Explosion of Electronic Discovery in All Areas of Litigation Necessitates Changes in CPLR

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Report of the Association of the Bar of the City of New York

Joint Committee on Electronic Discovery

New York, New York

August 2009

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I. Introduction

In the past ten years, changes in electronic information storage have transformed the nature of discovery. The ability of electronic systems to store larger amounts of data has dramatically increased the volume of discoverable information. The number of e-mail boxes alone has grown from 253 million in 1998 to nearly 1.6 billion in 2006, and estimates project a six-fold annual information growth from 2006 to 2010.[1] Ninety-two percent of new information is now kept electronically and 60 percent of business information is stored within corporate e-mail systems.[2] This explosion in electronically-stored information ("ESI") does not just affect large businesses – individual users generate nearly 800 megabytes of data per year through home computers, cell phones, flash drives, and personal digital assistants.[3]

The emergence of ESI on the information landscape has created two sources of tremendous stress in the courts. First, judges have struggled to apply rules forged long ago in a "document only" world to time-consuming ESI disclosure disputes[4] which the drafters of the New York Civil Practice Law And Rules ("CPLR") never could have envisioned fifty years ago. Second, the explosion in ESI has caused litigants in civil cases to expend increasingly larger

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[1] *Groundbreaking Study Forecasts a Staggering 988 Billion Gigabytes Of Digital Information Created in 2010,* published in Market News Publishing (March 6, 2007).

[2] Presentation by Jeffrey J. Fowler, *Implementing Effective Litigation Holds*, at *3 (March 4, 2008) (on file with author).

[3] Fowler, *supra* note 2, at *5; Kenneth J. Withers, *Electronically Stored Information: The December 2006 Amendments to the Federal Rules of Civil Procedure*, 4 Nw. J. of Tech. & Intell. Prop. 171 (2007) ("To visualize [800 megabytes], it would take about 30 feet of books to store the equivalent of 800 MB of information on paper.").

[4] Presentation by Hon. James C. Francis and Hon. Sidney I. Schenkier, *Surviving E-Discovery*, at *7 July 27, 2006 (available at http://www.fjc.gov/public/pdf.nsf/lookup/MagJ0608 .ppt/$file/ MagJ0608.ppt.).

sums of money during litigation.[5] Both of these stresses frustrate the dispute resolution process because they tend to waste resources and delay justice.

Nowhere has the explosion of ESI onto the litigation scene been more profound than in the pretrial "discovery" phase in civil litigation. Under Article 31 of the CPLR, all parties in civil litigation generally have a right to request and obtain from their adversary documents and information (including ESI) which are relevant to the dispute. In this disclosure process, known as "discovery," disputes often arise as to whether documents and information are: (a) in existence; (b) relevant; (c) privileged and/or confidential; (d) accessible; and/or (e) too burdensome to search for and/or to produce.

While the Federal Rules of Civil Procedure ("Fed. R. Civ. P.") were amended in 2006 to address issues associated with ESI,[6] New York law remains uncodified and largely undeveloped. The Legislature has not amended the Civil Practice Law and Rules ("CPLR") and courts have issued a patchwork of not-always consistent ESI rulings. The Commercial Division of the Supreme Court has worked with a rule for conferencing on ESI issues for several years, and New York trial courts have recently adopted it.[7] At the trial level, some New York courts

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[5] *Id. See also* H. Ricardo & E. Cooper, *Electronic Discovery Rules,* p. S2, col. 3, N.Y.L.J. (Aug. 22, 2005) (cases are being settled just to avoid the costs of discovery).

[6] California also recently revised its discovery procedures to address ESI by enacting the Electronic Discovery Act on June 30, 2009. ASSEMBLY BILL 5, Electronic Discovery Act (Cal. 2009).

[7] Commercial Division Rule 8 provides that:

> (b) Prior to the preliminary conference, counsel shall confer with regard to anticipated electronic discovery issues. Such issues shall be addressed with the court at the preliminary conference and shall include but not be limited to: (i) implementation of a data preservation plan; (ii) identification of relevant data; (iii) the scope, extent and form of

continue to apply traditional discovery rules to ESI while other courts take a more nuanced approach reflecting some of the issues and concerns addressed by the 2006 federal amendments. As noted during the May 5, 2008 Bench-Bar Forum sponsored by the Committee On State Courts Of Superior Jurisdiction, this lack of uniformity and patchwork of inconsistent decisions has frustrated the bar and served as a basis for in-house counsel to advise their clients to litigate their disputes elsewhere.

To address the changing discovery landscape and provide clear standards for litigants, a variety of committees at the Association of the Bar of the City of New York examined e-discovery issues. In 2005, the Joint Committee on Electronic Discovery was formed and concluded that the issues had sufficiently evolved and that the time had come for New York to address them. First the Committee recommended changes to the New York State Court Rules.[8]

> production; (iv) anticipated cost of data recovery and proposed initial allocation of such cost; (v) disclosure of the programs and manner in which the data is maintained; (vi) identification of computer system(s) utilized; (vii) identification of the individual(s) responsible for data preservation; (viii) confidentiality and privilege issues; and (ix) designation of experts (available at http://www.nycourts.gov/rules/trialcourts/202.shtml#70). See also http://www.nycourts.gov/rules/trialcourts/202.shtml#12 enacted March 20, 2009 for all New York state trial courts).

In addition, the Nassau County Commercial Division has recently issued a detailed Preliminary Conference Order Form supplementing Rule 8. The form requires parties conferring under Rule 8 to agree on a plan for preserving ESI. The form also lists sanctions for failure to comply with preservation obligations and requires cost-shifting issues to be brought to the attention of the court as soon as practicable. The Nassau County standard is the most detailed articulation of parties' ESI obligations under Rule 8. Vesselin Mitev, *Nassau Commercial Courts Adopt New E-Discovery Requirements,* N.Y.L.J., February 19, 2009, at 1. See also Nassau County Guidelines for Discovery of Electronically Stored Information (available at http://www.nycourts.gov/courts/comdiv/PDFs/Nassau-E-Filing_Guidelines.pdf).

[8] See December 28, 2007 letter to members of the New York State Administrative Board, which is responsible for enacting the New York State Court Rules. The committee recommended amendment of rule 202.12 to include e-discovery as a subject at all preliminary conferences.

It decided to address necessary changes to the CPLR separately. Those issues, the committee concluded were: (1) the duty to preserve evidence; (2) the scope of preservation; (3) scope of production; (4) inadvertent production of privileged material; and (5) the form of production.

This report suggests that several changes be made to Article 31 of the CPLR, entitled "Disclosure." While this report focuses its main attention on ESI discovery, several of the suggested changes would affect document discovery as well. In evaluating issues raised by ESI discovery, we determined that in order to provide for a more effective and fair ESI discovery, some of the rules pertinent to document discovery should also be amended. The proposed amendments may be summarized as follows:

- For the attachment of the duty to preserve and the scope of the duty to preserve, we recommend adding a new CPLR 3119. No codified standard currently exists. The new CPLR 3119 would apply to both ESI and document discovery.

- For the scope of production, we propose further additions to CPLR 3122(a) to address concerns about accessibility, duplicability, and proportionality that have been raised by the Advisory Committee to the Fed. R. Civ. P. and the Sedona Conference. No codified standard currently exists. The new CPLR 3122(a) amendments would apply only to ESI discovery.

- To emphasize the need for weighing costs against benefits in discovery, we propose amending CPLR 3101 to incorporate well-established New York cases on proportionality. No codified standard currently exists. The new CPLR 3101(j) would apply only to ESI discovery.

- To address the issue of the form in which ESI is produced, we propose amendments: (i) to CPLR 3120(a) stating that requests may specify the form in which ESI is produced; (ii) to CPLR 3122(a) stating that a producing party has a duty to object to the form set forth by the requesting party; (iii) to CPLR 3122(c) stating that the producing party has a duty to state the form it intends to use in producing the ESI; (iv) that the producing party has the duty to produce the ESI in the forms in which they are ordinarily maintained or a form which is reasonably usable; and (v) that a party need not produce the same ESI in more than one form. No codified standard currently exists. The new CPLR 3122(a) amendments would apply only to ESI discovery.

- To address inadvertent disclosure, we propose adding a: (i) clawback provision as a new Rule 3122(e); and (ii) waiver provision as a new Rule 3122(f). No codified standard currently exists. The new CPLR 3122(e) would apply to both ESI and document discovery.

After vigorous debate, the Joint Committee decided not to address the issue of metadata.[9] Whether metadata must be produced when ESI is produced is a controversial issue on which viewpoints continue to evolve. The Joint Committee believes more time is needed to allow the issue to evolve, to allow New York to consider adoption of the general provisions proposed by the Joint Committee in Section VI of this report and, if so, to study the impact of these changes to the CPLR.

Another controversial issue the Joint Committee decided not to address is cost-shifting. It concluded that New York law mandates that the requesting party pay the cost of discovery unless a motion is made for a protective order shifting the cost, and this historical presumption was unlikely to change.[10] Indeed, courts are confronted with more and more costs disputes because the cost of discovery has increased dramatically as a result of ESI. Against this backdrop, the Joint Committee's analysis of the cost-shifting issue led to its conclusion that there is confusion about the presumption. Accordingly, the Joint Committee decided not to recommend a change to the CPLR but to issue an urgently needed manual to assist New York courts managing cost disputes that are unique to ESI.[11] The manual sets forth the state of the

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[9] Metadata is information describing the history, tracking, or management of an electronic document, such as prior changes that were made to the document or other properties. *See, e.g.*, 9 Computer Tech. L. Rep. 238 (BNA, May 2, 2008).

[10] Note that in matrimonial cases, the presumption may not apply.

[11] The Manual is available at http://www.nycbar.org/pdf/report/20071733Allocation.pdf.

law regarding cost shifting in New York State Courts, compares it to the practices in federal courts and other state courts, and compares it to standards established by professional organizations. It also includes an extensive glossary of ESI terms.

With respect to both metadata and cost-shifting, the Joint Committee concluded that case law is in its infancy and should be allowed to develop before changes to the CPLR are recommended.

II. Duty To Preserve Evidence

A. Attachment of Duty to Preserve Evidence

The CPLR has never addressed the point of attachment for a party's duty to preserve evidence. Without guidance from the Legislature, state courts have developed a variety of standards to identify the attachment point. However, because there are severe ramifications from a party's failure (negligent or otherwise) to preserve potentially relevant evidence, a statutory standard should be enacted to provide clearer guidance on the attachment point of the duty to preserve.

Consequently, we recommend creating a new section, CPLR 3119(a), to define a party's duty to preserve evidence in anticipation of litigation.

B. Background

1. New York Law

New York state courts have adopted a variety of standards for a party's duty to preserve evidence based on the common law duty to avoid spoliation. The standards posit that a party

must preserve evidence upon being placed on notice: (i) that the evidence might be needed for future litigation;[12] or (ii) of pending litigation;[13] or (iii) that the circumstances of an accident may give rise to enough of an indication for defendants to preserve the physical evidence for a reasonable period of time.[14] Some New York courts have also sought guidance from federal case law to determine when a party's duty to preserve evidence attaches.[15] Unfortunately, the variety of standards makes it difficult for parties to determine the precise attachment point at which their obligation to preserve evidence actually arises.

2. Federal Law

Federal courts have employed various standards to decide when the duty to preserve attaches because there is no governing standard set forth in the Fed. R. Civ. P. The U.S. Court of Appeals for the Second Circuit has ruled that:

> [t]he obligation to preserve evidence arises when the party has notice that the evidence is relevant to litigation – most commonly when suit has already been filed … but also on occasion in other circumstances, as for example when a party should have known that the evidence may be relevant to future litigation."[16]

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[12] *Lovell v. United Skates of Am., Inc.*, 28 A.D.3d 721, 721 (2d Dep't 2006).

[13] *Penofsky v. Alexanders' Dep't Stores of Brooklyn, Inc.*, 11 Misc. 3d 1052(A), at * 1 (Sup. Ct., Kings Co. Feb. 14, 2006).

[14] *Adrian v. Good Neighbor Apt. Assocs*., 277 A.D.2d 146, 147 (1st Dep't 2000).

[15] *See Fada Indus., Inc. v. Falchi Bld'g Co., L.P.*, 189 Misc.2d 1, 17 (Sup. Ct., Queens Co. 2001); *State v. Int'l Fid. Ins. Co.*, 181 Misc.2d 595, 598-99 (Sup. Ct., Albany Co. 1999); *Conderman v. Rochester Gas & Elec. Corp.*, 180 Misc.2d 8, 13-14 (Sup. Ct., Monroe Co. 1998), *modified*, 262 A.D.2d 1068 (4th Dep't 1999).

[16] *Kronisch v. U.S.*, 150 F.3d 112, 126 (2d Cir. 1998). S*ee also Byrnie v. Town of Cromwell*, 243 F.3d 93, 107 (2d Cir. 2001) (finding failure to preserve where party had notice of the "prospect of potential litigation" because a complaint had been filed with the Connecticut Commission on Human Rights and Opportunities); *Fujitsu Ltd. v. Fed. Exp. Corp.*, 247 F.3d 423, 436 (2d Cir. 2001) (same).

The Joint Committee believes that this Second Circuit standard is too burdensome, however, because it does not require that litigation be imminent or even reasonably anticipated to find that a party is under a duty to preserve evidence. Instead, the Second Circuit standard simply requires that a party preserve evidence in the face of *possible* litigation.

Other federal courts require more of an indication that litigation is "likely" or "anticipated" before imposing a duty to preserve. For example, in the leading case on ESI, *Zubulake v. UBS Warburg LLC,*[17] Judge Shira Scheindlin held that evidence should be preserved only when litigation is reasonably anticipated. In another leading case, *Cache La Poudre Feeds, LLC v. Land O'Lakes, Inc.*,[18] the court held that because litigation is an ever-present possibility in our society, the duty to preserve relevant documents should require more than a "mere possibility" of litigation. Accordingly, the *Cache* court found that a letter from the plaintiff's attorney to the defendant claiming a right in one of defendant's trademarks did not trigger a duty to preserve, because a party's duty to preserve evidence in advance of litigation must be predicated on "something more than an equivocal statement of discontent."[19] Variations of the reasonable anticipation standard have also been applied by several other federal courts.[20]

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[17] 220 F.R.D. 212. 218 (S.D.N.Y. 2003).

[18] 244 F.R.D. 614, 621 (D. Colo. 2007) (citing *Nat'l Union Fire Ins. Co. v. Murray Sheet Metal Co., Inc.*, 967 F.2d 980, 984 (4th Cir. 1992)).

[19] *Id.* The letter from plaintiff's attorney stated that the primary purpose of the letter was "to clearly put [Land O'Lakes] on notice of our client's trademark rights and clearly establish the opportunities we have given Land O'Lakes to avoid exposure. The second purpose of this letter is to determine whether this situation can be resolved without litigation and media exposure. . . . We think you will agree that the company's interests are best served by trying to resolve this unfortunate and difficult situation."

[20] *Silvestri v. General Motors Corp.*, 271 F.3d 583, 591 (4th Cir. 2001) ("The duty to preserve material evidence arises . . . when a party reasonably should know that the evidence may be relevant to anticipated

3. The Sedona Principles

In October 2002, a Sedona Working Group ("Sedona") convened to consider whether rules and concepts developed largely for paper discovery would be adequate to address issues of ESI.[21] Since that time, Sedona has issued several reports on ESI, and its recommendations have been regularly cited by the courts.[22] In August 2007, Sedona issued its *Commentary on Legal Holds: The Trigger and the Process ("Commentary"),* which directly addresses the attachment point of the duty to preserve. Guideline 1 of the *Commentary* stated that the duty to preserve arises at the point in time when litigation is reasonably anticipated:

> Reasonable anticipation of litigation arises when an organization is on notice of a credible threat it will become involved in litigation or anticipates taking action to initiate litigation.

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litigation."); *Turner v. Hudson Transit Lines, Inc.*, 142 F.R.D. 68, 72-73 (S.D.N.Y. 1991) (holding a party's duty to preserve evidence attaches prior to the filing of a complaint where a party is on notice that litigation is likely to be commenced."); *Shaffer v. RWP Group, Inc.*, 169 F.R.D. 19, 24 (E.D.N.Y. 1996) (finding that a "condition precedent" to the imposition of sanctions for failure to preserve evidence was "whether [defendant] should have known that the destroyed evidence was relevant to pending, imminent or reasonably foreseeable litigation."). *See also Dillon v. Nissan Motor Co., Ltd.*, 986 F.2d 263, 268 (8th Cir. 1993); *Smith v. Café Asia*, 246 F.R.D. 19, 21 n.1 (D.D.C. 2007); *In re NTL Secs. Litig.*, 244 F.R.D. 179, 193 (S.D.N.Y. 2007); *Doe v. Norwalk Community College*, 2007 WL 2066497, * 4 (D. Conn., July 16, 2007); *Quimby v. WestLB AG*, 245 F.R.D. 94, 103 (S.D.N.Y. 2006); *Consolidated Aluminum Corp. v. Alcoa, Inc.*, 244 F.R.D. 335, 339 (M.D. La. 2006); *Housing Rights Ctr. v. Sterling*, 2005 WL 3320739, * 2 (C.D. Cal., Mar. 2, 2005); *Rambus, Inc. v. Infineon Technologies AG*, 220 F.R.D. 264, 281 (E.D. Va. 2004); *U.S. v. Koch Indus., Inc.*, 197 F.R.D. 463, 482 (N.D. Okla. 1998).

[21] The Court in *Aguilar v. Immigration and Customs Enforcement Division*, 255 F.R.D. 350, 355 (S.D.N.Y. 2008), described the Sedona Conference as "a nonprofit legal policy research and education organization, has a working group comprised of judges, attorneys, and electronic discovery experts dedicated to resolving electronic document production issues…[c]ourts have found the Sedona Principles instructive with respect to electronic discovery issues." The Sedona Conference's publications have focused on discovery issues in general and electronic discovery in particular. *See* http://www.thesedonaconference.org/content/ miscFiles/publications_html.

[22] *See, e.g., Miller v. Holzmann*, 2007 WL 172327, at *6 (D.D.C., Jan. 17, 2007) (describing *Sedona Principle* 5 as "reasonable" and reflecting evolving case law regarding ESI discovery); *Zubulake*, 220 F.R.D. at 217 (citing the *Sedona* standard for backup tapes).

The *Commentary* then elaborated on this guideline as follows:

> A lack of credibility may arise from the nature of the threat itself or from past experience regarding the type of threat, the person who made the threat, the legal bases upon which the threat is founded or any of a number of similar facts. For example, the trigger point for a small dispute where the risk of litigation is minor might occur at a later point than for a dispute that is significant in terms of business risk or financial consequences.

The *Commentary* posited that the duty should attach only when litigation is likely, arguing that a "mere possibility" does not necessarily make litigation "likely." In so doing, the *Commentary* stated that a "reasonable anticipation" inquiry should require a fact-specific analysis which considered: (i) the level of knowledge within the organization about the claim; (ii) the risk to the organization of the claim; (iii) the risk of losing information if a litigation hold is not implemented; and (iv) the number and complexity of sources where information is reasonably likely to be found.

C. Amending the CPLR: Providing a Standard Triggering the Duty

For those who manage ESI preservation, the variety of preservation standards has created great uncertainty. Under the "reasonable anticipation" standard, parties storing ESI will be required to incur significant costs to preserve information that might relate to any potential litigation. Judge Scheindlin noted the problems with this standard:

> [M]any commentators have attributed the "reasonably anticipated" standard as some kind of invention of mine, but I can't take credit for that. The [*Zubulake IV*] opinion makes clear that the Second Circuit has set this standard. I recognize that there may be

> practical obstacles posed by that formulation of the duty to preserve, but it is the law in many courts throughout the country.[23]

The Joint Committee proposes that the CPLR be amended to incorporate standards suggested by Sedona, but with a clearer and higher threshold for the moment when the duty to preserve attaches so as to reduce the burden on potential litigants. The Joint Committee believes the word "likely," with its suggestion that a more than 50% chance is required, provides better guidance and a somewhat higher threshold for triggering a duty to preserve than the more vague "reasonably anticipated" standard. This new provision would permit parties to undertake a good-faith analysis of their litigation risks and use a sliding-scale approach in the preservation of ESI. If a dispute is likely to evolve into litigation, a producing party should make efforts to preserve relevant ESI at an early stage. On the other hand, if a party reasonably believes that a lawsuit is not likely to be filed, the party can wait until there is an actual likelihood of litigation before preserving ESI. The proposed rule adopts the "material and necessary" standard of CPLR 3101.

Therefore, the Joint Committee recommends adding the following section and Advisory Note to the CPLR:

> 3119(a). A party must preserve evidence for purposes of litigation upon becoming aware that such evidence is likely to be material and necessary to future litigation. A party becomes aware that evidence is likely to be material and necessary to future litigation upon the earlier of:

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[23] Interview of Judge Shira A. Scheindlin, March 24, 2004 (available at http://www.thesedonaconference.org/content/miscFiles/ScheindlinInterview.pdf).

(i) becoming aware of circumstances which would lead a reasonable person in the party's position to believe that future litigation is likely;

(ii) becoming aware of the filing of a lawsuit in which such evidence is likely to be material and necessary; or

(iii) becoming aware of a discovery request seeking information relating to and/or the production of such evidence.

Advisory Note for CPLR 3119(a): Litigation is likely when an organization is on notice of a credible threat it will become involved in litigation. A lack of credibility may arise from the nature of the threat itself or from past experience regarding the type of threat, the person who made the threat, the legal bases upon which the threat is founded, or any of a number of similar facts. For example, the trigger point for a small dispute where the risk of litigation is minor might occur at a later point than for a dispute that is significant in terms of business risk or financial consequences.

III. Scope of Preservation

Parties to litigation today face duties to preserve rapidly-expanding varieties of ESI, and struggle to determine which information to preserve. In order to fulfill their evidentiary duties, these parties must devote ever-increasing resources to capture, set aside, and store vast amounts of ESI. In many situations it may be appropriate to preserve broader categories of information than will later be subject to production. For example, if a particular company officer was involved in a controversy that is likely to result in litigation, the company might decide to preserve all of his or her e-mails in a particular date range and reserve subject-matter searches for later. Thus, potential litigants may find it necessary to buy external hard drives (or new computers) to keep old ESI intact and corporations must build additional ESI storage capacity.

New York law has provided little direction in this area and federal law has only provided case-by-case guideposts. But the *Sedona Principles* have provided helpful standards for

preservation. To guide litigants in the New York state courts, the Joint Committee recommends that the CPLR be amended to incorporate the standards articulated in the *Sedona Principles*.

A. Background:

1. New York Law

In the one New York state court decision we have found addressing the scope of preservation, the court allowed a broad-ranging request for ESI but indicated a willingness to shift the costs of production. In *Weiller v. New York Life Insurance Co.*,[24] the plaintiff alleged improper claims-handling by several disability insurance carriers and sought an order requiring the defendants to preserve all databases, electronic material, tape media, electronic media, hard drives, computer disks, and documents relating to the discovery request. The court granted the order, rejecting the defendants' protests about the costs of preservation.[25] In so holding, the court stated that it was not insensitive to the cost entailed in the ESI production, and would, at the proper time, entertain a defense application requiring the plaintiffs to absorb all or part of the cost of the ESI-discovery they had sought.[26]

2. Federal Law

In ESI discovery disputes, federal courts tend to rely on the traditional standard for preservation, but often tailor the scope of preservation to the specifics of the case. Implicitly, the courts seem to balance the need to preserve relevant evidence with the unique burdens of ESI.

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[24] 6 Misc. 3d 1038(A) (Sup. Ct., N.Y. Co. 2005).

[25] *Id. at 6**. The defendant apparently argued that a similar request to preserve computer hard drives would cost in excess of $1 million.

[26] *Id.*

In *Zubulake,* Judge Scheindlin simply cited a traditional standard for preservation – whether information is "reasonably calculated to lead to the discovery of admissible evidence" – but crafted a solution that acknowledged the difficulties posed by ESI.[27] The court analyzed the duty to preserve electronic documents as follows:

> What is the scope of the duty to preserve? Must a corporation, upon recognizing a threat of litigation, preserve every shred of paper, every e-mail or electronic document, and every backup tape? The answer is clearly, "no." Such a rule would cripple large corporations [like Defendant] that are almost always involved in litigation. . . . At the same time, anyone who anticipates being a party or is a party to a lawsuit must not destroy unique relevant evidence that might be useful to an adversary.[28]

Thus the *Zubulake* court noted that while a litigant is "not required to keep or retain every document in its possession, it is required to preserve what it knows, or reasonably should know, is relevant in the action, is reasonably calculated to lead to the discovery of admissible evidence, is reasonably likely to be requested during discovery, and/or is the subject of a pending discovery request."[29] The court concluded that once a party reasonably anticipates litigation, it should put a litigation hold in place to ensure the preservation of relevant documents.[30]

In applying this traditional standard to the facts of the case, the *Zubulake* court seemed to tailor preservation obligations for ESI. *Zubulake* was a gender discrimination lawsuit where the

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[27] 220 F.R.D. at 218.

[28] *Id.* at 217.

[29] *Id.* at 217 (citing *Turner v. Hudson Transit Lines, Inc.*, 142 F.R.D. 68, 72 (S.D.N.Y. 1991)).

[30] *Id.* at 218.

plaintiff sought the discovery of e-mails stored on her former employer's backup tapes.[31] Addressing the plaintiff's request for sanctions for defendant's failure to preserve certain tapes, the court held that a party did not need to preserve all of its backup tapes when it anticipated litigation. Instead, it only needed to preserve the tapes that it could identify which stored the ESI of "key players" in the litigation. Further, the court stated that the producing parties were free to choose how to manage the ESI. The court suggested that back-up tapes and mirror-imaging could be used, so long as any later-created documents were cataloged in a separate electronic file.

Since *Zubulake*, courts have balanced on a case-by-case basis the need to preserve relevant evidence against the difficulties of doing so, but have not articulated a clear standard for litigants.

For example, in *Columbia Pictures Industries v. Bunnell*,[32] plaintiffs alleged that defendants had permitted massive online piracy of copyrighted works through their websites. Accepting the plaintiffs' arguments that RAM data (identifying users of the websites) was important to the copyright infringement case and would not be difficult for the defendants to capture, the court ordered preservation even through the data was ephemeral in nature.

In contrast, *Convolve v. Compaq Computer Corp.*[33] held that a party does not have to engage in "heroic efforts" to preserve ephemeral evidence that would run "far beyond [what is]

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31 *Id.*

32 2007 WL 2080419, at *5 (C.D. Cal., May 29, 2007).

33 223 F.R.D. 162, 177 (S.D.N.Y. 2004).

consistent with a company's regular course of business." The plaintiff in that case had requested sanctions for the defendant's failure to preserve "wave form" data that had been displayed on an electronic oscilloscope. The plaintiff argued that the defendant could have preserved the data by: (i) printing the oscilloscope screen each time the "wave form" was altered; or (ii) saving any data changes to a disk. In rejecting the sanctions motion, the court seemed to place emphasis on how hard it would be to preserve the data at issue because it was constantly changing and had no permanent existence.

3. Sedona Principles

While federal and state law have examined the scope of ESI preservation obligations on a piecemeal basis, Sedona has proposed more specific organized standards as a result of its extensive study and investigation. In its first report, Sedona proposed a general standard for electronic preservation similar to the traditional federal preservation standards:

> The obligation to preserve electronic data and documents requires reasonable and good faith efforts to retain information that may be relevant to pending or threatened litigation. However, it is unreasonable to expect parties to take every conceivable step to preserve all potentially relevant data.[34]

In 2007, however, Sedona issued its *Commentary*, which addressed the scope of electronic preservation in greater detail. In Guideline 7, the *Commentary* stated:

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[34] The Sedona Conference, *Best Practices Recommendations & Principles for Addressing Electronic Document Production*, 44 (2004 edition). *See also Miller v. Holzmann*, 2007 WL 172327, at *6 (D.D.C., Jan. 17, 2007) (describing Sedona Principle 5 as "reasonable" and reflecting evolving case law regarding ESI).

> In determining the scope of information that should be preserved, the nature of the issues raised in the matter, experience in similar circumstances, and the amount in controversy are factors that may be considered.

Elaborating on Guideline 7, the *Commentary* noted that several other factors can be considered in determining the scope of a litigation-hold notice to preserve evidence: (i) the cost of preserving and potentially restoring ESI; (ii) the number of individual custodians of the ESI involved in the matter; (iii) the nature of information that is involved; (iv) accessibility of the ESI; and (v) whether the litigation hold is on active data, historical data, or future data (if the litigation involves future or ongoing business activities).

B. Amending the CPLR: Developing a New Rule for the Scope of Preservation

To guide potential litigants about their preservation duties in the current information climate, the Joint Committee believes that the CPLR should incorporate the standards evinced in the *Sedona Principles*. This would create a clearer standard for potential litigants to follow, allow producing parties to draft appropriate litigation hold policies for ESI, and permit requesting parties to move for preservation orders where they suspect ESI has not been captured.

Specifically, the Joint Committee proposes the adoption of *Sedona* Principle 5 and Guideline 7 into a new provision, CPLR 3119(b):

> The obligation to preserve electronic data and documents requires reasonable and good faith efforts to retain information that may be material and necessary to pending or threatened litigation. Parties do not need to take every conceivable step to preserve all potentially material and necessary data. In determining the scope of information that should be preserved, parties may consider the nature of the issues raised in the matter, experience in similar circumstances, amount in controversy, and parties' status in the

> litigation. Other factors to consider include the cost to preserve and potentially restore information; the number of individual custodians involved in the matter; the type and kind of information involved; and whether the hold is on active data, historical data, or future data, because the litigation involves future or ongoing business activities.

As with the above-referenced attachment point for the duty to preserve, the suggested provision would allow parties to undertake a good-faith analysis of their litigation risks and use a sliding-scale approach to preserve ESI. If a threatened lawsuit is likely to evolve into a major controversy on a variety of issues, a producing party would be required to take greater efforts to preserve ESI. However, if a producing party reasonably believes that a potential lawsuit has little possibility of reaching discovery, the party may take fewer measures to preserve ESI.

IV. Scope of Production

There are few reported New York cases on the scope of ESI production. Among the available decisions, several courts have approached ESI production in the same manner as paper production and have issued perfunctory orders for the recovery of deleted data. In other decisions, however, courts have been attuned to the costs of ESI searches and production. The courts in these latter decisions were reluctant to order burdensome ESI searches unless there was evidence showing that the searches would yield truly relevant information.

As noted in the Introduction, the Commercial Division of the Supreme Court has begun to address ESI discovery challenges by adopting a court rule imposing a duty on parties to confer

on ESI before the preliminary conference.[35] However, no uniform standards have been adopted for the scope of ESI production, and no changes have yet been made to the CPLR.

To clarify the standard for ESI production, the New York State Bar Association Commercial and Federal Litigation Section has suggested the following changes to CPLR 3122(a), dealing with objections to disclosure:

> The party . . . shall serve a response which shall state with reasonable particularity the reasons for each objection, including an objection to the requested form or forms for producing electronically stored in formation. . . . A party or person need not provide discovery of electronically stored information from sources that the party identifies as not reasonably accessible because of undue burden or cost. . . . On a motion to compel disclosure under rule 3124 or section 2308 or for a protective order under section 3103 or section 2304 involving electronically stored information identified as not reasonably accessible, the party or person from whom discovery is sought must show that the information is not reasonably accessible because of undue burden or cost. If that showing is made, the court may nonetheless order disclosure from such sources if the requesting party shows good cause therefor. In ordering such disclosure the court may make any order permitted under section 3103, including an order specifying conditions for the disclosure.[36]

The Joint Committee endorses this recommendation, and also proposes additional language for CPLR 3101, CPLR 3103(a), and 3122(a) to address concerns about accessibility, duplicability, and proportionality that have been raised by the Fed. R. Civ. P. Advisory Committee and the Sedona Conference.

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[35] *See supra* note 7.

A. Background:

1. New York Law

Several New York courts have applied traditional discovery rules to the production of ESI, relying on CPLR 3101's provision for full disclosure of "all matter material and necessary in the prosecution or defense of an action." In *Etzion v. Etzion,*[37] the court held that "when discovery which is sought is relevant and material…disclosure is proper and should be permitted."[38] The court applied this principle to ESI, holding that "in cases in which it is suggested that some [ESI] files may have been deleted or altered, the services of a computer expert are required to ensure complete and accurate discovery of relevant data."[39] Accordingly, the court allowed a production request requiring an expert to clone a hard drive and restore deleted documents, noting that "the contents of a computer are analogous to the contents of a filing cabinet."[40]

Similarly, in *Samide v. Roman Catholic Diocese of Brooklyn*,[41] the Appellate Division held in summary fashion that defendants had to produce any deleted e-mails that could be recovered by a qualified expert. The same type of ruling was later issued in *Matter of Jeevan Padiyar v. Yeshiva University*, wherein the court ruled that a petitioner was entitled to retain its

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[36] *See* New York State Bar Association Commercial and Federal Litigation Section, REPORT RECOMMENDING CERTAIN AMENDMENTS TO THE CPLR CONCERNING ELECTRONIC DISCOVERY (2008), at *5. *See also* Assemb. A0600, 2009 Gen. Assem., Reg. Sess. (N.Y. 2009).

[37] 7 Misc. 3d 940 (Sup. Ct., Nassau Co. 2005).

[38] *Id.* at 943.

[39] *Id.*

[40] *Id.* (emphasis added).

[41] 5 A.D.3d 463 (2d Dep't 2004).

own forensic analyst to search a defendant's hard drive for a disputed e-mail, even though the defendant had already used a respected forensic computer firm to search the drive.[42]

In other cases, however, courts have applied a more nuanced approach, taking into account the extensive burdens involved in the production of ESI. For example, in *Blue Tree Hotels v. Starwood Hotels*,[43] Justice Charles Edward Ramos held that, because the "production of electronic documents can be time-consuming and expensive depending on accessibility," the producing party was required to submit an affidavit detailing the projected time and costs of retrieval before any ESI would be ordered produced.[44]

Addressing the issue directly, the court in *Lipco Elec. Corp. v. ASG Consulting Corp.*[45] held that ESI raises a series of issues that were never envisioned by the CPLR drafters. After citing the traditional standard for discovery under CPLR 3101(full disclosure of "all matter material and necessary in the prosecution of the action" where the test "is one of usefulness and reason"), the *Lipco* court then examined the premise behind ESI:

> With traditional paper records, the documents are generally stored in a usable and obtainable form, such as job folders. Furthermore, documents and records that are retained generally have a value since the company is willing to pay the cost involved in storing

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[42] Index No. 110578/05, slip op. at 2-3 (Sup. Ct., N.Y. Co. June 12, 2006).

[43] Index No. 604295/00 (Sup. Ct., N.Y. Co. Aug. 5, 2005).

[44] *Id.*, slip op. at p. 7. *See also Matter of Maura*, 17 Misc. 3d 237 (Surr. Ct. Nassau Co. 2007) (recognizing that " 'there are a variety of issues associated with [ESI] such as costs, work product, privilege, the use of referees to supervise burdensome disclosure, etc.'") (citing J. Weinstein, H. Korn, et al., *CPLR Manual* § 20.12 (2007)); *Sage Realty Corp. v. Proskauer Rose*, 294 A.D.2d 190 (1st Dep't 2002) (implicitly indicating willingness to accept argument that retrieval of backup tapes would be costly and burdensome, but rejecting it in this case because argument was only supported by hearsay evidence).

[45] 4 Misc. 3d 1019(A) (Sup. Ct., Nassau Co. 2004).

> such documents. This is not true with computer or electronic documents. Records are kept not because they are necessary but because the cost of storage is nominal. Furthermore, electronic records are not stored for the purposes of being able to retrieve an individual document. Rather, they are retained for emergency uploading into a computer system to permit recovery from catastrophic computer failure. . . . Retrieving computer based records or data is not the equivalent of getting the file from a file cabinet or archives.[46]

As a result, the court denied a request for ESI until a projection of the retrieval costs had been presented.[47] In so ruling, the *Lipco* court reasoned that ESI should be permitted only "so long as the party being asked to produce the material is protected from undue burden and expense."[48]

Similarly, in *Delta Financial Corp. v. Morrison,*[49] the court seemed to weigh a producing party's burden heavily when it considered ordering the production of multiple ESI requests. In *Delta Financial*, the plaintiff had made two new requests for ESI production that were potentially duplicative of earlier requests. While the court recognized that "electronic documents are no less subject to disclosure than paper records," it specifically noted that several electronic productions had already been made, and thereby ruled that "the request for additional searches must also be reasonably likely to lead to the discovery of relevant evidence."[50] In so ruling, the court stated that because it "was not entirely convinced" that relevant and responsive documents would be uncovered by the new requests, it was: (i) limiting the petitioner's search

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[46] *Id.* at *21. (emphasis added).

[47] *Id.*

[48] *Id.* at *22.

[49] 33 Misc. 3d 604 (Sup. Ct., Nassau Co. 2006).

[50] *Id.* at 609.

to roughly 13 percent of the requested documents; and (ii) requiring the petitioner to defray the production costs and attorneys' fees.[51]

2. Sedona Principles and Amendments to the Fed. R. Civ. P.

As New York grapples with ESI standards, other authorities have tackled the issue. One federal court sized up the challenges of ESI in a manner similar to the *Lipco* court:

> Computer files, including emails, are discoverable…However, the Court is not persuaded by the plaintiffs' attempt to equate traditional paper-based discovery with the discovery of email files…Chief among these differences is the sheer volume of electronic information. Emails have replaced other forms of communication besides just paper-based communication. Many informal messages that were previously relayed by telephone or at the water cooler are now sent via email. Additionally, computers have the ability to capture several copies (or drafts) of the same email, thus multiplying the volume of documents. All of these emails must be scanned for both relevance and privilege. Also, unlike most paper-based discovery, archived emails typically lack a coherent filing system. Moreover, dated archival systems commonly store information on magnetic tapes which have become obsolete. Thus, parties incur additional costs in translating the data from the tapes into useable form.[52]

As noted above, in January 2004, Sedona issued its *Principles*, which suggested standards for the production of ESI. In addition, a series of high-profile decisions were rendered

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[51] *Id.* at 612.

[52] *Byers v. Illinois State Police*, 2002 WL 1264004, at *10 (N.D. Ill., May 31, 2002) (citations omitted).

in the *Zubulake* case, setting the groundwork for the reformation of the federal rules governing ESI.[53]

The ESI-related amendments to the Fed. R. Civ. P. were finally enacted on December 1, 2006. The new amendments included Fed. R. Civ. P. 26(b)(2)(B), establishing standards for a party's obligations to produce ESI:

> *Specific Limitations on Electronically Stored Information*. A party need not provide discovery of electronically stored information from sources that the party identifies as not reasonably accessible because of undue burden or cost. On motion to compel discovery or for a protective order, the party from whom discovery is sought must show that the information is not reasonably accessible because of undue burden or cost. If that showing is made, the court may nonetheless order discovery from such sources if the requesting party shows good cause, considering the limitations of Rule 26(b)(2). The court may specify conditions for the discovery.

By referencing Fed. R. Civ. P. 26(b)(2)(C), the amendment also related ESI production to the traditional federal proportionality analysis.[54] In sum, the new rule set guidelines for the scope of production by addressing several key concerns associated with ESI – accessibility, duplicativeness and proportionality.

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[53] *See Zubulake v. UBS Warburg LLC*, 216 F.R.D. 280 (S.D.N.Y. 2003); *Zubulake v. UBS Warburg LLC*, 220 F.R.D. 212 (S.D.N.Y. 2003); *Zubulake v. UBS Warburg LLC*, 229 F.R.D. 422 (S.D.N.Y. 2004).

[54] Fed. R. Civ. P. 26(b)(2)(C): 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.

a. Accessibility

To address concerns about the costs associated with recovering ESI from back-up tapes and other cached sources, the Fed. R. Civ. P. establishes a two-tiered approach, differentiating between accessible and non-accessible data.[55] ESI from "reasonably-accessible" sources is allowed as a matter of right. However, to obtain production from sources "not reasonably accessible because of undue burden or cost," a requesting party must demonstrate "good cause."[56] The Advisory Committee provides the following examples of sources that would fall in this latter category:

- back-up tapes intended for disaster recovery purposes that often are not indexed, organized, or susceptible to electronic searching;
- legacy data from obsolete systems that is unintelligible on current systems;
- "deleted" data that remains in fragmented form but would require forensic specialists for reconstruction; or
- databases designed to create information only in certain ways not easily amenable to production.

The rule's two-tiered approach for ESI production is mirrored in *Sedona* Principle 8:

> The primary source of electronically stored information for production should be active data and information. Resort to disaster recovery backup tapes and other sources of electronically stored information that are not reasonably accessible requires the requesting party to demonstrate need and relevance that outweigh the costs and burdens of retrieving and processing the electronically stored information from such sources, including the disruption of business and information management activities.

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[55] Fed. R. Civ. P. 26(b)(2)(B).

[56] *Id.*

b. Duplicativeness

Fed. R. Civ. P. 26(b)(2)(B) further limits the scope of ESI production by referencing Fed. R. Civ. P. 26(b)(2)(C), which provides that the court can limit discovery requests that are "unreasonably cumulative or duplicative, or can be obtained from some other source that is more convenient, less burdensome, or less expensive." The importance of this limitation is explained in the introduction to the *Sedona Principles*:

> Electronic information is subject to rapid and large scale user-created and automated replication without degradation of the data. Email provides a good example. Email users frequently send the same email to many recipients. These recipients, in turn, often forward the message, and so on. At the same time, email software and the systems used to transmit the messages automatically create multiple copies as the messages are sent and resent. Similarly, other business applications are designed to periodically and automatically make copies of data. Examples of these include web pages that are automatically saved as cache files and file data that is routinely backed up to protect against inadvertent deletion or system failure.

Thus, when parties request ESI to be produced from multiple sources, the responding party will often retrieve multiple copies of the same data that has simply been replicated in a variety of electronic sources. As noted above in the *Delta Financial* case, the costs of producing data from these multiple sources can impose onerous demands on a responding party and often offers little potential for new information.[57] By providing a framework to limit unreasonably duplicative requests, the federal rule limits a potential pitfall of ESI.

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[57] 33 Misc. 3d 604 at 609.

c. Proportionality

Fed. R. Civ. P. 26(b)(2)(C) incorporates a proportionality test by providing that a court can limit discovery if "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." This principle is incorporated into the ESI guidelines by Fed. R. Civ. P. 26(b)(2)(B) and the accompanying Advisory Committee Notes, which state that "the limitations of Rule 26(b)(2)(C) continue to apply to all discovery of electronically stored information, including that stored on reasonably accessible electronic sources." The Advisory Committee Notes further state that attorneys' fees should be included in the calculus of the burden, stating that the "producing party's burdens in reviewing the information for relevance and privilege may weigh against permitting the requested discovery."[58]

Sedona Principle 2 and a related comment thereto provide additional guidance in balancing the costs and benefits under a proportionality test:

> Principle 2: When balancing the cost, burden, and need for electronically stored information, courts and parties should apply the proportionality standard embodied in Fed. R. Civ. P. 26(b)(2)(C) and its state equivalents, which require consideration of the technological feasibility and realistic costs of preserving, retrieving, reviewing, and producing electronically stored information, as well as the nature of the litigation and the amount in controversy.

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[58] *See also Zubulake*, 216 F.R.D. at 284 (articulating seven-part proportionality test based on Fed. R. Civ. P. 26(b)(2) to determine if requesting party should assume production expenses); *Rowe Entertainment, Inc. v. William Morris Agency, Inc.*, 205 F.R.D. 421, 429 (S.D.N.Y.), *aff'd*, 2002 WL 975713 (S.D.N.Y. May 9, 2002).

> Comment 2. b: Costs cannot be calculated solely in terms of the expense of computer technicians to retrieve the data but must factor in other litigation costs, including the interruption and disruption of routine business processes and the costs of reviewing the information. Moreover, burdens on information technology personnel and the resources required to review documents for relevance, privilege, confidentiality, and privacy should be considered in any calculus of whether to allow discovery, and, if so, under what terms. In addition, the non-monetary costs (such as the invasion of privacy rights, risks to business and legal confidences, and risks to privileges) should be considered. Evaluating the need to produce electronically stored information often requires that a balance be struck between the burdens and need for electronically stored information, taking into account the technological feasibility and realistic costs involved.

Thus, the *Sedona Principles* articulate a sweeping definition of the costs to be considered when evaluating the appropriate scope for discovery requests, including costs for:

- preserving data;
- retrieving data;
- reviewing data for relevance, privilege, confidentiality, and privacy;
- producing documents;
- interruption of business processes and disruption to information technology personnel; and
- consideration of non-monetary costs (such as the invasion of privacy rights, risks to business and legal confidences, and risks to privileges).[59]

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[59] The introduction to the *Sedona Principles* also notes that the Fed. R. Civ. P. incorporate proportionality considerations:

> In drafting the principles and commentary, we tried to keep in mind the "rule of reasonableness." That rule is embodied in Rule 1 of the Federal Rules of Civil Procedure (courts should secure the just, speedy and inexpensive determination of all matters) and is applied through former Rule 26(b)(2) (now renumbered as Rule 26(b)(2)(C) – proportionality test of burden, cost and need) and in many state counterparts. The rule of reasonableness means that litigants should seek – and the courts should

B. Amending the CPLR: Accessibility, Proportionality, and Duplicativeness

While the Fed. R. Civ. P. has been amended to accommodate the unique nature of ESI, the CPLR has not been similarly changed. As a result, New York decisional law remains uncertain on the subject. The courts in *Blue Tree Hotels, Lipco,* and *Delta Financial* balanced the pertinent costs and benefits before allowing the requested ESI production.[60] In the *Lipco* case, the court observed that "retrieving computer based records or data is not the equivalent of getting the file from a file cabinet or archives."[61] On the other hand, the courts in *Etzion, Samide,* and *Padiyar* appear to have simply applied a traditional analysis to ESI, allowing the requesting parties to search for deleted data on hard drives, with the *Etzion* court noting that "the contents of a computer are analogous to the contents of a filing cabinet."[62]

Yet the nature of ESI has clearly changed the entire discovery process. The *Etzion* court's analogy of a computer to a file cabinet seems outdated, and the leading New York Civil Practice treatise has noted it was " doubtful that the analogy of a laptop to a filing cabinet is particularly apt given the state of modern technology, and the myriad of information that would exist on a computer at the present time."[63]

> permit – discovery that is reasonable and appropriate to the dispute at hand while not imposing excessive burdens and costs on litigants and the court.

[60] *Blue Tree Hotels,* at p. 7; *Lipco Elec. Corp.,* 4 Misc. 3d at *15-25; *Delta Financial,* 13 Misc. 3d at 611-616.

[61] 4 Misc. 3d at *21.

[62] *Etizion,* 7 Misc. 3d at 943; *Samide,* 5 A.D.3d at 465-66; *Padiyar,* at *2-3.

[63] *See* J. Weinstein, H. Korn, et al., *New York Civil Practice: ESI,* p 3120.01 (2007). *See also* 3 Haig, *Commercial Litigation in New York State Courts* § 23:10 (West's NY Prac Series 2d ed 2007) ("[T]here

Therefore, the Joint Committee proposes that the CPLR be amended to address the challenges of production in the current information climate. The statute should incorporate some of the language in the Fed. R. Civ. P. and *Sedona Principles* addressing accessibility, duplicativeness, and proportionality.

1. Accessibility

The Commercial and Federal Litigation Section of the State Bar proposed a change to the CPLR which creates a uniform accessibility standard by adopting language from Fed. R. Civ. P. 26(b)(2)(B) ("need not provide discovery of electronically stored information from sources that the party identifies as not reasonably accessible because of undue burden or cost.").[64] We support this change and also propose adopting language from the Fed. R. Civ. P. 26 Advisory Committee Notes into the CPLR Advisory Notes, providing examples of inaccessible data:

- back-up tapes intended for disaster recovery purposes that often are not indexed, organized, or susceptible to electronic searching;
- legacy data from obsolete systems that is unintelligible on current systems; and
- "deleted" data that remains in fragmented form but would require forensic specialists for reconstruction, i.e., databases designed to create information only in certain ways not easily amenable to production.

In addition, it would be helpful to include the two illustrations quoted in *Sedona* Principle 8 in the CPLR Advisory Notes:

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is still relatively little case law in New York State involving discovery of e-mail and the CPLR provides no guidance").

[64] *See* New York State Bar Association Commercial and Federal Litigation Section, *supra* note 36, at *5.

Illustration i. A party seeking relevant emails demands a search of backup tapes and hard drives for deleted materials. No showing of special need or justification is made for the search. The request should be denied. Parties are not typically required to sequester and search the trash bin outside an office building after commencement of litigation; neither should they be required to preserve and produce deleted electronic information in the normal case. Production should primarily be from sources of active information which is arranged in a manner conducive to retrieval and storage.

Illustration ii. After a key employee leaves X Company ("X Co.") to work for a competitor, a suspiciously similar competitive product suddenly emerges from the new company. X Co. produces credible testimony that the former employee bragged about sending confidential design specifications to his new company computer, copying the data to a CD, and deleting the data so that the evidence would never be found. The court properly orders that, given the circumstances of the case, the requesting party has demonstrated the need for the computer to be produced for mirror image copying of its hard drive. If the defendant is not willing to undertake the expense of hiring its own reputable data recovery expert to produce all available relevant data, inspection of the computer's contents by an expert working on behalf of X Co. may be justified, subject to appropriate orders to preserve privacy, to protect data, and to prevent production of unrelated or privileged material. Under a showing of special need, with appropriate orders of protection, extraordinary efforts to restore electronic information could also be ordered.

2. Duplicativeness

New York courts have not directly addressed the issue of duplicativeness in ESI, but do seem to acknowledge the issue implicitly.[65] As the editors of the leading treatise on New York civil practice note,

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[65] In *Delta Financial*, the court responded to a duplicative discovery request by noting the absence of CPLR guidance and fashioning a unique solution. After reviewing the history of a party's productions, the court expressed skepticism that an additional production would yield any new responsive documents. *Delta Financial*, 13 Misc. 3d at 612-14 ("the court is not entirely convinced that relevant and responsive

> When the courts decline to require disclosure, the declination can often be explained in some way…that reflects a court's underlying, but not always explicit, perception that the disclosure request is unreasonable, duplicative, or pertains to collateral matters that would diffuse the issues to be tried.[66]

In the current information climate, issues of duplicability pose tremendous obstacles to orderly production – if parties are allowed to request e-mails containing a key word from multiple sources at different levels of accessibility, the costs of production could skyrocket without yielding any new information. To provide a standard for potentially-duplicative document requests, we suggest incorporating a standard similar to Fed. R. Civ. P. 26(b)(2)(C)(i) into the CPLR, allowing a court to limit discovery requests if 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."

To mirror the structure used in the Fed. R. Civ. P. 26(b)(2)(C), where a court can consider limiting duplicative requests *sua sponte* or on motion, the Joint Committee recommends that the standard for duplicability be incorporated into the protective orders statute, CPLR 3103(a), as follows:

> The court may at any time on its own initiative, or on motion of any party or of any person from whom discovery is sought, make a protective order denying, limiting, conditioning or regulating the use of any disclosure device. Such order shall be designed to

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documents will be found…those odds [of finding relevant documents] are not raised very high….In fact, LLC's supporting papers do not even set forth any showing that there are any missing e-mails from the production by DFC.") As a result, the court ordered a sampling of the requested data to determine if any new information would be produced. *See also Matter of Maura*, 17 Misc. 3d at 245-46 (rejecting requests for electronic discovery that were duplicative and offered little potential of relevant discovery).

[66] J. Weinstein, H. Korn, et al., *supra* note 56 at p. 3101-07.

> prevent unreasonable annoyance, expense, embarrassment, disadvantage, or other prejudice to any person or the courts.

The Joint Committee also recommends adding the following language to the Advisory Notes to CPLR 3103, based on the *Sedona Principles*:

> Among the factors to be considered in denying, limiting, conditioning or regulating disclosure, the Court can consider whether 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. In conditioning the discovery, the Court can order a sampling of requested data, limiting production to identified custodians, "key word" searches, particular dates, or any other method to ensure the request is reasonable.

3. Proportionality

Although the Fed. R. Civ. P. and the *Sedona Principles* have established proportionality standards for ESI productions, the New York Legislature has not yet adopted a similar rule. In the absence of a specific state rule, the New York state courts have turned to CPLR 3101, which provides a broad framework for discovery:

> There shall be full disclosure of all matter material and necessary in the prosecution or defense of an action, regardless of the burden of proof. . . .

While the leading Court of Appeals case interpreting CPLR 3101 has reasoned that the words "material and necessary" should be "interpreted liberally to require disclosure…of any facts bearing on the controversy which will assist preparation for trial," it also stated that "the

test is one of usefulness and reason."[67] Later, the Court of Appeals ruled that "under our discovery statutes and case law, competing interests must always be balanced; the need for discovery must be weighed against any special burden to be borne by the opposing party."[68]

Despite these admonitions from the Court of Appeals, the lower courts do not always account for the burdens of electronic production in discovery disputes. For example, the court in *Samide* allowed a requesting party to search for deleted data on a hard drive, seemingly without consideration for the search costs and the amount at stake. On the other hand, the courts in *Blue Tree Hotels, Lipco* and *Delta Financial* required cost analyses before they granted ESI discovery requests.[69]

In the current information climate, proportionality issues will become increasingly important as the costs of complying with discovery requests rival the amounts in controversy.[70] As a result, the Joint Committee recommends an amendment to the CPLR which incorporates and clarifies proportionality standards. In so recommending, the Joint Committee proposes two steps: (i) amending CPLR 3101 to incorporate general disclosure caselaw; and (ii) amending CPLR 3103 to incorporate standards recognized by the Fed. R. Civ. P. and the *Sedona Principles*.

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[67] *Allen v. Crowell-Collier Pub. Co.,* 21 N.Y. 2d 403, 406 (1968).

[68] *Kavanagh v. Ogden Allied Maintenance Corp.*, 92 N.Y.2d 952, 954 (1998) (internal citations omitted).

[69] *Blue Tree Hotels,* Index No. 604295/00 (Sup. Ct., N.Y. Co. 2000); *Lipco Elec. Corp.*, 4 Misc. 3d 1019(A) at *27-28; *Delta Financial,* 13 Misc. 3d at 617.

[70] *See supra* note 6.

a. CPLR 3101

The Joint Committee proposes amending CPLR 3101 to incorporate New York caselaw on proportionality from the *Kavanaugh* case. This revision will provide a clear standard for litigants to frame and defend discovery requests:

> There shall be full disclosure of all matter material and necessary in the prosecution or defense of an action, regardless of the burden of proof…(a-i) (j) With respect to electronically-stored information, under this statute, once relevance has been established, competing interests shall be balanced; the need for discovery shall be weighed against the burden to be borne by the opposing party.

b. CPLR 3103

For CPLR 3103, we propose adding commentary to the Advisory Notes based on the standard evinced in Fed. R. Civ. P. 26(b)(2). In addition, we propose adding commentary from Sedona's discussion of proportionality, because it contains a helpful itemization of the burdens to be considered in a proportionality analysis. Including the changes suggested above to address duplicability concerns, the Advisory Notes for 3103(a) should then state:

> Among the factors to be considered in denying, limiting, conditioning or regulating disclosure, the Court can consider whether 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. The Court may also consider whether 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. In evaluating the burden, the Court should consider (1) the costs of preserving, retrieving, reviewing (for relevance, privilege confidentiality and privacy), and producing documents, (2) interruption of business processes and disruption to IT personnel and, (3) non-monetary costs such as invasion of privacy rights, risks to business and legal confidences

and risks to privileges. In conditioning the discovery, the Court can order a sampling of requested data, limiting production to identified custodians, "keyword" searches, particular dates, or any other method to ensure the request is reasonable.

V. Inadvertent Production of Privileged Material

A. The Problem

Given the growing sizes of electronic productions,[71] the review of such material for privilege will result in mistakes and the inadvertent production of some privileged material.[72] These mistakes not only increase litigation costs, but also promote delay. For example, in one recent case the inadvertent production of 165 documents that had been stored electronically resulted in expensive motion practice and a finding that the client had waived the attorney-client and work-product privileges as to those 165 documents.[73] In another case, the court found the same waiver had taken place as to 1,500 such documents.[74]

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[71] A single CD-ROM can hold approximately 650 megabytes of information, which is the equivalent of about 24 feet of shelved books. P. Lyman and H. Varian, *How Much Information? 2003*, p. 3, (available at http: www.sims.berkeley.edu/how-much-info- 2003/execsum.htm.); Kenneth J. Withers, *Electronically Stored Information: The December 2006 Amendments to the Federal Rules of Civil Procedure*, 4 Nw. J. of Tech. & Intell. Prop. 171 (2007). A single DVD can hold 4.3 gigabytes, more than six times the content of a CD. Lyman and Varian, at 3.

[72] H. Boehning & D. Toal, *Poorly Executed Privilege Review Can Lead To Waiver*, N.Y.L.J., p. 3 (June 17, 2008); D. Lender, *Don't Dread The Rule 26(f) Conference*, N.Y.L.J., p. S15 (Feb. 19, 2008); *Summary Of The Report Of The Judicial Conference Committee On Rules Of Practice And Procedure, Agenda E-18*, at 27 (Sept. 2005) (available at http://www.uscourts.gov/rules /Reports/ST09-2005.pdf) ("The problem that can result from efforts to guard against privilege waiver often become more acute when discovery of electronically stored information is sought").

[73] *Victor Stanley, Inc. v. Creative Pipe, Inc.*, 2008 WL 2221841, at *1 (D. Md., May 29, 2008).

[74] *Hernandez v. Esso Standard Oil Co.*, 2006 WL 19667364, at *4 (D.P.R., July 11, 2006).

B. The Solution

Given the recurring nature of the problem and the need for predictability and consistency, the CPLR should contain a clear set of standards and procedures for determining claims of inadvertent production of privileged material. The same standards and procedures can apply to both hard copy documents and ESI. Their adoption should not only reduce the number of disputes in this area, but also promote New York public policy, which prefers that cases be decided on their merits.[75]

C. The Privileges

Article 45 of the CPLR codifies the common law privileges. The most prominent of these is CPLR 4503(a)(1), which recognizes the privilege for confidential communications between an attorney and client. Where legal advice of any kind is sought from a professional legal adviser in the attorney's capacity as such the communications relating to that purpose made in confidence by the client are permanently protected from disclosure by the client or by the legal adviser except when the protection is waived.[76]

Confidentiality is an important element of the attorney – client privilege. Communications between a client and her lawyer which are revealed to or made in the presence of a third party are not privileged.[77] Post-communication disclosures to outsiders may give rise

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[75] *Matter of Murray v. Matusiak*, 247 A.D.2d 303, 304 (1st Dep't 1998); *Stewart v. State*, 18 Misc. 3d 236, 241 (Ct. Cl. 2007).

[76] *Spectrum Systems Int'l Corp. v. Chemical Bank*, 78 N.Y.2d 371, 377 (1991). *See* 8 Wigmore, *Evidence* § 2290 [McNaughton rev. 1961].

[77] *People v. Harris*, 57 N.Y.2d 335, 343 (1982). Privilege attaches to communications by electronic means between persons whose confidences are entitled to privilege. CPLR 4548. However, such "e-mail" communications lose their confidence when they are sent via an employer's e-mail system if the employer

to a waiver of the privilege.[78] Such a waiver may extend not only to the specific communication disclosed, but also to all other communications relating to the same subject matter.[79]

New York also recognizes an attorney work-product privilege, which applies to materials prepared by an attorney, acting as an attorney, containing his or her analysis and trial strategy.[80] Also privileged are materials prepared in anticipation of litigation or trial.[81] These privileges can also be waived if confidentiality is not maintained.[82]

D. Clawback Provision

1. Background: Various Statutory Clawback Provisions

Several jurisdictions, bar associations, and conferences have adopted guidelines for a party to seek the return of privileged information or work-product material after such materials have been produced to an opponent. Four of the leading approaches are described below.

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prohibited use of the system for personal use and reserved the right to monitor and access the system. *Scott v. Beth Israel Medical Ctr., Inc.*, 17 Misc. 3d 934, 939-42 (Sup. Ct., N.Y. Co. 2007).

[78] *Baumann v. Steingester*, 213 N.Y. 328, 333 (1915).

[79] *Permian Corp. v. United States*, 665 F.2d 1214, 1221 (D.C. Cir. 1981); *Kunglig Jarnvaggstyrelsen v. Dexter & Carpenter*, 32 F.2d 195, 201 (2d Cir. 1929).

[80] CPLR 3101(c). *See Kinge v. State*, 302 A.D.2d 667, 670 (3d Dep't 2003).

[81] CPLR 3101(d). *See Matter of Lenny McN.*, 183 A.D.2d 627 (1st Dep't 1992).

[82] *Drizin v. Sprint Corp.*, 3 A.D.3d 388, 389-90 (1st Dep't 2004) (work-product privilege waived through disclosure). *See also Kinge*, 302 A.D.2d at 670 (inadvertent disclosure of work-product material did not give rise to a waiver).

a. Fed. R. Civ. P. 26(b)(5)(B)

This rule was adopted in 2006 and establishes a procedure for requesting the return of privileged or work-product information that has been inadvertently produced.[83] It states as follows:

> 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 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.

b. Uniform State Laws

In October 2007, the National Conference of Commissioners of Uniform State Laws adopted the *Uniform Rules Relating To The Discovery of Electronically Stored Information*. Entitled "Claim of Privilege or Protection After Production," Rule 9 states as follows:

> If electronically stored 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 the claim.
>
> After being notified of a claim of privilege or of protection under subsection (a), a party shall immediately sequester the specified information and any copies it has and: return or destroy the information and all copies and not use or disclose the information until the claim is resolved; or present the information to the court

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[83] Hon. Shira Sheindlin, *E-Discovery: The Newly Amended Federal Rules of Civil Procedure*, published in Moore's Federal Practice 19 (2006).

> under seal for a determination of the claim and not otherwise use or disclose the information until the claim is resolved.
>
> If a party that received notice under subsection (b) disclosed the information subject to the notice before being notified, the party shall take reasonable steps to retrieve the information.

c. Conference Of Chief Justices

In August 2006, the Conference Of Chief Justices Working Group On ESI approved its *Guidelines For State Trial Courts Regarding Discovery Of Electronically-Stored Information.* Rather than set out a procedure for sequestration and/or return of inadvertently-produced material, Guideline No. 4 suggests that the parties agree at the initial discovery conference on "procedures to be used if privileged ESI is inadvertently disclosed." In its "Comment" section, Guideline No. 4 states that it is derived from the ESI Guidelines issued by the United States District Court for the District of Kansas.[84]

d. ABA Civil Discovery Standards

In 2004, the American Bar Association ("ABA") issued its revised *Civil Discovery Standards,* which are designed to promote cost-efficiency and fairness. Entitled "Inadvertent Disclosure Of Privileged Information," Standard 28 states as follows:

> The parties should consider stipulating in advance that the inadvertent disclosure of privileged information ordinarily should not be deemed a waiver of that information or of any information that may be derived from it.

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[84] A significant difference between New York court procedures and federal court procedures is that a preliminary conference is held immediately in federal court. *See* Fed. R. Civ. P. 26(f). Apparently, other states also have this early conference procedure. However, since an inital discovery conference in New York might not be held until months after discovery begins, the system recommended by the Conference of Chief Justices would not work in New York.

Standard 32(b) further states that to ameliorate privilege concerns attendant to the production of ESI, the parties should consider stipulating to the entry of a court order:

> Providing that production to other parties of attorney-client privileged or attorney work-product protected electronic data will not affect a waiver of privilege or work product protection attaching to the data. In stipulating to the entry of such an order, the parties should consider the potential impact that production of privileged or protected data may have on the producing party's ability to maintain privilege or work-product protection vis-à-vis third parties not subject to the order.[85]

2. Amending the CPLR

The Joint Committee recommends that a clawback provision be added to the CPLR as a new subsection (e) of Rule 3122. The provision should apply to both documentary evidence and ESI. The Joint Committee suggests that the new provision state as follows:

> (e) If material is produced in discovery that is subject to a claim of privilege or protection, and the party or non-party witness claiming a privilege or protection has taken reasonable steps to avoid disclosure of the material, the party or non-party witness asserting the claim must notify any party that received the material of the claim and the basis for it promptly but no more than fifteen days after obtaining actual knowledge of the disclosure of such material. After such notification, a party must return, sequester, or destroy the specified material and may not use, distribute, or disclose the material until the claim is resolved. If the receiving party distributed or disclosed the information before being notified, it must take reasonable steps to retrieve it. The producing party or non-party must preserve the material until the claim is resolved.

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[85] *See supra* note 83.

a. How Recommended Clawback Provision Differs From The Fed. R. Civ. P.

This new provision is similar to Fed. R. Civ. P. 26(b)(5)(B), but there are three differences.

First, whereas the federal rule applies to inadvertently-produced material that is subject to a claim of privilege or trial-preparation protection, the proposed provision contains slightly broader language (material "subject to a claim of privilege or protection") so that it plainly extends to material protected by both CPLR 3101(c) and (d).

Second, the proposed provision also contains a slight difference from Fed. R. Civ. P. 26(b)(5)(B) in that it requires the producing party to notify the other parties of the inadvertent disclosure within fifteen days of the producing party's discovery of the mistake, whereas the federal rule contains no such time limitation. We believe that the time limitation is an important feature because it will compel a party who relies on a privilege or protection to be vigilant in maintaining and/or re-establishing the confidential nature of the material. The time limitation will also serve to notify the recipient expeditiously that the subject material may not be used.

Finally, the federal rule prohibits the "use or disclosure" of inadvertently-produced material, while the new provision would proscribe the "use, distribution, or disclosure" of the material. The addition of the term "distribution" is meant to clarify that inadvertently-produced material is presumptively confidential until a court holds that the material is not protected from disclosure.

b. Ethical Considerations Favor The Proposal

This new provision adopts a predictable framework for the preservation of client confidences, an ethical duty which every lawyer owes to his or her clients.[86] It is also consistent with three pertinent New York bar association ethics opinions.

The first is New York State Bar Association Ethics Opinion No. 749 (Dec. 14, 2001), which posited that attorneys who receive electronically-transmitted documents have an obligation not to exploit an inadvertent or unauthorized transmission of client confidences or secrets.

The second is the New York County Lawyers' Association Ethics Opinion No. 738 (March 24, 2008), which concluded that a lawyer generally may not explore or use metadata in electronic response documents received from opposing counsel. The report notes that "a lawyer who sends metadata with electronic correspondence is making a disclosure that is presumed to be inadvertent." NYCLA press release for Opinion 738, March 26, 2008.

The third is the New York City Bar Association's Formal Opinion 2003-04, which concluded that lawyers would not face ethical sanctions for use of inadvertently produced material. However, this opinion only relates to use of material which attorneys used "before having reason to know that the communication was not intended for that attorney," and does not relate to material where the producing party has notified opposing counsel of the inadvertent production.

c. The New Provision Will Help Control Discovery Costs

It is generally recognized that the volume of ESI is much greater than the volume of paper records.[87] Meanwhile, costs associated with discovery practice continue to skyrocket.

Lawyers should be encouraged to use database research tools which permit the producing party to segregate e-mails that: (a) were sent to or generated by lawyers; (b) discussed certain topics or terms; and (c) were generated during a certain time period.[88]

Used intelligently, these database research tools keep the litigation moving forward while reducing the expense associated with attorney review time.

However, these database research tools are not fail-safe. Itinerant material will slip through the cracks and be inadvertently produced because it was not captured by even the most diligent counsel employing sophisticated review criteria.

This new provision will encourage counsel to continue to pursue prudent cost-saving measures while setting forth a predictable framework to address the problem of inadvertent disclosures.

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[86] *See* RULES OF PROF'L CONDUCT R. 4.4(B) (effective April 1, 2009) ("A lawyer who receives a document relating to the representation of the lawyer's client and knows or reasonably should know that the document was inadvertently sent shall promptly notify the sender.").

[87] *See, e.g., E-Discovery Amendments And Committee Notes, Proposed Amendments To The Federal Rules Of Civil Procedure Submitted To The Supreme Court* (April 2006)(available at http://www.uscourts.gov/rules/EDiscovery_W_Notes.pdf.).

[88] *Victor Stanley, Inc.*, 2008 WL 2221841, at *2 -*4.

d. Non-Waiver Agreement Approach Rejected: Lack Of Predictability And Consistency

Non-waiver agreements regarding inadvertently-disclosed materials are popular in the federal court system because of mandatory procedures for early civil case conferencing under Fed. R. Civ. P. 16 and procedures for initial disclosures under Fed. R. Civ. P. 26. These federal rules provide at the onset of civil litigation an opportunity for the court to enter an appropriate non-waiver order, thereby promoting predictability and consistency.

The New York state courts have no uniform early case conferencing or initial discovery rules. Different case management procedures apply to various branches or divisions of the court system. This lack of uniformity enhances the likelihood that New York state courts may not treat non-waiver agreements consistently. Therefore, unless and until New York adopts mandatory procedures for early-case conferencing and initial disclosures, we do not recommend that the CPLR be amended to encourage non-waiver agreements.

E. Waiver Provision

1. Background: Various Approaches to Privilege Waiver

Our research indicates that state and federal courts generally follow one of three approaches to determine whether the inadvertent disclosure of privileged material constitutes a waiver of the privileges.

a. *Per Se* Approach

The *per se* approach posits that all inadvertent disclosures that arise as a result of negligence result in waiver.[89] The rationale of this rule is two-fold: *First*, because the purpose of the privileges is to protect confidential communications, once a communication has been disclosed to a third party, it is by definition no longer confidential.[90] *Second*, because the existence of the privilege depends on the parties' efforts to maintain the confidential nature of the communications, there is a reluctance to grant "greater protection to those who assert the privilege than their own precautions warrant."[91] In the leading case to espouse this approach, the court admonished that "if a client wishes to preserve the privilege, it must treat the confidentiality of attorney-client communications like jewels – if not crown jewels."[92]

b. Intent Approach

The intent approach is at the opposite end of the spectrum away from the *per se* approach. It adopts the traditional equity version of the doctrine of waiver, which constitutes a

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[89] A. Bruckner-Harvey, *Inadvertent Disclosure In The Age Of Fax Machines: Is The Cat Really Out Of The Bag?*, 46 Baylor L. Rev. 385, 388 (1994).

[90] J. Hardgrove, Note, *Scope Of Waiver Of Attorney-Client Privilege: Articulating A Standard That Will Afford Guidance To Courts*, 1998 U. Ill. L. Rev. 643, 646 (1998).

[91] D. Kiker, *Waiving The Privilege In A Storm Of Data: An Argument For Uniformity And Rationality In Dealing With The Inadvertent Production Of Privileged Materials In The Age Of Electronically Stored Information*, XII Richmond J. Of L. & Tech. 7 (2006).

[92] *In re Sealed Case*, 877 F.2d 976, 980 (D.C. Cir. 1989). *Accord, Intern. Digital Sys. Corp. v. Digital Equip. Corp.*, 120 F.R.D. 445, 449 (D. Mass. 1988).

voluntary and intentional relinquishment of a known right.[93] This approach has produced few cases where inadvertent disclosure results in a relinquishment of the privileges.[94]

c. Intermediate Multi-Factor Approach

The intermediate multi-factor approach eschews the two extreme approaches and seeks a balance between protecting the client and the consequences of carelessness.[95] New York courts have tended to adopt this approach by considering the following factors: (i) reasonableness of the steps taken in maintaining confidentiality; (ii) promptness of the action taken to retrieve the material upon discovery of the disclosure; and (iii) prejudice to be suffered by the party now in possession of the material.[96]

The intermediate multi-factor approach was recently adopted by the federal courts. On September 19, 2008, the president signed into law Fed. R. Evid. 502, which protects parties in litigation against the inadvertent disclosure of privileged information. Under the new rule, disclosures will not result in waivers if the disclosure was inadvertent, the holder of the privilege took reasonable steps to prevent disclosure, and the holder promptly took reasonable steps to rectify the error, including following (if applicable) Fed. R. Civ. P. 26(b)(5)(B).

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93 *Albert J. Schiff Assocs., Inc. v. Flack*, 51 N.Y.2d 692, 698 (1980).

94 *Transp. Equip. Sales Corp. v. BMY Wheeled Vehicles*, 930 F.Supp. 1187, 1188 (N.D. Ohio 1996) (adopting the intent approach).

95 Stevenson, Comment, *Making A Wrong Turn On The Information Superhighway: Electronic Mail, The Attorney-Client Privilege, And Inadvertent Disclosures*, 26 Cap. U. L. Rev. 347, 360 n. 91 (1997). *See Cont'l Casualty Co. v. Under Armour, Inc.*, 537 F.Supp.2d 761, 768 n.3 (D. Md. 2008).

96 *AFA Protective Sys., Inc. v. City of New York*, 13 A.D.3d 564, 565 (2d Dep't 2004); *New York Times v. Lehrer McGovern Bovis, Inc.*, 300 A.D.2d 169, 172 (1st Dep't 2002).

The Conference Of Chief Justices also favors this multi-factor approach. Entitled "Inadvertent Disclosure Of Privileged Information," Guideline No. 8 suggests that judges consider the following factors in determining whether a party has waived the privileges because of inadvertent production:

- The total volume of information produced by the responding party;
- The amount of privileged information disclosed;
- The reasonableness of the precautions taken to prevent inadvertent disclosure of privileged information;
- The promptness of the actions taken to notify the receiving party and otherwise remedy the error; and
- The reasonable expectations and agreements of counsel.

2. Amending the CPLR

The Joint Committee recommends that a waiver provision be added as a new subsection (f) of Rule 3122. The provision should apply to both documentary evidence and ESI. The Joint Committee suggests that the new provision state as follows:

> In determining whether the disclosure of material claimed to be privileged constitutes a waiver of any privilege thereto, the court shall consider the reasonableness of the steps taken in maintaining confidentiality, promptness of the action taken to retrieve the material upon discovery of the disclosure, and prejudice to be suffered by the party in possession of the material.

VI. Form of Production

A. Background

ESI can be produced in several different ways. For example, e-mail and word-processed documents can be produced in hard copy form (either by directly printing the documents out

from a computer or by first converting them into TIFF or PDF files and printing those out), as TIFF or PDF files (typically loaded and stored on removable media), or in their original "native" electronic form (typically loaded and stored on removable media). Computer software can be produced in either source code (i.e., human-readable text available in hard copy or electronic form) or object code (computer-readable or "executable" form available electronically only). Other kinds of ESI, such as audio.wav or video.mpeg files, can only be produced in electronic form.

The form in which ESI is produced can make a significant difference in terms of the costs and scope of discovery, especially where the production of metadata is involved. The Fed. R. Civ. P. do not explicitly address metadata or otherwise prescribe the form in which ESI should be produced, but leave such determinations to the courts. Similarly, we do not address specific issues of form or manner of production, but rather seek to establish the statutory framework within which parties may seek and object to the production of ESI in a particular form or forms.[97]

B. Amending the CPLR

The Joint Committee recommends that CPLR 3120 and 3122 be amended to contain provisions which govern the form in which parties request and produce ESI. The proposed

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[97] The Joint Committee recognizes that the technical aspects of the form of production of ESI are rapidly evolving, as is the sophistication of the bar and courts in this area – whether and to what extent so-called "metadata" must be produced is a particularly controversial subject. While a more detailed rule change may be necessary in the future, the Joint Committee believes that the conservative approach set forth herein is sufficient at the present time. Case law will help to define the practical problems in this field and may well lead to a future report dedicated solely to these issues.

changes are based on Fed. R. Civ. P. 34. With respect to CPLR 3120(a), the Joint Committee recommends adding the following new sentence (underlined) to the end of the subdivision:

> 2. The notice or subpoena duces tecum shall specify the time, which shall be not less than twenty days after service of the notice or subpoena, and the place and manner of making the inspection, copy, test or photograph, or of the entry upon the land or other property and, in the case of an inspection, copying, testing or photographing, shall set forth the items to be inspected, copied, tested or photographed by individual item or by category, and shall describe each item and category with reasonable particularity. <u>The notice or subpoena duces tecum may specify the form or forms in which the electronic data or documents are to be produced.</u>

With respect to CPLR 3122, the Joint Committee recommends that the following underlined language be added to subdivisions (a) and (c):

> (a) Within twenty days of service of a notice or subpoena duces tecum under rule 3120 or section 3121, the party or person to whom the notice or subpoena duces tecum is directed, if that party or person objects to the disclosure, inspection or examination, shall serve a response which shall state with reasonable particularity the reasons for each objection, <u>including any objection to the form or forms specified in the notice or subpoena duces tecum for production of documents.</u> If objection is made to part of an item or category, the part shall be specified. A medical provider served with a subpoena duces tecum requesting the production of a patient's medical records pursuant to this rule need not respond or object to the subpoena if the subpoena is not accompanied by a written authorization by the patient. Any subpoena served upon a medical provider requesting the medical records of a patient shall state in conspicuous bold-faced type that the records shall not be provided unless the subpoena is accompanied by a written authorization by the patient. The party seeking disclosure under rule 3120 or section 3121 may move for an order under rule 3124 or section 2308 with respect to any objection to, or other failure to respond to or permit inspection as requested by, the notice or subpoena duces tecum, respectively, or any part thereof.

> (c) Whenever a person is required pursuant to such notice or order to produce documents for inspection, that person shall produce them as they are kept in the regular course of business or shall organize and label them to correspond to the categories in the request. <u>If objection is made to the requested form for producing documents, including electronic documents – or if no form was specified in the notice or order – the producing party shall state the form or forms it intends to use, and shall produce documents in a form that is reasonably usable or the form or forms in which the documents are ordinarily maintained. A party need not produce the same data in more than one form.</u>

VII. <u>Conclusion</u>

New York is a world center for business and commerce. To maintain this position, New York law must recognize the impact of the explosion of ESI on New Yorkers, both individuals with computers and businesses. New Yorkers and those doing business in New York are concerned about the obligation and cost to maintain electronic data in anticipation of litigation; and once litigation begins, the uncertainty associated with the reasonableness of electronic searches and inadvertent production of privileged materials which may lead to enormous costs or even sanctions. This uncertainty arises from the variety of rules in different states and federal courts regarding ESI. As a consequence of this uncertainty, litigation may migrate to courts with more predictability, such as the federal courts.

The New York Legislature has been particularly responsive to the needs of business and commerce. For example, in 1984, New York enacted General Obligations Law § 5-1401, which granted New York courts subject matter jurisdiction over contract disputes involving transactions of more than $250,000 where the agreement provided that it was to be governed by New York law or the parties submitted to the jurisdiction. The bill was enacted to improve certainty in the business community regarding contractual forum selection and choice of law

clauses. Further, the bill was supported as enhancing New York's reputation as a legal capital and thus attracting more legal business to New York. It was anticipated that the increase in case loads would be offset by the increase in litigation income to the state.

Likewise, the proposed changes to the CPLR suggested in this report are responsive to the needs of business and commerce. The proposed changes seek to promote predictability and uniformity in: (a) budgeting for ESI storage and maintenance; (b) reducing burdensome costs in navigating an endless patchwork of ESI discovery rules; and (c) determining how courts deal with inadvertent disclosures and possible privilege waivers. The proposed changes will not only promote more predictability and uniformity in the litigation process, but will also protect New York's citizens from unnecessary ESI storage costs and enhance New York's position as a legal center.

In closing, it is important to note that the goal of the proposed amendments is to provide an effective method to handle challenging ESI discovery issues that impact all New Yorkers, regardless of the nature, complexity or size of the litigations in which they are involved. Home computers and personal laptops are no longer the exception but rather are the norm. Indeed, the difficulties created by the proliferation of ESI are now present in all varieties of cases and are not restricted to complex, commercial litigation. The need for a rational approach to protect individuals, as well as corporations, involved in ESI disputes is illustrated by *Etzion v. Etzion*, 7 Misc. 3d 940, 796 N.Y.S.2d 844 (Sup. Ct. Nassau Co. 2005). In *Etzion*, a matrimonial matter, a spouse sought to "impound, clone and inspect the computer servers, hard drives, individual workstation P.C., laptops and other items containing digital data" from the Defendant's residence or any location from which he conducted business. *Id.* at 7 Misc. 3d at 941, 796

N.Y.S.2d at 845. The party seeking the ESI sought to have her computer experts "gain access" into the Defendant's residence accompanied by the deputy sheriff from Nassau County. *Id.* The proposed amendments have broad applicability and seek to eliminate or control troublesome e-discovery problems whether faced by individuals or businesses.

Members of the ABCNY Joint Committee on Electronic Discovery and Principal Authors:

Darryl A. Buford, Committee On State Courts Of Superior Jurisdiction

Robert Calinoff, Torts Committee

Cecelia Fanelli, Council On Judicial Administration

Scott D. Greenspan, Federal Courts Committee

Steven M. Kayman, Council On Judicial Administration

Andrea Masley, Chair, Joint Committee On Electronic Discovery

Jay Safer, Chair, Council On Judicial Administration

Ramond L. Vandenberg, Committee On State Courts Of Superior Jurisdiction

Jeffrey Winn, Committee On State Courts Of Superior Jurisdiction

The Joint Committee thanks Jed W. Friedman, Jeffrey E. Gross, Aaron Mandel, and John C. Ohman for their invaluable assistance with this report.

APPENDIX A

SUMMARY OF PROPOSED AMENDMENTS TO THE

NEW YORK CIVIL PRACTICE LAW AND RULES

(Proposed Amendments are Underlined)

CPLR 3101 Scope of disclosure.

(a) Generally. There shall be full disclosure of all matter material and necessary in the prosecution or defense of an action, regardless of the burden of proof, by:

(1) a party, or the officer, director, member, agent or employee of a party;

(2) a person who possessed a cause of action or defense asserted in the action;

(3) a person about to depart from the state, or without the state, or residing at a greater distance from the place of trial than one hundred miles, or so sick or infirm as to afford reasonable grounds of belief that he or she will not be able to attend the trial, or a person authorized to practice medicine, dentistry or podiatry who has provided medical, dental or podiatric care or diagnosis to the party demanding disclosure, or who has been retained by such party as an expert witness; and

(4) any other person, upon notice stating the circumstances or reasons such disclosure is sought or required.

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(j) Electronically-Stored Information. With respect to electronically-stored information, under this statute, once relevance has been established, competing interests shall be balanced; the need for discovery shall be weighed against the burden to be borne by the opposing party.

CPLR 3103 Protective orders.

3103(a) Prevention of abuse. The court may at any time on its own initiative, or on motion of any party or of any person from whom

discovery is sought, make a protective order denying, limiting, conditioning or regulating the use of any disclosure device. Such order shall be designed to prevent unreasonable annoyance, expense, embarrassment, disadvantage, or other prejudice to any person or the courts.

3103(a) Advisory Notes: Among the factors to be considered in denying, limiting, conditioning or regulating disclosure, the Court can consider whether 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. The Court may also consider whether 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. In evaluating the burden, the Court should consider (1) the costs of preserving, retrieving, reviewing (for relevance, privilege confidentiality and privacy), and producing documents, (2) interruption of business processes and disruption to IT personnel and, (3) non-monetary costs such as invasion of privacy rights, risks to business and legal confidences and risks to privileges. In conditioning the discovery, the Court can order a sampling of requested data, limiting production to identified custodians, "keyword" searches, particular dates, or any other method to ensure the request is reasonable.

CPLR 3119. Preservation of Evidence.

3119(a). A party must preserve evidence for purposes of litigation upon becoming aware that such evidence is likely to be material and necessary to future litigation. A party becomes aware that evidence is likely to be material and necessary to future litigation upon the earlier of:

(i) becoming aware of circumstances which would lead a reasonable person in the party's position to believe that future litigation is likely;

(ii) becoming aware of the filing of a lawsuit in which such evidence is likely to be material and necessary; or

(iii) becoming aware of a discovery request seeking information relating to and/or the production of such evidence.

Advisory Note for CPLR 3119(a): Litigation is likely when an organization is on notice of a credible threat it will become involved

in litigation. A lack of credibility may arise from the nature of the threat itself or from past experience regarding the type of threat, the person who made the threat, the legal bases upon which the threat is founded, or any of a number of similar facts. For example, the trigger point for a small dispute where the risk of litigation is minor might occur at a later point than for a dispute that is significant in terms of business risk or financial consequences.

3119(b). The obligation to preserve electronic data and documents requires reasonable and good faith efforts to retain information that may be material and necessary to pending or threatened litigation. Parties do not need to take every conceivable step to preserve all potentially material and necessary data. In determining the scope of information that should be preserved, parties may consider the nature of the issues raised in the matter, experience in similar circumstances, amount in controversy, and parties' status in the litigation. Other factors to consider include the cost to preserve and potentially restore information; the number of individual custodians involved in the matter; the type and kind of information involved; and whether the hold is on active data, historical data, or future data, because the litigation involves future or ongoing business activities.

CPLR 3120 Discovery and production of documents and things for inspection, testing, copying or photographing.

1. After commencement of an action, any party may serve on any other party a notice or on any other person a subpoena duces tecum:

> (i) to produce and permit the party seeking discovery, or someone acting on his or her behalf, to inspect, copy, test or photograph any designated documents or any things which are in the possession, custody or control of the party or person served; or
>
> (ii) to permit entry upon designated land or other property in the possession, custody or control of the party or person served for the purpose of inspecting, measuring, surveying, sampling, testing, photographing or recording by motion pictures or otherwise the property or any specifically designated object or operation thereon.

2. The notice or subpoena duces tecum shall specify the time, which shall be not less than twenty days after service of the notice or subpoena, and the place and manner of making the inspection, copy, test or photograph, or of the entry upon the land or other property and, in the case of an inspection, copying, testing or photographing, shall set forth the items to be inspected, copied, tested or

photographed by individual item or by category, and shall describe each item and category with reasonable particularity. The notice or subpoena duces tecum may specify the form or forms in which the electronic data or documents are to be produced.

3. The party issuing a subpoena duces tecum as provided hereinabove shall at the same time serve a copy of the subpoena upon all other parties and, within five days of compliance therewith, in whole or in part, give to each party notice that the items produced in response thereto are available for inspection and copying, specifying the time and place thereof.

4. Nothing contained in this section shall be construed to change the requirement of section 2307 that a subpoena duces tecum to be served upon a library or a department or bureau of a municipal corporation, or of the state, or an officer thereof, requires a motion made on notice to the library, department, bureau or officer, and the adverse party, to a justice of the supreme court or a judge of the court in which the action is triable.

CPLR 3122 Objection to disclosure, inspection or examination; compliance.

3122(a) Within twenty days of service of a notice or subpoena duces tecum under rule 3120 or section 3121, the party or person to whom the notice or subpoena duces tecum is directed, if that party or person objects to the disclosure, inspection or examination, shall serve a response which shall state with reasonable particularity the reasons for each objection, including any objection to the form or forms specified in the notice or subpoena duces tecum for production of documents. If objection is made to part of an item or category, the part shall be specified. *If objection is made to the requested form or forms for producing electronically stored information, or if no form was specified in the request, the responding party must state the form or forms it intends to use.* A medical provider served with a subpoena duces tecum requesting the production of a patient's medical records pursuant to this rule need not respond or object to the subpoena if the subpoena is not accompanied by a written authorization by the patient. Any subpoena served upon a medical provider requesting the medical records of a patient shall state in conspicuous bold-faced type that the records shall not be provided unless the subpoena is accompanied by a written authorization by the patient. *A party or person need not provide discovery of electronically stored information from sources that the party identifies as not reasonably accessible because of undue burden or cost.* The party seeking disclosure under rule 3120 or section 3121 may move for an order

under rule 3124 or section 2308 with respect to any objection to, or other failure to respond to or permit inspection as requested by, the notice or subpoena duces tecum, respectively, or any part thereof. *On a motion to compel disclosure under rule 3124 or section 2308 or for a protective order under section 3103 or section 2304 involving electronically stored information identified as not reasonably accessible, the party or person from whom discovery is sought must show that the information is not reasonably accessible because of undue burden or cost. If that showing is made, the court may nonetheless order disclosure from such sources if the requesting party shows good cause therefor. In ordering such disclosure the court may make any order permitted under section 3103, including an order specifying conditions for the disclosure.*[98]

Advisory Note for CPLR 3122(a): Examples of data that may not be readily accessible include back-up tapes intended for disaster recovery purposes that are often not indexed, organized, or susceptible to electronic searching; legacy data that remains from obsolete systems and is unintelligible on the successor systems; data that was 'deleted' but remains in fragmented form, requiring a modern version of forensics to restore and retrieve; and databases that were designed to create certain information in certain ways and that cannot readily create very different kinds of forms of information.

Illustration i. A party seeking relevant emails demands a search of backup tapes and hard drives for deleted materials. No showing of special need or justification is made for the search. The request should be denied. Parties are not typically required to sequester and search the trash bin outside an office building after commencement of litigation; neither should they be required to preserve and produce deleted electronic information in the normal case. Production should primarily be from sources of active information which is arranged in a manner conducive to retrieval and storage.

Illustration ii. After a key employee leaves X Company ("X Co.") to work for a competitor, a suspiciously similar competitive product suddenly emerges from the new company. X Co. produces credible testimony that the former employee bragged about sending confidential design specifications to his new company computer, copying the data to a CD, and deleting the data so that the evidence would never be found. The court properly orders that, given the

[98] Portions in italics were proposed by the New York State Bar Association Commercial and Federal Litigation Section. *See supra* note 36.

circumstances of the case, the requesting party has demonstrated the need for the computer to be produced for mirror image copying of its hard drive. If the defendant is not willing to undertake the expense of hiring its own reputable data recovery expert to produce all available relevant data, inspection of the computer's contents by an expert working on behalf of X Co. may be justified, subject to appropriate orders to preserve privacy, to protect data, and to prevent production of unrelated or privileged material. Under a showing of special need, with appropriate orders of protection, extraordinary efforts to restore electronic information could also be ordered.

….

(c) Whenever a person is required pursuant to such notice or order to produce documents for inspection, that person shall produce them as they are kept in the regular course of business or shall organize and label them to correspond to the categories in the request. If objection is made to the requested form for producing documents, including electronic documents – or if no form was specified in the notice or order – the producing party shall state the form or forms it intends to use, and shall produce documents in a form that is reasonably usable or the form or forms in which the documents are ordinarily maintained. A party need not produce the same data in more than one form.

…..

(e) If material is produced in discovery that is subject to a claim of privilege or protection, and the party or non-party witness claiming a privilege or protection has taken reasonable steps to avoid disclosure of the material, the party or non-party witness asserting the claim must notify any party that received the material of the claim and the basis for it promptly but no more than fifteen days after obtaining actual knowledge of the disclosure of such material. After such notification, a party must return, sequester, or destroy the specified material and may not use, distribute, or disclose the material until the claim is resolved. If the receiving party distributed or disclosed the information before being notified, it must take reasonable steps to retrieve it. The producing party or non-party must preserve the material until the claim is resolved.

(f) In determining whether the disclosure of material claimed to be privileged constitutes a waiver of any privilege thereto, the court shall consider the reasonableness of the steps taken in maintaining confidentiality, promptness of the action taken to retrieve the material

upon discovery of the disclosure, and prejudice to be suffered by the party in possession of the material.