The Duty To Preserve Backup Tapes After *Zubulake V*

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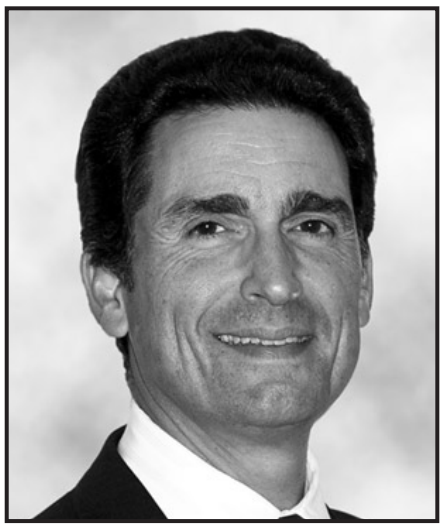
The Southern District of New York has been setting standards for electronic discovery since the first *Zubulake* decision in 2003. In its most recent decision, the court has tackled one of the most difficult issues in electronic discovery: the duty to preserve backup tapes.

In *Zubulake I*, the plaintiff sought production of e-mails thought to be located on defendants' backup tapes. When defendants objected to the production because of the excessive cost involved in restoring the backup tapes, the court created a seven-factor test to determine when cost-shifting would be appropriate. *Zubulake v. UBS Warburg LLC*, 217 F.R.D. 309 (S.D.N.Y. 2003). The test established by the court in *Zubulake I* became the leading standard in cost-shifting analysis.

After analyzing the seven factors, the court determined, in *Zubulake III,* that the cost of production fell most equitably on defendants, the producing party. The court ordered defendants to pay for 75% of the cost to restore the documents. These costs, however, did not include the cost of attorney review once the documents were made accessible. The court required plaintiff, the requesting party, to bear 25% of the production costs. *Zubulake v. UBS Warburg LLC*, 216 F.R.D. 280 (S.D.N.Y. 2003).

When defendants attempted to restore the backup tapes in compliance with the court's order in *Zubulake III*, they discovered that certain backup tapes were missing. In *Zubulake IV*, plaintiff moved for sanctions against the defendants for failure to preserve the missing backup tapes. The court carefully considered a party's obligation to preserve backup tapes relevant to litigation. Recognizing that requiring the preservation of every possible backup tape would "cripple" large corporations, the court held that backup tapes which are "inaccessible" and used for disaster recovery do not have to be preserved, even when litigation is anticipated. *Zubulake v. UBS Warburg LLC*, 220 F.R.D. 212 (S.D.N.Y 2003). The court, however, carved out one exception from the general rule. If a company can identify backup tapes where specific employee information is stored, then the tapes with "information created by or for 'key players' must be preserved," whether the tapes are accessible or inaccessible.

The latest word from the Southern District of New York came in *Zubulake V* when the court issued its most comprehensive opinion to date regarding spoliation and the duty to preserve documents. *Zubulake v. UBS Warburg LLC*, 2004 WL 1620866 (July 20, 2004 S.D.N.Y.) This time, plaintiff again moved for sanctions for defendants' failure to produce and preserve certain evidence. During the course of discovery, several backup tapes were lost, and many relevant e-mails were deleted by defendants' employees. When several defense witnesses were re-deposed as ordered in *Zubulake IV*, plaintiff learned of more e-mails that had been deleted. Because several backup tapes had been lost, some of these e-mails were lost forever.



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In its opinion, the court went on to extensively outline the duty of counsel in ensuring the preservation of evidence. First, when litigation is anticipated, counsel must instruct the party to put in place a "litigation hold" which entails suspension of routine document destruction. The court reiterated that this litigation hold would not generally apply to backup tapes kept for disaster recovery. As in *Zubulake IV*, the court added the caveat that preservation would be necessary *only* when a backup tape can be clearly identified as containing information from key players in the litigation.

Next, the court stated that counsel must work with the client to ensure all information that might be relevant is located and placed under the litigation hold. Simply notifying the company and their employees about the issuance of a litigation hold would not be sufficient. The court found that the attorney has to take "affirmative steps to monitor compliance." Lastly, the court held that counsel should have employees turn over electronic versions of active files, and counsel should ensure all backup tapes are stored safely. The court found that defendants' counsel failed to communicate with key players regarding the location of certain relevant evidence. Also, the court found that counsel did not adequately safeguard the relevant backup tapes.

Despite the failings of counsel, the court noted that the ultimate responsibility of preservation and production is on the defending party. Examining the actions of defendants, the court found that they acted willfully in deleting relevant information. Accordingly, the court issued several sanctions against the defendants. First, the court ordered an adverse jury instruction which permitted the inference that the lost information would have been unfavorable to defendants. Also, the court ordered defendants to pay for the re-deposition of relevant personnel, and to restore the backup tapes of certain employees.

The duty to preserve backup tapes pronounced in *Zubulake IV* appeared to be a clear standard: that is, there is no duty to preserve backup tapes kept for disaster recovery exists *unless* information from key players can be clearly identified as stored on the tapes. *Zubulake* V puts into question this duty. Although the exception carved out in *Zubulake IV* appeared narrow, the application in *Zubulake V* makes the reach unclear. The court in *Zubulake V* issued sanctions against defendants, in part, for their failure to preserve backup tapes. Even though the court cited the standard established in *Zubulake IV*, minimal analysis was provided to explain its applicability. Applying the exception broadly, the court failed to discuss specifically what made these backup tapes fit within the seemingly narrow exception of *Zubulake IV*.

It remains unclear what a corporation's responsibilities are regarding maintenance of disaster recovery backup tapes during a "litigation hold." The applicability of the doctrine established in *Zubulake IV* was not apparent in the approach taken in *Zubulake V.* In fact, taken to its logical extreme, any company-wide backup program would include materials from "key players" along with materials from all other employees. It could be argued, therefore, that the exception enunciated in *Zubulake IV* will overtake the general rule. Any additional decisions applying the standard of *Zubulake IV* should be carefully analyzed to better define a corporation's obligation to preserve electronic evidence after litigation is commenced or anticipated.

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Pitney Hardin LLP Partner Awarded For Outstanding Service In The Trademark Community

November 11, 2004 – Pitney Hardin LLP Partner Stephen W. Feingold was awarded the International Trademark Association (INTA) 2004 Volunteer Service Award for the Advancement of the Association by President Jacqueline Leimer in a ceremony at INTA's Leadership Meeting in Phoenix, Arizona. The annual award is presented to those members who have exceeded expectations in the trademark community on behalf of INTA.

Since first becoming active in the Association in 1990, Mr. Feingold has served five years on the Planning Committee Executive Board, two years on the Publication Board, and one year on the Editorial Board of the *The Trademark Reporter.* During that time he has chaired or co-chaired four INTA meetings, including the 1999 Leadership Meeting, and has authored two chapters in INTA's *Basic Trademark Law* and *Trademark Law & the Internet*. Mr Feingold recently chaired INTA's first e-learning program, which was widely praised in the trademark community.

Mr. Feingold has also been active in other trademark associations and currently co-chairs the ABA IP Section's Committee on Unfair Competition and Trade Identity. For the last three years Mr. Feingold has been an adjunct professor of trademark law at Fordham University Law School.

Dennis LaFiura, Managing Partner of Pitney Hardin, where Mr. Feingold leads the Trademark and Copyright Group, noted that, since joining the firm two years ago, Steve has won several significant victories for clients such as Caesars Entertainment, Chippendales, and Cendant Corporation. "The firm congratulates Steve on this well-earned honor and is proud to have him as a leader in the Intellecutal Property Department." Mr. LaFiura noted that, since Steve joined the firm, the Trademark Group has tripled in size and that, "We are committed to continued growth of the firm's trademark and copyright practice, as well as our entire Intellectual Property Department."

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Founded in 1878, the International Trademark Association is a not-for-profit membership association of over 4,500 trademark owners and professionals from over 180 countries.

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