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Deterring E-Discovery Misconduct with Counsel Sanctions: The Unintended Consequences of *Qualcomm v. Broadcom*

Failure to meet discovery obligations is a serious impediment to the fair, prompt and cost-effective resolution of disputes and, in extreme forms, can undermine public confidence in the integrity of the process. Harsh sanctions are appropriately imposed on parties and their counsel when egregious discovery misconduct affects the progress of a case.[1] In cases involving allegations of improper monitoring by counsel of client conduct, however, courts properly exercise restraint in determining counsel culpability in light of the burdens it places on the attorney-client relationship, including threats to the confidentiality of client communications.

THE *QUALCOMM* CASE

Historically, the consequences of discovery misconduct have primarily been visited on parties, with repercussions against counsel left for the client to pursue in separate actions, absent egregious counsel conduct.[2] It is the client who pays any resulting judgment and suffers the damage to reputation and other consequences of lawyer misconduct. Thus, in *Bracka v. Anheuser-Busch*, a court entered a case-ending default judgment as a sanction against Anheuser-Busch even while noting that "trial counsel must exercise some degree of oversight to ensure that their client's employees are acting

1. *See, e.g.*, Metro. Opera Ass'n v. Local 100, 212 F.R.D. 178, 230 (S.D.N.Y. 2003) (dismissing the case and sanctioning counsel and client on account of the "egregiousness of the conduct at issue").

2. *See, e.g.*, Cmty. Dental Servs. v. Tani, 282 F.3d 1164, 1170-71 (9th Cir. 2002) (providing a client relief from a default judgment based on his attorney's grossly negligent misconduct).

competently, diligently and ethically in order to fulfill their responsibility to the Court."[3]

In one recent case, however, a court sanctioned outside counsel for egregious discovery misconduct based on its failures to adequately monitor its client's discovery. In *Qualcomm v. Broadcom*,[4] a magistrate judge imposed monetary and other sanctions on Qualcomm Incorporated ("Qualcomm") and six of its (formerly) retained counsel for their failure to produce large quantities of relevant e-mail in a contentious patent dispute. Earlier, the district court had found that this discovery misconduct had been part of a plan to conceal participation in a standards-setting process to gain a competitive advantage. As a result, the court had imposed a waiver of certain enforcement rights as a remedy.[5] The magistrate judge sanctioned retained counsel because it was "unbelievable," given the numerous warning flags, that they did not "know or suspect" that Qualcomm had not conducted an adequate search.[6] The court held that they "may have violated their ethical duties" and referred them to the California Bar for appropriate investigation.[7] On appeal, however, the district court vacated the magistrate's ruling that retained counsel could not utilize privileged communications in their defense and remanded the case for further hearings.[8] These proceedings will concentrate on the appropriate allocation of culpability between in-house and retained counsel.

The *Qualcomm* opinion was clearly designed to—and has—"sent . . . ripples of fear through the litigation community and in-house counsel managing or supervising litigation."[9] As Professor Marcus—the Special Reporter for the Civil Rules Advisory Committee, which produced the 2006 Amendments to

3. 164 F.R.D. 448, 461 (S.D. Ohio 1995).

4. Qualcomm Inc. v. Broadcom Corp., No. 05cv1958-RMB (BLM), 2008 WL 66932 (S.D. Cal. Jan. 7, 2008), *vacated in part,* 2008 WL 638108 (S.D. Cal. March 5, 2008).

5. Qualcomm Inc. v. Broadcom Corp., 539 F. Supp. 2d 1214 (S.D. Cal. 2007), *aff'd in part and vacated in part*, 548 F.3d 1004 (Fed. Cir. 2008). The *Qualcomm* case is an example of a "patent ambush," a controversial practice whereby a company fails to disclose relevant patents to standard-setters until after the standard has been adopted. This practice was condemned in *Qualcomm*. *See* Zusha Elinson, *Patent Ambush Costs Qualcomm*, THE RECORDER, Dec. 2, 2008, http://www.law.com/jsp/article.jsp?id=1202426407589.

6. Qualcomm Inc. v. Broadcom Corp., 2008 WL 66932, at *12.

7. *Id.* at *18.

8. Qualcomm Inc. v. Broadcom Corp., 2008 WL 638108.

9. Debra Bernard, *Qualcomm v. Broadcom: How Many Red Flags Does It Take?*, INTELL. PROP. TODAY, July 2008, at 30, 30.

the Federal Rules of Civil Procedure—recently noted, "[t]here could be new pressures on outside counsel" because of *Qualcomm*.[10]

THE DUTY OF "REASONABLE INQUIRY"

The rulings in *Qualcomm* suggest that party misconduct, even egregious misconduct, can be deterred by sanctioning retained counsel. The magistrate judge rested counsel liability on Federal Rule of Civil Procedure 26(g), which requires that counsel signing discovery filings make a "reasonable inquiry" about their accuracy and motivation before signing.[11] The judge apparently assumed that retained counsel could have prevented their client from limiting its search and production efforts. While that may sometimes be true, it is not always the case. A client is ethically entitled to limit the responsibility of retained counsel in regard to a discovery engagement,[12] which may well occur when teams of internal experts and vendors are involved. Retained counsel should not be required, as *Qualcomm* implies,[13] to withdraw their services every time they are frustrated by dealings with a client determined to limit its costs and willing to accept the risks associated with its decisions.

Moreover, retained counsel may rely on reasonable assurances by its client as to the adequacy of the client's efforts without independent verification. The 1983 Committee Note to Rule 26(g) mentions such reliance without any indication that the Advisory Committee intended to correspondingly limit the ability of a client to define the relationship.[14] If the benefits of a team approach—allowing for effective, timely accommodation of the complex demands of e-discovery—are to be realized in a cost-effective manner, mutual

10. Richard L. Marcus, *E-Discovery Beyond the Federal Rules,* 37 U. BALT. L. REV. 321, 346 (2008). Marcus added, "Whether such failures to communicate will produce sanctions directly on counsel under Rule 26(g), remains to be seen." *Id.* at 347.

11. FED. R. CIV. P. 26(g).

12. *See* MODEL RULES OF PROF'L CONDUCT R. 1.2(a) (2003) ("[A] lawyer shall abide by a client's decisions concerning the objectives of representation [and] shall consult with the client as to the means by which they are to be pursued.").

13. Qualcomm Inc. v. Broadcom Corp., No. 05cv1958-RMB (BLM), 2008 WL 66932, at *13, n.10 (S.D. Cal. Jan. 7, 2008), *vacated in part,* 2008 WL 638108. Rule 1.16 of the Model Rules of Professional Conduct provides for mandatory withdrawal from representation only if it will "result in violation [of the ethical rules or other law,]" and for voluntary withdrawal where the client "persists in a course of action involving the lawyer's services that the lawyer reasonably believes is criminal or fraudulent." MODEL RULES OF PROF'L CONDUCT R. 1.16 (2003).

14. FED R. CIV. P. 26(g) advisory committee's note (1983 amendments) ("[T]he attorney may rely on assertions by the client . . . as long as that reliance is appropriate under the circumstances.").

reliance in good faith must be recognized. Unfortunately, some suggest that *Qualcomm* justifies demands for an advance indemnity or waiver of the privilege for communications relevant to any discovery disputes.[15] This is not a choice that should be encouraged given that it is likely to be granted only when, in effect, retained counsel can compel acquiescence not based on the merits of the matter, but on the urgency of the need for representation.

In *Qualcomm*, both in-house counsel and retained counsel were ordered to participate in a court-monitored Case Review and Enforcement of Discovery Obligations ("CREDO") program to evaluate what had gone wrong and to "create a case management protocol which will serve as a model for the future."[16] While coercive nonmonetary sanctions are sometimes appropriate to induce reflection, it seems unfair to ask counsel who may yet face ethical discipline to help create new standards by which they may retroactively be judged. Fundamental due process concerns suggest that counsel should not be required to participate in a process that does not have the protections available in disciplinary proceedings.[17] Thus, if the purpose of the self-examination was to force participants to "confess error," it is clearly inappropriate under these conditions. If the purpose was to develop neutral local guidelines for the conduct of clients and counsel in that district court, it would have been preferable to follow the lead of many other courts and develop general requirements that have a proven consensus.[18]

CONCLUSION

The problem of effective coordination among team members in the world of e-discovery is quite distinct from the inappropriate use of abusive or bad faith discovery tactics or strategies by clients or their counsel. In recognition of

15. *See* David McGowan, *Lessons from Qualcomm*, Legal Ethics Forum, Jan. 9, 2008, http://legalethicsforum.typepad.com/blog/2008/01/lessons-from-qu.html ("Where outside counsel are not directly responsible for discovery, they must take steps to protect themselves [and] demand an advance privilege waiver for communications relevant to any discovery disputes.").

16. Qualcomm Inc. v. Broadcom Corp., 2008 WL 66932 at *18.

17. *See* William I. Weston, *Court-Ordered Sanctions of Attorneys: A Concept that Duplicates the Role of Attorney Disciplinary Procedures*, 94 DICK. L. REV. 897, 901-903 (1990) (arguing that sanctions create a separate and parallel system of attorney discipline that lacks due process and imposes a chilling effect on counsel by virtue of the vagueness of sanction rules and the latitude given judicial discretion).

18. At least forty-one district courts have adopted some form of guidelines or local rules about discovery obligations. *See* K & L Gates, *New Additions to List of District Court Rules*, Electronic Discovery Law, Nov. 11, 2008, http://www.ediscoverylaw.com/2008/11/articles/news-updates/new-additions-to-list-of-district-court-rules/.

this distinction, there is much to be said for assessing primary responsibility for e-discovery misconduct in the first instance on the party to the action, with any allocation of culpability between retained counsel and the client reserved for cases where, due to egregious counsel misconduct, it is unfair to sanction the client either alone or jointly with counsel.

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