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Keep E-Discovery Costs Down in Patent Litigation

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Patent litigation is expensive, and e-discovery costs can drive a significant portion of that expense. But runaway e-discovery costs are not inevitable; in-house counsel can and should employ strategies to control these costs when litigating a patent suit. For purposes of this article, e-discovery costs include costs for data preservation, collection and processing of electronically stored information (ESI), document hosting and document review. Although attorney fees for e-discovery disputes do not fall cleanly under the e-discovery umbrella, we consider these, as well, because of the havoc they can wreck on a case budget.

Courts have taken notice of the impact of e-discovery expenses in patent litigation. In 2011, the U.S. Court of Appeals for the Federal Circuit promulgated its Model Order Regarding E-Discovery in

Patent Cases. In 2012, the Eastern District of Texas, the most active patent docket in the state, modified the Federal Circuit's model order and adopted the modified version as a non-binding appendix to its local rules.

Consistent with the e-discovery best practices outlined below, the Eastern District's model order encourages parties to negotiate early in the litigation regarding e-discovery parameters and how to narrowly tailor requests for production of documents. For example, the Eastern District's model order requires that the parties identify their 15 most significant email custodians; mandates that parties identify the custodian, search terms and time frame for each request for production of email; and limits the number of custodians and search terms for email production requests.

1. Early discussions with opposing counsel. The first step in minimizing costs is to agree on the ground rules with opposing

counsel. Placing early limits on e-discovery obligations can generate significant savings by reducing the number of documents to process and produce. Also, early agreement on document-preservation requirements can help manage costs by eliminating the need to preserve unnecessary documents and by preventing future motions practice related to ESI.

Federal Rule of Civil Procedure 26 requires that the parties confer before the scheduling conference to develop a discovery plan, which must address any issues with discovery of ESI. Litigants should seize this opportunity to discuss e-discovery issues more broadly and begin negotiating an e-discovery agreement.

These agreements can cover such topics as the number of custodians, production format, production of metadata, custodians, number and identity of search terms, and email production.

Setting out e-discovery obligations early can prevent costly discovery fights later in the

litigation. If the parties cannot agree on e-discovery stipulations, they can submit competing proposals to the court.

2. Carefully tailor requests for production of documents. Litigators should resist the temptation to seek production of any and all documents that meet the relevance criteria of Rule 26. Counsel should be judicious in crafting requests for production (RFPs) or — if litigating in one of the Eastern District of Texas courts that require production of all relevant documents without formal RFPs — be judicious when offering guidance to opposing counsel about the documents sought. Attorneys should focus RFPs on the types of documents necessary to build the case, not every conceivably relevant document.

This is admittedly an art, not a science, because propounding RFPs too narrowly could render important documents out of scope of the requests. If a particular type of document is critical to the case, then a party might word its production requests more broadly, with the understanding that it will likely receive more responsive documents.

In the absence of a case-critical type of document, however, tailoring RFPs will avoid the expense of hosting additional documents on a database and sifting through the potentially millions of pages of low-value documents.

3. Consider outsourcing document collection, processing and review. After a party defines the universe of documents that will enter the litigation pipeline, core e-discovery costs incurred to produce its own documents involve collecting, processing and reviewing them. According to a 2012 report by the Rand Corp. titled “Where the Money Goes,” 8 percent of the cost is attributable to collection, 19 percent to processing and 73 percent to reviewing ESI.

In-house counsel should consider whether it is more cost-effective to bring any of these services in-house or to use an outside vendor with negotiated rates. If the company opts to use outside vendors but does not litigate cases frequently enough to develop expertise in vendor negotiation and pricing, an outside counsel can help fill the knowledge gap.

4. Play an active role in reducing first-level review costs. Many articles discuss taming the 3,000 pound gorilla of e-discovery costs: document review. The bottom line is that in-house counsel should play an active role in determining how to review documents to ensure efficiency and cost effectiveness.

The most burdensome part of this process is the first-level review because of the sheer number of documents. Some strategies for containing costs at this

stage include using lower-cost attorneys to review the documents, employing search terms, the somewhat-controversial predictive coding, and utilizing software to group and de-duplicate documents. The legal department always must balance cost savings against the importance of identifying key documents.

Employing these strategies will not make e-discovery inexpensive; given the volume of documents in a typical patent case, that goal may prove elusive. But doing so can help keep e-discovery from overburdening a company’s litigation budget.

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