

A Reasonable Route to ESI Confidentiality

◆ ELECTRONIC DISCOVERY ◆



BY H. CHRISTOPHER BOEHNING
AND DANIEL J. TOAL

Of the many burdens litigators must shoulder, among the most irksome may be disputes over what documents are confidential and what agreements and markings are necessary to keep them that way.

These confidentiality issues have become more pressing in the era of e-discovery, as ever-burgeoning masses of electronically stored information (ESI) inundate the discovery process. Determining and demarcating the confidentiality of ESI may overwhelm harried counsel who must review their client's data before producing it to an opponent.

A recent decision in the Southern District of Indiana offers an economical, common-sense approach to confidentiality—one that practitioners and courts alike should consider.

In *Containment Technologies Group Inc. v. American Society of Health System Pharmacists*, No. 07 Civ. 997, 2008 WL 4545310 (S.D. Ind. Oct. 10, 2008), the plaintiff claimed that an article written and published by the defendants, which compared an "aseptic isolator" medical device manufactured by the plaintiff with competing products, was defamatory.

When discovery commenced, the defendants requested the production of documents concerning the plaintiff's testing and design of its isolator. The plaintiff objected to producing the documents without a protective order, arguing

H. Christopher Boehning and **Daniel J. Toal** are litigation partners at Paul, Weiss, Rifkind, Wharton & Garrison LLP. **Daniel S. Kirschbaum**, an associate at the firm, assisted in the preparation of this article.

A recent federal District Court decision holding that counsel may designate an entire document as "confidential" during discovery when only portions of that document contain confidential material offers some important guidance—and reassurance—for litigators.

that some of the requested documents contained proprietary information. The parties were unable to agree on the terms of such an order. And so, the plaintiff moved for application of its proposed protective order and the defendants moved to compel production—and also submitted a dueling version of the protective order along with their motion.

The core of the parties' dispute was whether the protective order would include a provision, as the defendants insisted, requiring that "entire documents only be stamped confidential if indeed the entire document is confidential, and otherwise [that] only those portions or pages that are confidential be marked as such"; the defendants based this argument on language in *Citizens First National Bank of Princeton v. Cincinnati Insurance Co.*, an opinion by the U.S. Court of Appeals for the Seventh Circuit that states: "a document that contains trade secrets may also contain material that is not a trade secret, in which case all that would be required to protect a party's interest in trade secrecy would be redaction of portions of the document."¹

The plaintiff objected that such a provision would be "unduly burdensome and costly," citing the court's unpublished order in *Brown v. Automotive Components Holdings, LLC*, which stated: "To designate information as confidential, the producing party shall mark confidential documents with the legend 'CONFIDENTIAL.'"²

The answer to this dispute, as Magistrate Judge Tim A. Baker explained, lay in the difference between protective orders issued for discovery purposes only and those issued to seal documents filed with the court. Keeping documents secret during discovery is allowed; the material is not

yet a part of the judicial record and conducting discovery in private can expedite the disclosure process. Once discovery materials are filed with the court, however, and may "influence or underpin the judicial decision," they should be "open to public inspection unless they meet the definition of trade secrets or other categories of bona fide long-term confidentiality." Thus, protective orders applying only to discovery receive less scrutiny than those that permit sealed filings.

Both parties failed to appreciate this difference. In the *Cincinnati Insurance* case cited by the defendants, the district judge endorsed a stipulation entitling either party to designate as confidential, and have sealed, any document they believed contained trade secrets or other confidential information—without the legally mandated judicial determination of good cause to seal any part of a case record.³ And the court explained that its order in *Brown* was actually intended to narrow the parties' proposed protective order, which "allowed the parties to mark nearly any document 'confidential,' and gave the parties unfettered ability to file these documents under seal"; the order ultimately approved by the court "narrowed the scope of documents to be marked confidential" and "included a provision that made explicit that the protective order was for discovery purposes between the parties only and that the Court would not permit documents to be maintained under seal absent a more rigorous showing."

Turning to the case at hand, the court acknowledged the commonplace practice of "overdesignating" discovery responses as "confidential."

"Presumably," the court explained, "it is easier

on the producing party (and more efficient and thus less expensive) to overdesignate in this fashion rather than engage in a painstaking process of document-by-document (or even paragraph-by-paragraph) review of discovery materials to be produced.”

The court suggested that this practice is all the more understandable in the case of a “[m]assive electronic discovery production.” Such wholesale confidentiality designations make no difference to a court, which has no vested interest in protecting the parties’ documents during discovery, and is only tasked with ensuring that “confidential” documents are not also “sealed” documents without a particularized justification. But these designations can matter to the parties, since a “confidential” designation generally imposes restrictions on the party receiving a document, including limiting who may view it. So why not impose a heightened standard for “confidential” designations in the discovery stage, instead of waiting until such ostensibly confidential documents are filed with the court?

No Strict Standard

The court declined to impose a strict standard for “confidential” designations for several reasons. It noted first that even at the document production stage of litigation, protective orders (including ones proposed by both parties in this case) generally impose a duty of good faith upon counsel in classifying documents as “confidential” or otherwise protected.

Second, the court pointed out that “requiring counsel to scour each document in a massive electronic discovery production to parcel out which portions of which documents should properly be designated as confidential undoubtedly adds additional burdens and expense to the litigation.” This is simply unnecessary; under an expedited designation regime, “[i]n the event that a document—or parts of a document—are marked confidential and should not have been, counsel should confer regarding this designation in an effort to resolve any dispute.

Presumably, such a consultation will resolve many, and perhaps most, of the issues involving overbroad confidentiality designations. And in any event, the court noted, “most documents designated as confidential will never be filed with the Court or used in any Court proceeding”; heightened attention to confidentiality designations is obviously more appropriate if and when the document is filed with a court or used in a proceeding, and not when the document is “produced as part of what may often be a massive discovery response.”

The defendant’s proposed protective order included a provision that stated: “If Protected Material is contained only in a particular portion(s) or page(s) of a document, such particular portion(s) or page(s) shall be stamped CONFIDENTIAL, not the entirety

of the document.” This, the court held, “is not preferable at the production stage,” particularly given the plaintiff’s representation that it would be “unduly burdensome and costly” and in light of “the apparent volume of documents to be produced.”

Further, both parties’ proposed protective orders improperly suggested that materials designated confidential and filed with the court would be automatically sealed.

In closing the issue, the court held that “the protective order in this case should simply provide that parties act in good faith in designating documents as confidential, and that parties seeking to file documents under seal make a separate showing to the Court that good cause exists to do so.”

Ripple Effects

Perhaps the most interesting—and legally significant—portion of the *Containment Technologies* decision is its reference to the new Federal Rule of Evidence 502 and U.S. Magistrate Judge Paul Grimm’s well-known decision in *Hopson v. City of Baltimore*.⁴

The court notes that “the recent creation of Federal Rule of Evidence 502, which places limitations on waivers of the attorney client and work product privileges, represents a specific response to the costs involved in extensive document review necessitated by electronic discovery.”⁵ The court even quotes the rule’s advisory committee—which in turn quotes *Hopson*—to emphasize that “electronic discovery may encompass ‘millions of documents’ and to insist upon ‘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.’”⁶

Further, the *Containment Technologies* opinion supports its argument that “most documents designated as confidential will never be filed with the Court or used in any Court proceeding” as “consistent with *Hopson*.”

The citation of *Hopson* and Rule 502 as persuasive authority in a decision not involving attorney-client privilege, work-product privilege, or subject-matter waiver demonstrates that they have both raised awareness, in at least some courts, of the extraordinary legal and logistical difficulties facing practitioners today, and the practical adaptations (or short-cuts) that these difficulties necessitate.

The challenges of ESI are not limited to privilege and waiver issues, of course. The fear that inadvertently producing a single e-mail from among massive amounts of data might waive privilege protection over the entirety of a client’s documents imposes significant burdens on counsel. So does the fear that inadvertently failing to stamp a single page or even a single paragraph within the same data as “confidential” will allow an opponent to expose a client’s trade

secrets or proprietary information.

Magistrate Judge Baker recognizes, as have Magistrate Judge Grimm and Rule 502’s drafters, that imposing strict or rigid penalties on the exchange of electronic data in the discovery process may be harmful to the civil litigation system.

Conclusion

Containment Technologies is a useful decision for those facing the prospect of reviewing large-scale ESI productions for confidentiality purposes. Even so, although *Containment Technologies* rejects a strict page-by-page approach to confidentiality designation, it should not be read as an invitation to parties or counsel to shirk the critical task of confidentiality review, or to simply stamp vast swaths of documents “confidential” without paying attention to their content.

As the court notes, protective orders will generally call upon attorneys to exercise good faith in their application of confidentiality designations. And it is simply a matter of common sense that lawyers and parties should be attuned to the extent to which the particular contents of the data they produce are secret or proprietary.

More importantly, *Containment Technologies* reaffirms the importance of collaboration in coping with the modern ESI-laden discovery process, instructing counsel to confer about any disputed confidentiality designations.

Just as Magistrate Judge Grimm’s recent opinion in *Mancia v. Mayflower*⁷ highlights the need for cooperation in the context of document requests and interrogatories “in order to ensure that Plaintiffs obtain discovery to support their claims, and the Defendants are not overly burdened by discovery demands that are disproportionate to the issues,”⁸ *Containment Technologies* stresses the need for cooperation to ease the burdens often associated with separating truly confidential “wheat” from non-confidential “chaff.”

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1. Id. at *2 (citing *Citizens First Nat’l Bank v. Cincinnati Ins. Co.*, 178 F.3d 943, 945 (7th Cir. 1999)).

2. Id. (quoting *Brown v. Automotive Components Holdings, LLC*, No. 06 Civ. 1802 (S.D. Ind. June 17, 2008), Docket No. 80, Attachment 1) (internal quotations omitted).

3. See *Citizens First Nat’l Bank v. Cincinnati Ins. Co.*, 178 F.3d at 944.

4. Id. at *4 (citing *Hopson v. City of Baltimore*, 232 F.R.D. 228 [D. Md. 2005]). For a discussion of *Hopson*, see John F. Baughman and H. Christopher Boehning, “*Hopson*’s Is a Good Reminder That There Are No Short Cuts,” NYLJ, Feb. 28, 2006.

5. Id. (citing Fed. R. Evid. 502, advisory committee’s note).

6. Id. (quoting Fed. R. Evid. 502, advisory committee’s note, and *Hopson*, 232 F.R.D. at 244).

7. *Mancia v. Mayflower Textile Services Co.*, Civ. No. 1:08-CV-00273-CCB (D. Md. October 15, 2008).

8. Id. at *24.