



KLEMCHUK LP
PROTECTING INNOVATION

ETHICAL ISSUES IN DISCOVERY

BY:
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Overview

- Recent Discovery Decisions
 - *Rambus/Micron* and *Rambus/Hynix*
 - *Qualcomm v. Broadcom*
 - *Rimkus v. Cammarata*
 - *Personal Audio v. Apple*



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**“Those who cannot remember the past are
condemned to repeat it.”**



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Rambus Cases (Fed. Cir. May 2011)

- Patent litigation against Micron and Hynix related to aspects of dynamic random access memory (DRAM)
- Questions:
 - Was there spoliation related to DRAM patents?
 - Was litigation reasonably foreseeable before second “Shred Day” in August 1999?



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Rambus Cases (Fed. Cir. May 2011)

- **Early 1990s** – Rambus files patent application; JEDEC adopts first SDRAM standard; Rambus determines patent application encompassed SDRAM
- **January 1998** – Rambus begins developing patent licensing and litigation strategy
- **March 1998** – Rambus VP presents litigation strategy to Board
- **July 1998** – Rambus magnetically erases all but 1 of 1,269 tapes storing email backups for several years



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Rambus Cases (Fed. Cir. May 2011)

- **August/September 1998** – Rambus hires outside counsel to help with licensing and prepare for litigation
- **September 3-4, 1998** – First “Shred Day” to implement document destruction policy
- **December 1998** – Infringement claim charts prepared
- **April 1999** – Rambus extends document destruction policy to outside patent prosecution counsel
- **June 1999** – First patent-in-suit issued
- **August 26, 1999** – Second “Shredding Party”



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Rambus Cases (Fed. Cir. May 2011)

- **October 1, 1999** – Rambus' target date to commence litigation
- **December 1999** – Rambus institutes litigation hold
- **January 18, 2000** – Rambus sues Hitachi
- **July 17, 2000** – Rambus in-house counsel reminds executives to continue destroying drafts and other materials related to license negotiations
- **August 8, 2000** – Rambus sues Infineon
- **August 28-29, 2000** – Micron and Hynix file DJs against Rambus



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Rambus Cases (Fed. Cir. May 2011)

- Factors in Favor of Spoliation
 - Document destruction as part of litigation strategy
 - Rambus aware of infringing activities
 - Steps taken toward litigation
 - Rambus controlled litigation decision
 - No long-standing relationship between Rambus and DRAM manufacturers



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Rambus Cases (Fed. Cir. May 2011)

- Sanction Analysis
 - Dismissal sanction – need clear and convincing evidence of bad faith spoliation and prejudice
 - Not addressed by district court – remanded for analysis
 - Select least onerous sanction correlated to willfulness of destructive act and prejudice suffered by victim



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Qualcomm v. Broadcom - Timeline

- Qualcomm sues Broadcom for patent infringement
- Broadcom defense – waiver by participation in JVT
- Broadcom requests discovery on Qualcomm JVT participation
- Qualcomm repeatedly denies JVT involvement during relevant time frame
- Qualcomm files motion for summary judgment on waiver defense
- Trial begins



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Qualcomm v. Broadcom - Timeline

- Qualcomm attorney discovers emails showing trial witness communicated with JVT
 - Trial witness admits existence of emails on cross-exam
- Qualcomm ordered to produce documents and jury finds in favor of Broadcom on waiver
- Broadcom granted discovery on scope of discovery abuses
- Qualcomm and 6 outside counsel initially sanctioned for discovery abuses



Qualcomm v. Broadcom - Sanctions

- Qualcomm ordered to pay over \$8.5 million
- Six outside counsel initially referred to State Bar of California for investigation of possible ethical violations
- Qualcomm and outside counsel ordered to participate in Case Review and Enforcement of Discovery Obligations (“CREDO”) program



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Qualcomm v. Broadcom - Sanctions

- Several outside counsel never sanctioned because of steps taken to confirm accuracy of facts
 - Reviewed deposition transcripts and discovery responses
 - Circulated drafts of pleadings to more senior in-house and outside counsel
 - Investigated facts surrounding Qualcomm and JVT



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Rimkus Consulting v. Cammarata (S.D. Tex. Feb. 19, 2010)

- Competing Lawsuits
 - Cancel/enforce non-compete and non-solicitation covenants in ex-employees' employment agreements
 - Trade secret misappropriation in setting up new business
- Allegations of “wholesale discovery abuse” – intentional destruction of electronically stored evidence
- Defendants claimed no prejudice in failure to produce – cumulative nature of evidence



Rimkus Consulting - Facts

- Request for documents related to creation and inception of new company (U.S. Forensic) and contracts with Rimkus clients
 - Response – **two** emails related to U.S. Forensic formation
- Renewed request for **all** documents sent among those setting up or working for U.S. Forensic before January 1, 2007
 - Response – request overly broad; conducted search and turned over any responsive emails
- No emails produced from November 2007 to June 2009 (60 emails produced)



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Rimkus Consulting - Facts

- U.S. Forensic founders (Bell, Janowsky, DeHarde) deposed
 - Janowsky admitted he deleted emails but did not recall being instructed to preserve records related to U.S. Forensic formation
 - DeHarde testified he deleted emails because of concern about storage capacity of his email account
- Court ordered production of documents and second deposition – efforts to locate and retrieve electronically stored information were superficial



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Rimkus Consulting - Facts

- Response to Court Order
 - DeHarde admitted “We had a policy that we would delete e-mails during the start-up after two weeks.”
 - Cammarata produced 15 disks of electronic info (Rimkus correspondence, powerpoints and client contact information) showing client contact on behalf of U.S. Forensic *while working at* Rimkus and use of personal email to send Rimkus engineering data to his U.S. Forensic email address
 - Analysis of Bell laptop showed Rimkus financial information downloaded on day of resignation



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Rimkus Consulting - Conclusions

- Affirmative steps taken to delete potentially relevant documents – intentional and bad faith destruction of evidence
- Selective implementation of document destruction policy *at best*
- Defendants' reasons and explanations for deleting or destroying emails inconsistent and lacked support
- Judge ordered adverse inference instruction related to email deletion but did not strike pleadings



Rimkus Consulting - Conclusions

- Jury can hear about email deletion and concealment/delay that occurred in discovery, consider Defendants' conduct in deleting emails, and infer that content of deleted emails would be unfavorable to Defendants
- Jury instruction to be issued on duty to preserve information
- Defendants to pay reasonable costs and attorneys' fees required to identify and respond to the spoliation issues
- Permanent injunction issued based on settlement in November 2010



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Personal Audio v. Apple (EDTX 2011)

- Over 6,000 pages produced three weeks before second trial setting
 - Documents originated with trial witnesses
 - Documents relevant to infringement case, rebuttal of invalidity defense and damages
- Late production not substantially justified or harmless
- Producing party cannot use untimely produced documents at trial
- Monetary sanction (\$10,000) imposed



Lessons to be Learned from Recent Discovery-Related Decisions

“He who must search a haystack for a needle is likely to end up with the attitude that the needle is not worth the search.”

Brown v. Allen, 344 U.S. 443, 537 (1953)



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Lessons for All:

1. The Truth Matters

- Know whole truth and make accurate representations to other side, judge and jury
- Find responsive information and produce it
- Counsel as well as witnesses need to be prepared to face the truth



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Lessons for All:

2. Err in Favor of Production

- If you have to consider whether to produce, probably should go ahead and produce it
- Often less harmful to produce
- Information may be responsive and discoverable but not necessarily admissible
- Courts tending toward requiring production if responsive to a party's claims or defenses



Inside and Outside Counsel Responsible

- *Swofford v. Eslinger*, No. 6:08-cv-00066 (M.D. Fla. Sept. 28, 2009)
 - Inside counsel failed to issue litigation hold notice and failed to undertake meaningful actions to preserve relevant information
- Awarded adverse inference sanctions and ordered defendants and inside counsel to pay fees and costs (inside counsel was not attorney of record)



Lessons for All:

3. Responsibility for Ensuring Client Compliance with Discovery

- **CANNOT** blindly rely on client's collection and production
- **CANNOT** blindly trust what client describes as "standard" procedures for approaching discovery issues
- **CANNOT** shield eyes from seeing certain documents – must challenge clients regarding search and collection strategies



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Lessons for All:

3. Responsibility for Ensuring Client Compliance with Discovery

- **MUST** reach agreement as to how to engage in discovery process
- **MUST** have sufficient control over discovery process
- **MUST** gain access to locations where responsive data may be maintained
- **MUST** take steps to confirm compliance by key custodians (i.e., interviews, written questionnaires)



Lessons for Outside Counsel:

4. Document Your Discovery Efforts

- Keep a record of efforts with regard to document search and collection
- May need to seek agreement from client that documentation of actions taken may be disclosed if issues arise as to sufficiency of discovery efforts



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Lessons for Clients:

5. If You Don't Have a Plan, Make One

- **MUST** define who is responsible for ensuring discovery duties are carried out
- **MUST** get IT personnel involved
- **MUST** issue document hold notice at outset of litigation
- **MUST** inform employees that they have a duty to manage information in accordance with written policies – litigation or not
- **MUST** consider investing in management technology/search tools



Lessons for Clients:

6. If You Have a Plan, Adhere to It

- Qualcomm allegedly had a plan in place for collecting documents in response to discovery requests
- Qualcomm apparently did not fully follow plan
- **MUST** follow your plan – plan is only as effective as care given in executing plan



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Lessons Learned



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