Avoiding Protective Disorder

Keys Every Lawyer Needs to Know About Keeping Client Documents Confidential

By James W. Gibson and Logan T. Matthews

Protective orders can offer great security. But a protective order might provide little more than an imaginary shield if the drafting attorney omits certain key provisions or adds other fatal ones.

When handled correctly, defense lawyers can use protective orders to safeguard their clients' proprietary information, limit the use of sensitive documents to discrete purposes within a case, and guard against the improper or inadvertent disclosure of privileged materials. On the other hand, if mismanaged, protective orders may offer little more than illusory protections leading to frustrated clients who face imminent and undesirable results in litigation. This article will outline the ways in which counsel can proactively use protective orders as a strategic tool in cases that they are defending, as well as how to avoid potentially disastrous missteps while attempting to guard their clients' confidential materials.

This analysis is in no way intended to serve as a comprehensive discussion of what should be included in a protective order; there are numerous boilerplate provisions that are sufficiently straightforward that offering detailed analysis of them would be unnecessary. Instead, this article will first outline key provisions of key rules that pertain to protective orders, then analyze critical but less-than-obvious provisions that any protective order should include, and finally, detail several essen-

■ James W. Gibson is a partner and Logan T. Matthews is an associate at Lightfoot Franklin & White LLC in Birmingham, Alabama. Mr. Gibson is a dogged trial lawyer with a diverse practice and significant courtroom experience. He has tried cases involving profound personal injuries, tragic wrongful deaths, and alleged consumer fraud involving millions of dollars in claimed damages. His practice focuses on product liability, medical malpractice, and consumer fraud, but he deftly handles cases across the spectrum. He is also a proud husband and father. Mr. Matthews brings his experiences to bear in the courtroom in cases ranging from product liability and employment litigation, to government corruption. While generally serving clients across a broad range of matters, he enjoys getting to know each of his clients and developing strategies that serve their long-term needs. He is married to his college sweetheart, and they have two Dalmatians.

tial post-adjudication scenarios that a comprehensive protective order must address.

Playing by the Rules

Federal Rule of Civil Procedure 26(c) is designed to provide certain limitations on the disclosure and use of materials obtained through the pre-trial discovery process. As explained elsewhere, "[b]ecause of the liberality of pretrial discovery permitted by Rule 26(b)(1), it is necessary for the trial court to have the authority to issue protective orders conferred by Rule 26(c)." *Seattle Times Co. v. Rhinehart*, 467 U.S. 20, 34 (1984). For that reason, "the Federal Rules of Civil Procedure confer broad discretion on the district court to decide whether discovery should be limited or prohibited." *Hileman v. Internet Wines & Spirits Co.*, No. 4:18-mc-00340-AGF, 2018 WL 2557577, at *2 (E.D. Mo. June 4, 2018).

While that discretion is broad, it is critical for attorneys to know which discovery materials may be kept confidential and the process for doing so. The Federal Rules of Civil Procedure and the liberal scope of discovery that they contemplate "do not differentiate between information that is private or intimate and that to which no privacy interests attach." *Seattle Times*, 467 U.S. at 29. In other words, a document is rarely non-discoverable simply because it contains business-sensitive information. Litigants may obtain these confidential materials from parties and nonparties alike, in addition to seeking an order compelling their disclosure. *See* Fed. R. Civ. P. 30, 31, 37, & 45.

Federal Rule 26(c) provides that a court may issue a protective order to protect a party from oppression, undue burden, or undue expense by, among other means, forbidding certain types of discovery, specifying terms for discovery, designating the persons who may be privy to certain types of discovery, "requiring that a trade secret or other confidential… commercial information not be revealed or be revealed only in a specified way," or requiring that certain documents be filed under seal. *See* Fed. R. Civ. P. 26(c). Many states have adopted similar provisions in their own courts. *Seattle Times*, 467 U.S. at 26, n.7. In short, courts may order a variety of different measures to provide whatever degree of protection is reasonably required. *See*, *e.g.*, *Miscellaneous Docket Matter No. 1 v. Miscellaneous Docket Matter No. 2*, 197 F.3d 922, 925 (8th Cir. 1999).

To obtain a protective order, a party must demonstrate "good cause" that a protective order is necessary to prevent annoyance, embarrassment, oppression, or undue burden or expense. *See* Fed. R. Civ. P. 26(c). This "good cause" standard "contemplates a particular and specific demonstration of fact as distinguished from stereotyped and conclusory statements." *In re Terra Int'l, Inc.*, 134 F.3d 302, 306 (5th Cir. 1998). Although there is no bright-line test for the kind of annoyance, embarrassment, or other undue burden that warrants entry of a protective order, "the harm must be significant, not a mere trifle." *Cipollone v. Liggett Group, Inc.*, 785 F.2d 1108, 1121 (3d Cir. 1986). This particularized and meaningful harm must also be balanced against the public's interest in the disclosure of the information for which protection is sought. *Phillips ex rel. Estates of Byrd v. Gen'l Motors Corp.*, 307 F.3d 1206, 1211 (9th Cir. 2002).

With these considerations in mind, a cautious defense attorney should back a request for a protective order with an affidavit or other supporting evidence demonstrating the factual basis for a claim to protection, plainly articulating the harm that would result if a protective order is not entered. *See Doe v. Dist. of Columbia*, 230 F.R.D. 47, 50 (D.D.C. 2005). While in practice, many courts may be willing to enter a protective order without this type of supporting evidence—particularly if the parties propose an order by agreement—litigants should be wary of judges who take a more formalistic view of the requirements of Rule 26, especially if any party opposes the order in question.

For example, in *In re Terra*, the Fifth Circuit affirmed the denial of a motion for entry of a protective order because the defendant did not present any supporting evidence to the district court. *See* 134 F.3d 302 (5th Cir. 1998). Although that case did not deal with a party seeking a protective order to govern confidential materials, the same guiding principles of Rule 26 applied. There, the defendant moved for a protective order under Rule 26(c)(5), "seeking to prohibit all fact witnesses from attending the depositions of other fact witnesses and to prevent counsel from disclosing any prior deposition testimony to any prospective fact witness," but the defendant did not explain why it was making its request. *Id*. at 305. The district court denied the defendant's motion, and on appeal, the Fifth Circuit affirmed, noting that the movant "did not support its motion for protective order with any affidavits or other evidence that might provide support for [its request]." *Id*. at 306. The court cited Rule 26(c)'s requirement of showing "good cause" to obtain a protective order and concluded that the defendant "made nothing more than a conclusory allegation" to back its request. *Id*.

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Although this type of undesirable result may be less likely when there is no dispute that documents are obviously due protection, this outcome might not be unusual if a plaintiff were to oppose a defendant's unsubstantiated request for protection on the grounds that the discovery sought was not truly proprietary in nature. Therefore, the most prudent approach for seeking a protective order, especially when there is a reasonable chance of an opponent disputing a claim of confidentiality, is to support that request with an affidavit from a witness with personal knowledge of the materials in question establishing the basis for the requested protections and satisfying the requirements outlined above.

When to Begin the Protective Order Conversation

Before raising the issue of a protective order with opposing counsel (or the court), a defense lawyer should usually talk to his or her client about whether discovery protections are truly necessary for the information and materials that will be disclosed

during the course of a particular lawsuit. For some plaintiffs' lawyers, the fact that a defendant is seeking to protect certain documents from particular types of disclosure effectively flags those materials as ones that could create pressure points in litigation. This may encourage an opponent to focus on those potentially sensitive documents more than might be the case if the defendant never inquired about a protective order in the first place.

Perhaps the most important aspect of a good protective order is ensuring that documents produced in a lawsuit cannot be disclosed to third parties for purposes other than the pending action.

Other times, a client may have a significantly broader view of what should be governed by a protective order than a court. For instance, corporate clients sometimes view forms used for routine, internal recordkeeping as confidential materials that should be shielded from certain types of discovery, when, in fact, the documents in question are neither proprietary nor business sensitive at all. Asking a judge to shield materials from public disclosure that would not truly cause harm or prejudice to the party if it is released could damage a lawyer's or a defendant's credibility and ultimately do more harm than good.

Because of this risk, you should discuss with your clients the realistic problems, if any, that may arise if the case proceeds *without* a protective order. This conversation may be unnecessary if a case involves intellectual property issues, confidential customer information, or other obviously sensitive material, in which case, the need for a protective order is clear. However, if faced with a closer call, proceeding without a protective order may occasionally be a better strategy, because doing so may allow a client to avoid costly discovery disputes and preclude a potential impression that a defendant is being unnecessarily secretive. The conversation should include what specific evidence exists or can be created that would clearly demonstrate the real and meaningful harm that is to be guarded against.

If this conversation results in the lawyer and client agreeing that a protective order is worth pursuing, defense counsel should almost always raise the need for a protective order in response to any discovery requests that affirmatively seek the production of confidential or potentially confidential materials. Failing to do so could arguably waive a defendant's objection to producing those materials pursuant to such an order.

Litigants should also be mindful of affirmative disclosure obligations under Federal Rule of Civil Procedure 26(a)(1)(A)(ii) or similar state rules that require a party to produce documents that may be used to support claims or defenses in a case, even in the absence of a discovery request seeking those materials. Savvy plaintiff's lawyers may argue that if a defendant does not affirmatively seek a protective order regarding the production of confidential materials within the time for initial disclosures, the defendant is nonetheless obligated to produce those materials without the safeguards that an appropriate order might offer. As most trial courts have wide discretion over discovery matters, it can often be difficult to obtain relief from an unfavorable order that found a waiver of the need for a protective order.

Given the risks associated with any delay in affirmatively establishing a defendant's need for a protective order when confidential materials must be produced, the best practice is usually for a defendant to propose a favorable (but reasonable) protective order early in a case's development. Some plaintiff's lawyers will quickly agree to any proposed order as long as it will not impede the ability to *discover* responsive documents, even if they must be treated under the terms of a protective order. Other plaintiff's lawyers may be amenable to whatever proposal a defendant provides simply because cooperating on the issue is the path of least resistance. With all these factors in mind, there is typically very little downside to being proactive about proposing a defendant's preferred protective order at the earliest sensible time in a case's progression.

Drafting an Order that Provides Meaningful Protection

Perhaps the most important aspect of a good protective order is ensuring that documents produced in a lawsuit cannot be disclosed to third parties for purposes other than the pending action. A provision to this effect does not need to be overly complicated. Instead, it should clearly state that "all documents produced in this proceeding shall be used only for the purposes of this action and shall be disclosed only to [the appropriate persons, including litigants, litigants' counsel, retained witnesses, and a judge or other fact finder]." The provisions should also mandate that the lawyers receiving any documents produced in the lawsuit are responsible for ensuring that any experts, consultants, or other witnesses to whom those documents are disclosed appropriately are also bound by the terms of the agreement. One common approach for doing so is attaching a blank certification that any individual to whom produced documents are disclosed must sign, which plainly states that individual's agreement to abide by the terms of the governing order.

Some plaintiffs' attorneys not only oppose these provisions but also go a step further by advocating for the inclusion of "sharing" provisions, which essentially allow receiving parties to share confidential documents obtained in the course of a lawsuit with other parties in (sometimes only remotely) similar actions. These "sharing" provisions can effectively turn a protective order into a sham, and a defense lawyer should almost always oppose their inclusion in an order. Fortunately, some courts have looked upon these sharing provisions with disfavor. *See Lohr v. Zehner*, No. 2:12cv533-MHT, 2014 WL 12742197 (M.D. Ala. Mar. 6, 2014). For example, in *Lohr*, the U.S. District Court for the Middle District of Alabama noted,

> the undersigned declines to approve a sharing provision relating to speculative future litigation in other unknown districts that would effectively require it to retain jurisdiction in perpetuity over the

enforcement of the order, even though other judges in collateral courts may have conflicting opinions concerning discovery of the documents in question.

Id. at *3 (citing *Poliquin v. Garden Way, Inc*., 989 F.2d 527, 535 (1st Cir. 1993) (noting that "the first concern of the court [must be] with the resolution of the case at hand").

In addition to preserving the confidential nature of proprietary or business-sensitive materials, protective orders can also shield against the inadvertent disclosure of privileged materials during the course of a lawsuit through the use of "clawback" provisions. While the Federal Rules create express "clawback" protections in the event of inadvertent disclosure of privileged materials (*see* Fed. R. Civ. P. 26(b)(5)), many states have less forgiving rules under which inadvertent disclosures can result in the waiver of any privilege that might otherwise apply.

Three lines of authority have developed for movants seeking to protect the privilege of inadvertently disclosed materials: (1) the objective approach, (2) the subjective approach, and (3) the intermediate approach. Under the objective approach, any disclosure, whether intentional or inadvertent, amounts to a waiver of the attorney–client privilege. *See Underwater Storage, Inc. v. United States Rubber Co*., 314 F. Supp. 546, 548–49 (D.D.C. 1970); *International Digital Sys. Corp. v. Digital Equip. Corp*., 120 F.R.D. 445 (D. Mass. 1988). Under the subjective approach, an inadvertent disclosure can never constitute waiver of a privilege because there was no intent to waive the privilege at the time of the disclosure. *See Connecticut Mut. Life Ins. Co. v. Shields*, 18 F.R.D. 448, 451 (S.D.N.Y. 1955).

Under the intermediate approach, however, courts balance the following factors: (1) the reasonableness of precautions taken in view of the extent of the document production, (2) the number of inadvertent disclosures, (3) the magnitude of the disclosure, (4) any measures taken to mitigate the damage of the disclosures, and (5) the overriding interests of justice. *See*, *e.g.*, *Hyrdraflow, Inc. v. Enidine, Inc*., 145 F.R.D. 626, 637 (W.D.N.Y. 1993). Knowing which approach the relevant jurisdiction follows is important, as a preliminary matter, for determining how a protective order should attempt to mitigate the risk of inadvertent disclosure under the applicable rules.

Parties can avoid the potential for a court's involvement in these matters by entering into a protective order and setting the parameters for return and destruction of inadvertently disclosed materials through a clawback provision. In doing so, an attorney should consider including (1) procedures for invoking the clawback provision, (2) a framework for resolving conflicts that may arise, and (3) enforcement provisions for failure to abide by these procedures. For example, the parties may agree as follows:

> The inadvertent failure to designate confidential information accordingly, or the inadvertent production of privileged or other non-discoverable materials, in no way alters the protections that would otherwise be afforded to the inadvertently produced materials provided that the inadvertently producing party gives written notice to the receiving party within ten (10) days of becoming aware of the inadvertent failure to designate materials as confidential or inadvertent production of privileged materials. This written notice shall identify with specificity the documents that were not appropriately designated or produced inadvertently, and the receiving party shall within ten (10) days of receipt of that notice return the inadvertent production to the producing party so that those documents may be properly designated as Confidential and re-produced or, alternatively, retained by the producing party, depending on the nature of the inadvertent production. After returning the inadvertently produced material, a party may move the Court for an order compelling production of that material, but the movant may not assert the fact or circumstances of the inadvertent production as a basis for the motion, nor may it reference any information gained solely from the review of otherwise privileged materials in that motion.

This type of provision can protect a client not only from an opposing party obtaining inadvertently disclosed information but also from third parties attempting to discover these materials in other litigation. Rule 502(e) of the Federal Rules of Evidence states, "An agreement on the effect of disclosure in a federal proceeding is binding only on the parties to the agreement, unless it is incorporated into a court order." Fed. R. Evid. 502(e). The advisory committee notes to that rule further provide, "The Rule makes clear that if parties want protection against non-parties from a finding of waiver by disclosure, the agreement must be made part of a court order." Fed. R. Evid. 502(e) advisory committee's note. Therefore, when a clawback provision is properly incorporated into a protective order, the parties may avoid the potential for inadvertently produced materials becoming discoverable in both the underlying *and* other lawsuits.

Some plaintiffs' lawyers argue that by offering a "confidential" document as an exhibit during a public trial, a party implicitly waives any protected status previously associated with that material.

Using Confidential Materials During Trials

Another critical element in a comprehensive protective order is a provision for the use of confidential materials at trial. Because trials are public settings, it may be important to prevent a future waiver of confidentiality argument by insisting that the use of protected materials at trial will not waive the effect of a protective order. Some plaintiffs' lawyers argue that by offering a "confidential" document as an exhibit during a public trial, a party implicitly waives any protected status previously associated with that material. A simple clause stating that "the use of confidential information governed by this order at trial or in any other judicial proceeding in this matter shall not waive or in any way alter this order or its restrictions on the use of

that confidential information" heads the potential for that argument off at the pass.

On a related note, depending on the sensitivity of the confidential information in question, a defendant may also wish to close a trial or hearing to avoid the dissemination of confidential documents to third parties who generally have a right to attend public proceedings. Although the default rule is that trials are open affairs, a court may close or limit proceedings to the public in cases in which secret processes are the subject of the litigation. *See Publicker Indus., Inc. v. Cohen*, 733 F.2d 1059, 1071 (3d Cir. 1984) (noting an exception to "the presumptive openness of judicial proceedings," for "the protection of a party's interest in confidential commercial information, such as a trade secret, where there is a sufficient threat of irreparable harm").

Closing a trial, or even a portion of a trial, can be an uphill battle—to say the least. A party seeking to close a hearing or trial bears the significant burden of showing that the material for which protection is sought is the kind of material that courts would ordinarily protect and that there is good cause to issue the order. *See Publicker Industries*, 733 F.2d at 1070–71. Establishing discovery-protection good cause requires "a showing that disclosure will work a clearly defined and serious injury to the party seeking closure." *Id.* (citing *Zenith Radio Corp. v. Matsushita Electric Industrial Co.*, 529 F. Supp. 866, 891 (E.D. Pa. 1981). But even though sufficient grounds may exist to close a hearing, or a portion of one, a court must consider alternatives before deciding that closure is necessary, for example, by excluding spectators for limited periods of the proceedings. *In re Knight Pub. Co.*, 743 F.2d 231, 234 (4th Cir. 1984). Moreover, the desire to close proceedings may draw attention to a proceeding, about which little or none may have existed in the first place. This, again, is something that you will want to discuss with your client well in advance of seeking a closed proceeding from a court.

An inability to close all or portions of a trial that involve the use of confidential materials should not ruin the safeguards offered to a client's confidential information, however. Proactive defense lawyers should draft protective orders that call for portions of trial transcripts and trial exhibits themselves (including compilations and excerpts) that reference confidential materials produced in the lawsuit to be filed and kept under seal at the request of the producing party. This prevents otherwise public documents from being disseminated openly through a public docket or a plaintiffs' lawyer who is more than happy to share trial testimony with colleagues.

One particular challenge associated with this procedure pertains to the inherent commotion in virtually any trial: keeping track of dozens of trial exhibits is a demanding task, and adding the wrinkle of handling confidential and non-confidential exhibits differently makes the task even more difficult. There is little remedy for this challenge other than attorney diligence. That diligence is critical, though, because allowing confidential information to enter the public domain through a trial exhibit can undo the benefit offered by an otherwise effective protective order.

Protecting a Client After the Dust Settles

A complete protective order should always require parties receiving confidential materials to return or destroy any protected information produced in discovery after the termination of the lawsuit. These provisions generally require a receiving party to destroy all copies of protected information or to certify that those copies have been destroyed within a defined time (usually 30 to 90 days) after a final adjudication (including any appeals) or other termination of the action. This ensures that all documents that were treated as confidential during the pendency of a lawsuit will remain confidential afterwards.

Some courts have even indicated that provisions requiring the return of confidential documents upon the conclusion of a lawsuit can themselves be evidence of the confidential nature of the documents. *See Williams v. Taser Intern., Inc.*, No. 1:06-CV-0051-RWS, 2006 WL 1835437 (N.D. Ga. June 30, 2006). In *Williams*, for example, the court noted, in dicta, in the context of deciding a question relating to the return of confidential documents upon the conclusion of the lawsuit, that "the Court recognizes that the more widely confidential documents are disseminated, it becomes both more likely that those documents will be released, and more difficult for the Court to enforce the terms of its protective order." *Id.* at *2.

A document return provision should also require those charged with returning or destroying materials to verify that they have done so. This provision can require an affidavit making that certification or even mandate that the returning party file a notice with the court certifying compliance with the return provision. Perhaps the most critical aspect of this type of clause is a lawyer's diligence related to its enforcement. As busy defense lawyers, we are often so relieved when a matter concludes that we close the file, move electronic documents to a storage drive, and clear our desks to make way for the next case as quickly as we can. In doing so, it is easy to forget to follow-up with a plaintiff's lawyer about the return provision. Calendaring reminders or following some other reliable system to ensure timely communications with opposing counsel about a return provision can be immensely helpful.

Finally, a thorough protective order should state that its terms remain in effect unless expressly modified and that the court, arbitrator, or other adjudicator shall indefinitely retain jurisdiction to enforce those terms. Without these provisions, it can be difficult for a defendant who gets word that a plaintiff's lawyer is flouting the terms of a protective order months, years, or even decades after a matter has concluded to find the proper venue in which to move for enforcement of the order.

Parting Words

Protective orders can offer great security for a client who is wary of business secrets or other confidential information leaking into the public because of a seemingly frivolous lawsuit accompanied by burdensome discovery requests. However, as explained above, a well-intended protective order might provide little more than an imaginary shield if the drafting attorney omits certain key provisions (or adds other fatal ones). Should you have questions about protective orders in your own practice, the authors of this article will gladly talk with you about them with the goal of ensuring that your client's confidential information receives the utmost protection that a court is likely to allow. FD