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IN THE UNITED STATES COURT FOR THE DISTRICT OF UTAH
CENTRAL DIVISION

<p>PHILLIP M. ADAMS, et al., Plaintiffs, vs. GATEWAY, INC., f/k/a GATEWAY 2000, INC., a Delaware corporation, Defendant.</p>	<p>MEMORANDUM AND ORDER AFFIRMING MAGISTRATE JUDGE'S SEALED ORDER GRANTING MOTION TO COMPEL DOCUMENTS WITHHELD ON THE BASIS OF PRIVILEGE, DENYING GATEWAY'S MOTION TO STRIKE AND DENYING ADAMS' MOTION TO STRIKE ATTACHMENT E</p> <p>Case No. 2:02-CV-106 TS</p>
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I. INTRODUCTION

This matter is before the court on Gateway's Objections to Magistrate Judge Nuffer's December 15, 2003 Sealed Order Granting Motion to Compel Documents Withheld on the Basis of Privilege (Sealed Order) and various related motions. Plaintiff seeks to compel production of over 1,000 documents that Gateway claims are protected from disclosure by the attorney-client or work product privilege. The Magistrate Judge

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ruled on the proper standards for the claim of privilege, reviewed a small sampling of the 1,000 documents withheld under the claim of privilege, and required Gateway to re-analyze all of its claimed privilege documents and to submit new privilege logs in accordance with his ruling on the scope of the privilege. The court will overrule Gateway's Objection and will affirm and adopt the Magistrate Judge's Sealed Order in full.

II. STANDARD OF REVIEW

A Motion to Compel Documents Withheld on the Basis of Privilege is a non-dispositive discovery motion. For non-dispositive pretrial matters, this court reviews any objection to an order of the Magistrate Judge under a "clearly erroneous or contrary to law" standard of review. 28 U.S.C. § 636(b)(1)(A); Fed. R. Civ. P. 72(a) and DUCivR 74-1(a)(1). Under the clearly erroneous standard, this court will affirm the Magistrate Judge's ruling "unless it 'on the entire evidence is left with the definite and firm conviction that a mistake has been committed.'" *Ocelot Oil Corp. v. Sparrow Industries*, 847 F.2d 1458, 1464 (10th Cir. 1988) (quoting *U.S. v. United States Gypsum Co.*, 333 U.S. 364, 395 (1948)). For an explanation of the difference between the clearly erroneous standard applicable to non-dispositive motions required by the statute and rules, and the *de novo* standard urged by Gateway, see *Ocelot Oil Corp.*, 847 F.2d at 1464.¹ Courts recognize that wide discretion is given the Magistrate Judge in discovery rulings. *Soma Med. Int'l v. Standard Chartered Bank*, 196 F.3d 1292, 1300 (10th Cir. 1999).

¹The court finds that application of the higher *de novo* standard of review, would not change this court's conclusions regarding the correctness of the Magistrate Judge's ruling on the scope or application of the privileges claimed by Gateway.

III. FACTUAL AND PROCEDURAL BACKGROUND

In this patent case, Plaintiffs Phillip M. Adams and his LLC,² claim to have discovered a very serious problem (the alleged defect) with the floppy disc controllers (FDC) in computers sold by several major computer companies, including defendant Gateway. He also claims to have developed and patented a solution to the alleged defect.

In the 1990s, Adams acted as an expert witness on behalf of certain plaintiffs in a class action based on the alleged defect brought against a different computer company. That class action was settled in 2000. Adams subsequently received a multimillion dollar fee when a defendant computer company in a similar class action suit decided to use his patented solution.

In May of 2000, Adams approached Gateway, informed it of the alleged defect and offered to sell Gateway a licence to use his patented solution. Aware of the multimillion dollar fees he was requesting, Gateway representatives met with Adams in July 2000, for a demonstration of the use of the Adams patent. After that meeting, Gateway began an investigation of its own branded products to determine if they contained the alleged defect.

As explained in the Magistrate Judge's Sealed Order, Gateway dubbed its investigation of the alleged defect and all of its actions arising from, or in connection with the investigation, the "Gateway Legal Investigation." Gateway set the entire program up under the auspices of its legal department with attorneys at the apex and liberally sprinkled, stamped or blanketed the resulting flow of factual information with designations

²Consistent with the Magistrate Judge's orders, this court will refer to the two Plaintiffs as "Adams."

such as "Attorney/client privilege and confidential." Gateway does not dispute that it had 10 attorneys, eight non-attorney legal staff members and 52 non-attorney personnel involved in the effort, including its Chief Technology Officer.

Gateway representatives met again with Adams in February 2001. According to Mr. Adams, Gateway had remedied the alleged defect by use of his patented solution during the time between the two meetings. Adams filed this lawsuit alleging that Gateway infringed his patent.

Since the filing of this action on February 5, 2002, Gateway has resisted discovery, claiming, among other things, that *all* information pertaining to its actions during the time of the alleged infringement are privileged because they were part of its Gateway Legal Investigation. It claims that because it was aware, from its first meeting with Adams, of the possibility of a lawsuit flowing from the alleged defect, that all of its inquiry was in anticipation of litigation.

The Magistrate Judge's Sealed Order details his careful efforts to afford Gateway an opportunity to create a full and complete evidentiary record on its claims of privilege and Gateway's decision to rely instead on a limited record consisting of Declarations, documents and a narrative proffer. The Sealed Order also recounts the Magistrate Judge's extraordinary efforts to safeguard the information claimed as privileged while, at the same time, attentively considering all available information bearing on the claimed privileges. Among other things, the Magistrate Judge examined *in camera* a small sample of the 1,000 documents claimed as privileged. During that extended process, Gateway conceded that some of those sample documents are not privileged and that others, such

as the series of documents marked Ex. Q, were “mis-designated.” The Magistrate Judge has reviewed documents, privilege logs, revised privilege logs and all materials submitted by Gateway in support of its claims of privilege. The record is replete with evidence of his unflagging efforts to untangle the complex discovery issues with a record consisting of a confusing mix of documents claimed privilege, sealed as trade secrets, or both.

IV. GATEWAY’S OBJECTIONS

Gateway contends that the Magistrate Judge’s Sealed Order is in error in four respects: one, by not affording attorney-client privilege protection to all of the Gateway documents generated during the time period on the sole basis that they were generated as a result of an investigation that was initiated and supervised by Gateway’s legal department; two, by holding that the content of the document must support the assertion of the privilege; three, by finding that the entire operation was not undertaken with the primary motivating purpose of litigation preparation; and fourth, because as a matter of public policy, the Magistrate Judge’s decision would discourage companies from investigating products in response to threats of litigation if the results of their investigation were not protected and privileged.

Adams argues that the Magistrate Judge’s Sealed Order is “scholarly and brilliant,” that Gateway asserts the wrong standard of review for the Sealed Order, and that the Magistrate Judge’s findings and conclusions were neither erroneous nor contrary to law.

V. DISCUSSION AND CONCLUSIONS

Having carefully considered the Magistrate Judge’s 52-page order and Gateway’s Objections, this court agrees fully with the Magistrate Judge’s conclusions regarding the

scope of the privilege. This court has nothing to add to his thoughtful resolution of these issues or his comprehensive and scholarly opinion regarding the scope of the attorney-client and work product privileges and their application to this case. Gateway's arguments in its Objection are restatements of its previous arguments to the Magistrate Judge. Having found that the Magistrate Judge correctly determined the issues of the claimed attorney-client and work product claims, this court will not reiterate his Sealed Order in response to each Objection, but will make the following brief observations.

Gateway contends that the Magistrate Judge erroneously found that the principal motivation of the investigation was the integrity of its products and that some documents reflect business negotiation strategy. The court notes that much of the information supporting the Magistrate Judge's findings on these issues remain sealed and, therefore, the discussion of that information has been redacted from the unsealed version of the Order in the file. Further, some of the supporting information may not yet be revealed to Adams. Therefore, a specific discussion of the information is not possible in this Order, which will not be sealed. However, that information is fully known to Gateway and this court's detailed review of that complete record on the claims of privilege convinces this court that there is no error in the Magistrate Judge's findings.

Gateway's position that the court should not consider the content of a document when analyzing a claim of privilege is simply untenable. It is nothing more than an argument that, without regard to the actual content of individual documents, privilege should be afforded to boxes of documents on the say-so of the opposing party. The reason such a position is untenable is illustrated by the fact that when the sample

documents were ordered to be turned over for *in camera* inspection, Gateway admitted that even in that very small sample, some documents were not privileged and others were mis-designated. See Sealed Order at 38.

It is clear from the Sealed Order that in addition to the content of the documents, the Magistrate Judge also considered all arguments made and material submitted by Gateway, including declarations. The court finds the Magistrate Judge's analysis entirely appropriate in all respects. Having found that the Magistrate Judge's Order is not erroneous and is not contrary to law, it will be affirmed and adopted in full.

In conclusion, the court notes that today's ruling affirming the Magistrate Judge does not determine the issue of the claimed privilege for the over 1,000 documents that were not included in the small sample. Instead, pursuant to the Magistrate Judge's Sealed Order, new privilege logs have been prepared consistent with the standards set forth therein.

VI. GATEWAY'S MOTION TO STRIKE

Gateway moves to strike Adam's Response to its Objection. Gateway asserts that because Fed. R. Civ. P. 72(a) does not expressly provide for such a Response, one should not be allowed. Gateway contends that if the Response is not stricken, it should be allowed to file a Reply. Its proposed Reply generally takes umbrage at the citation in Adams' Response to phrases that the Magistrate Judge used in connection with this case when discussing it from the bench.

The court will deny Gateway's Motion to Strike. The court will deny the request to file a Reply Brief because the proposed Reply brief adds nothing substantive to Gateway's argument.

VII. ADAMS' MOTION TO STRIKE

Adams moves to strike Gateway's Appendix E because it contains eleven pages of legal argument supporting Gateway's Objections to the Magistrate Judge's specific rulings on the claim of privilege in the individual documents contained in the small sample of the over 1,000 documents claimed as privileged.

The court finds that Attachment E is generally a reiteration of the arguments Gateway previously made in its Sealed *Ex Parte* Supplemental Brief. (docket no. 124 at 27–35). As such, it adds nothing new to the record and will not be stricken.

VIII. ADAMS' MOTION FOR HEARING

Adams moves for a hearing on Gateway's Objection and "suggests" that this court adopts a new local rule regarding objections to orders by the Magistrate Judges on non-dispositive pre-trial matters.

As noted above, much of the subject matter of the Sealed Order remains sealed and/or not disclosed to Adams. In those circumstances, argument at a hearing would be so truncated as not to be helpful. Insofar as Adams seeks amendment of the local rules of this District, such issues are more appropriately addressed to the Advisory Committee on the Local Rules of Practice, United States District Court for the District of Utah.

IX. ORDER

Based on the foregoing, it is therefore

ORDERED that Gateway's Objections to the December 15, 2003, Sealed Order Granting Motion to Compel Documents Withheld on the Basis of Privilege are OVERRULED. It is further

ORDERED that the December 15, 2003, Sealed Order Granting Motion to Compel Documents Withheld on the Basis of Privilege is Affirmed and Adopted in Full. It is further

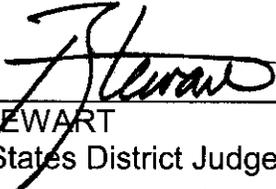
ORDERED that Gateway's Motion to Strike Adams' Response is DENIED and Gateway's Motion to File a Reply Brief is DENIED. It is further

ORDERED that Adams' Motion to Strike Gateway's Eleven Pages of Legal Argument and Briefing in Attachment E Because It Circumvents This Court's Order Regarding the 15-Page Limit is DENIED. It is further

ORDERED that Plaintiff's Request for Hearing on Gateway's Sealed Objections to Judge Nuffer's Sealed Order Granting Motion to Compel Documents Withheld on the Basis of Privilege, and Suggestion for Adoption of Local Rule Regarding Objections to Non-Dispositive Discovery Orders is DENIED.

DATED this 14th day of September, 2004.

BY THE COURT:



TED STEWART
United States District Judge

United States District Court
for the
District of Utah
September 14, 2004

* * CERTIFICATE OF SERVICE OF CLERK * *

Re: 2:02-cv-00106

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