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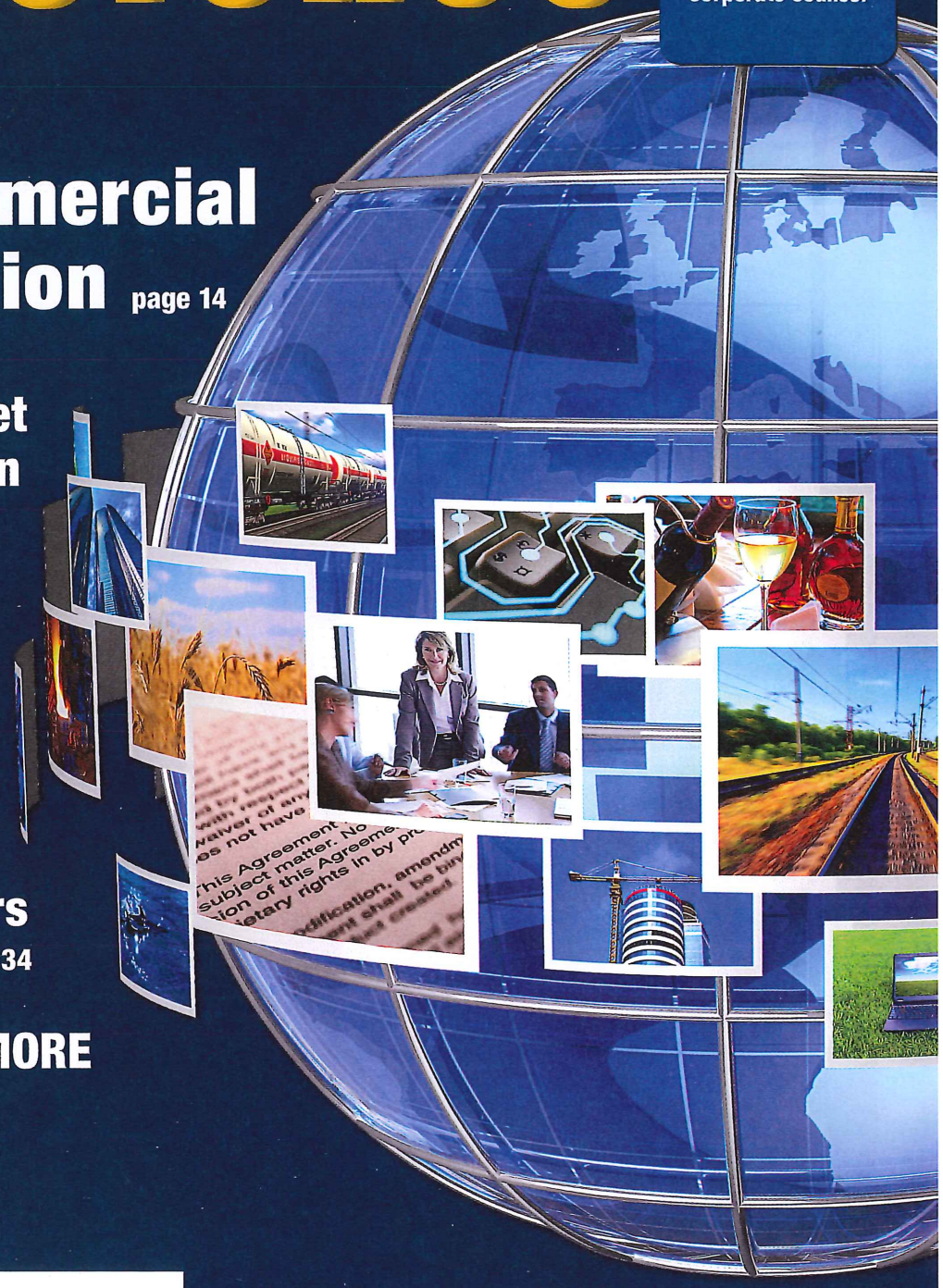

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Best Uses and Worst Abuses

Confidentiality and Protective Orders

By Timothy P. Lendino, C. Bailey King, Jr., and Evan M. Sauda

When drafted and used strategically, protective orders can provide necessary protection to private and proprietary client information and reduce the risk of costly discovery disputes and judicial intervention.

Confidentiality and protective orders are "an ever-expanding feature of modern litigation." *In re Mirapex Products Litigation*, 246 F.R.D. 668, 672–73 (D. Minn. 2007). Indeed, they are often a necessity for defendants and plaintiffs alike due to the enormously important need to protect sensitive information, such as trade secrets and other confidential financial information, from the public eye and competitors. Confidentiality and protective orders recognize this need and prevent parties from sacrificing the privacy of their proprietary information simply because they have filed or been named in a lawsuit. *Id.* On the other hand, litigating parties must balance the need to protect sensitive information with the general principle that the public should have open access to judicial proceedings . As a result, when drafting and negotiating a protective order, counsel must ensure that the order provides a client with the privacy that it needs without going so far that a court will not approve it.

In practice, most commercial lawyers rely on standard, boilerplate protective orders that have "always worked" for them in the past. It is easy to take a gardenvariety protective order and make a few minor tweaks such as changing the case caption and party names before circulating a draft among the other parties and ultimately filing it with a court. In most cases, this practice may meet a client's needs acceptably. Indeed, attorneys use blanket "umbrella" protective orders with increasing frequency in modern litigation, and they have become quite standardized. *Bond v. Utreras*, 585 F.3d 1061, 1067 (7th Cir. 2010). However, although a standard protective order, if agreed to by the parties, may generally suffice, counsel should consider a few specific issues before simply agreeing to a standard, "one size fits all" protective order.

In general, when drafting or negotiating a protective order, it is important to evaluate the specific circumstances of each particular case, as well as the local rules for the court that will adjudicate the case. As the parties stipulate to most protective orders, counsel should focus on two basic goals in negotiating and drafting a protective order: (1) coming to an agreement with the opposing party that will protect a client's



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interests, and (2) ensuring that the adjudicating court will approve the protective order. Often, courts will have a model protective order in their local rules to assist with this process.

The purpose of most provisions in a protective order is simply to provide procedures that will protect confidential information so the provisions should clearly explain the procedures that the parties will follow. Certain provisions, however, do raise substantive issues. Accordingly, counsel will want to assess each of these provisions in light of the specific circumstances of a case. In particular, a drafter should consider the protocols that he or she would like to use for (1) sealing documents, (2) using "attorneys' eyes only" designations, and (3) resolving inadvertent disclosure and clawback requests. The reason is that although these protocols involve procedure, provisions in protective orders for them can also run afoul of substantive law if they are not carefully drafted.

By crafting a comprehensive and balanced protective order that takes into account these three procedural areas, counsel will hopefully avoid condemnation from a court for operating outside the rules of civil procedure. Taking them into account should also expedite discovery, reduce costs, and protect the parties in the event of inadvertent disclosure. Of course, in all cases, commercial litigators should adhere to Federal Rule of Civil Procedure 26(c), which sets forth the authority and basic framework for protective orders, or its state counterpart. This article addresses cases decided under the federal version of rule 26(c). Most states, however, have enacted similar rules, so the principles articulated here likely will apply in either a federal or a state court.

Sealing Documents Filed with a Court

Protective orders often do more than simply restrict the parties from disseminating confidential information obtained through discovery outside the litigation process. In fact, it is common to include a provision establishing a procedure that allows the parties to file material designated as "confidential" under seal and sometimes without any judicial review. In the recent age of modernized and electronic court filing, case management systems sometimes even routinely allow court clerks or counsel themselves to file materials under seal without any judicial review whatsoever. While this practice is appealing because of its simplicity, most courts have rejected sealing provisions in protective orders allowing parties to file documents under seal prospectively without first obtaining approval from a judge. *See, e.g., Stone v. Univ. of Md. Med. Sys. Corp.*, 855 F.2d 178, 180 (4th Cir. 1988); *Proctor & Gamble Co. v. Bankers Trust Co.*, 78 F.3d 219, 227 (6th Cir. 1996); *Citizens First Nat'l Bank of Princeton v. Cincinnati Ins. Co.*, 178 F.3d 943, 944 (7th Cir. 1999). Accordingly, counsel should consider whether a court will accept a provision that allows the parties to file materials under seal without court approval, and if not, what kind of procedures the parties must instead put in place.

In the Sixth Circuit, protective orders authorizing the parties to seal any document that either party considers to be confidential are facially overbroad. *Proctor & Gamble*, 78 F.3d at 227. Some courts have even adopted local rules forbidding parties from predetermining the materials that they will file under seal without judicial review. In the Fourth Circuit, until recently, parties in some districts could agree on a tiered procedure that allowed the parties (1) to file discovery motions under seal without prior court approval, (2) to file dispositive motions conditionally under seal pending a court ruling on whether the materials were in fact confidential, and (3) to file motions *in limine* conditionally under seal pending a ruling on the trial admissibility of the confidential information. Obviously, if a court eventually found that the confidential information was admissible trial evidence, it would lose its confidential status without some further court order because generally courts will not permit protective orders to govern the trialrelated use of this confidential information. In a recent case, for instance, the Fourth Circuit reiterated that a judicial officer must consider the "decision to seal" carefully, and district courts have begun to require prior court approval before parties file any confidential material with the court under seal, regardless of the type of motion that the information accompanies. *See In re Application of U.S. for an Order Pursuant to 18 U.S.C. §2703(D)*, 707 F.3d 283, 294 (4th Cir. Jan. 25, 2013).

Given that the law in this area continues to evolve, litigators should exercise caution when contemplating the procedures that they want to use in a sealing provision in a protective order. With that said, in most cases a protective order *must* have a sealing provision, especially in this increasingly transparent electronic age, which makes access to court records easier than ever. Indeed, unfettered access to electronic court records via the Internet has escalated privacy concerns. In the past, it was more likely that an individual or business would not be willing to go to the effort of physically pulling paper court files at a courthouse to access sensitive commercial information for personal gain. Now, with the few clicks of a mouse and a Wi-Fi connection, an individual or business can access an entire court file.

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Accordingly, the best practice when drafting a protective order is to establish a mechanism for filing information under seal in an efficient yet permissible manner. A protective order should specify that the party seeking to file designated "confidential" documents under seal must also file a motion to seal the confidential information some time before the filing of the substantive motion to which the information will correspond. In addition, because the party submitting the confidential information to the court may not be the party that designated the information as "confidential," it is important to include a requirement binding either party that wants to submit "confidential" information to the court to file this as a motion, regardless of which party designated the material as "confidential." For example, if the nondesignating party

will file a substantive motion relying on "confidential" information from the designating party, the protective order should require the nondesignating party to file a sealing motion concurrently or before it files its substantive motion. Moreover, because the nondesignating party usually will have little incentive to argue persuasively that the document should be sealed, the procedure should also allow the designating party to demonstrate to the court why the information should be filed under seal.

Counsel should consider whether a court will accept a provision that allows the parties to file materials under seal without court approval, and if not, what kind of procedures the parties must instead put in place.

One common approach to sealing is to draft a protective order so that it allows the designating party the opportunity to join the nondesignating party's motion to seal or to submit supplemental briefing explaining why the document should be sealed. Alternatively, the parties could agree that the nondesignating party must provide the designating party with reasonable notice that it intends to file "confidential" documents in court. The designating party would then have a reasonable period of time to have the specific documents sealed. For example, if a defendant plans to move for a summary judgment and intends to support its motion with a document that the plaintiff designated as "confidential," the defendant would be required to notify the plaintiff a certain number of days in advance of the filing, perhaps 21 days. Then, the protective order would allow the plaintiff a reasonable amount of time, perhaps 14 days, to file a motion to seal that document. Along with the motion to seal, the moving party would "lodge" the "confidential" documents, which would remain provisionally under seal until the court ruled on the motion. Finally, before agreeing to any specific procedure, counsel will want to consult the local rules, which may set out a court's preferred approach for this issue.

Including an "Attorneys' Eyes Only" Provision

Litigants often fight over the extent to which opposing counsel may share confidential information produced in discovery with their clients. These disputes occur most frequently in trade secret litigation, where the producing party seeks to place "attorneys' eyes only" limitations on certain documents. The receiving party ordinarily complains that the "attorneys' eyes only" designation is too restrictive and places that party at a disadvantage in the litigation. Nonetheless, the disclosure of confidential information with an "attorneys' eyes' only" restriction is a routine feature of complex commercial litigation. *See* Fed. R. Civ. P. 26(c)(1)(G) ("The court may, for good cause, issue an order to protect a party...including...that a trade secret or other confidential research, development, or commercial information not be revealed or be revealed only in a specified way...."). In all cases, counsel should carefully consider whether a provision allowing an "attorneys' eyes only" designation is warranted in a protective order and whether it is in a client's best interest.

Assuming that the parties agree to include such a designation in their protective order, the party using the "attorneys' eyes only" designation will ordinarily bear the burden of showing that each document is sensitive enough to warrant such a restriction, and courts have threatened sanctions against parties that label documents "attorneys' eyes only" either arbitrarily or excessively. *Fears v. Wilhemina*, No. 02 Civ. 4911, 2003 WL 21737808, at *1 (S.D.N.Y. July 25, 2003) ("If I find that counsel has designated documents "confidential—attorneys' eyes only" in bad faith and without an adequate factual basis, I will not hesitate to impose sanctions...."). Accordingly, while the rationale for the "attorneys' eyes only" designation is certainly legitimate, an attorney should use the designation as sparingly as possible. Not only can overuse lead to sanctions, but courts may also order removing the designation, and they may order it even when documents warranted the designation. For example, in *Team Play, Inc. v. Boyer*, a party designated more than 4,000 of 6,000 documents produced as "attorneys' eyes only." No. 03 C 7240, 2005 WL 256476, at *1 (N.D. Ill. Jan. 31, 2005). Based on the excessive tagging of documents with the "attorneys' eyes only" restriction, the court ordered the removal of the designation for all them. *Id.* at *2.

Based on the burdens of an "attorneys' eyes only" designation, counsel should exercise caution and restraint when drafting and using this provision of a protective order. While necessary in certain cases such as trade secret litigation, a protective order probably does not need an "attorneys' eyes only" provision in a large percentage of commercial cases. Because opposing parties and courts frequently scrutinize "attorneys' eyes only" provisions, it may not be worth inserting one into a protective order unless it is absolutely necessary or unless the parties consent to it.

When an "attorneys' eyes only" provision may not be warranted, one alternative to consider is using a "highly confidential" designation that can serve as a middle ground between "confidential" and "attorneys' eyes only." Often, this middle ground may provide the needed protection while also minimizing the stigma associated with an "attorneys' eyes only" designation. A carefully worded "highly confidential" designation provision could prevent the other party from (1) keeping a copy of the materials, (2) viewing the materials outside presence of counsel, (3) taking notes on contents of the materials, (4) discussing or disclosing contents of the materials with any other employees or thirdparties, (5) using the materials for any other purpose outside the prosecution or defense of lawsuit, or (6) any combination of these. While not exhaustive, these limitations may provide sufficient protection and alleviate the need for an "attorneys' eyes only" designation. A creative use of a variation of these limitations, tailored to the needs of each case, may provide a solution for litigants

hoping to avoid an "attorneys' eyes only" dispute with an opposing party.

Providing Protection for Inadvertent Disclosure

In all cases, but particularly in commercial litigation cases with large document productions, the most important provision in the protective order may be the "clawback" provision protecting the parties in the event of the inadvertent disclosure of privileged documents. In some instances, parties may execute a standalone clawback agreement before negotiating a stipulated protective order. The parties should still consider incorporating the clawback agreement into the protective order, though, to provide as much protection as possible. The reason for this is that standalone clawback agreements are binding only on the parties to the agreement. If a standalone clawback agreement is incorporated into a protective order, however, the parties to the protective order also can enforce the clawback agreement against third parties that may seek to obtain protected materials inadvertently produced during litigation. See Fed. R. Evid. 502(e) advisory committee's note ("The rule makes clear that if parties want protection against nonparties..., the [clawback agreement] must be made part of a court order."). To get this protection, protective orders should require anyone who receives access to confidential information to sign an acknowledgement agreeing that the protective order binds him or her.

In addition, it may also be useful to include language in the clawback provision that allows the parties to recall and redesignate as "confidential" any documents that were originally produced without the appropriate confidentiality designation. Indeed, this allows both parties to correct mistakes while avoiding costly motion practice.

While clawback provisions are commonplace in most protective orders, litigants have a couple of easy ways to tailor their obligations specifically. For example, it is important to establish clear procedures for invoking the clawback. In particular, a litigant should consider whether a party must request the clawback within a certain time period after learning of the inadvertent disclosure, whether the clawback request must be in writing, and whether the requesting party must explain the grounds that make the materials privileged. Also, it is important to establish a framework for resolving disagreements in a cost effective manner. It may be prudent to prevent a dispute from arising in the first place by clearly defining in the clawback provision the steps required to search for, review, and separate privileged material so that counsel will be permitted to retrieve material inadvertently disclosed. It may make the most sense to eliminate the required steps altogether and include a "no fault" or "irrespective of care" provision, which may reduce the risk of a costly, full-blown discovery dispute. Although the parties to the protective order may disagree about whether a privilege applies to a produced document, a well-drafted clawback agreement can establish a framework for resolving the dispute efficiently and without judicial intervention.

Conclusion

Given the importance of all of these issues, counsel should begin considering the need for a confidentiality and protective order early in a case. Start by discussing with a client the sensitive documents belonging to the client that another party could obtain through discovery. Likewise, early communications with opposing counsel should cover the need for a protective order generally and specific confidentiality concerns. Indeed, Federal Rule of Civil Procedure 26(f) requires litigators to consider the need for a protective order during the initial attorneys' conference. *See* Fed. R. Civ. P. 26(f)(3)(F). Finally, it is preferable to have a protective order approved by a court and in place before the parties begin serving each other with written discovery requests. Otherwise, negotiating the terms of a confidentiality and protective order may delay the discovery phase. In some instances, the local rules, a scheduling order, or both may set a certain deadline for filing a motion for a protective order to prevent this from occurring. The deadline for providing a proposed protective order will vary by jurisdiction, but beware that a court will view waiting until after serving discovery responses to provide a proposed protective as untimely, and a client then may have waived objections based on confidentiality. *See, e.g., In re Coordinated Pretrial Proceedings, etc.*, 669 F.2d 620, 622 n.2 (10th Cir. 1982).

Finally, after the parties have negotiated and agreed on a protective order, the attorneys naturally have inclinations to use it to protect as much information as they possibly can, fearing that they may inadvertently produce something that they should have designated as "confidential." However, when it comes time to tag and Batesnumber documents in preparation for production, attorneys should consider the consequences associated with mass tagging documents as "confidential." Sometimes designating every document produced as "confidential" may be appropriate while not in others. In fact, courts may not approve a protective order that gives the parties carte blanche authority to decide which information to protect, so think twice before asking for it. *Cook Inc. v. Boston Scientific Corp.*, 206 F.R.D. 244 (S.D. Ind. 2001). Instead, courts have found that "[p]arties frequently abuse Rule 26(c) by seeking protective orders for material not covered by the rule," and courts have repeatedly condemned the improper use of confidentiality designation. *In re Violation of Rule 28(D)*, 635 F.3d 1352 (Fed. Cir. 2011). In some circumstances, improperly designating materials under the terms of a protective order can lead to sanctions. *See, e.g., In re ULLICO Inc. Litigation*, 237 F.R.D. 314, 317–18 (D.D.C. 2006); *Commissariat a L'energie Atomique v. Samsung Electronics Co., Ltd.*, 430 F. Supp. 2d. 366, 370–71 (D. Del. 2006); *THK America, Inc. v. NSK Co. Ltd.*, 157 F.R.D. 637, 646–48 (N.D. Ill. 1993). Thus, defense counsel will want to discuss with their clients exactly which documents need protection and limit the "confidential" designation to those documents if at all possible.

When drafted and used strategically, protective orders can provide necessary protection to private and proprietary client information and reduce the risk of costly discovery disputes and judicial intervention. Often, however, attorneys use form protective orders without giving them much, if any, strategic thought. In our experience, a defense counsel will well serve clients by developing a form protective order rather than relying on something someone else has developed and then considering whether it will work in each specific case. FD