in *Hickman v. Taylor*,<sup>58</sup> “essentially protects the attorney’s work and mental impressions from adversaries and third parties even when communicated to the client.”<sup>59</sup> Put another way, the work product doctrine guards against the discovery of “documents and tangible things that are prepared in anticipation of litigation or for trial by or for another party or its representative (including the other party’s attorney, consultant, . . . or agent).”<sup>60</sup> Its purpose is to “shelter[] the mental processes of the attorney, providing a privileged area within which he can analyze and prepare his client’s case.”<sup>61</sup> The doctrine affords the litigant “a broader protection, designed to balance the needs of the adversary system: promotion of an attorney’s preparation in representing a client versus society’s general interest in revealing all true and material facts to the resolution of a dispute.”<sup>62</sup> Nonetheless, work product materials that are “otherwise discoverable under Rule 26(b)(1),”<sup>63</sup> (i.e., relevant and non-privileged), are discoverable if the party seeking discovery “shows that it has substantial need for the materials to prepare its case and cannot, without undue hardship, obtain their substantial equivalent by other means.”<sup>64</sup>

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is nonetheless an obstacle to the investigation for truth. It ought to be strictly confined within the narrowest possible limits consistent with the logic of its principles.”).

<sup>58</sup> *Hickman*, 329 U.S. at 511; see *Nutramax*, 183 F.R.D. at 462; see also FED. R. EVID. 502 advisory committee’s note.

<sup>59</sup> EDNA S. EPSTEIN, *THE ATTORNEY–CLIENT PRIVILEGE AND THE WORK–PRODUCT DOCTRINE* 1027 (5th ed. 2007).

<sup>60</sup> FED. R. CIV. P. 26(b)(3)(A).

<sup>61</sup> *United States v. Nobles*, 422 U.S. 225, 238 (1975); see *Trs. of Elec. Workers Loc. No. 26 Pension Trust Fund v. Trust Fund Advisors, Inc.*, 266 F.R.D. 1, 13 (D.D.C. 2010) (stating that the work product doctrine “creates a zone of privacy around counsel”).

<sup>62</sup> *In re Martin Marietta Corp.*, 856 F.2d 619, 624 (4th Cir. 1988) (citing *Nobles*, 422 U.S. at 238).

<sup>63</sup> FED. R. CIV. P. 26(b)(3)(A)(i).

<sup>64</sup> FED. R. CIV. P. 26(b)(3)(A)(ii).

[16] Work product falls into two categories: opinion work product, which contains the “mental impressions, conclusions, opinions, or legal theories” of a party’s attorney or other representative concerning the litigation,<sup>65</sup> and fact, or “ordinary,” work product, which refers to documents and things surrounding an attorney’s preparation of a client’s case which extends to information the attorney or her agent, assembles “in anticipation of litigation.”<sup>66</sup> “[W]hat the work product doctrine is fundamentally designed to protect against is disclosure of ‘pure’ mental impressions or opinions of counsel.”<sup>67</sup> In that vein, discovery under Rule 26(b)(3)(A) generally is available only for fact, not opinion, work product.<sup>68</sup>

[17] Waiver of the attorney–client privilege and waiver of the work-product protection result from different circumstances.<sup>69</sup> Waiver of attorney–client privilege “does not automatically waive whatever work-product immunity that communication may also enjoy, as the two are independent and grounded on different policies.”<sup>70</sup> Therefore, “[w]aiver

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<sup>65</sup> FED. R. CIV. P. 26(b)(3)(B).

<sup>66</sup> EPSTEIN, *supra* note 59, at 946; *see* *Nutramax Labs., Inc. v. Twin Labs. Inc.*, 183 F.R.D. 458, 462 (D. Md. 1998).

<sup>67</sup> *Nutramax*, 183 F.R.D. at 466 (citing *In re Martin Marietta*, 856 F.2d at 625).

<sup>68</sup> *See* FED. R. CIV. P. 26(b)(3)(B) (“If the court orders discovery of [attorney work product], it must protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of a party’s attorney or other representative concerning the litigation.”); *Eden Isle Marina, Inc. v. United States*, 89 Fed. Cl. 480, 496 (2009) (“Whereas factual work product can be discovered solely upon a showing of substantial need and undue hardship, mental process work product is afforded even greater, nearly absolute, protection.”) (quoting *In re Seagate Tech., LLC*, 497 F.3d 1360, 1375 (Fed. Cir. 2007)); *see also Nutramax*, 183 F.R.D. at 462 (noting that opinion work product is “nearly absolutely immune” from discovery”).

<sup>69</sup> *See Nutramax*, 183 F.R.D. at 464 n.10.

<sup>70</sup> EPSTEIN, *supra* note 59, at 1027.

of the privilege should always be analyzed distinctly from waiver of work product.”<sup>71</sup>

[18] Attorney–client privilege waiver occurs when the client or counsel acts in a way “that is inconsistent with the continued maintenance of the privilege.”<sup>72</sup> Although now tempered by the protections of Rule 502, as discussed *infra*, waiver of the attorney–client privilege may occur through “any disclosure, intentional, or *even inadvertent*, which is inconsistent with maintaining the communication as confidential.”<sup>73</sup> The client holds the privilege and has the ability to waive it, either expressly or impliedly.<sup>74</sup>

[19] Only disclosure “in a manner that is inconsistent with preserving the secrecy of that information from an adversary” waives the work product doctrine.<sup>75</sup> Indeed, “the mere showing of a voluntary disclosure to a third person . . . should not suffice in itself for waiver of the work-product privilege,” even though it would “generally suffice to show waiver of the attorney–client privilege.”<sup>76</sup> Put another way, waiver of work-product protection only may occur when “a disclosure has been made which is consistent with a conscious disregard of the advantage that is otherwise protected by the doctrine.”<sup>77</sup> Thus, inadvertent disclosure, which waives the attorney–client privilege, does not appear to waive the

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<sup>71</sup> *Id.*

<sup>72</sup> *Trs. of the Elec. Workers Loc. No. 26 Pension Trust Fund v. Trust Fund Advisors, Inc.*, 266 F.R.D. 1, 11 (D.D.C. 2010).

<sup>73</sup> *Nutramax*, 183 F.R.D. at 464 n.10 (emphasis added) (citing *McCafferty’s, Inc. v. Bank of Glen Burnie*, 179 F.R.D. 163, 166–68 (D. Md. 1998)).

<sup>74</sup> *Eden Isle Marina, Inc. v. United States*, 89 Fed. Cl. 480, 501 (2009).

<sup>75</sup> *Trs. of the Elec. Workers Loc. No. 26 Pension Trust Fund*, 266 F.R.D. at 15.

<sup>76</sup> *Id.* at 14 (quoting *United States v. Am. Tel. & Tel. Co.*, 642 F.2d 1285, 1299 (D.C. Cir. 1980)).

<sup>77</sup> *Nutramax*, 183 F.R.D. at 464 n.10 (citing *Doe v. United States*, 662 F.2d 1073, 1081 (4th Cir. 1981)).

“more robust” work product doctrine.<sup>78</sup> The scope of waiver differs for fact and opinion work product.<sup>79</sup>

### C. Organization of Rule 502

[20] Rule 502 includes seven subsections: (1) disclosures in federal proceedings or to an agency that involve waiver of the attorney–client privilege or work-product protection, as well as the scope of that waiver;<sup>80</sup> (2) inadvertent disclosure of privileged or protected information, and when such disclosure does or does not result in waiver of privilege or protection;<sup>81</sup> (3) disclosures in state proceedings, whether judicial or administrative, where there is no state court order in effect governing waiver of privileged or protected information;<sup>82</sup> (4) the controlling effect of a federal court order stating that privilege or protection is not waived by disclosure, which is binding on parties and non-parties to the litigation, and applies to other federal proceedings, as well as to state proceedings;<sup>83</sup> (5) the effect of agreements between parties to federal proceedings to the effect that a particular disclosure will not constitute waiver of privilege or protection;<sup>84</sup> (6) the controlling effect of Rule 502 as against all other federal and state proceedings, as well as court-annexed or court-mandated

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<sup>78</sup> *Id.*; see also EPSTEIN, *supra* note 59, at 1037 (“Any inadvertent disclosure of work product should not ordinarily entail subject matter waiver. Given the purposes that are served by the work–product doctrine such a result would in ordinary circumstances be perfectly extraordinary and entirely punitive for no cognizable judicial purpose.”).

<sup>79</sup> See *infra* Part III.

<sup>80</sup> FED. R. EVID. 502(a). For convenience, this Article will refer to the attorney–client privilege as the “privilege” and work-product protection as “protection.”

<sup>81</sup> FED. R. EVID. 502(b).

<sup>82</sup> FED. R. EVID. 502(c).

<sup>83</sup> FED. R. EVID. 502(d).

<sup>84</sup> FED. R. EVID. 502(e).

arbitration proceedings,<sup>85</sup> and (7) definitions of the attorney–client privilege and work product doctrine.<sup>86</sup>

[21] The Advisory Committee’s Note is crucial to a proper understanding of the purpose, scope, and operation of the new rule, and it provides vital guidance as to interpreting the rule in actual cases. The introductory portion of the Committee’s Note is especially important, as it discusses the purpose of the rule and clearly identifies the rule’s objectives.<sup>87</sup> As the note states, “[Rule 502] has two major purposes.”<sup>88</sup> First, it is intended to “resolve[] longstanding disputes in the courts about the effect of certain disclosures of communications or information protected by the attorney–client privilege or as work product—specifically those disputes involving inadvertent disclosure and subject matter waiver.”<sup>89</sup> Second, the rule is intended to “respond[] to 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.”<sup>90</sup> Cases involving ESI discovery heighten the fear of subject matter waiver.<sup>91</sup> It is important to realize that Rule 502 “trumps” or supersedes court decisions rendered prior to the enactment of the rule that are inconsistent with it.<sup>92</sup>

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<sup>85</sup> FED. R. EVID. 502(f).

<sup>86</sup> FED. R. EVID. 502(g).

<sup>87</sup> FED. R. EVID. 502 advisory committee’s note.

<sup>88</sup> *Id.*

<sup>89</sup> *Id.*

<sup>90</sup> *Id.*

<sup>91</sup> *See id.*

<sup>92</sup> *See Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579, 587 (1993) (holding that a new federal rule of evidence superseded a common law rule that is either not incorporated or is inconsistent with the new rule).

[22] Courts called upon to interpret Rule 502 should be especially diligent in construing it in a manner that is consistent with its purpose. Otherwise, its goal of “provid[ing] a predictable, uniform set of standards under which parties can determine the consequences of a disclosure of a communication or information covered by the attorney–client privilege or work-product protection” cannot be achieved.<sup>93</sup> The importance of this comment cannot be overlooked. Rule 502 was enacted to provide lawyers and clients with a roadmap of how to avoid or limit the effect of waiver of privilege or work-product protection.<sup>94</sup> It cannot function as intended if some courts interpret it in a manner that is not in concert with its purpose, because without uniform application, there can be no predictability.<sup>95</sup> Absent this predictability, the rule is robbed of its primary justification.

[23] As this Article will demonstrate, some courts have interpreted Rule 502 in a fashion that undermines these two primary purposes, by interpreting what “inadvertent” means in connection with Rule 502(b) in a manner that makes its implementation more cumbersome than intended,<sup>96</sup> or by rejecting as “unreasonable” efforts taken by lawyers to protect against waiver of privilege or protection in circumstances where a strong argument could be made that what was done was perfectly reasonable, given the nature of the litigation.<sup>97</sup> Other courts have taken what may be regarded as an overly-restrictive approach in determining whether agreements that counsel enter into to avoid waiver of privileged or protected information pursuant to Rule 502(e) qualified for the protection that subsection (e) is intended to provide.<sup>98</sup> Still others appear to have

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<sup>93</sup> FED. R. EVID. 502 advisory committee’s note.

<sup>94</sup> *See id.*

<sup>95</sup> *Cf. Upjohn Co. v. United States*, 449 U.S. 383, 393 (1981) (“An uncertain privilege, or one which purports to be certain but results in widely varying applications by the courts, is little better than no privilege at all.”).

<sup>96</sup> *See infra* Part IV.A.

<sup>97</sup> *See infra* Part IV.B.

<sup>98</sup> *See infra* Part VIII.

engrafted a requirement of taking “reasonable” precautions against waiver when interpreting sections of the rule that do not themselves impose these requirements.<sup>99</sup> It is sincerely hoped that in the future, reviewing courts will achieve sufficient uniformity in interpreting Rule 502 in accordance with its purpose to reach the twin goals of predictability and reduction of litigation costs associated with discovery of ESI for lawyers and clients. Interpreting the rule consistently with the discussion of its purpose contained in the Advisory Committee notes is one way reviewing courts can ensure that they are achieving these goals.

### III. RULE 502(a)

[24] Rule 502(a) states:

When the disclosure is made in a Federal proceeding or to a Federal office or agency and waives the attorney–client privilege or work-product protection, the waiver extends to an undisclosed communication or information in a Federal or State proceeding only if:

- (1) the waiver is intentional;
- (2) the disclosed and undisclosed communications or information concern the same subject matter; and
- (3) they ought in fairness to be considered together.<sup>100</sup>

As the rule makes clear, it applies to disclosures of privileged or protected information made in a “federal proceeding” (judicial or administrative),<sup>101</sup> or to a federal “office” or “agency.”<sup>102</sup> Further, subsection (a) applies when there has been (1) a disclosure that (2) “waives the attorney-client privilege or work-product protection,” but it does not attempt to categorize

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<sup>99</sup> See *infra* Part VIII.

<sup>100</sup> FED. R. EVID. 502(a).

<sup>101</sup> FED. R. EVID. 502 advisory committee’s note.

<sup>102</sup> FED. R. EVID. 502(a).

the circumstances that could lead to the conclusion that a waiver has occurred.<sup>103</sup>

[25] To determine whether the disclosure constituted a waiver of the privilege or protection, you must look to: (1) Rule 502 itself (for example, a waiver can occur if a court determines, pursuant to Rule 502(b), that a party's disclosure of privileged or protected information was not inadvertent, despite that party's claim that it was); or (2) the common law of privilege or protection waiver to determine if there would be a waiver under the circumstances of the case.<sup>104</sup> If there has been a disclosure that waives the privilege or protection, then Rule 502(a) provides that the scope of that waiver is limited to what was actually disclosed, and does not constitute broader subject matter waiver, unless (1) the waiver is "intentional," in which case the scope of the waiver extends to (2) "the disclosed and undisclosed communications or information concern[ing] the same subject matter," but only if (3) the undisclosed communications or information "ought in fairness to be considered together" with the disclosed communications or information.<sup>105</sup>

[26] Several important observations must be made about the text of Rule 502(a). First, Rule 502(a) makes no attempt to define what the test is to determine whether the disclosure constituted an "intentional" waiver. The Committee's Note offers guidance, however, by seeming to equate "intentional" waiver with "voluntary disclosure" that constitutes a waiver (under either Rule 502 or applicable common law), a conclusion supported by additional language in the Committee's Note that "[i]t follows that an inadvertent disclosure of protected information can never result in a subject matter waiver."<sup>106</sup> Thus, Rule 502(a) does not require a demonstration that the party that disclosed the privileged or protected information subjectively intended to waive the protection, but rather a

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<sup>103</sup> *Id.*

<sup>104</sup> FED. R. EVID. 502 advisory committee's note.

<sup>105</sup> FED. R. EVID. 502(a).

<sup>106</sup> FED. R. EVID. 502 advisory committee's note.

showing that the production was “voluntary” and not “inadvertent.”<sup>107</sup> Accordingly, if a party meant to disclose the privileged or protected information, knowing that it was privileged or protected information,<sup>108</sup> even if it did not then intend to waive the privilege or protection, the disclosure likely meets the “waiver is intentional” requirement of Rule 502(a).<sup>109</sup>

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<sup>107</sup> *See id.*

<sup>108</sup> *See, e.g.,* Seyler v. T-Sys. N. Am., Inc., No. 10 Misc. 7 (JGK), 2011 WL 196920, at \*3 (S.D.N.Y. Jan. 21, 2011) (concluding that the plaintiff’s counsel’s production of an e-mail between the plaintiff and her sister, which was covered by the attorney–client privilege, “does not satisfy the higher standard of intentional waiver in Rule 502(a)” because the plaintiff’s counsel “did not at the time [of production] know that the plaintiff’s sister was a lawyer”).

<sup>109</sup> *See, e.g.,* Silverstein v. Fed. Bureau of Prisons, No. 07-cv-02471-PAB-KMT, 2009 WL 4949959, at \*12 (D. Colo. Dec. 14, 2009) (rejecting the defendant’s claim of inadvertent disclosure of work product). In *Silverstein*, the court found instead that the defendant disclosed the work product in order to “gain an advantage in the litigation,” and having done so, made a “conscious decision” not to request that the protected information be returned by its adversary. *Id.* at \*7, 12. Concluding that a voluntary disclosure of protected information to gain an advantage in the litigation was an intentional waiver under Rule 502(a), the court ruled that Rule 502(a)(3) “subject matter waiver” was appropriate because defendant “intentionally and willfully intended to mislead the plaintiff and gain an advantage in the litigation.” *Id.* at \*12-13. Accordingly, the court extended the waiver to documents not disclosed, but concerning the same subject matter as the disclosed work product document. *Id.* at \*14. In *Chick-Fil-A v. Exxon Mobil Corp.*, No. 08-61422-CIV, 2009 WL 3763032 (S.D. Fla. Nov. 10, 2009), the court found that Exxon “voluntarily disclosed to its adversary” work-product protected information. *Id.* at \*3. The court, while referencing Rule 502 to address the scope of waiver, held “[a]ccordingly, . . . that Exxon counsel’s intentional, voluntary disclosure to Chick-fil-A of attorney Quiralte’s Memorandum waived Exxon’s work product protection.” *Id.* Likewise, in *Eden Isle Marina, Inc. v. United States*, the Court of Federal Claims rejected the defendant’s contention that its production of work product information did not constitute a waiver because it was inadvertent pursuant to Rule 502(b). 89 Fed. Cl. 480, 510 (2009). Instead, the court held that production was intentional because the defendant had produced the work product information on three separate occasions and in a manner “so careless that it [could not] be construed as inadvertent.” *Id.* Therefore, the court looked to Rule 502(a) to determine the scope of the waiver. *Id.* at 520–21.

[27] The Advisory Committee’s Note identifies the “evil” Rule 502(a) was intended to protect against, namely “situations in which a party intentionally puts protected information into the litigation in a selective, misleading and unfair manner.”<sup>110</sup> This language provides additional support for the notion that the words “waiver is intentional” used in Rule 502(a) are synonymous with “voluntary,” as opposed to “inadvertent,” disclosure. Therefore, Rule 502(a) does not require a showing of subjective intent to waive privilege or protection.<sup>111</sup> The principle is that a party cannot have its cake and eat it too. If a party voluntarily discloses only a portion of privileged or protected information that is helpful to its litigation position, while concomitantly refusing to disclose harmful privileged or protected information relating to the same subject matter, such “selective” disclosure would be both misleading and unfair.<sup>112</sup> Thus, the correct interpretation of the words “waiver is intentional” as used in Rule 502(a) is that the disclosure of privileged or protected information was voluntary, purposeful, and advertent, and that under either Rule 502 or common law, such a disclosure constitutes a waiver.<sup>113</sup>

[28] The second noteworthy observation about Rule 502(a) is that, in discussing the waiver of undisclosed work product information of the same subject matter as that which was disclosed, the rule makes no attempt to distinguish between fact work product and opinion work product.<sup>114</sup> In contrast, Federal Rule of Civil Procedure 26(b)(3), which “codifies the work product doctrine,”<sup>115</sup> distinguishes between “opinion” work product—disclosure of which, Rule 26(b)(3)(B) cautions, courts “must protect against”—and “fact” work product, to which Rule

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<sup>110</sup> FED. R. EVID. 502 advisory committee’s note.

<sup>111</sup> *See id.*

<sup>112</sup> *See id.*

<sup>113</sup> *Id.*

<sup>114</sup> *See* FED. R. EVID. 502(a) (mentioning waiver of “work-product protection” without clarification).

<sup>115</sup> *Nutramax Labs., Inc. v. Twin Labs. Inc.*, 183 F.R.D. 458, 462 n.6 (D. Md. 1998).

26(b)(3)(B) does not pertain.<sup>116</sup> A court may order a party to disclose “fact” work product to an adversary that can show “it has substantial need for the materials to prepare its case and cannot, without undue hardship, obtain their substantial equivalent by other means.”<sup>117</sup> Rule 502(a) identifies circumstances in which work product waiver can extend to “subject matter” waiver, and it defines the scope of such waiver.<sup>118</sup> The rule does not define the circumstances that can constitute such a waiver. Instead, it focuses only on the extent of any waiver that has occurred.<sup>119</sup> The common law and the other provisions of Rule 502 supply the circumstances that constitute a waiver.<sup>120</sup>

[29] Despite the rule’s failure to address opinion and fact work product directly with respect to the scope of any waiver, reviewing courts have discovered an effective way to harmonize Rule 502 with Federal Rule of Civil Procedure 26(b)(3)(B) (“Rule 26(b)(3)(B)”). They simply have held that the third element of Rule 502(a)—which provides that the scope of work product waiver extends to undisclosed communications or information relating to the same subject matter as the work product that intentionally was waived by disclosure, but only if the undisclosed work product “ought in fairness” be considered together with the disclosed work product—generally excludes opinion work product.<sup>121</sup> The courts have

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<sup>116</sup> Compare FED. R. CIV. P. 26(b)(3)(B) (protecting “mental impressions, conclusions, opinions, or legal theories of a party’s attorney or other representative concerning the litigation”), with *Reitz v. City of Mt. Juliet*, 680 F. Supp. 2d 888, 892 (M.D. Tenn. 2010) (citing *Tenn. Laborers Health & Welfare Fund v. Columbia/HCA Healthcare Corp.*, 293 F.3d 289, 294 (6th Cir. 2002)) (“‘Fact’ work product, which reflects information received by the lawyer, receives less protection than ‘opinion’ work product, which reflects the lawyer’s ‘mental impressions, opinions, conclusions, judgments, or legal theories.’”).

<sup>117</sup> FED. R. CIV. P. 26(b)(3)(A)(ii).

<sup>118</sup> FED. R. EVID. 502(a).

<sup>119</sup> *Id.*

<sup>120</sup> See generally FED. R. EVID. 502; see also FED. R. EVID. 502 advisory committee’s note.

<sup>121</sup> See, e.g., *Trs. of Elec. Workers Local No. 26 Pension Trust Fund v. Trust Fund Advisors*, 266 F.R.D. 1, 15-16 (D.D.C. 2010) (“After enactment of Rule 502, the

done so on the theory that Rule 26(b)(3)(B) establishes that it is unfair to include opinion work product.<sup>122</sup>

[30] If the language in Rule 502(a)(3), “ought in fairness,” sounds somehow familiar, it is because it originates in Federal Rule of Evidence

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questions are whether the disclosed and undisclosed information concern the same subject matter and whether they ought in fairness be considered together. Thus, there is not now, and there has never been, the absolute subject-matter waiver that supposedly flows from the disclosure of work-product.”); *Silverstein v. Fed. Bureau of Prisons*, No. 07-cv-02471-PAB-KMT, 2009 WL 4949959, at \*13 (D. Colo. Dec. 14, 2009) (“Federal Rule of Civil Procedure 26(b)(2)(B) continues to provide special protection for opinion work product . . . . Thus, when considering the fairness of granting a subject-matter waiver of work-product protection pursuant to Federal Rule of Evidence 502(a), the court must pay close attention to the special protection afforded opinion work product.”); *Chick-Fil-A v. Exxon Mobil Corp.*, No. 08-61422-CIV, 2009 WL 3763032, at \*7 (S.D. Fla. Nov. 10, 2009), (citing with approval *Eden Isle Marina*, and concluding that “rule 502 does not abrogate [governing Circuit authority] that ‘the subject-matter waiver doctrine does not extend to materials protected by the opinion work product privilege’”); *Peterson v. Bernardi*, 262 F.R.D. 424, 430 (D.N.J. 2009) (holding that it would be unfair and not within the interests of justice to conclude that, despite a party’s failure to show that production of privileged and work product-protected materials inadvertently were produced pursuant to Rule 502(b), waiver should extend to opinion work product); *Eden Isle Marina v. United States*, 89 Fed. Cl. at 504-05 (“Federal Rule of Evidence 502(a) lacks any explicit language distinguishing between fact work product and opinion work product. However, . . . Federal Rule of Civil Procedure 26(b)(3)(B) . . . continue[s] to provide special protection for opinion work product . . . . Thus, when considering the fairness of granting a subject-matter waiver of work-product protection pursuant to . . . 502(a), the court must pay close attention to the special protection afforded opinion work product.”); *see also In re EchoStar Comm’n’s Corp.*, 448 F.3d 1294, 1303 (Fed. Cir. 2006) (concluding that, pursuant to Fed. R. Civ. P. 26(b)(3), opinion work product “deserves the highest protection from disclosure”); *Cox v. Adm’r U.S. Steel & Carnegie*, 17 F.3d 1386, 1422, *modified on other grounds*, 30 F.3d 1347 (11th Cir. 1994) (“opinion work product enjoys a nearly absolute immunity and can be discovered only in very rare and extraordinary circumstances”) (quoting *In re Murphy*, 560 F.2d 326, 336 (8th Cir. 1977)).

<sup>122</sup> *See Eden Isle Marina*, 89 Fed. Cl. at 504–05; *see also Silverstein*, 2009 WL 4949959, at \*13; *Chick-fil-A*, 2009 WL 3763032, at \*7; *Peterson*, 262 F.R.D. at 430.

106, the so-called “rule of completeness.”<sup>123</sup> The “rule of completeness” prevents a party from selectively referring only to part of a document or statement in a manner that is unfair or misleading.<sup>124</sup> This concept fits well with the underlying purpose of Rule 502(a)(3): to prevent selective disclosure of helpful portions of privileged or protected information, while concomitantly withholding related information that is not helpful.<sup>125</sup>

[31] Nonetheless, even though “Rule 26(b)(3) seems to give absolute protection for the mental impressions and opinions of an attorney,”<sup>126</sup> and “a mere showing of need and an inability to obtain the work product by other means is not sufficient to pierce the protection accorded to opinion work product,”<sup>127</sup> it is a mistake to say that Rule 502(a)(3)’s fairness provision categorically prohibits subject matter waiver of opinion work product across the board. Indeed, the Supreme Court “rejected a proposed amendment to Rule 30(b) that would have given opinion work product absolute protection,”<sup>128</sup> and later “explicitly declined to rule on the question of whether opinion work product, like materials protected by the

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<sup>123</sup> FED. R. EVID. 502 advisory committee’s note (“The language [in Rule 502(a)] concerning subject matter waiver—‘ought in fairness’-is taken from Rule 106, because the animating principle is the same. 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.”).

<sup>124</sup> *See id.*

<sup>125</sup> *Id.* *See generally* Johnson Outdoors, Inc. v. Gen. Star Indem. Co., No. 05-0522, 2011 WL 196825, at \*2 (E.D. Wis. Jan 19, 2011) (holding that the attorney–client privilege had been waived because the plaintiff relied on the attorney–client communications to support its claims, the withheld documents concerned the same subject matter, and “it serve[d] the interests of justice for all the communications to be considered together”); Dubler v. Hangsterfer’s Labs., No. 09-5144, 2011 WL 90244, at \*5 (D.N.J. Jan. 11, 2011) (finding subject-matter waiver of intentionally produced documents because it would be “unfair to allow a client to assert a privilege and prevent disclos[ure] of alleged damaging documents but to allow the client to disclose other communications for self-serving purposes regarding the same subject matter”).

<sup>126</sup> EPSTEIN, *supra* note 59, at 946.

<sup>127</sup> *Id.* at 947.

<sup>128</sup> Holmgren v. State Farm Mut. Auto. Ins. Co. 976 F.2d 573, 577 (9th Cir. 1992).

attorney–client privilege, should be absolutely immune from discovery.”<sup>129</sup> The better approach is to recognize that, although greater protections surround opinion work product, it can be waived in certain circumstances, as provided for in the common law.<sup>130</sup> For example, in *In re Martin Marietta Corp.*,<sup>131</sup> some, but not all, work product materials were produced during settlement negotiations, and the court considered whether, through that disclosure, the party impliedly waived work-product protection for those documents and other documents of the same subject matter.<sup>132</sup> The court concluded that the protection was waived as to fact, but not opinion, work product previously disclosed and other fact work product on the same subject matter.<sup>133</sup> However, the court noted that “actual disclosure of pure mental impressions may be deemed waiver” and that “there may be indirect waiver [of opinion work product] in extreme circumstances.”<sup>134</sup>

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<sup>129</sup> EPSTEIN, *supra* note 59, at 947.

<sup>130</sup> *See, e.g.*, *Nutramax Labs., Inc. v. Twin Labs. Inc.*, 183 F.R.D. 458, 463 (D. Md. 1998) (discussing discoverability and waiver of opinion work product). In *Nutramax*, the court noted that “the work product doctrine was not intended to ‘endow lawyers as individuals with an untouchable status,’ nor was it intended to be a ‘fringe benefit’ for lawyers who abuse the very judicial system the work product rule is intended to protect.” *Id.* (quoting *In re John Doe*, 662 F.2d 1073, 1079 (4th Cir. 1981)). Furthermore, the court held:

If otherwise discoverable documents, which do not contain pure expressions of legal theories, mental impressions, conclusions or opinions of counsel, are assembled by counsel, and are put to a testimonial use in the litigation, then an implied limited waiver of the work product doctrine takes place, and the documents themselves, not their broad subject matter, are discoverable.

*Id.* at 467.

<sup>131</sup> 856 F.2d 619 (4th Cir. 1988).

<sup>132</sup> *Id.* at 621, 624–26.

<sup>133</sup> *Id.* at 625.

<sup>134</sup> *Id.* at 626.

[32] Moreover, even courts that have held that Rule 502(a)(3) incorporates the special protection Federal Rule Civil Procedure 26(b)(3)(B) affords to opinion work product have found that 502(a) subject matter waiver may extend to undisclosed opinion work product if the work product concerned the same subject matter of previously disclosed work product information that had been “intentionally and willfully” disclosed to the plaintiff during discovery to mislead the plaintiff “and gain an advantage in the litigation, six days before the close of discovery.”<sup>135</sup> Accordingly, while it is appropriate for courts to consider carefully whether intentional waiver of work product protected information should be limited to what was willfully produced, and in doing so keep in mind the special protection afforded to opinion work product, it would not be appropriate to adopt an absolute, or near-absolute, prohibition against finding subject matter waiver even as to undisclosed opinion work product that had intentionally been disclosed. In such cases, the interests of fairness (including mitigating the effects of an unfair and misleading selective disclosure of work product) may warrant such subject matter waiver.

[33] The third and final observation is that, to ensure uniform “protection and predictability” of rulings under Rule 502(a), “the rule provides that if a disclosure is made at the federal level, the federal rule on subject matter waiver governs subsequent state court determinations on the scope of the waiver by that disclosure.”<sup>136</sup>

#### IV. RULE 502(b)

[34] As noted above, one of the primary goals of Rule 502 was to resolve “disputes involving inadvertent disclosure” of privileged or protected information.<sup>137</sup> Accordingly, it is not surprising that the vast majority of court cases interpreting the Rule have focused on the 502(b)

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<sup>135</sup> *Silverstein v. Fed. Bureau of Prisons*, No. 07-cv-02471-PAB-KMT, 2009 WL 4949959, at \*13 (D. Colo. Dec. 14, 2009).

<sup>136</sup> FED. R. EVID. 502 advisory committee’s note.

<sup>137</sup> *Id.*

subsection, which addresses inadvertent disclosure.<sup>138</sup> Unfortunately, this scrutiny has not always resulted in uniform interpretation of 502(b), which undermines the very purpose of the Rule.<sup>139</sup>

[35] Rule 502(b) states:

When made in a Federal proceeding or to a Federal office or agency, the disclosure does not operate as a waiver in a Federal or State proceeding if:

- (1) the disclosure is inadvertent;
- (2) the holder of the privilege or protection took reasonable steps to prevent disclosure; and
- (3) the holder promptly took reasonable steps to rectify the error, including (if applicable) following Federal Rule of Civil Procedure 26(b)(5)(B).<sup>140</sup>

As with Rule 502(a), the protections against waiver of privilege or protection found in subsection (b) govern both federal and state proceedings, meaning that if under subsection (b) disclosure is not viewed as a waiver, it also will not be a waiver under the law of any state, even if the identical conduct would be a waiver under the law of that state.<sup>141</sup> The

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<sup>138</sup> See, e.g., *Alpert v. Riley*, 267 F.R.D. 202, 209 (S.D. Tex. 2010) (“Rule 502(b) retains - without codifying - the multifactor test set out in the case law, which is “a set of non-determinative guidelines that vary from case to case.”) (quoting FED. R. EVID. 502(b) advisory committee’s note).

<sup>139</sup> Compare *Heriot v. Byrne*, 257 F.R.D. 645, 658–59 (N.D. Ill. 2009) (analyzing the circumstances surrounding the inadvertent disclosure to determine whether privilege was waived), with *Coburn Grp., LLC v. Whitecap Advisors, LLC*, 640 F. Supp. 2d 1032, 1038 (N.D. Ill. 2009) (stating that waiver is based on “whether the party intended a privileged or work-product protected document to be produced or whether the production was a mistake”).

<sup>140</sup> FED. R. EVID. 502(b).

<sup>141</sup> See *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579, 587 (1993) (holding that a new federal rule of evidence superseded a common law rule not incorporated or inconsistent with the new rule); see also FED. R. EVID. 502(c).

protections of subsection (b) also apply to federal court-annexed and federal court-mandated arbitration proceedings.<sup>142</sup> Additionally, 502(b)'s protections apply if three conditions are met: (1) disclosure is "inadvertent" (a word that the rule itself does not define); (2) the holder of the privilege or protection "took reasonable steps to prevent disclosure"; and (3) and the holder also "promptly took reasonable steps to rectify the error" when it was discovered, including compliance with Federal Rule Civil Procedure 26(b)(5)(B), if applicable.<sup>143</sup>

#### A. Rule 502(b)(1): "Inadvertent" Production

[36] As noted, Rule 502(b) does not define "inadvertent," and there has been a surprising amount of disagreement among reviewing courts as to what that word should mean in the context of the rule. In *Heriot v. Byrne*,<sup>144</sup> the court looked to pre-502 case law, which employed a multi-factor test to determine if the disclosure of privileged or protected information was inadvertent.<sup>145</sup> The court said: "To determine whether a disclosure was inadvertent, 'this Court has . . . look[ed] to factors such as

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<sup>142</sup> FED. R. EVID. 502(f).

<sup>143</sup> FED. R. EVID. 502(b). Rule 26(b)(5)(B) provides:

*Information Produced.* If information produced in discovery is subject to a claim of privilege or of protection as trial-preparation material, the party making the claim may notify any party that received the information of the claim and the basis for it. After being notified, a party must promptly return, sequester, or destroy the specified information and any copies it has; must not use or disclose the information until the claim is resolved; must take reasonable steps to retrieve the information if the party disclosed it before being notified; and may promptly present the information to the court under seal for a determination of the claim. The producing party must preserve the information until the claim is resolved.

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

<sup>144</sup> 257 F.R.D. 645 (N.D. Ill. 2009).

<sup>145</sup> *Id.* at 659–62.

the total number of documents reviewed, the procedures used to review the documents before they were produced, and the actions of [the] producing party after discovering that the documents had been produced.”<sup>146</sup> The court in *Silverstein* took the same approach, noting “[c]ourts have considered a number of factors to determine inadvertency, including the number of documents produced in discovery, the level of care with which the review for privilege was conducted, and the actions of the producing party after discovering that the document had been produced.”<sup>147</sup>

[37] Having done so, however, the *Heriot* and *Silverstein* courts then used essentially the same factors again to determine whether, under Rule 502(b)(2), the producing party had taken reasonable steps to prevent disclosure of privileged or protected information, an approach that is both cumbersome and redundant.<sup>148</sup> Thus, by using the factors that apply to a 502(b)(2) analysis, the courts unnecessarily incorporated a “reasonableness” evaluation in determining whether, under Rule 502(b)(1), production of attorney–client privileged documents was inadvertent.

[38] This approach does not make sense, and evaluating reasonableness to determine inadvertence creates confusion. It is true that the dictionary

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<sup>146</sup> *Id.* at 658–59 (first alteration in original) (citation omitted).

<sup>147</sup> *Silverstein v. Fed. Bureau of Prisons*, No. 07-cv-02471-PAB-KMT, 2009 WL 4949959, at \*10 (D. Colo. Dec. 14, 2009) (citation omitted).

<sup>148</sup> *Id.* at \*11; *Heriot*, 257 F.R.D. at 660; *see Coburn Grp., LLC v. Whitecap Advisors LLC*, 640 F. Supp. 2d 1032, 1037–38, (N.D. Ill. 2009) (“Rule 502 does not define ‘inadvertent.’ Under the prior case law, reaching the conclusion that a document had been ‘inadvertently produced’ required analysis of the circumstances surrounding the production, including the number of documents produced in discovery and the care with which the pre-production document review was performed. If the production was found to be inadvertent, the court used a ‘balancing approach’ to determine whether the inadvertent disclosure waived the privilege. In that step, many of the same factors, such as scope of discovery and reasonableness of precautions taken, were reviewed again.”) (citations omitted).

definition of “inadvertence” is “a result of inattention” or “oversight,”<sup>149</sup> and the factors the *Heriot* and *Silverstein* courts looked to are logically relevant to determining whether a party’s production was through oversight or inattention, as opposed to being purposeful. However, to require a court to review essentially the same factors again under Rule 502(b) in assessing whether the producing party took reasonable precautions to avoid production of privileged or protected material is duplicative and inefficient. Either production was inadvertent or it was not.<sup>150</sup> If production was not inadvertent, Rule 502(b) does not apply.<sup>151</sup> If production was inadvertent, then, and only then, should a court consider “reasonableness” to assess whether there was waiver.

[39] A number of courts have taken a more useful approach, simplifying the Rule 502(b)(1) analysis by equating “inadvertence” under Rule 502(b)(1) with “mistaken” or “unintentional” production, and then using the multi-factor tests found in pre-502 case law to measure reasonableness under Rule 502(b)(2) and (3). For example, in *Coburn Group*, the court squarely addressed the confusion caused by the cumbersome pre-502 case law, concluding:

In this court’s view, the structure of Rule 502 suggests that the analysis under subpart (b)(1) is intended to be much simpler, essentially asking whether the party intended a privileged or work-product protected document to be produced or whether the production was a mistake. To start, the parallel structure of subparts (a)(1) and (b)(1) of Rule 502 contrasts a waiver that is *intentional* with a disclosure that is *inadvertent*. More importantly, subparts (b)(2) and (b)(3) separately address the reasonableness of the privilege holder’s steps to prevent disclosure and to

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<sup>149</sup> WEBSTER’S NINTH NEW COLLEGIATE DICTIONARY 607 (1990).

<sup>150</sup> *See Coburn Grp.*, 640 F. Supp. 2d at 1038 (stating that the analysis under 502(b)(1) only involves whether the party intended to produce the document or produced it by mistake).

<sup>151</sup> *See id.*

rectify the error. That they are set out as separate subparts distinct from the question of inadvertent disclosure strongly suggests that the drafters did not intend the court to consider for subpart (b)(1) facts such as the number of documents produced only to repeat the consideration of those same facts for subparts (b)(2) and (b)(3).<sup>152</sup>

[40] Other courts have followed the same approach.<sup>153</sup> In *Amobi v. D.C. Department of Corrections*, the court explained why it would “use the word ‘inadvertent’ from Rule 502 to mean an unintended disclosure.”<sup>154</sup> It reasoned:

Rule 502 does not define inadvertent disclosure. Prior to the rule, the court of appeals did not distinguish between inadvertent and other types of disclosure; however, other courts that followed a less strict construction of waiver considered a number of factors to determine inadvertency, including the number of documents produced in discovery, the level of care with which the review for privilege was

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<sup>152</sup> *Id.* (footnotes omitted).

<sup>153</sup> See, e.g., *Kmart Corp. v. Footstar, Inc.*, No. 09-C-3607, 2010 WL 4512337, at \*3 (N.D. Ill. Nov. 2, 2010) (noting the various approaches courts have taken to define “inadvertence” under 502(b)(1) and reasoning that the “simpler” approach of whether production was inadvertent, a la *Coburn Group*, 640 F. Supp. 2d at 1038, was “more compelling” than the multi-factored approach taken in *Heriot*, 257 F.R.D. at 655, 658-59 because “it would seem repetitive to apply factors from the balancing approach when Rule 502(b) explicitly requires examination of some of those same factors later in the analysis”); *Gilday v. Kenra, Ltd.*, No. 1:09-cv-00229-TWP-TAB, 2010 WL 3928593, at \*4 (S.D. Ind. Oct. 4, 2010) (concluding that disclosure was inadvertent because defendant “did not intentionally produce the privileged documents”); see also *Eden Isle Marina, Inc. v. United States*, 89 Fed. Cl. 480, 504 (2009) (“Thus, unintentional disclosures do ‘not operate as a waiver’ of protection if the disclosing party establishes the elements set forth in Federal Rule of Evidence 502(b) . . . .”); *Multiquip, Inc. v. Water Mgmt. Sys. LLC*, No. CV 08-403-S-EJL-REB, 2009 WL 4261214, at \*4 (D. Idaho Nov. 23, 2009) (“The analysis under FRE 502(b)(1) essentially asks whether the party intended a privileged document to be produced or whether the production was a mistake.”).

<sup>154</sup> 262 F.R.D. 45, 53 (D.D.C. 2009).

conducted and even the actions of the producing party after discovering that the document had been produced. Other courts have found that Rule 502(b) provides for a more simple analysis of considering if the party intended to produce a privileged document or if the production was a mistake. This interpretation seems to be in line with one of the goals of the drafting committee: to devise a rule to protect privilege in the fact of an innocent mistake.

Additionally, defining inadvertent as mistaken comports with the dictionary definition of the word: “Of persons, their dispositions, etc.: Not properly attentive or observant; inattentive, negligent; heedless . . . . Of actions, etc.: Characterized by want of attention or taking notice; hence, unintentional.” . . . Additionally, permitting “inadvertence” to be a function of, for example, the amount of information that had to be reviewed or the time taken to prevent the disclosure melds two concepts, “inadvertence” and “reasonable efforts,” that should be kept distinct. One speaks to whether the disclosure was unintended while the other speaks to what efforts were made to prevent it.<sup>155</sup>

[41] The courts that have construed “inadvertence” under Rule 502(b)(1) as the equivalent of “unintentional” or “mistaken” have adopted an approach that is much more consistent with Rule 502 as a whole (in which the focus of 502(a) is intentional disclosure, and 502(b) is the opposite of that, namely, mistaken or unintentional disclosure). This approach makes far more sense than the approach taken by the courts that have adhered to the pre-502 case law and repetitively applied the same balancing factors to determine inadvertence as to measure reasonableness of actions taken to prevent disclosure of privileged or protected information. It is hoped that over time this far simpler and commonsense approach will become the prevailing view.

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<sup>155</sup> *Id.* (internal citations omitted).

B. Rule 502(b)(2): Reasonable Pre-Production  
Steps to Avoid Disclosure

[42] Rule 502(b)(2) requires that, in addition to the production of privileged or protected information being inadvertent, the producing party also must have taken “reasonable steps to prevent disclosure . . . .”<sup>156</sup> The Advisory Committee’s Note acknowledges the existence of a number of pre-502 cases that adopted a multi-factor test to determine whether inadvertent production of privileged or protected information would constitute a waiver, which included: (1) “the reasonableness of precautions taken[;]” (2) “the time taken to rectify the [erroneous production;]” (3) “the scope of discovery[;]” (4) “the extent of disclosure[;]” and (5) “the overriding issue of fairness.”<sup>157</sup> However, the Advisory Committee observed:

[Rule 502] does not explicitly codify [the multi-factor] 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.<sup>158</sup>

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<sup>156</sup> FED. R. EVID. 502(b).

<sup>157</sup> FED. R. EVID. 502(b) advisory committee’s note (citing *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 104 F.R.D. 103, 105 (S.D.N.Y. 1985); *Hartford Fire Ins. Co. v. Garvey*, 109 F.R.D. 323, 332 (N.D. Cal. 1985)).

<sup>158</sup> *Id.*

[43] There are several important take-away points in the Committee's Note. First, the pre-502 case law that adopted a multi-factor test for determining whether inadvertent production of privileged or protected information constituted a waiver is not automatically incorporated into Rule 502(b).<sup>159</sup> Rather, the rule is intended to allow additional factors to be considered.<sup>160</sup> Thus, the prior case law is relevant, but not dispositive, and courts should feel free to adopt a flexible approach that considers all facts relevant to determining the reasonableness of the producing party's efforts to avoid disclosure of privileged or work product protected information.<sup>161</sup> And, consistent with Rule 502's goal of reducing the cost

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<sup>159</sup> Indeed, a number of courts have observed that, although the multi-factor tests referred to in the Advisory Committee's Note to Rule 502(b) are relevant to determining whether reasonable pre-production measures were taken to prevent disclosure of privileged or protected information, they are not dispositive. *See, e.g.*, *Kmart Corp. v. Footstar, Inc.*, No. 09-C-3607, 2010 WL 4512337, at \*4 (N.D. Ill. Nov. 2, 2010) ("[C]ourts agree that relevant factors from the previous balancing approach *may* be used to guide our decision." (emphasis added)); *N. Am. Rescue Prods., Inc. v. Bound Tree Med., LLC*, No. 2:08-cv-101, 2010 WL 1873291, at \*8 (S.D. Ohio. May 10, 2010) ("Rule 502 does *not* set forth a five factor test [referenced in the Advisory Committee's Note] for determining waiver; instead, Rule 502(b) sets forth three elements that must be met in order to prevent the disclosure of privileged materials from operating as waiver.") (citing FED. R. EVID. 502(b)); *Amobi v. D.C. Dep't of Corrections*, 262 F.R.D. 45, 54 (D.D.C. 2009) (stating that the common law multi-factor tests referenced in the Advisory Committee's Note to Rule 502(b) provides "non-dispositive factors a court may consider . . . . Despite this guidance, the Committee indicates that it consciously chose not to codify any factors in the rule because the analysis should be flexible and should be applied on a case by case basis"); *United States v. Sensient Colors, Inc.*, No. 07-1275 (JHR/JS), 2009 WL 2905474, at \*3 (D.N.J. Sept. 9, 2009) (observing that Rule 502(b) adopts "essentially" the same approach as the pre-502 cases for determining whether reasonable steps were taken to avoid disclosure of privileged or protected information); *see also* *Eden Isle Marina, Inc. v. United States*, 89 Fed. Cl. 480, 502 (2009) (noting that 502 does not "explicitly codify" the pre-502 common law multi-factor test for determining inadvertent disclosure) (citation omitted); *Heriot v. Byrne*, 257 F.R.D. 645, 655 n.7 (N.D. Ill. 2009) (determining that pre-502 common law multi-factor tests for pre-production reasonableness, supplement, not supplant, Rule 502(b)(2) analysis).

<sup>160</sup> *See* FED. R. EVID. 502(b) advisory committee's note.

<sup>161</sup> *See, e.g.*, *N. Am. Rescue Prods.*, 2010 WL 1873291, at \*9 ("[The pre-502 five factor balancing test] is not mandatory and merely serves to guide a court's analysis when appropriate under the particular circumstances of each case."); *Amobi*, 262 F.R.D. at 54 (noting that although Fed. R. Evid. 502 Advisory Committee's Note refers to the pre-502

associated with discovery in general and discovery of ESI in particular, a court called upon to make an assessment of pre-production reasonableness under Rule 502(b)(2) should be especially mindful of the proportionality factors set forth in Federal Rule of Civil Procedure 26(b)(2)(C).<sup>162</sup> Determining whether reasonable precautions have been taken cannot be done in a vacuum, and considerations of how much is at stake in the litigation and the resources of the party that inadvertently produced the privileged or protected information are both appropriate and necessary to ensure a proper interpretation of Rule 502(b)(2).

[44] Second—and crucially—the Committee’s Note stresses how important it is that reviewing courts be receptive to the use of search and information retrieval methods that facilitate pre-production review of ESI

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multi-factor test, which includes “the overriding issue of fairness,” the drafters “consciously chose not to codify any factors in the rule because the analysis should be flexible and should be applied on a case by case basis”); *Sensient Colors*, 2009 WL 2905474, at \*3 & n.8 (stating that Rule 502(b) adopts an approach that is “essentially the same” as pre-502 multi-factor cases, and is designed to be flexible, with “no one factor [that] is dispositive” (citing Fed. R. Evid. 502 advisory committee’s note)); *Peterson v. Bernardi*, 262 F.R.D. 424, 428-29 (D.N.J. 2009) (observing that Rule 502(b) adopts a test that is “essentially the same” as pre-502 multi-factor tests, but the test is a flexible one, and the court is not required to accept bare allegations that a party conducted a reasonable pre-production review, and concluding that “[t]he interests of fairness and justice would not be served by relieving [the] plaintiff of the consequences of [his or her] counsel’s error” in failing to do a reasonable pre-production privilege review).

<sup>162</sup> FED. R. CIV. P. 26(b)(2)(C) provides:

*When Required.* On motion or on its own, the court must limit the frequency or extent of discovery otherwise allowed by these rules or by local rule if it determines that:

(i) the discovery sought is unreasonably cumulative or duplicative, or can be obtained from some other source that is more convenient, less burdensome, or less expensive;

(ii) the party seeking discovery has had ample opportunity to obtain the information by discovery in the action; or

(iii) the burden or expense of the proposed discovery outweighs its likely benefit, considering the needs of the case, the amount in controversy, the parties’ resources, the importance of the issues at stake in the action, and the importance of the discovery in resolving the issues.

via computer-based analytical methods, rather than the far more labor-intensive and expensive process of having lawyers review each digital document.<sup>163</sup> Simply put, one of the “two major purposes” of Rule 502 was to bring down the cost of pre-production review of ESI by enabling lawyers and parties to use computer-based analytical methods to search for and identify privileged and protected information, as well as other analytical methods, such as sampling, that avoid the enormous expense associated with personal review of each digital document.<sup>164</sup> The rule cannot achieve this goal if lawyers do not use these analytical methods, or if courts do not support their use by acknowledging that when the methods are properly used, they are reasonable.<sup>165</sup>

[45] The analytical methods are reasonable, even though operators cannot guarantee the methods will identify and withhold from production every privileged or protected document.<sup>166</sup> Reviewing courts must remember that the bellwether test under Rule 502(b)(2) is *reasonableness*, not *perfection*.<sup>167</sup> If courts find waiver in cases where parties use

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<sup>163</sup> FED. R. EVID. 502(b) advisory committee’s note.

<sup>164</sup> See *Gilday v. Kenra, Ltd.*, No. 1:09-cv-00229-TWP-TAB, 2010 WL 3928593, at \*5 (S.D. Ind. Oct. 4, 2010) (“[H]ad [defense] counsel double-or triple-checked its privilege log against its production, this whole argument may have been avoided. However, as this Court observed in *Alcon Manufacturing Ltd. v. Apotex Inc.*, No. 1:06-cv-1642-RLY-TAB, 2008 WL 5070465, at \*6 (S.D. Ind. Nov. 26, 2008), ‘this type of expensive, painstaking review is precisely what new Evidence Rule 502 . . . [was] designed to avoid.’”).

<sup>165</sup> It is important to stress that use of computer-based analytical search and information retrieval methods involves technical and specialized methodology, and requires competence and expertise. See *Victor Stanley, Inc. v. Creative Pipe, Inc.*, 250 F.R.D. 251, 260 (D. Md. 2008). Merely using key word searches, concept searching, linguistic analysis, or sampling does not guarantee reasonableness, if the operators do not use the methodology properly. *Id.*

<sup>166</sup> See *id.* at 262.

<sup>167</sup> See *Multiquip, Inc. v. Water Mgmt. Sys. LLC*, No. CV 08-403-S-EJL-REB, 2009 WL 4261214, at \*1–2, 5 (D. Idaho Nov. 23, 2009) (finding that, despite defendant’s reliance on his e-mail server’s “autofill” address function when forwarding an e-mail from his attorney—which resulted in it being sent to an unintended recipient who forwarded it on and, ultimately, it being provided to plaintiff’s attorney—there was no failure to meet

computer analytical tools properly, yet the parties' privileged or protected information nonetheless is disclosed, then lawyers and clients never will transition away from the burdensome and very expensive methods that have lead to "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."<sup>168</sup> Further, courts and litigants must remember that determining waiver is not an abstract exercise.<sup>169</sup> Aggravating circumstances in a particular case may lead a court to find waiver where a party employed an otherwise-reasonable search protocol.<sup>170</sup> However, practitioners should not use such cases as guidance for assessing use of similar protocols under different circumstances.<sup>171</sup>

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Rule 502(b)(2) pre-production reasonableness, because the defendant's actions, though "hasty and imperfect," were not unreasonable, as the autofill function had not previously resulted in sending an e-mail to the wrong person); *United States v. Sensient Colors, Inc.*, No. 07-1275 (JHR/JS), 2009 WL 2905474, at \*4 (D.N.J. Sept. 9, 2009) (stating that plaintiff made "a commendable effort to employ a sophisticated computer program to conduct its privilege review," but that, "[u]nfortunately, mistakes occurred," and "Plaintiff should not be unduly punished for occasional mistakes that occurred while it started to use new software to organize and sort its documents," because it employed twelve professionals to assist in the pre-production review for privilege and performed quality assurance/quality control to ensure completeness of the review and minimize false negatives and false positives); *Coburn Grp., LLC v. Whitecap Advisors LLC*, 640 F. Supp. 2d 1032, 1040 (N.D. Ill. 2009) ("The standard of Rule 502(b)(2) is not 'all reasonable means,' it is 'reasonable steps to prevent disclosure.'"); *Heriot v. Byrne*, 257 F.R.D. 645, 660-61 (N.D. Ill. 2009) (holding that all Rule 502(b)(2) required was reasonable precautions to prevent against disclosure of privileged or protected information, and that review of documents by paralegals before producing them was reasonable, and error by the vendor resulting in mistaken production to defendant of privileged documents did not render plaintiff's efforts unreasonable).

<sup>168</sup> FED. R. EVID. 502 advisory committee's note (citing *Hopson v. Mayor of Balt.*, 232 F.R.D. 228, 244 (D. Md. 2005)).

<sup>169</sup> *See, e.g., Mt. Hawley Ins. Co. v. Felman Prod., Inc.*, 271 F.R.D. 125, 136 (S.D.W. Va. 2010).

<sup>170</sup> *See id.*

<sup>171</sup> *Cf. id.*

[46] For example, in *Mt. Hawley Insurance Co. v. Felman Production, Inc.*, the court held that the plaintiff waived attorney–client privilege by inadvertently producing an attorney–client privileged e-mail.<sup>172</sup> The court found the plaintiff’s e-mail production was inadvertent under Rule 502(b)(1), and that the plaintiff complied with Rule 502(b)(3) by promptly demanding its return upon realizing that the e-mail had been produced to the defendant.<sup>173</sup> Nevertheless, the court found that the plaintiff had not met Rule 502(b)(2) because the plaintiff failed to take reasonable steps prior to the production of the e-mail to avoid its disclosure.<sup>174</sup> The court reached this conclusion even though the plaintiff took what many would view as extensive precautions to avoid production of privileged information.<sup>175</sup> The plaintiff negotiated an ESI stipulation with the defendants addressing the return of inadvertently-produced privileged information; hired an ESI vendor to assist in the collection, processing, and review of ESI prior to production; involved its own IT department to assist in the collection, processing, and review of ESI; selected search terms to retrieve documents responsive to the defendants’ Rule 34 request; selected privilege search terms to help identify privileged or work product protected information; and tested the effectiveness of the privilege search terms against the plaintiff’s e-mail files prior to production.<sup>176</sup> The ESI vendor the plaintiff hired used Concordance Software, manufactured by LexisNexis, to process the ESI and apply the search terms.<sup>177</sup> Despite the measures the plaintiff took, as to one of the database files, this software “inexplicably built an incomplete index of potentially privileged materials.”<sup>178</sup> Although the record showed that LexisNexis was unable to

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<sup>172</sup> *Id.* at 138.

<sup>173</sup> *Id.* at 133.

<sup>174</sup> *Mt. Hawley Ins. Co.*, 271 F.R.D. at 136.

<sup>175</sup> *Id.* at 135.

<sup>176</sup> *Id.*

<sup>177</sup> *Id.* at 135–36.

<sup>178</sup> *Id.* at 136.

explain how this error occurred, and despite the precautions that the plaintiff's counsel took, the court concluded that the plaintiff and its lawyers "failed to perform critical quality control sampling to determine whether their production was appropriate and neither over-inclusive nor under-inclusive."<sup>179</sup> Accordingly, the court concluded that, because the plaintiff failed to demonstrate that it had taken reasonable steps to prevent disclosure of the privileged e-mail, it failed to comply with Rule 502(b)(2), thus effecting a waiver of the privilege as to that e-mail.<sup>180</sup>

[47] The *Mt. Hawley* court evaluated whether the plaintiff took reasonable steps to prevent the production of attorney–client privileged communications within the "context of the [plaintiff's] overall e-discovery production."<sup>181</sup> In this regard, the court painstakingly analyzed the steps the plaintiff took. It noted that the attorney–client privileged e-mail was produced from a Concordance file afflicted by a software error that created "an incomplete index of potentially privileged materials."<sup>182</sup> Yet, the court also noted that the plaintiff inadvertently produced 377 other privileged documents from Concordance files without software errors and without incomplete indexes of potentially privileged communications.<sup>183</sup> Moreover, the court observed that there were many other deficiencies associated with the plaintiff's ESI production. These deficiencies included the facts that more than thirty percent of its ESI production, roughly one million pages, consisted of irrelevant "junk documents" that significantly added to the defendants' burden of reviewing the ESI it received; that the plaintiff marked each page of its massive ESI production as "confidential," making a "mockery" out of the court's form protective order; that, despite the ESI stipulation, the plaintiff failed to claw-back some of the privileged documents it produced; that certain documents

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<sup>179</sup> *Mt. Hawley Ins. Co.*, 271 F.R.D. at 136.

<sup>180</sup> *Id.*

<sup>181</sup> *Id.* at 127.

<sup>182</sup> *Id.* at 136.

<sup>183</sup> *Id.*

claimed as privileged did not appear on any privilege log; that the plaintiff failed to test to determine whether its ESI production was either over-or under-inclusive; and that the plaintiff failed to perform simple keyword searches that would have identified the critical privileged communication that the plaintiff disclosed to the defendants.<sup>184</sup> Further, the court found grounds to conduct *in-camera* review of proclaimed privileged documents because the defendants made a sufficient showing that *in-camera* review was appropriate to determine whether the crime-fraud exception to the attorney–client privilege applied.<sup>185</sup>

[48] The court also criticized the plaintiff for accusing defense counsel of ethical violations.<sup>186</sup> The plaintiff claimed that defense counsel reviewed what they should have known were inadvertently produced privileged communications without notifying the plaintiff.<sup>187</sup> The plaintiff based the objection upon a withdrawn ABA ethics opinion that no longer was applicable.<sup>188</sup> When viewed in totality, the court found pervasive failures in the plaintiff’s compliance with its discovery obligations.<sup>189</sup> This undoubtedly affected the willingness of the court to give the plaintiff the benefit of the doubt in analyzing whether the plaintiff took reasonable precautions to avoid disclosure of privileged information pursuant to Rule 502(b)(2).

[49] The *Mt. Hawley* court was correct in scrutinizing the precautions plaintiff’s counsel undertook. The court cannot be faulted for pointing out shortcomings such as the failure to test the reliability of key word searches.<sup>190</sup> However, in doing so, the court set the bar quite high for what

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<sup>184</sup> *Mt. Hawley Ins. Co.*, 271 F.R.D. at 128, 136.

<sup>185</sup> *Id.* at 138.

<sup>186</sup> *Id.* at 130.

<sup>187</sup> *Id.*

<sup>188</sup> *Mt. Hawley Ins. Co.*, 271 F.R.D. at 130–31.

<sup>189</sup> *Id.* at 131.

<sup>190</sup> *Id.* at 136.

it thought a party must do to avoid a finding of unreasonableness in circumstances in which plaintiff's counsel took what many would regard as extensive precautions to avoid production of privileged or protected information.<sup>191</sup>

[50] *Mt. Hawley* illustrates the challenge to courts, lawyers, and litigants. Where do you draw the line between reasonable and unreasonable pre-production measures taken to avoid disclosures of privileged or protected information in cases where precautionary steps were taken, but were insufficient to prevent disclosure of all privileged or protected information? Rule 502 will never reach its intended goal of reducing the cost of ESI discovery and encouraging the use of computer analytical review methodology if courts demand near-perfection in pre-production precautions. If, as Voltaire said, “the perfect is the enemy of the good,”<sup>192</sup> it is also a disincentive for counsel and clients to accept the Advisory Committee's invitation to abandon costly “eyes-on” review of all documents, even voluminous ESI, in favor of “advanced analytical software applications and linguistic tools in screening for privilege and work product.”<sup>193</sup> It is hoped that future courts will be receptive and accommodating to the use of these screening methods to prevent disclosure of privileged and protected information. While these methods are not perfect, there is growing evidence that they are as good, or far better than, “eyes on” review of all digital information by an attorney or paralegal.<sup>194</sup> There is every reason to believe that computer-based

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<sup>191</sup> *See id.* at 135–36.

<sup>192</sup> *Voltaire Quotes*, FAMOUS QUOTES, <http://www.famous-quotes.net/Author.aspx?Voltaire> (last visited Feb. 4, 2011).

<sup>193</sup> FED. R. EVID. 502(b) advisory committee's note.

<sup>194</sup> *See* Maura R. Grossman & Gordon V. Cormack, *Technology-Assisted Review in E-Discovery Can Be More Effective and More Efficient Than Exhaustive Manual Review*, 17 RICH. J.L. & TECH. 11 (2011) <http://jolt.richmond.edu/v17i3/article11.pdf> (stating that “[e]-discovery processes that use automated tools to prioritize and select documents for review are typically regarded as potential cost-savers—but inferior alternatives—to exhaustive manual review, in which a cadre of reviewers assess every document for responsiveness to a production request, and for privilege,” and then “offer[ing] evidence that such technology-assisted processes, while indeed less expensive, can also yield

screening methods' recall (completeness) and precision (accuracy) rates will continue to improve.<sup>195</sup>

[51] Third, courts should keep in mind that, even though the Committee's Note encourages a flexible standard for evaluating reasonableness under Rule 502(b)(2), the inquiry still is to determine "reasonableness of precautions taken."<sup>196</sup> The inquiry is not whether a finding of unreasonableness, and consequently waiver, would be "fair."<sup>197</sup> It is true that the "overriding issue of fairness" was one of the several factors included in one of the frequently-cited pre-502 tests applied to determine whether inadvertent disclosure of privileged or protected information resulted in waiver.<sup>198</sup> However, courts should be careful not to let "fairness concerns" trump their evaluation of the reasonableness of the producing party's pre-disclosure precautions. If a court were to determine that the producing party truly had failed to exercise reasonable pre-production steps to avoid disclosure of privileged or protected information, but that a finding of waiver would result in some unfairness to the producing party, it is questionable whether a ruling that there was no waiver would be in accordance with the intent of Rule 502. This is

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results superior to those of exhaustive manual review, as measured by recall and precision"); George L. Paul & Jason R. Baron, *Information Inflation: Can the Legal System Adapt?*, 13 RICH. J.L. & TECH. 10, ¶¶ 36–46, 66 (2007) <http://law.richmond.edu/jolt/v13i3/article10.pdf> (stating that "the assumption on the part of lawyers that any form of present-day search methodology will fully find 'all' or 'nearly all' available documents in a large, heterogeneous collection of data is wrong in the extreme," and noting that in "[a] leading study by Blair & Maron, . . . the legal teams [employing a manual document review] only found 20% of the responsive documents in a large subway crash case"). Paul and Baron also encouraged the use of electronic screening methods and stated that "whatever may be the limits of machine or artificial intelligence, in the near term future lawyers must not be afraid to embrace creative, technological approaches to grappling with the problem of knowledge management." Paul and Baron, *supra* at 66.

<sup>195</sup> See Grossman, *supra* note 194; Paul & Baron, *supra* note 194.

<sup>196</sup> FED. R. EVID. 502(b) advisory committee's note.

<sup>197</sup> See *id.*

<sup>198</sup> *Id.*

because the rule itself speaks in terms of reasonableness of the precautions taken and not the fairness of the consequences for failing to do so.

[52] Interestingly, the very first case to interpret Rule 502 after its enactment, *Rhoads Industries, Inc. v. Building Materials Corp. of America*, did exactly that.<sup>199</sup> The court found that, “although [the plaintiff] took steps to prevent disclosure and to rectify the error, its efforts were, to some extent, not reasonable.”<sup>200</sup> Applying the five-factor balancing test, the court found that the first four factors, which relate to reasonableness, “reviewed in the context of the evidence . . . favor[ed] Defendants.”<sup>201</sup> However, the court based its ultimate conclusion on its finding that “the fifth factor, the interest of justice, strongly favor[ed]” the plaintiff because “[l]oss of the attorney–client privilege in a high-stakes, hard-fought litigation is a severe sanction and can lead to serious prejudice.”<sup>202</sup>

[53] The court concluded that the plaintiff did not waive the privilege for the hundreds of documents it inadvertently produced to the defendants.<sup>203</sup> The result was in accordance with pre-502 case law, but appears to be at odds with Congressional intent, as expressed in Rule 502(b) itself, which speaks only to “reasonableness” and not “fairness.”<sup>204</sup> A determination that a party waived the attorney–client privilege or work-product protection always involves an element of unfairness and prejudice, but that does not produce a result that is contrary to the interest of justice. It is not unjust to find a waiver of privilege or protection when a party has failed to exercise reasonable steps to preserve it. Excusing a failure to

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<sup>199</sup> 254 F.R.D. 216, 222, 226 (E.D. Pa. 2008).

<sup>200</sup> *Id.* at 226.

<sup>201</sup> *Id.*

<sup>202</sup> *Id.* at 227.

<sup>203</sup> *Id.*

<sup>204</sup> FED. R. EVID. 502(b).

exercise reasonable measures to protect against disclosure solely based on unfairness interferes with the practice of the rule in the manner intended.<sup>205</sup>

C. Rule 502(b)(3): Prompt and Reasonable Post-Production  
Steps to Rectify Inadvertent Production

[54] Rule 502(b)(2) requires that a party take reasonable pre-production steps to avoid inadvertent production of privileged or protected information. Adding on to the 502(b)(2) requirement, Rule 502(b)(3) requires that the holder of the privilege or protection “promptly [take] reasonable steps to rectify the error, including (if applicable) following Federal Rule of Civil Procedure 26(b)(5)(B).”<sup>206</sup> Thus, both pre-production and post-production measures must be reasonable in order to insulate inadvertent production from a finding of waiver.<sup>207</sup> Two important observations may be made regarding Rule 502(b)(3): it does not require post-production review until a party has notice of possible inadvertent production;<sup>208</sup> and it references compliance with Federal Rule

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<sup>205</sup> See *Heriot v. Byrne*, 257 F.R.D. 645, 655 n.7 (N.D. Ill. 2009) (“[The *Rhoads* court] has applied FRE 502(b) in a rather peculiar fashion, choosing to adopt the factors articulated in the committee’s note as a wholesale test of inadvertent disclosure. Strangely, using only the [pre-502 case law] factors to determine the waiver question eliminates any need to consult the elements required under FRE 502. Such an approach would ignore a Congressional mandate and substitute judicial holdings for legislation. Therefore, this Court concludes that a better approach focuses on the elements required by FRE 502 and uses the [pre-502] factors, where appropriate, to supplement this analysis.”); see also *Peterson v. Bernardi*, 262 F.R.D. 424, 429 (D.N.J. 2009) (finding that plaintiff’s conclusory allegations that his attorney reviewed documents to screen for privileged or protected communications were not specific enough to demonstrate compliance with Rule 502(b)(2); and finding waiver, despite possible unfairness to plaintiff, noting that “[t]he interests of fairness and justice would not be served by relieving plaintiff of the consequences of counsel’s error . . . . Parties must recognize that there are potentially harmful consequences if they do not take minimal precautions to prevent against disclosure of privileged documents”).

<sup>206</sup> FED. R. EVID. 502(b)(3).

<sup>207</sup> *Id.*; see also FED. R. EVID. 502(b) advisory committee’s note.

<sup>208</sup> FED. R. EVID. 502(b) advisory committee’s note.

of Civil Procedure 26(b)(5)(B) as a means of reasonable post-production remediation, when applicable.<sup>209</sup>

[55] With regard to the first observation, the Advisory Committee's Note states that, although a party must initiate prompt, reasonable post-production steps to rectify its inadvertent production of privileged or protected information, "[t]he 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."<sup>210</sup> However, "the rule does require the producing party to follow up on any obvious indications that a protected communication or information has been produced inadvertently."<sup>211</sup> Thus, the producing party is spared from having to undertake its own review until it becomes aware of circumstances that put it on notice that privileged or protected information may have been produced inadvertently.

[56] But, once such notice has been provided, any unreasonable delay in initiating reasonable steps to rectify the error will result in a determination of waiver.<sup>212</sup> Courts that have faced the duty of interpreting Rule 502(b)(3) have underscored the fact that the crucial determination is not how long it took to discover the inadvertent production, but rather, how quickly the producing party reacted once discovery occurred.<sup>213</sup>

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<sup>209</sup> See FED. R. EVID. 502(b)(3).

<sup>210</sup> FED. R. EVID. 502(b) advisory committee's note.

<sup>211</sup> *Id.*

<sup>212</sup> See, e.g., *Silverstein v. Fed. Bureau of Prisons*, No. 07-cv-02471-PAB-KMT, 2009 WL 4949959, at \*12 (D. Colo. Dec. 14, 2009) (holding that the defendants could not use Rule 502(b) because they did not take reasonable steps to rectify the inadvertent disclosure that had occurred four days previously).

<sup>213</sup> See, e.g., *Coburn Grp., LLC v. Whitecap Advisors LLC*, 640 F. Supp. 2d 1032, 1041 (N.D. Ill. 2009) ("[T]hat Rule 502 does not require a post-production review supports [the] view that the relevant time under subpart (b)(3) is how long it took the producing party to act after it learned that the privileged or protected document had been produced."); *Peterson v. Bernardi*, 262 F.R.D. 424, 429 (D.N.J. 2009) ("Although plaintiff did not alert defendants until months after his documents were produced when he was preparing for deposition, plaintiff brought the error to defendants' attention within

Similarly, reviewing courts to date have rendered common-sense decisions regarding issues of whether a party's post-production efforts to remedy an inadvertent production of privileged or protected information were sufficiently prompt and reasonable.<sup>214</sup>

[57] An example is *Coburn Group*, in which defendant's counsel discovered the inadvertent production of privileged or protected information, including an e-mail, four months after production when

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a week or two of his discovery. Plaintiff was not required to 'engage in a post-production review to determine whether any protected communication or information [was] . . . produced by mistake.'" (alteration in original) (citations omitted); *Heriot v. Byrne*, 257 F.R.D. 645, 662 (N.D. Ill. 2009) ("[H]ow the disclosing party *discovers and rectifies* the disclosure is more important than *when* after the inadvertent disclosure the discovery occurs.").

<sup>214</sup> See, e.g., *Silverstein*, 2009 WL 4949959, at \*12 (finding a failure to comply with Rule 502(b)(3), which resulted in a waiver, because defendant discovered mistaken production of work-product document four days after it was produced, but never asserted the existence of work-product protection or requested that plaintiff return it, and stating that it was "irrefutable that while the defendants took reasonable steps to prevent disclosure of the document in the first instance, Defendants utterly failed to continue to reasonably protect the document and failed again to take reasonable steps to rectify the erroneous disclosure which had taken place only four days previously"); *Multiquip, Inc. v. Water Mgmt. Sys. LLC*, No. CV 08-403-S-EJL-REB, 2009 WL 4261214, at \*5 (D. Idaho Nov. 23, 2009) (noting that defendant's counsel asserted privilege and requested return of inadvertently-produced privileged documents on the same day, and nearly within the hour, of discovery of their production, and again the next day, and finding that the "relative contemporaneousness" of the remedial action met the requirements of Rule 502(b)(3) reasonableness, and hence, there was no waiver); *Eden Isle Marina, Inc. v. United States*, 89 Fed. Cl. 480, 511 (2009) (holding that defendant "waived the work-product protection" for documents used during depositions because defendant did not object during the depositions, did not seek to invoke the protections of Rule 26(b)(5)(B), did not seek a protective order, and "Defendant's complete failure to take curative action [was] the antithesis of prompt rectification"); *Peterson*, 262 F.R.D. at 429 (noting that plaintiff's attorney did not discover inadvertent production of privileged documents until months after they had been produced, but brought this to the attention of Defendant's attorney within a "week or two," and finding that this factor was "neutral" under Rule 502(b)(3) and did not of itself warrant a finding of waiver, but ultimately finding waiver because Plaintiff failed to demonstrate that a privilege applied or that reasonable pre-production steps were taken as required by Rule 502(b)(2)); *Heriot*, 257 F.R.D. at 662 (holding that notification within twenty-four hours of discovering the error was reasonable under 502(b)(3)).

plaintiff's counsel asked questions about the e-mail during a deposition.<sup>215</sup> Defendant's counsel objected during the deposition and, during another deposition the next day and again two days later, asserted that the e-mail was both privileged and protected, asking for its return.<sup>216</sup> Plaintiff's attorney refused to return either the e-mail or other documents that defendant claimed had been inadvertently produced, but agreed to "quarantine" them.<sup>217</sup> Defendant's counsel agreed to allow plaintiff's counsel time to research the issue of waiver by production, and plaintiff's counsel agreed not to raise any delay by defendant in filing a motion to compel return of the documents.<sup>218</sup>

[58] Counsel agreed to a briefing schedule, and the motion was filed five weeks after plaintiff's final refusal to return the documents.<sup>219</sup> Noting that Rule 502(b)(3) does not require the producing party to conduct post-production review, the court held that there was no waiver because the defendant acted with reasonable promptness in objecting after the discovery of the inadvertent production, and the delay in filing the motion was not unreasonable.<sup>220</sup> The court reasoned that "the facts . . . show that counsel for both sides acted reasonably and civilly in dealing with the disputed documents and the associated deposition transcripts."<sup>221</sup> It observed that "the facts and law surrounding the documents . . . turned out to have some complexity," and concluded: "In light of the fact that [defendant] accommodated [plaintiff's] counsel's request for additional time to formulate [plaintiff's] position, and that [plaintiff] agreed to

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<sup>215</sup> *Coburn Grp.*, 640 F. Supp. 2d at 1040–41.

<sup>216</sup> *Id.* at 1041.

<sup>217</sup> *Id.*

<sup>218</sup> *Id.*

<sup>219</sup> *Id.* at 1040.

<sup>220</sup> *Coburn Grp.*, 640 F. Supp. 2d at 1041.

<sup>221</sup> *Id.*

‘quarantine’ the documents until the dispute was resolved, the time [defendant] took to file the actual motion was not unreasonable.”<sup>222</sup>

[59] In *United States v. Sensient Colors, Inc.*, the court rendered another common-sense review of a party’s post-production efforts to remedy an inadvertent production.<sup>223</sup> In *Sensient*, the plaintiff produced 45,000 documents to the defendant on six different days between May 2008 and February 2009.<sup>224</sup> On August 29, 2008, the defendant returned to plaintiff eighty-one potentially-privileged documents, and on September 10, 2008, the plaintiff informed the defendant that all but one of returned documents were privileged and had been produced inadvertently.<sup>225</sup> Thereafter, from November 21, 2008 through August 2009, the plaintiff identified other documents as privileged, inadvertently produced on five different dates, but it did not complete its privilege “re-review” until August 2009.<sup>226</sup> The plaintiff argued that the parties’ joint proposed discovery plan precluded any finding of waiver, but the court summarily rejected the argument because the plan made no mention of the parties exempting themselves from the provisions of Rule 502(b).<sup>227</sup>

[60] As to the documents identified on September 10, 2008, the court found that all three elements of Rule 502(b) had been met and that there was no waiver.<sup>228</sup> As for those documents identified on November 21, 2008, the court found that the plaintiff had waived privilege because the plaintiff did not attempt to confirm its inadvertent disclosure until three

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<sup>222</sup> *Id.*

<sup>223</sup> No. 07-1275 (JHR/JS), 2009 WL 2905474 (D.N.J. Sept. 9, 2009).

<sup>224</sup> *Id.* at \*1.

<sup>225</sup> *Id.*

<sup>226</sup> *Id.*

<sup>227</sup> *Id.* at \*2. See *infra* Part VIII for a further discussion of this aspect of the court’s opinion.

<sup>228</sup> *Sensient*, 2009 WL 2905474, at \*4–5.

months after receiving notice from the defendant that privileged materials had been disclosed.<sup>229</sup> Also, the plaintiff did not complete its privilege “re-review” until nearly seven months after the confirmation.<sup>230</sup> The court found both of these actions were unreasonable under Rule 502(b)(3).<sup>231</sup> Similarly, the court found that the plaintiff failed to demonstrate Rule 502(b)(3) post-production reasonableness as to the documents identified as inadvertently produced after June 2009 because the plaintiff waited nearly ten months to confirm its error.<sup>232</sup> Accordingly, the court found waiver as to those documents as well.<sup>233</sup>

[61] The second observation, as noted, is that Rule 502(b)(3) specifically identifies compliance with Federal Rule of Civil Procedure 26(b)(5)(B), if applicable, as an example of reasonable post-production remedial action.<sup>234</sup> Rule 26(b)(5)(B), added as part of the 2006 ESI amendments to the Federal Rules of Civil Procedure, states:

*Information Produced.* If information is produced in discovery that is subject to a claim of privilege or of protection as trial-preparation material, the party making the claim may notify any party that received the information of the claim and the basis for it. After being notified, a party must promptly return, sequester, or destroy the specified information and any copies it has and may not use or disclose the information until the claim is resolved. A receiving party may promptly present the information to

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<sup>229</sup> *Id.* at \*5.

<sup>230</sup> *Id.* at \*5 n.13.

<sup>231</sup> *Id.* at \*6.

<sup>232</sup> *Id.* at \*7.

<sup>233</sup> *Sensient*, 2009 WL 2905474, at \*7.

<sup>234</sup> FED. R. EVID. 502(b)(3) (“[Disclosure does not operate as a waiver if] the holder promptly took reasonable steps to rectify the error, including (if applicable) following Federal Rule of Civil Procedure 26(b)(5)(B).”).

the court under seal for a determination of the claim. If the receiving party disclosed the information before being notified, it must take reasonable steps to retrieve it. The producing party must preserve the information until the claim is resolved.<sup>235</sup>

The rule was added to address the increasingly difficult task of screening voluminous ESI for privileged or protected information before producing it in response to a discovery request.<sup>236</sup> It was intended “to provide a procedure for a party to assert a claim of privilege or trial-preparation material protection after information is produced in discovery in the action, and if the claim is contested, permit any party that received the information to present the matter to the court for resolution.”<sup>237</sup> Importantly, adding Rule 26(b)(5)(B) to the civil procedure rules merely provided a process to resolve post-production claims of privilege or work-product protection.<sup>238</sup> It did not address the substantive issue of whether asserting such a claim after having disclosed privileged or protected information constituted a waiver;<sup>239</sup> it took enactment of Rule 502(b) to accomplish that.<sup>240</sup>

[62] Because Rule 502(b)(3) specifies that compliance with Federal Rule of Civil Procedure 26(b)(5)(B), if applicable, is an illustration of how a party may demonstrate post-production reasonableness following inadvertent production of privileged or protected information, courts and parties should be familiar with just how Rule 26(b)(5)(B) was intended to

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<sup>235</sup> FED. R. CIV. P. 26(b)(5)(B).

<sup>236</sup> FED. R. CIV. P. 26(b)(5) advisory committee’s note.

<sup>237</sup> FED. R. CIV. P. 26(b)(5)(B) advisory committee’s note.

<sup>238</sup> *Id.*

<sup>239</sup> *Id.* (“Rule 26(b)(5)(B) does not address whether the privilege or protection that is asserted after production was waived by the production.”).

<sup>240</sup> *See* FED. R. EVID. 502; *see also* Hopson v. Mayor of Balt., 232 F.R.D. 228, 233 (D. Md. 2005).

operate. The Advisory Committee's Note to Rule 26(b)(5)(B) provides the following guidance:

A party asserting a claim of privilege or protection after production must give notice to the receiving party. That notice should be in writing unless the circumstances preclude it. Such circumstances could include the assertion of the claim during a deposition. The notice should be as specific as possible in identifying the information and stating the basis for the claim. Because the receiving party must decide whether to challenge the claim and may sequester the information and submit it to the court for a ruling on whether the claimed privilege or protection applies and whether it has been waived, the notice 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. . . .

After receiving notice, each party that received the information must promptly return, sequester, or destroy the information and any copies it has. The option of sequestering or destroying the information is included in part because the receiving party may have incorporated the information in protected trial-preparation materials. No receiving party may use or disclose the information pending resolution of the privilege claim. The receiving party may present to the court the questions whether the information is privileged or protected as trial-preparation material, and whether the privilege or protection has been waived. If it does so, it must provide the court with the grounds for the privilege or protection specified in the producing party's notice, and serve all parties. In presenting the question, 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.

If a party disclosed the information to nonparties before receiving notice of a claim of privilege or protection as trial-preparation material, it must take reasonable steps

to retrieve the information and to return it, sequester it until the claim is resolved, or destroy it.<sup>241</sup>

[63] In addition to suggesting steps that parties should use when invoking Rule 26(b)(5)(B), the Advisory Committee's Note emphasizes that that rule "works in tandem with Rule 26(f)."<sup>242</sup> It explains that Rule 26(f) was "amended to direct the parties to discuss privilege issues in preparing their discovery plan," and with amended Rule 16(b), Rule 26(f) "allows the parties to ask the court to include in an order any agreements the parties reach regarding issues of privilege or trial-preparation material protection."<sup>243</sup> Further the Advisory Committee's Note acknowledges that, "[a]greements reached under Rule 26(f)(4) and orders including such agreements entered under Rule 16(b)(6) may be considered when a court determines whether a waiver has occurred. Such agreements and orders ordinarily control if they adopt procedures different from those in Rule 26(b)(5)(B)."<sup>244</sup>

[64] It will come as no surprise that Rule 502 itself has a provision - Rule 502(e) - that recognizes that the parties themselves may negotiate to reach agreements as to how to protect against waiver of privilege and protection, including alternative post-production steps to those identified in Rule 26(b)(5)(B).<sup>245</sup> Pursuant to Rule 502(d)-(e), the court itself may be called upon to approve such agreements and to incorporate them into a court order, as well as to interpret them in the event of a dispute regarding whether inadvertent disclosure should result in a waiver.<sup>246</sup> Thus, an agreement to circumvent waiver of privilege or protection may be reached

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<sup>241</sup> FED. R. CIV. P. 26(b)(5)(B) advisory committee's note.

<sup>242</sup> *Id.*

<sup>243</sup> *Id.*

<sup>244</sup> *Id.*

<sup>245</sup> *See* FED. R. EVID. 502(e).

<sup>246</sup> *See* FED. R. EVID. 502(d)-(e).

pursuant to Rule 26(b)(5)(B), via Rules 16(b) and 26(f), or Rule 502(d) or (e).

#### V. RULE 502(c)

[65] Rule 502 includes a conflict of laws provision aimed at simplifying situations in which a disclosure of privileged or protected information has been made in a state court proceeding, the disclosed information is offered in a subsequent federal proceeding, and the federal and state laws concerning waiver conflict. Rule 502(c) states:

When the disclosure is made in a State proceeding and is not the subject of a State-court order concerning waiver, the disclosure does not operate as a waiver in a Federal proceeding if the disclosure:

- (1) would not be a waiver under this rule if it had been made in a Federal proceeding; or
- (2) is not a waiver under the law of the State where the disclosure occurred.<sup>247</sup>

[66] To date, no court has interpreted this section, but the Advisory Committee's Note is instructive. The Committee's Note explains "that the proper solution for the federal court is to apply the law that is most protective of privilege and work product."<sup>248</sup> Thus, Rule 502(c) protects the privileged or work product protected information if the disclosure would not have been a waiver under either federal law or state law.<sup>249</sup> One rationale for applying the most protective law is that "[i]f the state law is more protective . . . , the holder of the privilege or protection may well have relied on that law when making the disclosure in the state proceeding."<sup>250</sup> Additionally, applying the federal law when it is more

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<sup>247</sup> FED. R. EVID. 502(c).

<sup>248</sup> FED. R. EVID. 502(c) advisory committee's note.

<sup>249</sup> *See id.*

<sup>250</sup> *Id.*

protective advances the federal objective of reducing or limiting production costs in discovery.<sup>251</sup> Rule 502(c) does not attempt to alter the current statutory law or the principles of federalism and comity concerning the enforceability of a state court confidentiality order in a federal proceeding.<sup>252</sup> Therefore, “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.”<sup>253</sup>

#### VI. RULE 502(d)

[67] Rule 502(d) allows federal courts to limit the circumstances in which production of privileged or protected information constitutes waiver.<sup>254</sup> In this way, section (d) enables the courts to advance the goals of Rule 502—reduction of the expense of pre-production review for privileged and protected information and predictable, uniform standards concerning waiver of privilege or protection—through court orders.<sup>255</sup> Rule 502(d) states:

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.<sup>256</sup>

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<sup>251</sup> *See id.*

<sup>252</sup> *Id.*

<sup>253</sup> FED. R. EVID. 502(c) advisory committee’s note.

<sup>254</sup> *See* FED. R. EVID. 502(d) advisory committee’s note (“Under [Rule 502](d), a federal court may order that disclosure of privileged or protected information ‘in connection with’ a federal proceeding does not result in waiver.”).

<sup>255</sup> Prior to the enactment of Rule 502, whether a confidentiality order entered in one case was enforceable in other proceedings was subject to dispute. *See Hopson v. Mayor of Balt.*, 232 F.R.D. 228, 235 n.10 (D. Md. 2005) (discussing the variations in judicial treatment of this topic).

<sup>256</sup> FED. R. EVID. 502(d).

Thus, courts may allow the parties to engage in discovery without risking waiver of privilege or protection in the case at bar or any other federal or state proceeding.<sup>257</sup>

[68] In *Rajala v. McGuire Woods, LLP*, the court correctly exercised the powers set forth in Rule 502(d).<sup>258</sup> In that case, McGuire Woods moved to add a claw-back provision to a protective order the court issued.<sup>259</sup> The plaintiff opposed the addition of such a provision.<sup>260</sup> Observing that “the Rule ‘contemplates enforcement of ‘claw-back’ and ‘quick peek’ arrangements as a way to avoid the excessive costs of pre-production review for privilege and work product,’”<sup>261</sup> McGuire Woods argued the claw-back provision was necessary to “prevent contentious, costly, and time consuming discovery disputes.”<sup>262</sup> McGuire Woods explained that it already “reviewed more than 13,750 documents consisting of approximately 108,000 pages and that it plan[ned] to review and possibly produce many more documents.”<sup>263</sup> Also, it estimated that it would need to review “at a minimum, . . . between 15,000 and 18,400 e-mails (sic) messages, comprised of an unknown number of pages.”<sup>264</sup> Lastly, McGuire Woods argued that, because of the large number of clients to which the firm owed a duty to protect attorney–client

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<sup>257</sup> *See id.*

<sup>258</sup> No. 08-2638-CM-DJW, 2010 WL 2949582 (D. Kan. July 22, 2010).

<sup>259</sup> *Id.* at \*2.

<sup>260</sup> The court had issued the protective order in response to the parties’ cross-motions for protective orders pursuant to Fed. R. Civ. P. 26(c), after the parties had been unable to agree to terms for a protective order. *Rajala*, 2010 WL 2949582, at \*1.

<sup>261</sup> *Id.* at \*2 (citations omitted) (internal quotation marks omitted).

<sup>262</sup> *Id.*

<sup>263</sup> *Id.*

<sup>264</sup> *Id.*

communications, the additional protections of a claw-back provision were warranted.<sup>265</sup>

[69] In response, the plaintiff argued that the claw-back provision was unnecessary because “[Rule] 502(b) now sets forth a uniform standard to determine whether an asserted inadvertent disclosure results in a privilege waiver, including whether the privilege holder took reasonable steps to prevent disclosure of the privilege material.”<sup>266</sup> In the plaintiff’s view, the provision would make the plaintiff responsible for McGuire Woods’ privilege review and require the plaintiff to “proceed with depositions and motion practice with the ever-present concern that any document could suddenly be taken back by McGuire Woods.”<sup>267</sup> As discussed below, this argument completely ignores the purpose and intent of Rule 502.

[70] Preliminarily, the *Rajala* court considered whether it had the authority to issue an order with a claw-back provision, without party agreement.<sup>268</sup> The court concluded that, pursuant to Federal Rule of Civil Procedure 26(c)(1), it did have such authority, reasoning that Rule 26(c)(1)(B) provides that “[a] [c]ourt may, ‘for good cause, issue an order to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense,’<sup>269</sup> . . . ‘specifying terms, including time and

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<sup>265</sup> *Rajala*, 2010 WL 2949582, at \*2.

<sup>266</sup> *Id.* at \*3.

<sup>267</sup> *Id.* (citation omitted) (internal quotations marks omitted).

<sup>268</sup> *Id.* at \*5. It is important to note that while Rule 502 expressly states that the “court may order that the privilege or protection is not waived by disclosure connected with the litigation pending before the court,” it is an evidentiary rule, not a procedural rule. FED. R. EVID. 502(d). Federal Rules of Civil Procedure 26(c), 26(b)(2)(C), and 16(b), however, provide ample authority in a civil case for a court to issue an order that provides the protections stated in Rule 502(d). See FED. R. CIV. P. 16(b); FED. R. CIV. P. 26(b)(2)(C); FED. R. CIV. P. 26(c).

<sup>269</sup> *Rajala*, 2010 WL 2949582, at \*5 (quoting FED. R. CIV. P. 26(c)(1)).

place, for the disclosure or discovery.”<sup>270</sup> The court also relied on the Advisory Committee’s Note to Federal Rule of Evidence 502(d), which provides that, “[u]nder the rule, a confidentiality order is enforceable whether or not it memorializes an agreement among the parties to the litigation. Party agreement should not be a condition of enforceability of a federal court’s order.”<sup>271</sup> The court further observed that the 2006 Advisory Committee’s Note to Federal Rule of Civil Procedure 26(f) specifically contemplates claw-back agreements “as a way to reduce discovery costs and minimize the risk of privilege waiver,” and that Rule 502 “validates . . . clawback provisions or agreements” that “provide for the return of [privileged or protected] documents without waiver irrespective of the care taken by the disclosing party . . . .”<sup>272</sup> Thus, the court concluded, “a court may fashion an order, upon a party’s motion or its own motion, to limit the effect of waiver when a party inadvertently discloses attorney-client privileged information or work product materials.”<sup>273</sup> Ultimately, because it found that McGuire Woods had shown good cause for adding a claw-back agreement to the protective order, the court granted McGuire Woods’ motion.<sup>274</sup>

[71] The court in *Whitaker Chalk Swindle & Sawyer, LLP v. Dart Oil & Gas Corp.* also recognized the importance of Rule 502(d).<sup>275</sup> There, the defendant, concerned that a majority of the documents subject to mandatory disclosure under Rule 26(a)(1) were protected by the attorney–client privilege and that disclosure of the documents would waive the

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<sup>270</sup> *Id.* (quoting FED. R. CIV. P. 26(c)(1)(B)). The court, however, cannot compel the parties to disclose privileged material under Rule 26(c)(1); it may only limit the effect on waiver of such a disclosure. *See* FED. R. CIV. P. 26(c)(1)(B).

<sup>271</sup> *Rajala*, 2010 WL 2949582, at \*4 (quoting FED. R. EVID. 502(d) advisory committee’s note).

<sup>272</sup> *Id.* at \*3–4 (quoting FED. R. EVID. 502(d) advisory committee’s note).

<sup>273</sup> *Id.* at \*4.

<sup>274</sup> *Id.* at \*6.

<sup>275</sup> No. 4:08-CV-684-Y, 2009 WL 464989 (N.D. Tex. Feb. 23, 2009).

privilege in a separate proceeding, moved for a protective order to prevent the disclosure of those materials.<sup>276</sup> Quoting Rule 502(d), the plaintiff argued that the court could “order that the privilege or protection [would not be] 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.”<sup>277</sup> The defendant incorrectly argued that the court only could issue such an order with regard to inadvertent disclosures.<sup>278</sup> The court clarified that court orders pursuant to Rule 502(d) could encompass intentional, as well as inadvertent, disclosures, and held that it had the authority “to order discovery to proceed and that by complying with such an order [compelling discovery, the defendant] ha[d] not waived the attorney-client or work-product privilege in the [other] suit.”<sup>279</sup>

[72] In *Rajala* and *Whitaker Chalk Swindle & Sawyer*, the courts did not have to address whether they had authority on their own to enter an order limiting the waiver of privilege or protection *sua sponte*.<sup>280</sup> Clearly, the rule contemplates a court’s power to issue such an order. The Statement of Congressional Intent for Rule 502(d) provides:

This subdivision is designed to enable a court to enter an order, whether on motion of one or more parties *or on its own motion*, that will allow the parties to conduct and respond to discovery expeditiously, without the need for

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<sup>276</sup> *Id.* at \*1-2.

<sup>277</sup> *Id.* at \*4 (quoting FED. R. EVID. 502(d)).

<sup>278</sup> *Id.*

<sup>279</sup> *Id.*; see also *Alcon Mfg., Ltd. v. Apotex Inc.*, No. 1:06-cv-1642-RLY-TAB, 2008 WL 5070465, at \*4–6 (S.D. Ind. Nov. 26, 2008) (relying on Rule 502(d) and a previously-issued protective order that included a provision expressly addressing the effect of an inadvertent disclosure of privileged documents to determine if a party had waived privilege).

<sup>280</sup> *Rajala*, 2010 WL 2949582, at \*8 & n.47; *Whitaker Chalk Swindle & Sawyer*, 2009 WL 464989, at \*5-8.

exhaustive pre-production privilege reviews, while still preserving each party's right to assert the privilege to preclude use in litigation of information disclosed in such discovery.<sup>281</sup>

Because the Rules Enabling Act required Congressional approval to give "force or effect" to this rule, the Statement of Congressional Intent is afforded significant weight.<sup>282</sup>

[73] Moreover, pursuant to Federal Rule of Civil Procedure 16(b)(3), a court may include any such claw-back provision in its scheduling order.<sup>283</sup> Should a court conclude that an order limiting the effect on waiver of a disclosure of privileged or protected material is proper after the initial scheduling order has been issued, the court may modify the scheduling order for good cause pursuant to Federal Rule of Civil Procedure 16(b)(4).<sup>284</sup> The court also may issue an order limiting the effect on waiver pursuant to Federal Rule Civil Procedure 26(b)(2)(C)(i), which states that a court may on its own motion, when required, issue an order limiting the "frequency or extent of discovery otherwise allowed by these rules or by local rule if it determines that . . . the discovery sought . . . can be obtained from some other source that is more convenient, less burdensome, or less expensive."<sup>285</sup> Taken together, Federal Rule of Evidence 502, Federal Rules of Civil Procedure 16(b)(3) and (4), and 26(b)(2)(C), and the Statement of Congressional Intent provide sufficient

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<sup>281</sup> FED. R. EVID. 502(d) addendum to advisory committee's note STATEMENT OF CONGRESSIONAL INTENT (emphasis added).

<sup>282</sup> 28 U.S.C. § 2074(b) (2006).

<sup>283</sup> See FED. R. CIV. P. 16(b)(3) ("The scheduling order must limit the time to . . . complete discovery" and may "include other appropriate matters.").

<sup>284</sup> FED. R. CIV. P. 16(b)(4).

<sup>285</sup> FED. R. CIV. P. 26(b)(2)(C)(i).

authority for a court, on its own, to issue an order limiting the effect on waiver of a disclosure of privilege or protected material.<sup>286</sup>

#### VII. RULE 502(e)

[74] Rule 502(e) allows parties to enter into agreements regarding the effect of a disclosure (whether inadvertent or intentional) of privileged or protected material.<sup>287</sup> Moreover, this subdivision allows a court to incorporate any such agreement into a court order and to give the agreement the same effect as a court order issued under Rule 502(d).<sup>288</sup> Rule 502(e) states: “An agreement on the effect of disclosure in a Federal proceeding is binding only on the parties to the agreement, unless it is incorporated into a court order.”<sup>289</sup> It “codifies the well-established proposition that parties can enter an agreement to limit the effect of waiver by disclosure between or among them.”<sup>290</sup> Although “such an agreement can bind only the parties to the agreement,” the rule provides a mechanism for the court to incorporate the parties’ agreement into a court order, which is the only way for the parties to obtain “protection against non-parties from a finding of waiver by disclosure.”<sup>291</sup>

[75] Federal Rule of Civil Procedure 16(b)(3)(B)(iv) allows a court to include in its scheduling order “any agreements the parties reach for asserting claims of privilege or of protection as trial-preparation material after information is produced.”<sup>292</sup> Further, Federal Rule of Civil Procedure

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<sup>286</sup> See FED. R. EVID. 502(d)–(e); FED. R. CIV. P. 26(b)(2)(C); FED. R. CIV. P. 16(b)(3)–(4). See generally FED. R. EVID. 502(d) addendum to advisory committee’s note STATEMENT OF CONGRESSIONAL INTENT.

<sup>287</sup> FED. R. EVID. 502(e).

<sup>288</sup> *Id.*

<sup>289</sup> *Id.*

<sup>290</sup> FED. R. EVID. 502(e) advisory committee’s note.

<sup>291</sup> *Id.*

<sup>292</sup> FED. R. CIV. P. 16(b)(3)(B)(iv).

26(f)(3)(D) requires that the parties include in their discovery plan “any issues about claims of privilege or of protection as trial-preparation material, including—if the parties agree on a procedure to assert these claims after production—whether to ask the court to include their agreement in an order.”<sup>293</sup> Additionally, the 2006 Advisory Committee’s Note to Rule 26(f)(3) specifically contemplates the type of claw-back agreements that state, “production without intent to waive privilege or protection should not be a waiver so long as the responding party identifies the documents mistakenly produced, and that the documents should be returned under those circumstances.”<sup>294</sup> Rule 502 also goes hand-in-glove with Federal Rule of Civil Procedure 26(b)(5)(B), which provides:

If information is produced in discovery is subject to a claim of privilege or of protection as trial-preparation material, the party making the claim may notify any party that received the information of the claim and the basis for it. After being notified, a party must promptly return, sequester, or destroy the specified information and any copies it has; must not use or disclose the information until the claim is resolved; must take reasonable steps to retrieve the information if the party disclosed it before being notified; and may promptly present the information to the court under seal for a determination of the claim. The producing party must preserve the information until the claim is resolved.<sup>295</sup>

[76] Notably, nothing in the text of either Rule 502(e) or Rule 16(b) or 26(f) requires parties to undertake “reasonable” precautions to avoid disclosure of privileged or protected information as part of a claw-back, quick peek or other non-waiver agreement.<sup>296</sup> To the contrary, these rules

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<sup>293</sup> FED. R. CIV. P. 26(f)(3)(D).

<sup>294</sup> FED. R. CIV. P. 26(f) advisory committee’s note.

<sup>295</sup> FED. R. CIV. P. 26(b)(5)(B).

<sup>296</sup> *See* FED. R. EVID. 502(e); FED. R. CIV. P. 26(f); FED. R. CIV. P. 16(b).

would permit the parties to agree that discovery material could be produced without any pre-production screening at all, but be “clawed” back upon demand after production.<sup>297</sup> In this regard, the court in *Rajala* correctly pointed out that the agreement of the parties may contain a provision that allows for the return of a privileged or protected document “irrespective of the care taken by the disclosing party.”<sup>298</sup> However, as will be discussed in the next section, some courts have failed to enforce non-waiver agreements that parties have reached, because the producing party failed to take reasonable pre-production measures to avoid disclosure of privileged or protected information. These decisions fail to interpret Rule 502 correctly.

VIII. THE VULNERABILITY TO DATE OF RULE 502(d) AND (e)  
AND 26(b)(5)(B) AGREEMENTS TO RULE 502(b)(2)  
AND (3)’S REASONABLENESS REQUIREMENT

[77] Although Rule 502(d) and (e) and the accompanying Advisory Committee’s Note appear straightforward, some courts have engrafted onto them a “reasonableness” test that clearly is not contemplated by the rule itself.<sup>299</sup> In fact, the Committee’s Note states the exact opposite with regard to Rule 502(d): “[T]he court order may provide for the return of documents without waiver *irrespective of the care taken* by the disclosing party.”<sup>300</sup> Similarly, pursuant to Rule 26(b)(5)(B) (via Rules 16(b) and 26(f)), parties may ask the court to include in a court order any agreement they reach pertaining to waiver of privileged or protected information, and the parties’ agreements and the related court orders “ordinarily control if they adopt procedures different from those in Rule 26(b)(5)(B).”<sup>301</sup>

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<sup>297</sup> See generally FED. R. EVID. 502(e); FED. R. CIV. P. 16(b); FED. R. CIV. P. 26(f); FED. R. EVID. 502(e) advisory committee’s note.

<sup>298</sup> *Rajala v. McGuire Woods, LLP*, No. 08-2638-CM-DJW, 2010 WL 2949582, at \*4 (D. Kan. July 22, 2010) (quoting FED. R. EVID. 502(d) advisory committee’s note).

<sup>299</sup> See FED. R. EVID. 502(d)–(e); see also FED. R. EVID. 502(d)–(e) advisory committee’s note.

<sup>300</sup> FED. R. EVID. 502(d) advisory committee’s note (emphasis added).

<sup>301</sup> FED. R. CIV. P. 26(b)(5)(B) advisory committee’s note.

[78] Yet, some courts have displayed a misguided reluctance to accept that parties may agree to procedures that would not be deemed reasonable under Rule 502(b)(2) or (3). For example, in *Spieker v. Quest Cherokee, LLC*, the court rejected the plaintiff's argument that the defendant could avoid an estimated \$250,000 in pre-production review costs by entering into an agreement under Federal Rules of Civil Procedure 26(b)(5)(B) and 502 in which the defendant would not have to conduct such a review, but rather could produce the documents subject to the right to assert privilege thereafter.<sup>302</sup> The court stated:

The difficulty with this argument is that Rule 502(b) preserves the privilege if “the holder of the privilege or protection took reasonable steps to prevent disclosure” of the privileged material. Simply turning over all ESI materials does not show that a party has taken “the reasonable steps” to prevent disclosure of its privileged materials and plaintiffs’ proposal is flawed.<sup>303</sup>

[79] The court's comments failed to account for the Advisory Committee's Notes to Rules 502 and 26(b)(5)(B), and, more importantly, entirely ignored Rule 502(d) and (e), which would permit the parties to do exactly what was proposed, and which encourage the court to approve it. Rulings such as that rendered in *Spieker* fly in the face of the clear intent of Rule 502 and ignore the rule's explicit provisions. Contrary to such rulings, parties should be permitted the flexibility to enter into non-waiver agreements that permit less than full compliance with Rule 502(b)(2) pre-production review. This freedom would allow parties to avoid disproportionate discovery costs occasioned by comprehensive pre-production review for privilege or work-product protection.

[80] *Luna Gaming-San Diego, LLC v. Dorsey & Whitney, LLP* is an example of a case in which the court declined to enforce the parties' non-

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<sup>302</sup> *Spieker v. Quest Cherokee, LLC*, No. 07-1225-EFM, 2009 WL 2168892, at \*3 (D. Kan. July 21, 2009).

<sup>303</sup> *Id.* (footnote omitted).

waiver agreement.<sup>304</sup> The parties entered into a protective order approved by a magistrate judge, which outlined the procedures they would follow to resolve any disputes relating to allegations of inadvertently produced privileged documents.<sup>305</sup> During discovery, the plaintiff produced privileged documents, which the defendant's counsel used during a deposition, without objection by the plaintiff's counsel.<sup>306</sup> Several months later, during another deposition, the defendant's counsel used as an exhibit another privileged document that the plaintiff had produced, at which time the plaintiff's counsel objected and invoked the "claw-back" provision of the protective order.<sup>307</sup> Defendant's counsel objected, arguing that the use of privileged documents during a deposition several months earlier, without objection by the plaintiff's attorney, waived any privilege claims.<sup>308</sup> Thereafter, the defendant's attorney continued to question the deponent about the document, without objection by the plaintiff's counsel.<sup>309</sup> However, the next day, when defense counsel again attempted to use the privileged document as a deposition exhibit, plaintiff's counsel objected and once again invoked the claw-back provision in the protective order.<sup>310</sup> Defendant did not use privileged documents any more during discovery, and counsel did not discuss further the return of any asserted privileged documents to the plaintiff.<sup>311</sup> The defendant subsequently filed two motions for summary judgment and included privileged documents as exhibits in support of the motions, and the plaintiff did not object.<sup>312</sup>

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<sup>304</sup> No. 06cv2804 BTM (WMc), 2010 WL 275083, at \*4 (S.D. Cal. Jan. 13, 2010).

<sup>305</sup> *Id.* at \*1.

<sup>306</sup> *Id.*

<sup>307</sup> *Id.*

<sup>308</sup> *Id.*

<sup>309</sup> *Luna Gaming—San Diego, LLC*, 2010 WL 275083, at \*1.

<sup>310</sup> *Id.* at \*2.

<sup>311</sup> *Id.*

<sup>312</sup> *Id.*

[81] Ultimately, a dispute arose about whether the plaintiff had waived its claims of privilege regarding the documents that defendant used as its summary judgment exhibits.<sup>313</sup> The magistrate judge held that the privileged documents had been produced inadvertently, and the plaintiff had not waived its privilege.<sup>314</sup> The magistrate judge agreed with the defendant that the plaintiff should have objected earlier, but said that once the plaintiff eventually objected, the defendant was obligated under the protective agreement to return the documents immediately, and its failure to do so violated the protective order.<sup>315</sup> Additionally, while finding both plaintiff and defendant culpable, the magistrate judge viewed the defendant as more culpable, because the protective order required the defendant to seek a judicial resolution of the waiver issue before using the disputed documents as summary judgment exhibits.<sup>316</sup>

[82] When the defendant objected to this ruling, the district judge upheld a number of the magistrate judge's rulings, but overruled the magistrate judge's ruling that plaintiff had not waived the privilege.<sup>317</sup> The court based its ruling on Rule 502(b)(3), finding that the plaintiff had failed to promptly initiate remedial action once it learned of the inadvertent production of privileged materials, despite the fact that the parties had entered into a protective order, signed by the magistrate judge, that permitted the plaintiff to claw-back any inadvertently produced privileged documents.<sup>318</sup> The court held the plaintiff's privilege waived as the language of the protective order did not specify how or when a party was required to exercise the claw-back provision after finding that privileged documents inadvertently had been produced, and stated:

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<sup>313</sup> *Id.*

<sup>314</sup> *Luna Gaming—San Diego, LLC*, 2010 WL 275083, at \*2.

<sup>315</sup> *Id.*

<sup>316</sup> *Id.*

<sup>317</sup> *Id.* at \*4, 7.

<sup>318</sup> *Id.* at \*6–7.

Although the Protective Order states that the inadvertent disclosure of privileged documents “shall not constitute a waiver of any privilege,” it does not address under what circumstances failure to object to the use of inadvertently produced privileged documents waives the privilege . . . . Furthermore, even if the Protective Order’s provisions did apply to this dispute, [the plaintiff’s] repeated failures to object to the use of the Privileged Documents . . . waived any protections it could have invoked under the Protective Order.<sup>319</sup>

[83] This is a sobering lesson for litigants who wish to take advantage of Rule 502(e) and enter into binding non-waiver agreements with their opposing counsel: while they may do so, they must exercise great care in drafting such agreements. If a non-waiver agreement is ambiguous, as in *Luna Gaming*, the court may take a formalist view and resort to analysis under Rule 502 if the agreement does not explicitly govern resolution of the dispute.<sup>320</sup> In *Luna Gaming*, the parties clearly intended to allow post-production assertion of a privilege through the claw-back provision.<sup>321</sup> However, because the protective order did not particularize that procedure, the court analyzed the issue under Rule 502(b)(3).<sup>322</sup> Thus, the court found waiver and held that the plaintiff failed to comply with Rule 502(b)(3) because the plaintiff repeatedly failed to object or demand the return of the inadvertently produced privileged documents.<sup>323</sup>

[84] The take-away point is crystal clear here. Federal Rule of Civil Procedure 26(b)(5)(B) specifically contemplates that parties may negotiate their own non-waiver agreements, and that these procedures are intended

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<sup>319</sup> *Luna Gaming–San Diego, LLC*, 2010 WL 275083, at \*4.

<sup>320</sup> *See id.*

<sup>321</sup> *See id.* at \*1.

<sup>322</sup> *See id.* at \*4.

<sup>323</sup> *See id.* at \*5–7.

to control notwithstanding any inconsistency with procedures stated in the rule.<sup>324</sup> Similarly, Rule 502(d) clearly contemplates that when a court issues an order — *sua sponte*, or at the joint request of the parties — to the effect that certain disclosures of privileged or protected information do not constitute a waiver, it can approve procedures that would not otherwise pass muster under Rule 502(b)(2) or (3).<sup>325</sup> Further, Rule 502(e) allows the parties to enter into such an agreement to avoid waiver without court approval.<sup>326</sup>

[85] Expressed differently, Rule 502(d) and (e) and Rule 26(b)(5)(B) are intended to operate in concert to permit parties to negotiate their own non-waiver agreements under whatever terms they want, even if inconsistent with Rule 26(b)(5)(B) or 502(b). Moreover, Rule 502(d) and

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<sup>324</sup> See FED. R. CIV. P. 26(b)(5).

Rule 26(b)(5)(B) provides a procedure for presenting and addressing [issues regarding post-production assertion of privilege or work-product]. Rule 26(b)(5)(B) works in tandem with Rule 26(f), which is amended to direct the parties to discuss privilege issues in preparing their discovery plan, and which, with amended Rule 16(b), allows the parties to ask the court to include in an order any agreements the parties reach regarding issues of privilege or trial-preparation material protection. Agreements reached under Rule 26(f)(4) and orders including such agreements entered under Rule 16(b)(6) may be considered when a court determines whether a waiver has occurred. *Such agreements and orders ordinarily control if they adopt procedures different from those in Rule 26(b)(5)(B).*

FED. R. CIV. P. 26(b)(5) advisory committee’s note (emphasis added).

<sup>325</sup> See FED. R. EVID. 502(d). “For example, the court order may provide for return of documents without waiver *irrespective of the care taken by the disclosing party*; the rule contemplates enforcement of ‘claw-back’ and ‘quick peek’ arrangements as a way to avoid the excessive costs of pre-production review for privilege and work product.” FED. R. EVID. 502(d) advisory committee’s note (emphasis added) (citing *Zubulake v. UBS Warburg LLC*, 216 F.R.D. 280, 290 (S.D.N.Y. 2003)).

<sup>326</sup> See FED. R. EVID. 502(e); FED. R. EVID. 502(e) advisory committee’s note (“Subdivision (e) codifies the well-established proposition that parties can enter an agreement to limit the effect of waiver by disclosure between or among them.”).

(e) and Rule 26(b)(5)(B) encourage courts to approve such agreements by issuing a protective order if requested to do so, or on their own volition. Thus, for example, it would be perfectly appropriate for the parties to a lawsuit to enter into a non-waiver agreement that permitted the defendant to produce all its documents to plaintiff without conducting any pre-production review for privilege or work product, in order to avoid the expense of doing so, while reserving the right to “claw-back” at a later time any privileged documents that were produced. This procedure would never pass muster under Rule 502(b)(2), because it cannot seriously be argued that doing no pre-production review at all meets the requirement of Rule 502(b)(2) to take “reasonable steps to prevent disclosure.”<sup>327</sup> Nevertheless, if the parties negotiate such an agreement, as they are permitted to do under Rule 502(d) and Rule 26(b)(5)(B) in order to avoid the expense of reviewing voluminous ESI for privilege and work product, while reserving the right to claw-back privileged or protected documents after they have been produced, that agreement “trumps” any contrary obligation that Rule 502 or 26(b)(5)(B) would impose in the absence of an agreement.<sup>328</sup>

[86] What *Luna Gaming*, and the decisions discussed below, make clear, however, is that courts asked to enforce non-waiver agreements entered into by the parties may be reluctant, or even hostile, when asked to construe the agreements beyond their specific language, and may be inclined to construe any ambiguity against the drafters. In *Luna Gaming*, the failure of the claw-back provision in the protective order to specify how and when the party invoking that clause was obligated to do so resulted in the court disregarding the agreement in favor of analysis under Rule 502(b)(3), which resulted in a finding of waiver.<sup>329</sup> One may argue that it is more consistent with the underlying purpose of Rule 502 for a reviewing court to construe broadly an ambiguous non-waiver agreement and thereby further the litigants’ intent to reduce discovery costs and avoid

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<sup>327</sup> FED. R. EVID. 502(b)(2).

<sup>328</sup> See FED. R. EVID. 502(d) advisory committee’s note.

<sup>329</sup> See *Luna Gaming–San Diego, LLC v. Dorsey & Whitney, LLP*, No. 06cv2804 BTM (WMe), 2010 WL 275083, at \*4–5 (S.D. Cal. Jan. 13, 2010).

waiver, but, to date, the courts addressing this issue have taken an unfortunate and unnecessarily strict constructionist approach. Unless this changes, parties will need to exercise extreme care in drafting such agreements to ensure that they clearly address the process by which parties may assert privileges under the agreement and avoid the control of Rule 502(b) or common law waiver doctrine.

[87] In *Mt. Hawley Insurance Co. v. Felman Production, Inc.*, the parties' claw-back agreement proved ineffective against waiver.<sup>330</sup> The parties entered into an "ESI Stipulation" governing discovery, which contained a claw-back provision, but they did not submit it to the court for approval or incorporation into a protective order.<sup>331</sup> The claw-back provision in the ESI Stipulation permitted a party to request return of any inadvertently-produced privileged or protected information within ten days of discovery of its production, after which, within five days, the receiving party was obligated to return or destroy all copies, subject to the ability of the receiving party to file a motion to compel.<sup>332</sup> Interestingly, the claw-back provided: "[c]ompliance by the producing party with the steps required by this [agreement] shall be sufficient, notwithstanding any argument by a party to the contrary, to satisfy the reasonableness requirement of FRE 502(b)(3)."<sup>333</sup> Thus, unlike the agreement in *Luna Gaming*, the claw-back agreement in *Mt. Hawley* contained specific deadlines in which the producing party was to give notice to the receiving party of inadvertent production, and contemplated that the procedures in the claw-back would trump any other inquiry under Rule 502(b)(2) or (3).<sup>334</sup> Pursuant to the claw-back agreement, the plaintiff demanded return of an inadvertently produced privileged e-mail, but the defendant refused

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<sup>330</sup> See generally *Mt. Hawley Ins. Co. v. Felman Prod., Inc.*, 271 F.R.D. 125 (S.D.W. Va. 2010).

<sup>331</sup> *Id.* at 128–29.

<sup>332</sup> *Id.* at 129.

<sup>333</sup> *Id.*

<sup>334</sup> *Id.*

and asserted that any privilege had been waived due to the plaintiff's failure to take reasonable precautions to prevent disclosure.<sup>335</sup> The defendant also argued that privilege was inapplicable by virtue of the crime–fraud exception to the attorney–client privilege.<sup>336</sup>

[88] The court ruled that the plaintiff had complied with the notice requirements of the claw-back, thereby satisfying Rule 502(b)(3), and that the defendant violated the claw-back by failing to return or destroy the e-mail.<sup>337</sup> Nevertheless, the court found that, despite the claw-back provision that memorialized the parties' agreement regarding Rule 502(b)(3) post-production responsibilities, the plaintiff failed to meet its Rule 502(b)(2) obligation to take reasonable steps to avoid production of the e-mail in the first place, and found waiver had occurred.<sup>338</sup> Though it is clear that the parties could have negotiated a non-waiver agreement pursuant to Rule 502(e) and Rule 26(b)(5)(B),<sup>339</sup> allowing producing parties to engage in no pre-production review at all and reserving the right to claw-back privileged or protected information, the agreement was silent as to any pre-production precautions that were to be taken.<sup>340</sup> This led the court to conclude that the claw-back agreement was inapplicable to pre-production obligations, and on that basis, it analyzed the plaintiff's conduct under Rule 502(b)(2)'s reasonableness standard.<sup>341</sup> Thus, because the non-waiver agreement that the parties negotiated did not specifically

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<sup>335</sup> *Mt. Hawley Ins. Co.*, 271 F.R.D. at 127.

<sup>336</sup> *Id.*

<sup>337</sup> *See id.* at 130.

<sup>338</sup> *See id.* at 133–36.

<sup>339</sup> *See supra* notes 324 and 325; *see also* *Gilday v. Kenra, Ltd.*, No: 1:09-cv-00229-TWP-TAB, 2010 WL 3928593, at \*4 n.3 (S.D. Ind. Oct. 4, 2010) (“Rule 502 does not apply if the parties have their own agreement regarding inadvertent disclosure of privileged documents.”).

<sup>340</sup> *See Mt. Hawley Ins. Co.*, 271 F.R.D. at 128–29 (discussing the requirements of the parties' agreement which included no mention of pre-production guidelines).

<sup>341</sup> *Id.* at 133.

address the pre-production obligations of producing parties, it was ineffective despite its otherwise comprehensive provisions regarding post-production obligations, and the court was unwilling to infer from the totality of the claw-back provision an intent to alter Rule 502(b)(2) as well as 502(b)(3).<sup>342</sup>

[89] Once again, the lesson for parties is clear. When drafting a non-waiver agreement under Rule 502(e) and Rule 26(b)(5)(B), painstaking care should be taken to ensure that the agreement clearly addresses both pre-production and post-production obligations. Otherwise the parties run the risk that the court will make its waiver determinations in accordance with Rule 502(b)(2) and (3) instead of the non-waiver agreement.

[90] The court in *United States v. Sensient Colors* took a similar approach to the *Mt. Hawley* court.<sup>343</sup> In *Sensient Colors*, the parties agreed upon a joint discovery plan that contained the following paragraphs: III.A “Non-waiver: By exchanging documents or information with each other, the Parties do not waive any privilege, confidentiality or other protection from production that otherwise applies to such documents or information,” and VI. “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.”<sup>344</sup> The plaintiff argued that this language precluded a finding that 214 inadvertently produced privileged documents constituted a waiver.<sup>345</sup> The court categorically dismissed this argument, stating:

This argument is rejected. Nowhere in the Discovery Plan does it mention that the parties are excused from [sic] the requirements of Federal Rule of Evidence 502(b) . . . .

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<sup>342</sup> *See id.*

<sup>343</sup> *See United States v. Sensient Colors, Inc.*, No. 07-1275 (JHR/JS), 2009 WL 2905474, at \*2 (D.N.J. Sept. 9, 2009).

<sup>344</sup> *Id.* at \*2 n.4.

<sup>345</sup> *See id.* at \*2.

Plaintiff and Sensient are represented by sophisticated counsel. If they intended to implement a “clawback” provision this would have been specifically mentioned.<sup>346</sup>

While the court acknowledged that the parties could have negotiated a claw-back agreement that would have undone an inadvertent production of privileged information “irrespective of the care taken by the disclosing party,”<sup>347</sup> it observed that “[c]ourts generally frown upon . . . such blanket [non-waiver agreements]” because they “essentially immuniz[e] attorneys from negligent handling of documents,” and can lead to “sloppy attorney review and improper disclosure which could jeopardize clients’ cases.”<sup>348</sup>

[91] Two observations flow from the court’s analysis. First, following the enactment of Rule 502 and Rule 26(b)(5)(B), it no longer can be said that “blanket” non-waiver agreements are “generally frown[ed] upon,”<sup>349</sup> as the Advisory Committee’s Notes to each rule makes it clear that parties may agree to procedures that are not consistent with those stated in the rules.<sup>350</sup> Importantly, with the additions of Rule 26(b)(5)(B) in 2006 and Rule 502(d) and (e) in 2008, Congress intended specifically to change the prior common law rules regarding privilege waiver by inadvertent

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<sup>346</sup> *Id.* (footnote omitted).

<sup>347</sup> *Id.* at \*2 n.6 (citing *Zubulake v. UBS Warburg LLC*, 216 F.R.D. 280, 290 (S.D.N.Y. 2003)).

<sup>348</sup> *Sensient Colors, Inc.*, 2009 WL 2905474, at \*3.

<sup>349</sup> *Id.*

<sup>350</sup> See FED. R. EVID. 502 advisory committee’s note (“For example, the court order may provide for return of documents without waiver *irrespective of the care taken by the disclosing party*; [Rule 502] *contemplates enforcement of ‘claw-back’ and ‘quick peek’ arrangements as a way to avoid the excessive costs of pre-production review for privilege and work product.*” (emphasis added)); FED. R. CIV. P. 26(b)(5)(B) advisory committee’s note (“Rule 26(b)(5)(B) works in tandem with Rule 26(f) . . . which, with amended Rule 16(b), *allows the parties to ask the court to include in an order any agreements the parties reach regarding issues of privilege or trial-preparation material protection.* Agreements reached under Rule 26(f)(4) and orders including such agreements entered under Rule 16(b)(6) . . . *ordinarily control if they adopt procedures different from those in Rule 26(b)(5)(B).*”) (emphasis added).

production of privileged or protected information. Congress recognized that, especially with regard to ESI discovery, “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 . . . .”<sup>351</sup> It is fundamentally inconsistent with the intent of Rule 502 to conclude that courts have an obligation to insist that parties undertake costly pre-production review for privilege or work product if they are amenable to an agreement not to do so, subject to a claw-back agreement. Continuing to do so would thwart the goals Congress intended to achieve by enacting Rule 502.<sup>352</sup>

[92] Second, *Sensient Colors* again illustrates an instance in which a court was unwilling to interpret a non-waiver agreement broadly, in concert with the obvious intent of the parties, but rather chose to do so narrowly.<sup>353</sup> This further underscores the need for parties to exercise extreme care in drafting non-waiver agreements to address specifically both their pre- and post-production disclosure obligations in connection with inadvertent production of privileged or protected information. As litigants and courts gain more experience with Rule 502, it is hoped that parties will exercise greater care in drafting non-waiver agreements and courts will abandon any reluctance to interpret non-waiver agreements broadly to fulfill their purpose. In the meantime, counsel drafting non-waiver agreements pursuant to Rule 502(e) should consider the following issues.

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<sup>351</sup> FED. R. EVID. 502 advisory committee’s note.

<sup>352</sup> *See id.*

<sup>353</sup> *See Sensient Colors, Inc.*, 2009 WL 2905474, at \*3; *see also* N. Am. Rescue Prods., Inc. v. Bound Tree Med., LLC, No. 2:08-cv-101, 2010 WL 1873291, at \*9 (S.D. Ohio May 10, 2010) (concluding that the “claw-back” or “no waiver” provisions of the protective order that the parties entered into did not prevent a finding that inadvertent production of privileged e-mails constituted waiver because the parties limited the protective order’s scope to “Designated Materials” and the e-mails had not been so designated).

[93] First, when drafting a non-waiver agreement pursuant to Rule 502(e), counsel must determine whether they will ask the court to approve it, pursuant to Rule 502(d). The primary advantage for doing so is that the non-waiver agreement is then binding on third parties, in both state and federal proceedings.<sup>354</sup> A secondary advantage is that seeking court approval provides the parties with an opportunity to make clear to the court any unusual aspects of the agreement, such as a provision that the producing party will not do *any* pre-production review for privilege or work-product protection.<sup>355</sup> That way, if the court has any concerns about approving such a provision, the parties have an opportunity to remind the court that the provision is perfectly appropriate, as noted in the Advisory Committee's Note to Rule 502(d).<sup>356</sup> If the court agrees and approves the provision, then the parties can feel secure in complying with it.<sup>357</sup> If the court refuses to approve the provision however, then the parties become aware of this up front, and will have to undertake some measure of pre-production review for privilege or protection.<sup>358</sup> When the court insists on requiring such review, it would be both wise and appropriate to discuss in advance what the court expects, and to explore whether measures such as computer-based searching would be reasonable. If so, the parties should make sure the court is aware of, and approves of, the methodology the parties propose to use. This will help counsel eliminate the problems experienced in *Mt. Hawley*<sup>359</sup> and *Spieker*.<sup>360</sup> Finally, even if the parties intend to undertake extensive pre-production review for privilege or work-product protection, and they do not foresee any possible waiver that could be asserted by non-parties to the litigation, there is no disadvantage in

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<sup>354</sup> See FED. R. EVID. 502 advisory committee's note.

<sup>355</sup> See FED. R. EVID. 502(d) advisory committee's note.

<sup>356</sup> See *id.*

<sup>358</sup> See *id.*

<sup>359</sup> See generally *Mt. Hawley Ins. Co. v. Felman Prod., Inc.*, 271 F.R.D. 125 (S.D.W. Va. 2010).

<sup>360</sup> See generally *Spieker v. Quest Cherokee, LLC*, No. 07-1225-EFM, 2009 WL 2168892 (D. Kan. July 21, 2009).

seeking and obtaining court approval of their non-waiver agreement, with its concomitant protection against non-parties.

[94] Second, if parties intend to enter into a non-waiver agreement, they cannot afford to allow the agreement to be ambiguous about whether the parties will undertake pre-production review, and if so, what level of review they will employ. Parties should keep in mind that they can agree to forego pre-production review, subject to a claw-back agreement.<sup>361</sup> However, parties should expressly state any such agreement and consider including an explanation of why they have elected to forego pre-production review. Prudent parties will cite the cost-benefit proportionality factors of Rule 26(b)(2)(C) and explain why, given what is at issue in the case, foregoing pre-production review is appropriate under Rule 26(b)(2)(C)(i)–(iii) factors.<sup>362</sup> This will help persuade a reviewing court that the parties tailored the procedures they selected to fit the needs of the particular case and in accord with Rule 26(b)(2)(C), rather than acting sloppy or incautious, as was the court’s concern in *Spieker*.<sup>363</sup> Similarly, if the parties intend to conduct pre-production review, they should carefully consider what they intend to do. If the planned review is less than an individual review of each document produced (especially if the parties will employ computer-based search methodology), the parties should state the parameters of the review explicitly and keep in mind some of the concerns the *Mt. Hawley* court expressed.<sup>364</sup> The parties should either design their pre-production review to address those concerns, or

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<sup>361</sup> See *Zubulake v. UBS Warburg LLC*, 216 F.R.D. 280, 290 (S.D.N.Y. 2003) (noting that many parties “enter into so-called ‘claw-back’ agreements that allow the parties to forego privilege review altogether in favor of an agreement to return inadvertently produced privileged documents”).

<sup>362</sup> See Bradley T. Tennis, *Cost-Shifting in Electronic Discovery*, 119 YALE L.J. 1113, 1115 (2010) (noting that the cost-benefit proportionality factors of Rule 26(b)(2)(C) were implemented to limit discovery requests for ESI that is proven to be “not reasonably accessible because of undue burden or cost” (quoting FED. R. CIV. P. 26(b)(2)(B)).

<sup>363</sup> See *Spieker*, 2009 WL 2168892, at \*3 (explaining that defendant’s estimate for the cost to conduct a “privilege and relevance” review was greatly exaggerated and flawed).

<sup>364</sup> See *Mt. Hawley Ins. Co.*, 271 F.R.D. at 136.

state why they selected the methods they intend to employ, and why the methods are appropriate.

[95] Parties should keep in mind that Rule 502(e) allows them to decide for themselves what, if any, pre-production review measures they want to undertake.<sup>365</sup> Since Rule 502(e) does not require parties to meet Rule 502(b)(2) pre-production “reasonableness,” parties should be very cautious when drafting their non-waiver agreement so they do not adopt this standard themselves.<sup>366</sup> The take-away point is that it is essential to consider carefully what level of pre-production review, if any, the parties agree to, and to ensure that this is clearly stated in the Rule 502(e) non-waiver agreement.

[96] Third, parties should keep in mind that Rule 502(e) agreements apply to preclude waiver for *any* disclosure, whether inadvertent or purposeful.<sup>367</sup> Accordingly, when drafting a non-waiver agreement, counsel should be explicit in stating the scope of their non-waiver agreement and make sure the scope matches the procedures they intend to apply. For example, a claw-back agreement wherein a party intends to produce documents without complete pre-production review contemplates purposeful, not inadvertent, production. It would be a mistake to draft a claw-back provision as part of a Rule 502(e) agreement that states that it is intended to protect against “inadvertent” disclosure of privileged or protected information. Parties would be wise to consider drafting their non-waiver agreements to cover the broadest range of contingencies, which would cover both inadvertent and purposeful disclosure of privileged and work product protected information. Doing so will

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<sup>365</sup> FED. R. EVID. 502(e) advisory committee’s note.

<sup>366</sup> Compare FED. R. EVID. 502(b) advisory committee’s note (stating the “reasonableness” factors that must be met for pre-production review), with FED. R. EVID. 502(e) advisory committee’s note (excluding any such “reasonableness” requirement).

<sup>367</sup> See FED. R. EVID. 502(e) advisory committee’s note (“The rule makes clear that if parties want protection against non-parties from a finding of waiver by disclosure, the agreement must be made part of a court order.”). The Rule does not limit the type of disclosure that may be precluded. See *id.*

eliminate the difficulty experienced by the parties in *Sensient Colors*, where the agreement only afforded protection against inadvertent production of privileged or protected information.<sup>368</sup>

[97] Fourth, parties must keep in mind that Rule 502 affords protection against waiver by disclosure of both attorney–client privileged and work product protected information.<sup>369</sup> When drafting such agreements, counsel should state explicitly that it applies to both categories of protected information.<sup>370</sup>

[98] Fifth, parties should exercise particular care in drafting non-waiver agreement language that identifies what they must do, and when, upon discovering that privileged or protected information has been produced, whether inadvertently or intentionally. They would be wise to remember that Rule 502(b)(3) imposes no post-production duty to review what has been produced to discover if privileged or protected information has been produced.<sup>371</sup> If the rule itself does not do so, the parties should be particularly wary of doing so themselves. Additionally, in drafting a non-waiver agreement, parties should pay particular attention to whether they should impose upon themselves a particular deadline within which they must give the notice contemplated by Federal Rule of Civil Procedure 26(b)(5)(B) that they are invoking a post-production claim of privilege or work-product protection.<sup>372</sup> As noted above, a number of reviewing courts have held that parties were not entitled to the protection of non-waiver

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<sup>368</sup> See *United States v. Sensient Colors, Inc.*, No. 07-1275 (JHR/JS), 2009 WL 2905474, at \*2 n.4 (D.N.J. Sept. 9, 2009).

<sup>369</sup> FED. R. EVID. 502.

<sup>370</sup> See *eDIGital Newsletter – December 2010*, SEYFARTH SHAW LLP (Dec. 13, 2010), <http://www.seyfarth.com/> (follow “Publications” hyperlink; then follow “Newsletters” hyperlink; then follow “eDIGital Newsletter – December 2010” hyperlink) (noting that counsel should implement clear non-waiver language in confidentiality and protective orders).

<sup>371</sup> See FED. R. EVID. 502(b)(3).

<sup>372</sup> See FED. R. CIV. P. 26(b)(5)(B).

agreements they drafted because they failed to particularize what they were to do, and when they were to do so, upon discovering that privileged or protected information had been disclosed, or they failed to comply with the procedures that had been drafted into the agreement.<sup>373</sup>

## IX. CONCLUSION

[99] If it lives up to its purpose, Rule 502 should clarify and limit the effect of disclosure of privileged or protected information and waiver of the privilege or protection. Further, it should enable parties to reduce the escalating costs associated with privilege and protection review by permitting them to forego manual document review in favor of electronic search and retrieval methods and/or non-waiver agreements that themselves limit the effect of waiver. The framework exists for Rule 502 to function as intended, but thus far it has not fulfilled its purpose, mainly because parties have overlooked it and courts have not construed it consistently with its purpose—or consistently with each other—such that counsel and litigants are left without the protections and uniform set of standards that the rule should provide.<sup>374</sup> To achieve Rule 502’s purpose, courts should keep in mind the key points that this article attempts to illuminate for interpreting the rule.

[100] First, “intentional waiver” under Rule 502(a) results from production of information known to be privileged or protected that was “voluntary” and not “inadvertent,” and, while the fairness provision found in Rule 502(a)(3) generally provides greater protection for opinion work product, it would be a mistake to categorically prohibit subject matter

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<sup>373</sup> See, e.g., *Luna Gaming–San Diego, LLC v. Dorsey & Whitney, LLP*, No. 06cv2804 BTM (WMC), 2010 WL 275083, at \*6 (S.D. Cal. Jan. 13, 2010) (finding waiver because waiving party did not take affirmative steps to retrieve the document in question); *Sensient Colors*, 2009 WL 2905474, at \*5–6 (rejecting plaintiff’s argument that a non-waiver agreement protected against waiver regarding inadvertently produced privileged documents, and finding waiver because the parties were sophisticated and had been represented by counsel and the agreement merely protected against “inadvertent” production of privileged or protected information without specifically stating that it contained a “claw-back” provision).

<sup>374</sup> See *supra* Part II.C.

waiver of opinion work product on that basis if all the elements of Rule 502(a) are met.<sup>375</sup> Second, reasonableness of pre-production procedures should not be a consideration in determining whether production of attorney–client privileged documents was inadvertent under Rule 502(b)(1). The more useful approach is to equate “inadvertence” under Rule 502(b)(1) with “mistaken” or “unintentional” production. Of utmost importance, Rule 502(b)(2) and (3), which require reasonableness, do not demand perfection, and courts should take care not to require it.<sup>376</sup> The proportionality factors in Federal Rule of Civil Procedure 26(b)(2)(C) also are useful in assessing reasonableness under Rule 502(b)(2). Rule 502(b)(3) does not require post-production review until a party has notice that it may have produced privileged or protected information inadvertently.<sup>377</sup>

[101] Federal Rule of Civil Procedure 26(b)(5)(B) outlines a means of reasonable post-production remediation, and it is intended to work with Rule 26(f), which directs parties to address privilege and protection issues in their discovery plan and allows them to ask the court to include any agreement they reach on those issues in a court order.<sup>378</sup> The multi-factor test from pre-502 case law for determining whether inadvertent production of privileged or protected information constitutes waiver is informative but not dispositive, and particular care should be exercised in evaluating whether the “fairness” of a finding of waiver should militate in favor of a ruling that no waiver occurred if the party that inadvertently produced privileged or protected information failed to take reasonable pre- and post-production actions.

[102] Third, pursuant to Rule 502(d), the court may issue an order—at the parties’ behest or *sua sponte*—allowing the parties to engage in discovery without worrying about the consequences of waiver of privilege

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<sup>375</sup> See *supra* Part III.

<sup>376</sup> See *supra* notes 167 & 205 and accompanying text.

<sup>377</sup> See FED. R. EVID. 502(b)(3).

<sup>378</sup> See FED. R. CIV. P. 26(b)(5)(B), 26(f).

or protection in the case before it or any other proceeding, and pursuant to Rule 502(e), the parties may enter into an agreement limiting waiver in the litigation between them and, if adopted as a court order under Rule 502(d), in any other proceeding.<sup>379</sup> Thus, under Rule 502(d) orders and 502(e) agreements that provide otherwise, the parties need not take reasonable precautions to avoid disclosure of privileged or protected information, because the reasonableness requirements of Rule 502(b)(2) and (3) do not apply to disclosures made pursuant to a Rule 502(d) order or Rule 502(e) agreement.

[103] Finally, counsel and litigants should be mindful of court decisions when crafting non-waiver agreements, so that the agreements do not fall prey to interpretations contrary to the rule's purpose. Explicit provisions, which do not presuppose a court's willingness to uphold or broadly interpret the agreement, are essential. Keeping in mind that Rule 502(e) agreements may preclude waiver for inadvertent *and* purposeful disclosures of privileged *and* work-product protected information, parties should state the broad application intended in the agreement explicitly. If the parties elect to forego pre-production review, they should state so expressly in their agreement, along with an explanation for their decision that incorporates the cost-benefit proportionality factors of Fed. R. Civ. P. 26(b)(2)(C).<sup>380</sup> If they agree to undertake pre-production review, they should state the parameters of the review explicitly.

[104] Parties also should state explicitly what they must do, and when, upon discovering that privileged or protected information has been produced. They should consider whether they will seek court approval of their agreement pursuant to Rule 502(d), and, if the court requires pre-production review, counsel should discuss the parameters of that review with the court, including whether the court considers electronic search methods reasonable. Following these steps should help counsel draft agreements that effectively limit the effects of waiver. Moreover, if courts interpret and implement Rule 502 and parties' agreements in accord with the principles identified above, they will help achieve the purpose of the

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<sup>379</sup> See FED. R. EVID. 502(d)–(e).

<sup>380</sup> See FED. R. CIV. P. 26(b)(2)(C).

rule by consistently limiting the effects of waiver and associated privilege and production review costs.