UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
WESTERN DIVISION

DR Distributors, LLC,	)
	)
Plaintiff-Counterdefendant,	)
	)
v.	) No. 12 CV 50324
	) Honorable Iain D. Johnston
21 Century Smoking, Inc, and Brent Duke,	)
	)
Defendants-Counterclaimants,	)
	)
v.	)
	)
CB Distributors, Inc., and Carlos Bengoa,	)
	)
Counterdefendants.	)

MEMORANDUM OPINION AND ORDER

I. INTRODUCTION AND CONCLUSION

A. Ominous Foreshadowing

"Snakebit"—That's how a former defense counsel described this case. But "snakebit" connotes the unfortunate circumstances that befall unsuspecting victims. That didn't happen here. Instead, through a series of missteps, misdeeds, and

misrepresentations, Defendants and the former defense counsel find themselves looking down the barrel of a sanctions motion Howitzer. If any entity has been snakebit, it's this Court.

This case has taught this Court that—like Boxer the Horse in *Animal Farm*—it cannot solve all problems by just working harder. No matter how hard this Court tried to move this case to a just, speedy, and inexpensive determination, it was thwarted. This case is evidence that early and constant case management does not necessarily result in a prompt resolution or avoidance of problems.

This case was filed eight years ago in 2012. There are over 400 docket entries now. And no end is in sight. The case was assigned to the undersigned in 2014, while a summary judgment motion was pending before the then District Judge. In keeping with this Court's practice of active (perhaps hyperactive) case management, immediately upon the transfer of the case, this Court held an in-person status conference.[1] At this conference, this Court specifically addressed electronic discovery issues. The Court asked counsel if litigation holds were issued. Dkt. 367, at 6. No one informed the Court that they had not been issued. It turns out, defense counsel issued no written litigation hold to Defendants. The Court warned that it did not want to have a problem because of the lack of litigation holds. *Id.*

[1] Despite its experience with this case, the Court has been a strong believer in the importance of active case management. Much excellent commentary supports this belief. *See, e.g.*, Steven S. Gensler & Hon. Lee H. Rosenthal, *Four Years After Duke: Where Do We Stand on Calibrating the Pretrial Process*, 18 Lewis & Clark L. Rev. 643 (2014); Steven S. Gensler, *Judicial Case Management: Caught in the Crossfire*, 60 Duke L.J. 669 (2010); Rebecca Love Kourlis & Jordan M. Singer, *Managing Toward the Goals of Rule* 1, 4 Fed. Cts. L. Rev. 1 (2009).

The Court then asked each side if the record custodians had been identified. Defense counsel said they were and identified Brent Duke as the custodian. The Court asked defense counsel if Duke was sufficiently knowledgeable with electronically stored information (ESI). *Id.* at 7. Defense counsel said that Duke was generally knowledgeable. To drill down, the Court specifically asked if Duke were asked about metadata and native applications, would Duke understand those terms. Defense counsel said generally he would. *Id.* As will be shown below, Duke's purported knowledge of ESI is now hotly debated. The Court then asked the parties how they intended to search for ESI, whether through search terms or predictive coding/technology assisted review. The parties said that they had not yet discussed that issue. The Court then specifically ordered the parties to "reconvene a 26(f) conference to discuss e-discovery issues *in detail* with custodians for each side." Dkt. 78 (emphasis added). In ordering the parties to engage in this process—one mandated by the Federal Rules of Civil Procedure—the Court said that it did not want to have "an e-discovery snag . . . [that] throws the entire schedule out the window." Dkt. 367 at 9. If that initial status hearing and court order did not place all counsel, and specifically the former defense counsel, on notice that ESI was an important issue to this case and to this Court and that e-discovery should be taken seriously, the Court is at a loss as to what else it could do to notify them.

B. Issue Before the Court

As anticipated in a previous order, *DR Distribs., LLC v. 21 Century Smoking, Inc.*, No. 12 CV 50324, 2019 U.S. Dist. LEXIS 22404 (N.D. Ill. Feb. 12, 2019),

currently pending before the Court is Plaintiff's motion for sanctions relating to the failure to timely produce ESI and for the spoliation of ESI as well as other alleged misdeeds. Plaintiff has requested a full arsenal of sanctions weapons, including civil contempt, inherent authority, 28 U.S.C. § 1927, and Federal Rules of Civil Procedure 11, 26(g), 37, and 56(h). Dkt. 294. According to Plaintiff, because of Defendants' and the former defense counsel's actions and inactions, the only reasonable sanction is defaulting Defendants and dismissing their counterclaims. (Occasionally, these sanctions are referred to as the "nuclear option[s]." *Gerace v. Andrews*, No. 16 C 721, 2017 U.S. Dist. LEXIS 68790, at *1 (N.D. Ill. May 5, 2017). Defendants and the former defense counsel now unreasonably assert that modest sanctions, at most, should be imposed. This assertion is contrary to one of the former defense counsel's confession that he "would be hard pressed to say there shouldn't be sanction on this." Dkt. 315, at 9. Apparently, once the lawyers lawyered up, they changed their tune.

The issue for this Court is to determine in its discretion what, if any, sanctions should be imposed, against whom, and under what authority. In deciding this issue, the Court held five days of evidentiary hearings, admitted voluminous documents into evidence, and carefully listened to the testimony of witnesses and evaluated their demeanor to help gauge their credibility. And the parties filed hundreds of pages of briefs. The Court has devoted a tremendous amount of time to its decision. The Court is fully aware of the consequences of the decision not only as to this case, but also as to the former defense counsel and Duke. Over thirty years

ago, another judge aptly observed a court's responsibility in determining sanctions motions:

> The imposition of sanctions is a serious matter and should be approached with circumspection. An attorney's name and reputation are his [or her] stock in trade and thus any unfair or hasty sullying of that name strikes at the sanctioned attorney's livelihood. These considerations suggest that, whenever possible, doubts should be resolved in counsel's favor. The Court has taken considerable time to review the full record of these proceedings, the papers, and the transcript[s] of the oral argument [and the evidentiary hearing]. The passage of time may have restored some welcomed objectivity to the Court's analysis of the issues presented, leaving the Court nevertheless committed to the regrettable conclusion that . . . sanctions must be imposed.

Hart v. Blanchette, No. 13 CV 6458, 2019 U.S. Dist. LEXIS 55061, *135-36 (W.D.N.Y. Mar. 29, 2019) (quoting *Veliz v. Crown Lift Trucks*, 714 F. Supp. 49, 56 (E.D.N.Y. 1989)). Courts, including this Court, are reluctant to sanction counsel and parties. *Laukus v. Rio Brands, Inc.*, 292 F.R.D. 485, 488 (N.D. Ohio 2013). But when they abuse the system, which happened here, it is unfair to complying parties not to sanction the violators. *Watchel v. Health Net, Inc.*, 239 F.R.D. 81, 84 (D.N.J. 2006).

C. Sanctions Imposed

In the exercise of its discretion—to the extent certain rules allow for discretion—the Court imposes the following sanctions to cure the harm Defendants and the former defense counsel have inflicted on Plaintiff:

- At their own expense, within 30 days of this order, Defendants must conduct a reasonable search for all responsive ESI and produce the responsive material to Plaintiff, which Plaintiff can use if it chooses. Fed. R. Civ. P. 37.

- Defendants are barred from using any information not disclosed to Plaintiff by June 1, 2015, which is the date discovery supplements were due, Dkt. 116; Fed. R. Civ. P. 37(c), and are barred from using any documents not produced under this Court's June 11, 2015, order, Dkt. 132; Fed. R. Civ. P. 37(b)(2). This bar also precludes Defendants' expert witnesses from testifying that their opinions would not change had they considered the documents and information not disclosed before June 1, 2015. Fed. Rs. Civ. P. 37(b)(2), 37(c).
- Defendants are barred from contesting that Kirti Saraswat and Webrecsol were performing work for Defendants through the date the metatag was removed from Defendants' website, including work related to Defendants' search engine optimization. Fed. Rs. Civ. P. 37(b)(2)(A), 37(e)(1).
- The jury hearing any of Defendants' counterclaims will be informed of Defendants' failure to provide the Counterdefendants with the documents they requested. Fed. R. Civ. P. 37(c)(1)(B).
- Evidence relating to Defendants' failure to preserve ESI may be presented to the jury hearing Defendants' counterclaims and the jury will be instructed that "it may consider that evidence, along with all the other evidence in the case, in making its decision." Fed. R. Civ. P. 37(e) advisory committee's note to 2015 amendment; Thomas Y. Allman, *Dealing with Prejudice: How Amended Rule 37(e) Has Refocused ESI Spoliation Measures*, 26 Rich. J. L. & Tech. 1 (2020) (appendix collecting decisions). The jury will also be instructed that Defendants had a duty to preserve the spoliated Yahoo! chats

and GoDaddy emails, that the spoliated Yahoo! chats and GoDaddy emails were relevant to the claims in the case, that Defendants failed to take reasonable steps to preserve the spoliated Yahoo! chats and GoDaddy emails, and that the spoliated Yahoo! chats and GoDaddy emails cannot be recovered. Fed. R. Civ. P. 37(e)(1).

- The trial judge hearing[2] Plaintiff's Lanham Act claims can consider Defendants' failure to preserve ESI in reaching the judgment on those claims.[3] Fed. R. Civ. P. 37(e).
- Defendants and the former defense counsel must pay Plaintiff's reasonable attorneys' fees and costs incurred in creating and litigating docket entries 209, 216, 227, 232, 238, 239, 241, 244, 246, 247, 270, 294, 343, 370, 381, 384, and 388—all filings related to Plaintiff's motion for sanctions and summary judgment motion that was derailed because of Defendants' and the former defense counsel's discovery failures. Defendants and the former defense counsel must also pay Plaintiff's reasonable attorneys' fees and costs for time reasonably spent preparing for and participating in the evidentiary hearing and the pre-hearing and post-hearing briefs. The fees and costs will be paid

[2] If a party moves for summary judgment on the Lanham Act claims, the judge can consider this evidence too. But this case should be tried without enduring any Pavlovian summary judgment motions. Too many genuine issues of material fact exist.

[3] Jury trials are not available for Lanham Act claims that are equitable. *See Daisy Grp., Ltd. v. Newport News, Inc.*, 999 F. Supp. 548, 550-51 (S.D.N.Y. 1998). But a judge presiding over a bench trial may draw a rebuttable inference because of alleged spoliation. *In re Hornblower Fleet*, No. 16 CV 2468, 2019 U.S. Dist. LEXIS 59314, at *8 (S.D. Cal. Apr. 5, 2019); *Thompson v. U.S. HUD*, 219 F.R.D. 93, 105 (D. Md. 2003) (district judge in bench trial allowed to draw inference from failure to preserve and produce emails); *see also, e.g.*, *Bistrian v. Levi*, 448 F. Supp. 3d 454, 477-78 (E.D. Pa. 2020).

in the following proportions: Duke to pay 50% and the former defense counsel to pay 50%, with former defense counsel Thomas Leavens paying 80% and former defense counsel Peter Stamatis paying 20% of that 50%. Fed. Rs. Civ. P. 26(e)(1)(B), 26(g)(3), 37(a)(5), 37(b)(2), 37(c)(1)(A).

- The former defense counsel, except for Steven Shonder, must complete by December 31, 2021 at least eight hours of continuing legal education (CLE) on ESI, and by March 3, 2021, certify they have read this entire order. Fed. R. Civ. P. 37(b)(2).

These sanctions are designed to make Plaintiff whole for the injury Defendants and the former defense counsel caused and are proportionally tailored to Defendants' and the former defense counsel's actions and inactions. The sanctions are likewise designed to deter the type of misconduct found in this order. *Nat'l Hockey League v. Metro. Hockey Club*, 427 U.S. 639, 643 (1976). In imposing these sanctions, the Court is fully aware that Plaintiff's request for attorneys' fees and costs will likely exceed seven figures as Plaintiff has already paid its counsel for this work.[4]

The Court believes that it rightfully could also impose a monetary sanction on both Defendants and the former defense counsel under Rule 37. *See Maynard v.*

[4] Plaintiff has presented information that even before the evidentiary hearing, it had paid its counsel over $800,000 relating to these issues. The Court obviously maintains an open mind as to the reasonableness of the fees and looks forward to extensive and excellent briefing on that issue, but it is no surprise that authority exists to support the reasonableness of such a request. *Lavatec Laundry Tech. GMBH v. Voss Laundry Sols.*, No. 13 CV 56, 2018 U.S. Dist. LEXIS 144487, *44 (D. Conn. Jan. 9, 2018) (when a sophisticated client pays attorneys' fees that it does not know it will recover, the amount is presumptively reasonable); *Stonebrae, L.P. v. Toll Bros.*, No. C-08-0221, 2011 U.S. Dist. LEXIS 39832, *19-20 (N.D. Cal. Apr. 7, 2011) (attorneys' fees are presumptively reasonable when already paid by client).

Nygren, 332 F.3d 462, 470 (7th Cir. 2003) (holding that remedial fine of $500 per hour for the district court's time was permissible), *overruled on other grounds by Ramirez v. T&H Lemont, Inc.*, 845 F.3d 772, 781 (7th Cir. 2016); *Danis v. USN Commc'ns., Inc.* No. 98 C 7482, 2000 U.S. Dist. LEXIS 16900, at *158-59 (N.D. Ill. Oct. 23, 2000). That fine would be to compensate and remediate to a small extent the unnecessary prejudice Defendants and the former defense counsel have inflicted on this Court and the thousands of other litigants whose cases could not be addressed because of the diversion of its resources caused by Defendants and the former defense counsel. *See Bankdirect Capital Fin., LLC v. Capital Premium Fin., Inc.*, No. 15 C 10340, 2018 U.S. Dist. LEXIS 224705, at *23 (N.D. Ill. Nov. 8, 2018) ("Prejudice here is clear . . . to those litigants and their attorneys in other cases who require the court's attention. Every hour consumed administering needless or unnecessary discovery disputes is an hour taken from other litigants, who must wait in a longer queue for judicial attention."); *see also Travel Sentry, Inc. v. Tropp*, 669 F. Supp. 2d 279, 286-87 (E.D.N.Y. 2009) (imposing monetary fine); *Nat'l Ass'n of Radiation Survivors v. Turnage*, 115 F.R.D. 543, 558 (N.D. Cal. 1987) (imposing fine because of burden on court). Defendants and the former defense counsel's attitude toward their ESI responsibilities—even after a major ESI snafu—was wholly unreasonable and the damage they inflicted was easily avoidable. Reasonable action—if any—was not taken until significant damage was already done. But the Court will not impose monetary sanctions because it would likely result in frivolous motion practice, based on claims that the monetary sanction was punitive rather

than compensatory. *See Goodyear Tire & Rubber Co. v. Haeger*, 137 S. Ct. 1178, 1186-87 (2017). Despite the frivolousness of that type of argument, the Court's experience with this case leaves it with the firm belief that counsel simply cannot help themselves. So, to prevent even more waste of the Court's time, the Court chooses not to impose it. *Nat'l Hockey League*, 427 U.S. at 642 (reviewing imposition of discovery sanctions under an abuse of discretion standard); *Qualcomm Inc. v. Broadcom Corp.*, No. 05 CV 1958-B, 2008 U.S. Dist. LEXIS 911, at *64 n.18 (S.D. Cal. Jan. 7, 2008) (declining to impose monetary fine).

The Court is mindful that different judges facing the same facts could impose different sanctions. *United States v. Williams*, 81 F.3d 1434, 1437 (7th Cir. 1996) (different judges faced with same facts exercising discretion can reach different conclusions). In exercising discretion, different judges evaluating the evidence here could reasonably use the nuclear options available. The Court is also mindful that this result is not what either side requested. But, in balancing the facts, law, and equities, the Court determines that neither Plaintiff's request for the nuclear options nor Defendants' and the former defense counsel's suggestion for a pass is appropriate. The sanctions imposed are tailored to Defendants' and the former defense counsel's misconduct, while remedying the prejudice inflicted upon Plaintiff. *See Nelson v. Schultz*, 878 F.3d 236, 238-39 (7th Cir. 2017) (judges must tailor sanctions to the severity of the misconduct); *Salmeron v. Enter. Recovery Sys., Inc.*, 579 F.3d 787, 797 (7th Cir. 2009) (sanctions should remedy prejudice). The sanctions also allow the case to proceed on the merits, allowing Plaintiff to use any

withheld documents it deems appropriate and preventing Defendants from using those same improperly withheld documents, as well as informing the ultimate fact finders that they can consider the evidence of Defendants' discovery failures in reaching their conclusions on the merits.

In determining the appropriate sanctions, the Court has not required Defendants and the former defense counsel to reach a level of perfection in identifying, preserving, collecting, and producing ESI. Perfection is not the standard. *City of Rockford v. Mallinckrodt ARD, Inc.*, 326 F.R.D. 489, 492 (N.D. Ill. 2018). Instead, the Court is requiring reasonableness and good faith as measured back in 2012 through 2015. This is a two-pronged standard, addressing both time frame and competence. First, as to the time frame, this case was filed in 2012. Discovery supplements were due on June 1, 2015. Dkt. 116. Fact discovery closed on July 1, 2015. Dkt. 116. As shown later in detail, the law and corresponding duties of parties and counsel to identify, preserve, collect, and produce ESI were not nascent then. Second, as to the competence level, the Court is not holding the former defense counsel to an expert level. The Court is fully aware that parties occasionally allege that judges holding expertise in particular areas "misuse" that expertise. *See, e.g., United States v. Modjewski,* 783 F. 3d 645, 652 (7th Cir. 2015). Being an expert should be commended, not condemned. *Id.* Although the Court does not necessarily hold itself out to be an expert on ESI,[5] it has a working familiarity with the subject. It has published decisions on ESI generally and ESI

[5] Some of the true ESI experts are cited throughout this decision.

spoliation specifically. *See Mallinckrodt ARD, Inc.*, 326 F.R.D. at 492; *Snider v. Danfoss, LLC*, No 15 CV 4748, 2017 U.S. Dist. LEXIS 107591 (N.D. Ill. July 12, 2017). The undersigned has published articles on ESI and sanctions relating to the failure to identify, preserve, collect, and produce ESI. *See, e.g.,* Iain D. Johnston & Thomas Y. Allman, *What Are the Consequences for Failing to Preserve ESI? My Friend Wants to Know*, Circuit Rider 57 (2019). The undersigned has presented continuing legal education programs on ESI. *See, e.g., Sanctions Under Amended Rule 37(e): Is the Law Fulfilling the Amendments' Intent?*, Seventh Circuit Council on eDiscovery and Digital Information, https://www.ediscoverycouncil.com/content/sanctions-under-amended-frcp-37e-law-fulfilling-amendments-intent (last visited Aug. 24, 2020). And the undersigned has been thinking and writing about discovery spoliation issues for over twenty-five years. *See, e.g.*, Iain D. Johnston, *Federal Courts' Authority to Impose Sanctions for Prelitigation or Pre-Order Spoliation of Evidence*, 156 F.R.D. 313 (1994).

The Court does not demand that level of expertise, but it certainly expects—and the rules require—a reasonable understanding of ESI and the law relating to identifying, preserving, collecting, and producing ESI, in addition to good faith compliance by the parties and counsel.[6] Those expectations and requirements

[6] Jonathan Redgrave, Victoria Redgrave, Karen Hourigan, Monica McCarroll & France Jaffe, *Expectations of Conduct by Counsel*, The Federal Judges' Guide to Discovery 25 (2d ed. 2015) ("Courts can and should expect attorneys appearing before them on e-discovery matters to demonstrate that they are prepared and competent, are behaving reasonably and are willing to cooperate with opposing counsel."); Ronni Solomon & Andrew Walcoff, *The Role of Rules 26(f) and 16(b) in Active Judicial Management of Discovery Challenges*, *in* The Federal Judges' Guide to Discovery 55 (2d ed. 2015) ("It is entirely appropriate for

demand that counsel reasonably care and think about ESI issues—and some semblance of intellectual curiosity would go a long way in this regard. For example, in 2018, when the former defense counsel were confronted with the failure to identify, preserve, collect, and produce responsive Yahoo! emails and Yahoo! chats, they stood before the Court and represented that Yahoo! emails and chats were the same communication program. Dkt. 267, at 32-33. But as the Court demonstrated to counsel at the hearing, by simply going onto the Yahoo! homepage, one would realize that this representation was not true. Dkt. 267, at 57-58; *see also* Tr. 1498.[7] The undisputed testimony at the sanctions hearing supported the Court's demonstration that the former defense counsel's representation was wrong. Tr. 1436. Later, during the sanctions hearing, former defense counsel was still operating under the erroneous belief that Duke's Yahoo! web-based chats were ethereal. Tr. 792, 1068, 1320. They weren't. Tr. 1497-98.[8] Indeed, before July

---

judges to expect attorneys appearing before them to be educated and prepared to address a variety of subjects related to e-discovery at the Rule 26(f) conference.").

[7] References to "Tr." are to the transcript of the evidentiary hearing held from October 28, 2019, to November 19, 2019.

[8] Duke testified that he used a web-based version of Yahoo! chat. Tr. 89. This testimony is supported by judicial admissions made to the Court. Dkt. 373, at 10. The web-based version of Yahoo! chat at the time defaulted to saving chat history. *Yahoo Messenger Safety Guide*, Yahoo!, https://safety.yahoo.com/SafetyGuides/Messenger/index.htm (last visited Aug. 17, 2020) ("With Yahoo Messenger, you can save conversations with friends. By default, your Yahoo Messenger and Yahoo Mail IM conversations are saved in your conversation history. You can turn this setting on or off in Yahoo Mail."); *Yahoo! Messenger for the Web*, Yahoo! https://policies.yahoo.com/ie/en/yahoo/privacy/products/messenger/web/index.htm (last visited Aug. 17, 2020) ("By default, Yahoo! Messenger for the Web will archive your message history in your account on Yahoo! servers, just like email."); *Yahoo! Messenger for the Web Tutorials,* Yahoo!, http://help.yahoo.com/tutorials/msweb/msw/msw_history1.html [https://web.archive.org/web/20090818070554/http://help.yahoo.com/tutorials/msweb/msw/m

2018 when counsel made that representation, Yahoo! chats were not difficult to obtain. Tr. 1498; *see* The Sedona Conference, *Commentary on Legal Holds, Second Edition: The Trigger & The Process*, 20 Sedona Conf. J. 341, 396 (2019) ("More modern chat and messaging applications store their conversations in a form that can be maintained and more easily recovered."). If Yahoo! chats were used, then searched for but not found, the reasonable inference is that they were deleted. Tr. 1499-1500. But Duke claims he never deleted any chats. Tr. 1519.

The Court is not necessarily even imposing a duty to Google, although good arguments exist to do so. *See, e.g. Davis v. Dep't of Justice*, 460 F.3d 92, 95 (D.C. Cir. 2006); Carole Levitt & Mark Rosch, *Computer Counselor: Making Internet*

---

sw_history1.html] ("You choose whether or not to archive your Messenger conversations by enabling or disabling the history feature ***(history is enabled by default)***. After you enable the feature, Messenger creates a container for each contact that you instant message and begins archiving your conversations. Each time you converse with a particular contact on the same day, Messenger adds the conversation to the same archive. If you converse with the same contact on a different day, Messenger begins a new archive in the same container.") (emphasis added); Ashish Mohta, *Yahoo Messenger for Web is Avail[a]ble Now*, TechnoSpot, https://www.technospot.net/blogs/yahoo-messenger-for-web-is-availble-now/ [https://web.archive.org/web/20071218205829/https://www.technospot.net/blogs/yahoo-messenger-for-web-is-availble-now/] ("Conversations are archived online, [s]o you can access the past chat anywhere anytime"). Again, this is consistent with Duke's testimony that his Yahoo! chats were saved, until they were somehow deleted. Tr. 99-100. Indeed, Duke specifically testified that the Yahoo! chats were not autodeleted. Tr. 1519. Moreover, even setting this evidence aside, Stamatis' and Leavens' belief is bizarre. Nobody ever told them that Duke's web-based chats were ethereal; in fact, Yahoo! told him that they were recoverable. Dkt. 273. Stamatis and Leavens provided no bases to support this belief. And they demonstrated that they had no personal knowledge of the Yahoo! chat program. Dkt. 267, at 32-33, 57-58. Leavens' assertion is even more bizarre. His assertion that Duke's web-based chats were ethereal came in testimony *after* he had already testified that the chats were saved. Tr. 783, 792. This bizarre belief and testimony is just more evidence of their lack of understanding of the technology Duke used in his business that related to this litigation.

Research Part of Due Diligence, 29 L.A. Lawyer 46 (2007); Ellie Margolis, *Surfin' Safari—Why Competent Lawyers Should Research on the Web*, 10 Yale J. L. & Tech. 82, 115 (2007).[9] But the Court understandably requires—because the rules mandate—reasonable investigation and good faith compliance with the Federal Rules of Civil Procedure and the corresponding duties. Indeed, a simple internet search[10] from an iPhone of "Yahoo! chat" offers "Yahoo! chat history" as an optional search. On the first page of the search, under "People Also Ask," there exists "How can I recover Yahoo! chat history?" With the tap of a screen, the following information is conveyed: "Yahoo! stores your messenger logs on its server, not your hard drive." Had these simple and reasonable actions been taken by any one of the five former defense counsel at any time before June 1, 2015, counsel would have known, among other things, that Yahoo! chats and Yahoo! emails were not stored on Duke's hard drive, and that Duke's representations that "the four computers would have anything related to 21 Century Smoking" was extremely suspect and likely

[9] Using the internet, particularly Google, to obtain information for litigation is not a stunning revelation. This was basic investigation before Barack Obama became the forty-fourth president of the United States. *See, e.g.*, Thomas A. Mauet, *Pretrial* 40 (7th ed. 2008) ("Never overlook information available that may be available on the Internet. You can . . . acquire information about products. . ."); Roger S. Haydock, David F. Hess & Jeffrey W. Stempel, *Fundamentals of Pretrial Litigation* 57, 59 (7th ed. 2008) ("The development of the internet has made information dramatically more available at relatively low cost. Counsel . . . should routinely use internet searches as a 'first pass' looking for information simply because there is so much more available that can be accessed without leaving the office. . . Several search engines can be used to locate information. Google is the best known. . . * * * Investigating counsel should also remember that general information searches through basic search engines . . . also often yield valuable information about parties, persons, organizations, or the subject matter of the case.").

[10] The Court is not taking judicial notice of these facts resulting from a simple Google search. Instead, the Court is taking judicial notice that internet research can quickly and easily provide counsel with useful information about issues in a case.

untrue. Presumably, that realization would have prompted a reasonable attorney to conduct the same simple and quick investigation into the GoDaddy emails, which would have informed counsel that the GoDaddy emails were similarly web-based. Tr. 1459. In fact, the internet search "Are GoDaddy emails stored on your hard drive?" answers this question as well. Of course, none of this would have even been necessary if Duke had simply informed his own former defense counsel of this fact, a fact he knew. Tr. 238-39 ("Q: And did you explain to your attorney at that time the difference between stuff being online and stuff being on your computer? A: No. *** Q: And why didn't you explain the difference to him, if you know? A: I mean, in my mind, it kind of is common sense that Yahoo! mail is online. I guess everyone didn't know that or doesn't know that, but in my mind, that just goes without saying. So I wouldn't be just walking around describing that Yahoo! email is in the cloud."). Instead, at best, this Stanford University graduate and e-commerce businessman sat mum, failing to volunteer this and other information until Plaintiff had already expended hundreds of thousands of dollars attempting to obtain relevant ESI, which it was entitled to receive years ago. Tr. 249. At worst, Duke deceived his attorneys into believing all the relevant electronic records were stored on his hard drives. Tr. 604-05, 609 ("Here are the total GB on the four computers that would have anything related to 21 Century Smoking."), 1160, 1224 ("The information that we received was inaccurate."), 1242 (Duke would repeatedly and erroneously tell counsel "You have all the data. You have everything.").

II. EXPLANATION FOR CONCLUSION

To explain how the Court arrived at the conclusion as to the appropriate sanctions, what follows is (a) background of this case to provide context, (b) the evidence produced at the hearing and contained in the record, (c) a lengthy discussion of the e-discovery process, (d) the applicable legal authority to impose sanctions, and (e) an application of the Court's factual findings (including credibility determinations) to the legal authority as to the specific e-discovery violations.[11]

A. Background

This is a trademark case, with supplemental state-law claims and counterclaims, including a counterclaim based on defamation. Plaintiff is DR Distributors, LLC, which owns the registered trademark "21st CENTURY SMOKE." Carlos Bengoa is its president. Dkt. 80, at 1. Defendants are 21 Century Smoking, Inc. and Brent Duke. Duke owns and operates 21 Century Smoking. *Id.* Both companies sell electronic cigarettes, and their marks are used in their respective businesses. *Id.* The parties rightfully agreed that the marks are confusingly similar. *Id.* at 3. According to the parties, this is an "eight-figure case". Dkt. 267, at 64.

B. Evidence Produced at Hearing and Contained in the Record

1. Court's Reaction to the Evidentiary Hearing

Between October 28, 2019, and November 19, 2019, the Court held five days of evidentiary hearings, sometimes going well into the night. At the hearing, the

[11] The Court's factual findings are based upon the testimony and exhibits admitted at the hearing as well as facts subject to judicial notice, including representations Duke and the former defense counsel made in open court and in documents in the Court's docket. *See Green v. Warden, U.S. Penitentiary*, 699 F.2d 364, 369 (7th Cir. 1983).

Court heard testimony from Duke, the former defense counsel, and Chad Gough. Gough is the owner and founder of 4Discovery, the ESI company which copied and stored the four hard drives Duke earlier claimed possessed all the relevant electronic records. Tr. 1427-28. Additionally, dozens of exhibits were admitted into evidence.[12] The proofs were closed without objection. No party requested that the proofs remain open. The Court asked repeatedly if the parties and the former defense counsel if there was any additional evidence to present and was told there was none. *See, e.g.*, Tr. 1554. In fact, when documents were produced immediately before a witness's testimony, the Court provided counsel with the opportunity to later object if necessary. Tr. 1462-64. So, the parties were on notice that if appropriate, the Court would keep the proofs open. Although there was certainly some clock running and definitely some dead-horse beating, all counsel generally performed well. Particularly, counsel's handling of the exhibits was extraordinary. The Court commends counsel in this regard.[13] The Court's credibility findings as to the various witnesses is described throughout this order. Some witnesses were far more credible than others. In making its various credibility determinations and findings of fact, the Court used common sense and ordinary life experiences. *United States v. Blagojevich*, 614 F.3d 287, 290 (7th Cir. 2010). For example, common

[12] This Court's experience is not unique, unfortunately. *See* Hon. William Matthewman, *Towards a New Paradigm for E-Discovery in Civil Litigation: A Judicial Perspective*, 71 Fla. L. Rev. 1261, 1267 (2019) ("Spoliation motions are virtually always time consuming for the court to resolve, and they often require lengthy evidentiary hearings.").

[13] Trial presentation is about credibility. One of the quickest and surest ways counsel can lose credibility is not knowing the substance of exhibits or fumbling around with the exhibits. Hon. Amy St. Eve & Gretchen Scavo, *What Juries Really Think: Practical Guidance for Trial Lawyers*, 103 Cornell L. Rev. Online 149 (2018).

sense and ordinary life experiences do not support Duke's claim that Yahoo! terminated its chat program without notice to its subscribers. Tr. 626. The Court carefully listened to the witnesses and observed their demeanor. *See, e.g.*, *Anderson v. City of Bessemer City*, 470 U.S. 564, 575 (1985) ("[O]nly the trial judge can be aware of the variations in demeanor and tone of voice that bear so heavily on the listener's understanding of and belief in what is said."). Indeed, at times, the Court even corrected witnesses' testimony as to important dates. Tr. 515. The Court also used the same basic tools juries are instructed that they can use to reach these conclusions. *See, e.g.,* Federal Civil Jury Instructions of the Seventh Circuit §§ 1.11, 1.12, 1.13, 1.14 (2017). In this regard, the Court explained that it was not making any legal, factual, or credibility findings until the proofs were closed and it had read the post-hearing briefs. Tr. 847-48, 1556. Apparently, this practice is followed by good judges. Hon. Wayne Brazil (ret.), *Credibility Concerns About Virtual Arbitration Are Unfounded*, Law360 (May 26, 2020, 5:23 PM EDT), https://www.law360.com/articles/1274230.[14] As with all evidentiary hearings—

[14] At the November 15, 2019, hearing, the Court described its process for making credibility determinations:

> I will make credibility determinations. I wait until the end. I instruct jurors on that all the time, wait until the end, wait until you hear all the evidence, because I don't know if a document, exhibit, testimony is going to come in that explains how something works and the circumstantial evidence gibes with something else that either shows that somebody is credible or not credible. So I wait until the end to get all the proofs before I do that.

Tr. 848. On November 30, 2019, at the conclusion of the hearing, the Court informed the parties that it wanted to read the post-hearing briefs and explained that it was not making any findings until then. Tr. 1556 ("If anybody thinks they know exactly what I'm going to do, they are fooling themselves because I don't know what I'm going to do, okay?"). On May

trials included—there was significant testimony that did not make much sense and was simply not credible. As to credibility determinations, Plaintiff requests this Court to follow the principle of "false in one, false in all". Dkt. 381, at 6. But this Court does not subscribe to that principle and neither does the Seventh Circuit. *United States v. Edwards*, 581 F.3d 604, 612 (7th Cir. 2009).

Despite all the evidence, the Court is not entirely convinced that it has been given the full story.[15] At times, the gaps in the testimony were stunning, especially because the Court allowed all the witnesses to attend the entire hearing and listen to all the other witnesses' testimony. Tr. 6.

For example, the testimony of Duke and the former defense counsel about the San Diego meeting left a lot to be desired and was emblematic of the hearing. The lack of recall about not only the details of this critical event, but also the general purpose of the meeting was incredible, particularly because it was described as an "all hands on deck" meeting. Tr. 1324. For example, there was conflicting and vague testimony regarding whether the former defense counsel sought to withdraw

---

26, 2020, in part, here is how Judge Brazil described how he makes credibility determinations:

> Good arbitrators do not begin the process of making findings of fact until everything is over—until all the witnesses have been examined and cross-examined, all the documents have been admitted and studied, all the arguments have been heard and recorded, all the post-hearing briefings have been completed and digested.

Brazil, *Credibility Concerns About Virtual Arbitration*, *supra*. It is comforting to know that this Court uses the same process as good arbitrators.

[15] As Big Audio Dynamite asked in *The Bottom Line*: "Nagging questions always remain, why did it happen and who was to blame?"
https://www.youtube.com/watch?v=4V5Zoe84BjE

and whether the former defense counsel expressed concern as to Duke's credibility. *See, e.g.*, Tr. 296, 859, 1184, 1328 (regarding whether counsel sought to withdraw); 303-04, 857, 1007, 1327-28, 1339 (regarding whether issue of Duke's credibility was discussed). Indeed, despite his former attorneys' testimony that Duke's credibility was a central purpose of the meeting, Duke testified that he did not recall if anybody questioned his credibility at the San Diego meeting. Tr. 657-59, 854, 1191. But, frankly, a client not recalling if his attorneys essentially called him a liar is not credible. If it happened, it would be vividly recalled; and if it did not happen, that would be recalled as well. Leavens, who personally attended the meeting to get answers from Duke, did not remember if Duke acknowledged that he made any errors. Tr. 854, 858. Purportedly, everybody spoke at this meeting, but the recall of what was said was spotty. Tr. 861. Duke's and the former defense counsel's incantation of "I don't recall" did not sit well. *See Laukus*, 292 F.R.D. at 504-05. Compounding the problems of the questionable testimony was that no notes were taken at the meeting nor a follow up memorandum to the file written.[16] The lack of

[16] Leavens repeatedly testified that he had concerns about Duke's credibility. Tr. 860, 950, 1020-21, 1071. But he never documented those alleged credibility concerns. Tr. 1005-06. Instead, Leavens testified that he preferred to address those issues verbally. Tr. 1019. Certainly, an attorney can verbally raise concerns with a client, but that does not preclude writing a memorandum to the file documenting and memorializing those concerns. At the hearing, counsel for the former defense counsel, and the former defense counsel themselves, seemed perplexed when the Court, Plaintiff's counsel, and current defense counsel suggested that some kind of documentation or even a memo to the file would have been called for in this case, particularly with respect to the San Diego meeting. Tr. 1019, 1080-82. The Court is confused at this reaction. A memo to the file is not some novel practice, particularly in the legal profession and even more so when a client's actions and credibility are at issue. Tricia Goss, *How to Write a Memo to File*, Bizfluent (Sept. 26, 2017), https://bizfluent.com/how-4678025-write-memo-file.html ("For example. . . write a memo to file in case another party later questions your actions. Memos to file are imperative for

documentation permeates this entire case. The San Diego meeting occurred in September or November of 2018. Tr. 297, 854. Leavens flew to San Diego for this meeting with Duke. Tr. 1019. This was unique. This trip was purportedly to speak to Duke about the discovery issues, and it was the only time Leavens had done this. Tr. 300, 535, 662, 855-56. At least four other attorneys participated by conference call. Tr. 855. Collectively, all these attorneys possessed decades of combined legal experience. But after this critical meeting to address a colossal problem with the case, not a single one stopped and decided that it would be reasonable to conduct an

---

legal, medical or other highly sensitive files that might later be used in court as well."). Indeed, writing a memo to the file is common in a variety of settings. Eric Felten, *A Brief History of the 'Memo to the File'*, Washington Examiner (May 17, 2017, 01:20 PM), www.washingtonexaminer.com/weekly-standard/a-brief-history-of-the-memo-to-the-file ("The Memo to the File becomes second nature to anyone who has worked as even just a midlevel manager in the federal government. * * * [T]he first thing such an employee does if his boss is stupid enough to ask him to do something sketchy, is to write it down, to document in detail the what, the when, and the where. Time spent managing, or even just working, in the federal government, teaches the habit of writing memos to the file."). Moreover, lawyers representing attorneys in legal malpractice advise that memos to the file are critical. Mark E. Ellis & Steven B. Vinick, *How to Avoid Legal Malpractice: Ethics for Every Attorney* (last visited Aug. 8, 2020), www.ellislawgrp.com/article17malpractice.html ("All discussions, recommendations and actions should be documented."); Greg Fayard, *Avoiding Legal Malpractice Tip: Document, Document, Document*, FMG BlogLine (May 24, 2018), www.fmglaw.com/FMGBlogLine/professional-liability/avoiding-legal-malpractice-tip-document-document-document/ ("Having defended scores of attorneys over the years, more often than not, I wish my lawyer-client had either better documented his or her file, or memorialized a key conversation. . . For a key strategy decision in a case, a quick 'memo to file' in e-mail form works as well as something more formal."); Edward X. Clinton, Jr., *When Should You Make a Memo to the File?* (May 17, 2017), www.chicagolegalmalpracticelawyerblog.com/make-memo-file/ ("A memo to the file should be made . . . whenever the client . . . does not appear to be telling the truth. * * * In sum, the memo to file is used to protect the lawyer where the client may be heading off the rails in some form or fashion or where the client will later blame the lawyer for some event that took place."). Not surprisingly, law students are taught to write memos to the file. *See, e.g.*, Ira Steven Natheson, *Best Practices for the Law of the Horse: Teaching Cyberlaw and Illuminating Law Through Online Simulations*, 28 Santa Clara Computer & High Tech. L.J. 657, 697, 704, 715 (2011-2012). During practice, the undersigned occasionally wrote memos to the file, and as an instructor, taught law students when and how to write memos to the file.

investigation to determine the basis, scope, and nature of the fundamental breakdown in the identification, preservation, collection, and production of ESI or even to simply go back and perform, in late 2018, a reasonable custodian interview. Moreover, despite alleged credibility concerns about Duke—concerns that would be very reasonable given that Duke knew he possessed relevant Yahoo! emails and chats but failed to provide them to the former defense counsel—none of these attorneys documented what occurred or was said at this meeting. Tr. 1184-85, 1326, 1400. A reasonable person would be very suspicious of the absence of evidence and the hazy recollections of such an important moment in this case—indeed, such an important moment in the careers of the former defense counsel.

In fact, to the Court, it seems as though Duke and the former defense counsel engaged in their own version of mutually assured destruction ("MAD") in which they each knew that if it launched a broadside, it would be met with a return salvo in kind. As the United States and the Soviet Union learned throughout the Cold War, neither side wins in such an engagement. Here, a full-scale attack by Duke against the former defense counsel or vice versa would only benefit Plaintiff. To be sure, there were some assaults. For example, Leavens asserted that he felt Duke was not always credible. Tr. 854-59. This attack begot a brutal evisceration by Duke's current counsel of Leavens' knowledge (or, more accurately, the lack thereof) of ESI identification, preservation, and collection. Tr. 987-91. But mostly the vague testimony was a tacit recognition that "mistakes were made" (passive voice noted by the Court), but that those mistakes—to the extent the witnesses were even able to

identify them—were unintentional. *See, e.g.*, Tr. 301, 1181, 1288. Shockingly, one of the most culpable actors—Leavens—claims he made no errors. Tr. 984. Additionally, there were painfully obvious inferences from the facts that led to a single conclusion that former defense counsel refused to admit. For example, for at least a year, Duke did not inform the former defense counsel that his GoDaddy email had not been subjected to the search terms and that responsive documents existed in that account. Tr. 1402 (former defense counsel Shonder testifying that Duke "said or he revealed to me that there were the corporate e-mails [that] had been housed on GoDaddy and had not been part of the—they weren't stored on the computer, and therefore were not searched, okay?"). When Duke finally disclosed this critical fact to the former defense counsel in May 2019, counsel said that he was disappointed because he had been misled. Tr. 1403. But rather than testify that he was misled by Duke, he said that he was misled "by the circumstances of the case." Tr. 1403. Instead of stating the obvious, the former defense counsel hid behind the "circumstances of the case." The Court fully understands why this MAD strategy—whether explicitly or implicitly—was taken. Counsel may have thought it was good litigation strategy; however, it was maddening to this fact finder. Indeed, the Court can confidently say that it was not good strategy for this hearing. The Court was left unsatisfied and very suspicious by the testimony. Witness amnesia is not persuasive. Witnesses were either intentionally obtuse and vague or they were "casually unprepared." Dkt. 381, at p. 3. None of these possibilities are good. *Laukus*, 292 F.R.D. at 504-05. A reasonable person would have expected the

witnesses to have locked themselves in a conference room for a week with the relevant documents to prepare for this critical hearing. Of course, the former defense counsel's intentional decision not to document fundamental actions and events in this case would hamper their ability to do so. Likewise, Duke did absolutely nothing to investigate the allegations in the sanctions motion. Tr. 62, 64. Moreover, it is important to remember that these were no ordinary witnesses. Except for Gough, they were all very "interested" in the sanctions motion, and other than Duke, they were all attorneys.

Indeed, the failure to flesh out critical areas of inquiry caused the Court to independently question witnesses, which the Court warned counsel it would do and is the Court's right and duty. Dkt. 315, at 24; *Glasser v. United States*, 315 U.S. 60, 82 (1942); *Tagatz v. Marquette Univ.*, 861 F.2d 1040, 1045 (7th Cir. 1988); *United States ex rel. Kurena v. Thieret*, 659 F. Supp. 1165, 1172-73 (N.D. Ill. 1987). The Court's questioning of the witnesses was illuminating, particularly with respect to the missing Yahoo! chats.

The testimony about actions that were taken and importantly not taken did not comport with common sense or everyday life experiences. The "this-is-just-a-big-misunderstanding" portrayal didn't fly. *Laukus*, 292 F.R.D. at 489. Following the hearing and after analyzing and drawing reasonable inferences from the exhibits, testimony, prehearing and post-hearing briefs (as well as the cases cited in those briefs), the Court was left with the firm conviction that Duke took advantage

of the ineptitude, carelessness, or disinterest of his attorneys. They were equally culpable.

2. Witnesses

a. Brent Duke: Duke is a Stanford University graduate. Dkt. 24-2, at 1. He was engaged in multiple e-commerce businesses. Tr. 489, 501-02. 21 Century Smoking was his company. Tr. 593. He directed its functions and operations. Tr. 593-97.

Depending on any given moment, Duke has portrayed himself to be a luddite, unknowledgeable in the ways of information technology. For example, at one point, he testified that he never thought that "electronic records" included web-based emails, testimony from which he quickly retreated. Tr. 1529-30, 1540, 1543-45. He also claims that he would not know how to search email folders for emails that had been stored in the incorrect folder, even though an exhibit was admitted showing that the search function for emails was used. Tr. 292, 872.

But, at other times, the evidence contradicted that portrayal. For example, Duke took computer programming classes at Stanford and, on his resume, stated he was proficient in some computer programming languages. Tr. 601-02. He was also knowledgeable enough to know that photographs were not searchable as text. Tr. 1139. He knew enough not to email passwords; he was described as the "head of the IT department;" and he knew more than "the average Joe on the street." Tr. 224, 595-97, 601. Duke knew what web-based emails were and that they were part of web data. Tr. 69, 72. In an exchange with his search engine optimization (SEO)

consultant, he wrote "script put in PHP files. Try opening in Firefox. So I need clean files I can keep on my PC as a backup." Tr. 159; Pls. Ex. 57. Duke knew how to download emails, put them into a zip file, and email the file to his counsel. Tr. 231. Moreover, Duke was surprised that a person would not know that Yahoo! and GoDaddy emails were web-based emails. Tr. 239. Indeed, he was even so confident in his information technology knowledge that he expressed his own theory as to how metadata ended up in a website. D. Ex. 72, Tr. 1531. In a strange race to the bottom of technical ignorance, one of the former defense counsel was quick to note that Duke seemed very competent in using computer systems and more "tech savvy" than him. Tr. 1030.

Duke's knowledge of and abilities with information technology is important in this case because Plaintiff's theory is that Duke or his SEO consultant placed the metatag in a website to drive searches to the website. Dkt. 216, at 6, 25. (Unsurprisingly, both have denied that they did. Tr. 503, 1359.)

There are multiple examples of Duke's sworn statements—whether in a declaration or a deposition—being factually incorrect. For example, despite his sworn deposition testimony claiming that he only created two websites, a late production of documents showed that he created about fifty. Tr. 386-87. Another example is Duke's testimony regarding his knowledge of Plaintiff's trademark. Duke's deposition testimony regarding when he first saw Plaintiff's trademark and his understanding that "TM" was the trademark symbol was demonstrably false. *Compare* Dkt. 404, LS Ex. 1 at 351-62 (Duke testified that he did not know that the

"TM" symbol meant "trademark" and did not see the "TM" symbol, which was clearly displayed on Plaintiff's packaging) *with* Dkt. 407, at 116-17 (proving that Duke saw the "TM" symbol and knew that the symbol meant "trademark").

His memory was lacking at critical points in his testimony, including the San Diego meeting. Tr. 302. Moreover, Duke's recall of important dates, some of which he had previously sworn to, was spotty, including his last contact with his SEO consultant and when he learned of the autodeletion of the GoDaddy emails. Dkt. 234-2, Defs.' Ex. 64; Pl. Ex. 17; Tr. 1523-24, 1555; Dkt. 234-2; Tr. 637-43. Indeed, even when testifying under oath, he was cavalier with dates. Tr. 318 ("approximately May" was equivalent to June 29, 2015). Tellingly, each time that Duke needed to revise a date of an event, the revised date always benefited him. For example, the alleged last date his SEO consultant worked for him was changed at least twice when he was confronted with documents showing his prior representations were false. But despite moving the date twice, he claimed he was absolutely confident that she stopped working for him no later than 2010, which not surprisingly would have been before the metatag was included in Defendants' website. Tr. 1553; Dkt. 26, at 2; Dkt. 232, at 13.

Duke's testimony was problematic in other ways. Some of his testimony was inconsistent with his own documents. *Id.* And some of his testimony did not square with common sense and ordinary life experiences, such as when he testified that Yahoo! did not provide notice that it was ending its Yahoo! chat function. Tr. 273. Duke also used euphemistic (to be charitable) language during his testimony. For

example, when confronted with the uncontested fact that neither he nor the former defense counsel searched the GoDaddy accounts, he claimed that the GoDaddy accounts "had not been given the same scrutiny as the Yahoo! emails . . . ." Tr. 664.

Significantly, many of his explanations were simply not credible. American treasure, Tina Fey, authored the best seller *Yes, And*. If Duke were to write a book, it would be entitled *Yeah, But*. Duke had an explanation for every problem. (Although his GoDaddy emails were autodeleted, they were auto-forwarded to the Yahoo! account. Tr. 634.) But for nearly every explanation he provided, there was an undisputable fact that conflicted with the explanation. (The GoDaddy emails that should have been "showing up" in the Yahoo! account had they been auto-forwarded were not, in fact, "showing up." Tr. 1390-92.) Then when confronted with that fact, he would produce another explanation. (If the GoDaddy emails were not "showing up" in the Yahoo! account, it was because they were simply misfiled. Tr. 292.)

b. Thomas Leavens: Leavens is an experienced attorney. Tr. 1018-19. He was a named and founding partner with the firm of Leavens, Strand & Glover. Leavens was the supervising partner on the case. Tr. 1024. He has represented clients in trademark cases previously. Tr. 1026-27.

But Leavens was a difficult witness. At times, extracting information from him was painful, and he often asked that questions be repeated. *See, e.g.*, Tr. 775, 854, 937-38. Oddly, Leavens came across as uninterested not only in his testimony, but in his actions in this litigation. For example, even when he testified that his

curiosity was piqued, he still could not remember what, if anything, he did to satisfy that curiosity. Tr. 916. Similarly, despite being an important issue in this case, he did nothing to attempt to determine the difference between Yahoo! chat and Yahoo! email. Tr. 922. Critically, after learning that Duke's Yahoo! account was not searched because it was a web-based account, it never occurred to him to search Duke's GoDaddy account, which is also a web-based account. Tr. 838, 908.

Although Leavens listed himself as lead counsel on his appearance form and designated himself as trial counsel in this case, he has not litigated a federal case for fifteen years. Tr. 722, 983; Dkt. 6. His understanding of ESI identification, preservation, collection, and productions is inadequate. Tr. 989-90, 1087. He does not possess a single continuing legal education certificate establishing credit for attending a class on ESI. Tr. 1087. No doubt, Leavens understands that ESI should not be affirmatively destroyed and knows to some extent that it must be preserved. Tr. 791-92. But beyond that, he has neither practical experience or understanding of ESI identification, preservation, collection, and production nor any academic training. Tr. 987-90. Indeed, he issued no written litigation hold to Duke. Tr. 749. There is no evidence that Leavens made a conscious and intentional decision not to do so. Instead, he had limited knowledge as to what a litigation hold was, even after being specifically asked about it by the Court. Tr. 749; Dkt. 367, at 6. Leavens did not instruct—verbally or in writing—Duke to disable any autodelete functions. Tr. 127, 209, 221-22, 749, 936. And he presented no evidence that he or any of his associates conducted a custodian interview. Tr. 773-75, 783. Instead, he

delegated the identification and collection of the ESI to a third-year associate with very little practical litigation experience. Tr. 1148-49. The guidance and supervision he provided to this associate was minimal. For example, he does not recall if he met with the associate before she met with Duke or talked to her about the meeting with Duke. Tr. 768-69. Critically, Leavens gave no instructions to the associate about ESI. Tr. 992-93. Leavens did not know or understand that Yahoo! and GoDaddy emails were web-based email systems. Tr. 838, 908; Dkt. 256, at 13-14. In fact, he did not even seem to know what he did not know about web-based emails. *Id.* Leavens allowed Duke to self-collect ESI with no supervision and without knowing the methodology Duke used to collect ESI. Tr. 786, 891, 1201-02.

The lack of knowledge of these topics or even the understanding that he should have educated himself on this topic is exemplified by a May 17, 2018, status hearing. When the Court questioned Leavens about the fact that Yahoo! emails—a main way Duke communicated on behalf of his company—had not been identified, preserved, collected, searched, or produced, Leavens confessed his ignorance: "I just don't have the technological background necessary to make the technical distinction that escaped us here, which is that those emails would not be revealed by the search that was done on those four computers." Dkt. 256, at 13-14. Leavens also did not know that Yahoo! chat—an instant messaging system—was separate and distinct from emails sent by Yahoo!'s web-based email system. Tr. 921.

Nevertheless, Leavens was able to prevail on an early summary judgment motion in this case. Dkt. 80. But even he knew that as the case progressed, he was

in over his head, which is why he recruited Peter Stamatis to work on the case. Tr. 733. As the litigation progressed, Leavens allegedly told Stamatis that Stamatis needed to be lead counsel so there would not be a "misunderstanding." Tr. 754, 1063. Although Leavens thought the litigation would not be a "big discovery case" and anticipated a quick resolution with limited discovery, he misjudged. Tr. 1026.

Leavens' actions and inactions are stunning given that he was in attendance at the initial status hearing before the Court, during which the Court asked counsel—including him—about various ESI issues and then specifically required counsel to conduct a Rule 26(f) conference to discuss ESI issues "in detail". Dkt. 367, at 9. The Court specifically warned Leavens that it did not want an ESI discovery snag to delay this case. *Id*. He was on notice about the importance of ESI from the first moment he stepped before the Court. Leavens did a lot of finger-pointing—at Duke for his lack of uncandid, at Stamatis for not taking the lead, at 4Discovery for not engaging in work they were not contracted to do—but never took any blame upon himself or his firm. Tr. 810-11, 984, 1031, 1087-88. Courts do not look favorably on a lead counsel's refusal to accept any responsibility in the face of clear errors. *Laukus v. Rio Brands, Inc.*, 292 F.R.D. 485, 508 (N.D. Ohio 2013).

c. Heather Liberman: Liberman was an associate working directly for Leavens at Leavens, Strand & Glover. Tr. 1095. She currently holds a job many law students dream of: General Counsel of SXSW. Tr. 1095.

Liberman was involved in this case from the outset. Tr. 1095-96, 1159. Liberman helped with discovery, but she did not recall specifically what she did.

Tr. 1101. Liberman's understanding of the identification, preservation, collection, and production of ESI was obtained by on-the-job training, which was poor. Tr. 995, 1097.[17] Apparently, this training was from Leavens who knew very little about e-discovery. She did attend one CLE addressing ESI, but it did not seem to have a lasting impact on her memory; she could not remember if there were others. Tr. 1098, 1149, 1150 ("I don't remember the specifics . . . I can't remember with certainty what they covered"). Liberman did not know there was difference between email client and web-based email. *See* Tr. 1151 (failing to draw distinction between Outlook compared to Yahoo! and GoDaddy email). Like Leavens, she did not issue a written litigation hold to Duke. Tr. 1106.

Liberman testified that she was not the principal attorney in contact with Duke. Tr. 1097. Liberman did, however, interview Duke about the sources of his ESI. LS Ex. 14; Tr. 1129. But this interview cannot be characterized as a custodian interview. Tr. 1127-28. She created a hand-written note of the interaction between

---

[17] Here is the colloquy on this topic:

> Q. Okay. While you were at the firm, did you ever receive any training regarding ESI discovery from anyone at the firm?
>
> A. I would have certainly been taught how to do the tasks I was asked to do. So if that meant for me to collect certain documents – for example, at one stage, I was asked to go to Brent [Duke]'s apartment to pick up a number of physical files. So, someone, likely Tom [Leavens], would have asked me to go do that and bring the files back to the office and then asked me to copy the files. So I think that on-the-job kind of training that was discussed earlier made sense.

Tr. 1097. The question asked about "training regarding ESI discovery" and the response was that she was told to go to a client's apartment, pick up physical documents, bring them back to the office, and then copy those documents. Put simply, that is not training on e-discovery. Instead, that is why associates leave law firms and sometimes leave the practice of law altogether.

her and Duke. LS Ex. 14. But she had no independent recollection of creating the document. Tr. 1128. Liberman did not remember if the conference was in person, where it occurred, who else was present, or how long it lasted. Tr. 1128-29. This note memorialized that she spoke to Duke about not deleting information, asking about other custodians, discussing the identity and use of search terms, discussing expert witnesses, and addressing the need to be prepared for a deposition. Tr. 1130-37. Critically, another note confirms that Duke told her that his company's electronic information was contained on the hard drives of his four computers, which Duke later confirmed by an email. LS Ex. 15 (identifying four computers); LS Ex. 13 ("Here are the total gb on the 4 computers that would have anything related to 21 Century Smoking."); Tr. 1107, 1124-25, 1160-61. No other documentation was created of this interview. Tr. 1137-38. Liberman operated under the assumption that all the ESI was on the four hard drives so she never followed up to obtain any other ESI—including Yahoo! and GoDaddy emails—or attempted to obtain ESI from others at 21 Century Smoking. Tr. 1132-33. And, obviously, there was no testimony that before the close of fact discovery, Duke's email accounts were copied, searched, and produced to Plaintiff. They weren't. The evidence at the hearing also established that multiple devices and email accounts used by Duke and Defendants were not captured and preserved, including at least one cell phone and multiple email accounts used by Duke's employees. Tr. 81, 97-101. Additionally, Liberman's conversation with Duke never uncovered Duke's use of Yahoo! chat to communicate

with Kirti Saraswat, Duke's SEO consultant. Tr. 1128-37. Like Leavens, Liberman left Duke to preserve and collect his own ESI. Tr. 1104-06.

Liberman was also involved in coordinating the contract between Duke and the ESI vendor Defendants used, 4Discovery. Tr. 1116. Before the close of fact discovery, nobody asked 4Discovery or any other ESI vendor to make a copy of Duke's email accounts. Tr. 1122. Liberman left Leavens, Strand & Glover in about December 2014. Tr. 1111. Toward the end of her tenure, she transitioned the work on the case to Travis Life. Tr. 876.

Liberman's testimony at the hearing was unexpectedly evasive and defensive. *See, e.g.*, Tr. 1119-20, 1134. She also jousted with counsel during her testimony over relatively unimportant matters. *See, e.g.*, Tr. 1106. And Liberman's recollection of critical matters was hazy at best. For example, she could not specifically recall what she did relating to discovery, if she was involved in preparing the initial disclosures or providing written guidance on preserving evidence, and what she did to transition the file. Tr. 1101, 1109, 1111. But there was one fact that Liberman could recall very clearly; namely, that she was an associate "operating under the direction of a partner." Tr. 112, 1158-59. Her demeanor and affect were also puzzling at times. Often, between questions and answers, there would be unusually long pauses before she answered. Tr. 1107, 1120, 1135 (Court noting Liberman was not quick to answer questions). Pauses are certainly understandable when trying to recollect facts from years ago and when being careful in testimony, but these pauses often occurred even when fairly benign

questions were posed. Moreover, like all the witnesses, she was present during the testimony of previous witnesses; so, she was able to hear the prior witnesses' testimony. Presumably and hopefully, she was also prepared for her testimony, although Plaintiff contends that the witnesses were "casually unprepared". Dkt. 381, at 3.

Because of the substance and presentation of her testimony, the Court was left to struggle in weighing her credibility, unsure whether she was being less than credible or just presenting a certain demeanor. A reasonable person would think that Liberman, who formerly worked at the direction of a named partner as an associate and who now holds an excellent job in another state, would have no motive to be defensive or evasive. Yet that is this Court's impression of her testimony.

d. Travis Life: Life was hired as an associate by Leavens, Strand & Glover in about December 2014. Tr. 1167. He took over the associate duties of this case from Liberman. Tr. 214. He previously worked on ESI matters when he worked for an ESI company. Tr. 1241. According to Leavens, Life was hired because of his e-discovery competence. Tr. 1027. However, the testimony about Life's experience with e-discovery was conclusory. Tr. 1240. No specifics were given. Tr. 1240-41. He certainly did not come across as holding any particular expertise in ESI. Life never instructed Duke to check or disable autodeletion functions, was unfamiliar with the ESI relating to the web-based chat, did not document anything relating to the e-discovery preservation and collection, and

Duke's self-collection of ESI was of no concern to him. Tr. 1181, 1201-02, 1208. As with Leavens and Liberman, there is no evidence that Life provided Duke with a written litigation hold.

Throughout the case, Life was constantly and repeatedly involved in the search for and untimely discovery and production of ESI. Tr. 1194-98, 1201-07. As with the other former defense counsel, Life did not undertake any investigation to confirm Duke's representations about the ESI. For example, he did not investigate Duke's assertions regarding the autodeletion of emails or Duke's assertions that all relevant ESI was on the four hard drives and that the former defense counsel possessed all the ESI. Tr. 1186-87. Life solely relied upon Duke's alleged representation that all the ESI was contained on the four hard drives Duke and his companies used. Tr. 1201-07, 1243. As did Leavens and Liberman, Life left Duke to preserve and collect his own ESI. Tr. 1200-02.

At the hearing, Life generally appeared to be a credible witness.[18] However, after the hearing, Duke's new defense counsel filed a motion detailing an interview

[18] Life's attempt to continue to represent Duke after the May 2019 ESI snafu was clearly an error in judgment. Luckily, he received sage advice from Stamatis and perhaps a wise warning from Kevin Salam (Duke's coverage attorney) not to do so. Tr. 1239-40, 1538. The Court views this judgment lapse as an attempt by a young senior associate/junior partner moving to a new firm to develop a book of business. Indeed, bubbling underneath many other layers of this case is that fact that Duke's counsel are *Peppers* counsel because Duke's insurance carrier is defending under a reservation of rights. *See Maryland Cas. Co. v. Peppers*, 355 N.E.2d 24 (Ill. 1976). So, the argument goes, this case is an annuity or sinecure for any counsel representing Duke. If true, this case would be a fine addition to a book of business for a lateral attorney. Although not completely discounting the sometimes perverse incentives of *Peppers* counsel, the Court is not now willing to impugn the motives of any of Duke's counsel in this way. In fact, if the former defense counsel wanted to run up the tab, then they would have spent time conducting lengthy client interviews, custodian interviews, and researching the law and procedure related to ESI. Unfortunately, they didn't.

they conducted of Life after the hearing. Dkt. 386. In that filing, it was represented that Life remembered and was able to explain various discrepancies in the ESI production. Dkt. 386, at 6-7. The Court is simply dumbfounded that after the history of this case, all its ESI blunders, and five days of evidentiary hearings, Life suddenly remembers certain matters he had forgotten at the hearing.

e. Peter Stamatis: Stamatis is an experienced and successful litigator with a good reputation. Tr. 1359-60. He had previously worked with Leavens on a different trademark case. Tr. 1274-75. Stamatis filed his appearance in this case on June 8, 2015, just before the close of fact discovery. Tr. 1273-74. He was involved in some fact depositions and expert discovery. Tr. 1276, 1280.

Leavens believed that Stamatis became the principal attorney on the case in about 2017. Tr. 755. But Stamatis balks at being considered the "lead counsel" on this case. Tr. 1274, 1276, 1295. Although his appearance form does not indicate that he was lead counsel, it does indicate that he was planning on trying the case. Dkt. 129. Moreover, Stamatis repeatedly appeared before the Court for statuses and argued contested motions. In fact, between July 28, 2015, and January 29, 2019, Stamatis appeared before the Court around a dozen times. *See, e.g.,* Dkts. 150, 195, 243, 249, 256, 267, 293. During the same time frame, he also signed about a dozen filings with the Court on a range of contested matters. *See, e.g.*, Dkts. 155, 171, 187, 191, 196, 199, 202, 235, 257, 275, 280. Moreover, Stamatis was the point man on the sanctions motion response. Dkt. 315, at 5, 9; Tr. 1401. He was an integral part of the trial team. *Laukus*, 292 F.R.D. at 506. From the Court's

perspective, Stamatis was acting as a lead counsel. *Lead Counsel*, Black's Law Dictionary (9th ed. 2009); *Barcia v. Sitkin*, 683 F. Supp. 353, 356 (S.D.N.Y. 1988) (lead counsel develop trial strategy). Leavens had the same perspective. Tr. 726.

Regarding his other activities in the case, Stamatis never reviewed the boxes of discovery materials; instead, if he needed a document, he obtained it from Life. Tr. 1282. His only involvement with e-discovery concerned a discussion with Liberman about a possible e-discovery vendor. Tr. 1283, 1352. Otherwise, Stamatis was not involved in electronic discovery. Tr. 1282.

Stamatis' testimony at the hearing came across as embarrassed and frustrated, but still defiant and combative. Tr. 1278-79, 1287, 1292, 1297 ("We did not have a lead counsel ceremony where the baton . . . was handed over to me . . . ."), 1309 ("Okay. Whatever."). In this Court's view, his professional judgment appeared clouded by his perceived strength of Duke's case. Stamatis did not—and still does not—seem to have taken Plaintiff's ESI concerns seriously. Tr. 1293-95, 1299 ("There they go again."). Under adverse examination, he spared with Plaintiff's counsel, taking the position that Plaintiff only litigated the ESI issue because the merits of its case were weak. Tr. 1298-99. Stamatis took the same position when questioned by the Court. Tr. 1354-55. And he took the same position in his post-hearing brief. Dkt. 378, at 26.

Stamatis essentially asserted that because this is a trademark case, ESI was unimportant. Tr. 1354. There are several flaws with that position, including, but not limited to, the fact that customer confusion is the critical element in a

trademark case and the customer confusion documents—some of which were not timely produced, *see, e.g.,* Tr. 197-98, 260, 942-43, 1217-18— were ESI. *See Ziebart Int'l Corp. v. After Mkt. Assocs.*, 802 F.2d 220, 225 (7th Cir. 1986) ("The 'key question' in determining whether there has been infringement under the federal trademark law (the Lanham Act, specifically 15 U.S.C. § 114(1)) is whether there is likelihood of confusion by the consuming public."); *see also Uncommon, LLC v. Spigen, Inc.*, 926 F.3d 409, 419 (7th Cir. 2019); Dkt. 80, at 3-4 (Judge Kapala noting that the parties agreed that the marks were causing customer confusion). Further, in this trademark case, market penetration has also been hotly contested. Dkt. 232, at 22-23, Dkt. 233, at 14-18; *Zazu Designs v. L'Oreal S.A.*, 979 F.2d 499, 505 (7th Cir. 1992); *Natural Footwear, Ltd. v. Hart, Schaffner & Marx*, 760 F.2d 1383, 1394-99 (3d Cir. 1985); 15 U.S.C. § 1115(b)(5). And ESI relevant to market penetration was not timely produced. Pl.'s Ex. 32 (documents attached to email entitled "lawsuit—monthly sales including online"). Similarly, the extremely weak defamation counterclaim was based upon an alleged conversation that occurred at a trade show in Las Vegas that was captured on a digital video recording. Pl. Ex. 71 (containing IMG___0018.mov). The key digital recording, which is ESI,[19] contains no defamatory statements and was not produced before the discovery supplement

[19] *ML Healthcare Servs., LLC v. Publix Super Mkts, Inc.,* 881 F.3d 1293, 1307 (11th Cir. 2018); *Bistrian*, 448 F. Supp. 3d at 467; *Ball v. George Wash. Univ.*, No. 17-cv-0507, 2018 U.S. Dist. LEXIS 165983, at *2 (D.D.C., Sept. 27, 2018); *Sosa v. Carnival Corp.*, No. 18-20957-CIV, 2018 U.S. Dist. LEXIS 204933, at *35-42 (S.D. Fla., Dec. 4, 2018). Wisely, Defendants and the former defense counsel do not argue that this video was not ESI. The digitized video was attached as a .mov file to an email. It was ESI.

date or the close of fact discovery.[20] Critically, the Plaintiff's' position throughout this case is that Defendants placed the metatag in the website to increase SEO and Duke communicated with his SEO consultant via Yahoo! chat, which is classic ESI. And highly relevant ESI going to this key issue was not timely produced. Pl.'s Ex. 17; Dkt. 294-2. Indeed, some of this ESI was spoliated. Tr. 938. ESI was always and remains a critical part of this case, despite Stamatis' self-serving opinion to the contrary.

Moreover, Stamatis did himself no favors with his steadfast refusal to agree to established facts. *Laukus*, 292 F.R.D. at 499. For example, Stamatis refused to stipulate that all of Duke's GoDaddy emails (specifically those sent from the "account" address) were not, in fact, auto-forwarded to Duke's Yahoo! account, which is contrary to his previous representations to the Court that they were forwarded. Tr. 173, 1302, 1309,1391-92, 1396, 1534-36.[21] Stamatis stood his

[20] Defendants' current counsel take the position that because there was nothing defamatory on the recording, the recording is not relevant. But counsel appears to misapprehend the distinction between relevance under Federal Rule of Civil Procedure 26 and Federal Rule of Evidence 401. The definition of the former is much broader than the latter. *Laudicina v. City of Crystal Lake*, 328 F.R.D. 510, 519-20 (N.D. Ill. 2018). Further, this is an odd argument. Even under a Rule 401 standard, this evidence is relevant. Defendants' defamation claim is based upon alleged defamatory statements made at a trade show in Las Vegas. The key witness claimed the defamatory statements were on the video recordings. Dkt. 294-2, at 231 (the recording "[c]an prove that they were there to some degree. And the two claims he made as I mentioned"). But those two statements were not, in fact, captured on the recording. Indeed, the recordings of the statements made at the trade show are not defamatory. Tr. 973. The lack of the defamatory statements in the recordings is relevant, not irrelevant.

[21] Stamatis made this representation to the Court: "When we talked to Mr. Duke, Mr. Duke was clear: At the time, those emails were auto-forwarding. That's how he had it set up." Tr. 1309. Duke unequivocally testified that he never told counsel this. Tr. 1536. Shonder's testimony answers the critical question as to whether the emails were auto-forwarded; they weren't. Tr. 1392 (emails that should have been auto-forwarded were not showing up in

ground despite having heard repeated testimony clearly establishing only one of the GoDaddy email accounts auto-forwarded to the Yahoo! account.

However, the Court does not believe that Stamatis intentionally destroyed or hid ESI. The fact that he immediately knew of the monumental problem caused by the sudden realization of the trove of GoDaddy emails and saw the need to inform the Court goes a long way to supporting this finding. Instead, Stamatis' error was blindly relying upon all previous representations by Duke, as well as Leavens and Life, who blindly relied upon Duke's representations. And he did so even after learning that Duke's previous representations were incomplete, at best, or false, at worst. Other than directing the team of attorneys to address the problems, he did no independent inquiry or directed any specific inquiry to determine the reasons for the various and multiple ESI failures. Tr. 1290, 1310 ("Well, we looked at it. I don't know what the results of that were. I still don't know."), 1357 ("I took [Duke's representations] as face value, and we moved on from there."), 1390-91, 1399-1400.

f. Steven Shonder: Shonder is an experienced attorney who had worked on cases with Stamatis previously. Tr. 1406. He is not associated with Stamatis, however. Tr. 1406. For this case, he can fairly be categorized as a contract attorney. (The moniker "contract attorney" is not meant to be pejorative, nor should it be interpreted that way.) Shonder worked on projects as needed. Tr. 1366. Although Shonder worked on the case occasionally as early as July 2015, he entered his appearance on the record on August 13, 2018. Tr. 1364-66. There is no

---

Yahoo! production). But nobody's testimony unequivocally answers the critical question whether Duke told the former defense counsel this.

evidence that he was tasked with the identification, preservation, and collection of discovery materials, including ESI. Indeed, Shonder was not involved in discovery. Tr. 1365-66, 1408.

Shonder's testimony at the hearing was credible and sincere, albeit at times a bit combative. His answers were generally direct and factual. Like the other former defense counsel in this case, he relied upon representations from other counsel that all email accounts had been searched and responsive documents produced. Tr. 1398-99. When Shonder learned that responsive documents had not been produced, he repeatedly, emphatically, and unequivocally directed that they be produced. Tr. 1370-72. The lack of production concerned him. Tr. 1383-84. But like the other former defense counsel, he did not conduct any investigation or inquiry to confirm Duke's representations, even after the previous representations turned out to be false. Tr. 1389-99. And like other counsel, Shonder did not provide Duke with a written litigation hold. Tr. 221-22. But, given his role in the case, it would be unreasonable to expect that he would.

In 2019, when Shonder learned of the failure to collect and produce the GoDaddy emails, he was "crestfallen." Tr. 1402. He immediately knew the gravity of the revelation that Duke's GoDaddy emails had not been searched with the search terms and produced. Shonder just happened to be in the wrong place at the wrong time.

g. Chad Gough: Gough is the owner and founder of 4Discovery, an e-discovery vendor hired by Duke and the former defense counsel to image the

four hard drives that Duke represented contained all the electronic records. Tr. 1417, 1472. Gough is an expert in this field. Tr. 1472, 1473. Previously, he worked for six years at Allstate Insurance performing information security and investigation. Tr. 1416. For more than 15 years, he has worked with law firms on computer forensics and e-discovery. Tr. 1416. He teaches computer forensics and incident response at DePaul University, and has previously testified about a dozen times. Tr. 1416-17.

Gough was a credible witness. He was subpoenaed to testify and was not woodshedded by counsel for the former defense counsel, Duke, or Plaintiff.

The Court sensed Gough was frustrated because he seemed to know that had 4Discovery been contracted to perform its full services, none of this ESI fiasco would have occurred. Tr. 1433. Instead, as Gough credibly testified, 4Discovery was hired for a limited purpose—namely, to copy the four hard drives, run the agreed upon search terms against the imaged drives, and produce a report. Tr. 1426, 1432, 1494. 4Discovery was not asked or hired to perform a custodian interview. Tr. 1426. 4Discovery was operating in the dark; it was not provided with pleadings, discovery requests, ESI production protocols, or even told which email accounts were at issue. Tr.1432-33, 1481, 1495.

Gough clearly indicated that he knew that imaging the four hard drives would not capture ESI stored in the cloud. Tr. 1432-33; 1452. In fact, if he had been told that the email accounts included Yahoo! emails, he would have followed up by questioning counsel about "cloud-based accounts being stored on a local

computer." Tr. 1433. None of the former defense counsel asked whether a search of the four computers would capture the web-based emails from Yahoo! or GoDaddy. Tr. 1435-36. Unlike the former defense counsel, he knew that email client, such as Outlook emails, are stored on the hard drive. Tr. 1436. Gough also never would have represented that a search of the four computers would capture Duke's Yahoo! and GoDaddy emails, because those are web-based email systems. Tr. 1437, 1459. And we now know that this is where a trove of responsive ESI was stored but not timely produced.

Counsel for Leavens made several valiant attempts to shift the blame onto 4Discovery for the ESI snafus in this case. Tr. 1473-81. But none of those attempts were successful. For example, she tried to establish that 4Discovery offers expert services in identifying the location of ESI. *Id.* But as Gough and others testified and as the documentary evidence showed, 4Discovery was not hired for that purpose. Tr. 1426, 1432, 1494. Its work was limited. Tr. 1494. Indeed, Liberman testified that the instructions given to 4Discovery were straight-forward: "Here are the four hard drives. Please image them." Tr. 1121. But more fundamentally, counsel cannot just lay the blame on an ESI vendor. *HM Elecs., Inc. v. R.F. Techs., Inc.*, Case No. 12cv2884, 2015 U.S. Dist. LEXIS 104100, at *72 (S.D. Cal. Aug. 7, 2015). Similarly, she tried to establish that it would be reasonable for Leavens to believe that Duke stored all of his emails locally on the four hard drives, rather than in the cloud, as web-based emails usually are stored. Tr. 1473-81. There are two fundamental problems with that. First, Leavens never testified that he

assumed no web-based emails were stored in the cloud. Second, and fundamentally, he could never testify to that because he never knew that. As he stated in open court in 2018, he did not have the technological knowledge to make that representation.[22] Dkt. 256, at 13-14. So Leavens couldn't have relied upon something he simply did not know or even understand.

* * *

In finding facts involving spoliated, suppressed, or untimely produced ESI, courts sometimes list out the possible options as to how these events occurred. First, maybe the client intentionally destroyed, withheld, or hid the documents from its attorneys, and they were so effective that the attorneys did not know or suspect that the documents even existed. Second, the attorneys failed to discover the intentionally destroyed, withheld, or hidden documents or even suspect these actions took place because of their complete ineptitude and disorganization. Third, the client shared the documents with its attorneys (or at least some of the attorneys) and the knowledgeable attorneys worked with the client to destroy, withhold, or hide the documents. Fourth, the client did not tell the attorneys about the documents, but the attorneys suspected there was additional evidence or information and chose to ignore the evidence and warning signs and accepted the client's incredible assertions about the adequacy of the document search and investigation. *See Qualcomm Inc. v. Broadcom Corp.*, No. 05cv1958-B, 2008 U.S.

[22] This would have been an unusual assumption: It would be based on the belief that a subscriber would copy and store all web-based emails locally on a hard drive rather than or in addition to in the cloud. Tr. 1436. Frankly, Leavens does not possess the level of sophistication to even make this assumption.

Dist. LEXIS 911, at *31 (S.D. Cal. Jan. 7, 2008), *vacated in part*, 2008 U.S. Dist. LEXIS 16897 (S.D. Cal. Mar. 5, 2008). Other options exist. For example, there is Defendants' narrative that everything was just a communication breakdown, like a John Cleese farce, just not funny. Another option is a combination of all of these options. That option would recognize that life is rarely cabined neatly into distinct options. Regardless, each case must be determined on its own specific facts.

This Court does not believe that any of the former defense counsel intentionally destroyed, withheld, or hid ESI. The Court is not as confident about the innocence of Duke's actions and inactions. The Court finds that the facts here are closer to the fourth option: the former defense counsel suspected there was additional information but did next to nothing to investigate—let alone remedy—the problems. There is no doubt documents were spoliated and not timely produced. Those events occurred as a result of the actions and inactions of both Duke and the former defense counsel. There is much blame to be shared by both.

As to Defendants, which essentially means Duke, he repeatedly told the former defense counsel that all ESI was on the four computer hard drives and that they "had all the data" and "had everything," which was false—and he knew it was false. Tr. 1242. And he did absolutely nothing to educate them otherwise, even when it was abundantly apparent that the former defense counsel were under a distinct misunderstanding. Duke failed to reasonably search for and produce ESI even after at least one court order specifically requiring the production of ESI. And most importantly, even if the Court were charitable and gave Duke the benefit of *all*

inferences and doubts—not just reasonable ones—he still failed to inform the former defense counsel that the GoDaddy accounts had not been searched until a year later. By this time, Plaintiff had suffered substantial prejudice. Duke's testimony that is contrary to these findings is unreasonable. Although some of his testimony was credible and reasonable, on the key issues in this case, he was not a credible witness. Stamatis' "high concern" about Duke's credibility was eminently reasonable. Tr. 1191. The retreat from that concern at evidentiary hearing rang hollow. That finding is bolstered by the clear examples of not only mistaken prior sworn testimony, but patently obvious false testimony.

The former defense counsel shoulder much of the blame as well, particularly Leavens. His errors were fundamental. And because those fundamental errors occurred at the outset of the case, they permeated the entire case from then on. The former defense counsel conducted no custodian interview. They failed to understand the most basic elements of Defendants' ESI. And, other than relying on Duke, they then failed to attempt to understand the ESI issues even when it became obvious that they did not understand it. They issued no written litigation hold, let alone one that specifically instructed Duke to disable autodeletion functions. They left Duke to engage in self-collection of ESI without any instruction, monitoring, or documentation. They failed to timely disclose relevant ESI. They minimized their failures and the failures of the client. They neglected to address false sworn testimony of Duke and failed to inform the Court when they learned of the spoliation of ESI. Critically, the former defense counsel did

nothing—other than to rely on Duke's say-so, even after they rightfully questioned his credibility—to investigate any of the repeated ESI failures. Indeed, they simply repeated all the same failures even after they were on notice of the fundamental ESI mistakes. It is the failure to take reasonable steps—indeed, almost any steps—after the Yahoo! ESI disclosure problems that is the primary basis for the sanctions against Stamatis, who at that point was acting as a lead counsel. The actions and inactions were because of carelessness and the failure to make a reasonable inquiry on multiple occasions.

3. Findings of Fact: What Happened

a. Pre-Litigation: 2009—2012

i. Duke's E-Commerce Businesses and IT Systems

Duke is a graduate of Stanford University. Tr. 1262, 1278. While attending Stanford, he studied computer science and became proficient in computer programming languages. Tr. 601-02.

After graduation, Duke started several e-commerce businesses. Tr. 602-03, 1278. In doing so, he purchased domains and created websites. Tr. 603-05. Although Duke testified in his deposition that he only owned two websites, it was later established that, in fact, he owned "many, many, many websites." Tr. 384-85.

One of Duke's e-commerce companies is 21 Century Smoking, Inc., a defendant in this litigation. Dkt. 80, at 1. This business is engaged in the sale and distribution of electronic cigarettes. *Id.*

For 21 Century Smoking, Inc., Duke used at least two electronic communication accounts. Specifically, he had a GoDaddy email account. Pl.'s Ex. 66; Tr. 90. The two primary email addresses he used for the GoDaddy account were support@21centurysmoking.com and bduke@21centurysmoking.com. Tr. 90.

GoDaddy accounts are web-based. Tr. 129-30, 131, 1234-35,1459; Dkt. 315, at 6-7. Duke knew that GoDaddy emails were web-based, not accessed through an email client. Tr. 129-30, 131, 281-82. Unfortunately, Duke's attorneys (the former defense counsel) did not know GoDaddy was a web-based email system. Tr. 896-97, 1401; Dkt. 315, at 6-7. In fact, it seems that some of the former defense counsel did not even know there was a difference between an email client and web-based emails. Tr. 1151; Dkt. 256, at 13-14. Apparently, it was not until May of 2019 that they first learned that GoDaddy accounts are web-based. Tr. 281-82, 911, 1328-29, 1401, 1402; Dkt. 315, at 16. Duke never revealed this fact to the former defense counsel until then. Tr. 281-82, 911, 1328-29, 1401, 1402.

In addition to the GoDaddy account, Duke also had a Yahoo! account. Tr. 68, 89-90. The Yahoo! account possessed both email and instant message capabilities. Tr. 89. The Yahoo! email account Duke used was brentduke@yahoo.com. Tr. 90. Additionally, at all relevant times, Duke's Yahoo! account also had an instant messaging function, Yahoo! chat. Tr. 89.

Like GoDaddy, Yahoo! is a web-based system. Tr. 89. So, just like GoDaddy emails, generally, Yahoo! emails and chats are stored in the cloud, not locally. Tr. 89. Yahoo! email and Yahoo! chat are different communication programs. Tr. 1436,

1498; Dkt. 267, at 57-58. Again, Duke knew Yahoo! was a web-based system and that emails were not stored on his hard drive. Tr. 238-39, 838, 908. And again, as with the GoDaddy emails, the former defense counsel did not know that Yahoo! emails and chats were web-based and stored in the cloud. Tr. 238-39; 1396; Dkt. 256, at 13-14 ("[B]ut essentially it did not occur to us that the Yahoo account needed to be dealt with as a separate matter in the e-discovery that was done. I just don't have the technological background necessarily to make the technical distinction that escapes us here, which is that those emails would not be revealed in the search that was done of those four computers").[23] Once again, as with the GoDaddy emails, Duke never told them this fact. Tr. 238-39. The former defense counsel apparently did not learn of this fact until sometime in the spring of 2018. Tr. 246-47; Dkt. 253-1, at 4.

Duke claims that both the Yahoo! email and chat accounts were for personal use. Tr. 68. But it is undisputed that he used both for business purposes of 21 Century Smoking, Inc. Tr. 68, 90, 236, 238, 763, 783.

ii. "Personal" v. "Corporate" Email Accounts & Auto-forwarding

In an apparent attempt to excuse their failure to timely produce a trove of relevant and responsive Yahoo! emails or preserve relevant and responsive Yahoo! chats, the former defense counsel repeatedly referred to Duke's Yahoo! account as his "personal account" and the GoDaddy account as the "corporate account." Tr.

[23] At one point, one of the former defense counsel seemed to indicate that he believed that Yahoo! emails would co-exist on Duke's hard drives. Tr. 892-93. He never explained the basis for that inaccurate belief.

873, 891, 1286, 1289, 1297, 1357, 1399; Dkt. 378, at 7. Stamatis was the biggest proponent of this theory. Dkt. 378, at 7. But he personally knew that Duke communicated with Saraswat, whom he hired to perform SEO on the website for his business, through Yahoo! emails because he produced these emails to Plaintiff. Dkt. 294-2, at 2. Simply attaching these convenient, self-serving labels to these accounts does not make them so easily categorized. Calling the Yahoo! account a "personal account" does not make it so. As Abraham Lincoln famously noted, calling a tail a leg does not make a tail a leg. The evidence at the hearing overwhelmingly established that Duke used both the Yahoo! email and chat accounts for business purposes. Tr. 68, 90, 138, 157, 236, 273, 763, 783; Dkt. 294-2, at 3-61. Indeed, as discussed in more detail elsewhere, Duke enabled an auto-forwarding function, sending certain GoDaddy emails to the Yahoo! email account. Tr. 634-36. This fact establishes that the Yahoo! account served both a personal and business function. Further, Duke showed one of the former defense counsel that he used both the Yahoo! email and chat accounts for work. Tr. 236, 238, 763, 783. Additionally, most of the late-produced emails between Duke and Saraswat were from Duke's Yahoo! account. Dkt. 294-2, at 64-113. Duke even communicated with the former defense counsel about this very litigation through his Yahoo! email account. Tr. 184, 277. And Duke was not the only one who engaged in this practice at 21 Century Smoking, Inc.; some of his own employees did so, too, and used their own personal email accounts for work. Tr. 97-99, 102, 197. These accounts were not searched until immediately before the sanctions hearing. Dkt. 318.

The practice of employees forwarding business emails to non-business email accounts is well-known not only in the legal arena, but in society at large. For example, numerous cases have recognized this practice. *See, e.g.*, *Prairie Field Servs., LLC v. Welsh*, No. 20-cv-2160, 2020 U.S. Dist. LEXIS 201813, at *10 (D. Minn. Oct. 29, 2020) ("Drefke says that he would sometimes forward work emails to his personal account. . ."); *Miller v. Native Link Constr., LLC*, No. 2:15-cv-01605, 2019 U.S. Dist. LEXIS 49592, at *6 (W.D. Pa. Jan. 22, 2019); *Pipeline Prods. v. Madison Cos., LLC*, No. 15-4890, 2018 U.S. Dist. LEXIS 171694, at *5-6 (D. Kan. Oct. 4, 2018); *Priority Payment Sys., LLC v. SignalPay, Ltd.*, 161 F. Supp. 3d 1294, 1301 (N.D. Ga. 2016); *Ezenia! Inc. v. Nguyen (In re Ezenia! Inc)*, 536 B.R. 485, 520 (D.N.H. 2015) ("the evidence showed that Nguyen often forwarded emails to his personal Gmail account relating to Ezenial's business"); *Small v. Univ. Med. Ctr. of S. Nev.*, No. 2:13-cv-00298, 2014 U.S. Dist. Lexis 114406, at *43-44 (D. Nev. Aug. 18, 2014). Additionally, court protocols recommend that parties discuss the use of personal email accounts at Rule 26(f) conferences. *See, e.g.*, U.S. District Court for the District of Maryland, Principles for Discovery of Electronically Stored Information in Civil Cases, Principle 1.02, https://www.mdd.uscourts.gov/sites/mdd/files/ESI-Principles.pdf (last visited Nov. 17, 2020).

Because the law reflects societal activities, it is not surprising that the practice of forwarding business emails to personal accounts was a common occurrence. For example, during the lengthy life of this litigation, it was well-

known and the subject of continual public discussion that multiple Secretaries of State, including Condeleeza Rice, Colin Powell, and Hillary Clinton, used personal email accounts for work purposes. *Hillary Clinton Email Controversy*, Wikipeda.org https://en.wikipedia.org/wiki/Hillary_Clinton_email_controversy (last visited Nov. 16, 2020). The practice of forwarding work emails to personal email accounts is particularly common with small businesses. Yahoo! Small Business even explains how to engage this function. *Help,* Yahoo! small business, https://help.smallbusiness.yahoo.net/s/article/SLN22028 (last visited Nov. 16, 2020). Gmail does the same. Wolfram Donat, *How to Get My Work Email Delivered to My Gmail Account*, Chron, https://smallbusiness.chron.com/work-email-delivered-gmail-account-27774.html (last visited Nov. 16, 2020). Saying that the relevant, responsive, unproduced and spoliated ESI was located on Duke's "personal" Yahoo! account offers no quarter to the former defense counsel. Competent counsel have known this practice for years and would have investigated it at the outset of the case. This is ESI 101.

iii. Duke's Communication and Relationship with SEO Consultant Saraswat

With regard to Yahoo! chat, Duke specifically used that function to communicate with his search engine optimization consultant, Kirti Saraswat of Webrecsol. Tr. 68, 138, 157, 273, 512. Saraswat also input metatags into Defendants' website. Tr. 503. Saraswat was based overseas and used Yahoo! too, so Duke was able to use the chat function to instant message her and have a contemporaneous electronic conversation. Tr. 138-39. Despite her important

involvement in this case as Duke's search engine optimization contractor, none of the former defense counsel instructed her to preserve her communications with Duke. Tr. 1079-80.

Saraswat's work for Duke lasted for two years, at least. Tr. 502 (started beginning 2009); 1553 (allegedly terminated at end of 2010). But when her work for Defendants ended is open to serious question. Saraswat swore under penalty of perjury that she stopped working for Duke in February of 2010. Dkt. 267, at 2. But Duke initially testified that Saraswat stopped working for him two months later. Tr. 1521-23. In fact, Duke swore under penalty of perjury that "After April 2010, [he] had no further communications with Webrescol [sic] or Kirti Saraswat regarding 21 Century Smoking's web site and, in particular, no communications about metadata on the site." Dkt. 234-2, at 1. Nearly every aspect of that testimony is demonstrably false.

An untimely produced document established that Duke and Saraswat were, in fact, communicating with each other about 21 Century Smoking Inc.'s website as late as September 13, 2010. Pl.'s Ex. 17. Critically, this correspondence between Duke and Saraswat repeatedly referenced and discussed future, continued work by Saraswat for Duke on the website. Pl.'s Ex. 17 (Saraswat: "i will updated keyword lists"), (Duke: "i want to see results for e-cig or electronic cigarette or even buy electronic cigarette . . . stuff that will get new customers"), (Saraswat: "okay brent from now onwards i will target only specific keywords"), (Saraswat: "well we will use existing keywords n i will give more n more focus"). Indeed, the former defense

counsel admitted that previous representations about the work and communications were false. Dkt. 234-1, at 2.

At the evidentiary hearing, Duke finally and adamantly settled on some unspecified date in 2010 as the last date that Saraswat worked for him. Tr. 1552-53. He also claimed for the first time that Saraswat was working for free between February and September 2010. Tr. 1552-53.

Duke's sudden claim that Saraswat was working for free is based on a single document he seized on for the first time in rebuttal at the end of the evidentiary hearing. Defs.' Ex. 64; Tr. 1552-53. The document, which was relevant and responsive to a production request, was not timely produced even after the Court ordered it to be produced. *Compare* Tr. 924; Def's Ex. 64 (showing production date of March 17, 2018) *with* Dkt. 269, at 17-18; Dkt. 132 (court order requiring Saraswat communications to be produced by June 15, 2015).

The date Saraswat ceased working for Duke—whether for free or not—is critical in this case. As discussed in more detail elsewhere, Defendants' webpage contained a metatag that used Plaintiff's mark. Dkt. 26, at 2. Indeed, Defendants do not dispute that Plaintiff's mark was in Defendants' webpage. Dkt. 278, at 41. Plaintiff's main theory is that the metatag drove internet customers to Defendants' webpage. Dkt. 29, at 10-11. And because Duke and Saraswat continually tried to increase 21 Century Smoking Inc.'s search engine optimization, Plaintiff contends that Saraswat or Duke—or both—inserted Plaintiff's mark into the metatag on Defendants' website. Dkt. 29, at 10-11; Tr. 503. Both Duke and Saraswat deny

they did this. Tr. 1359; Dkt. 267, at 2. But Plaintiff entered the electronic cigarette market in 2010 and Plaintiff's mark existed in a metatag on Defendants' website as early as October 2011. Dkt. 26, at 2; Dkt. 29, at 4, 10-11; Dkt. 37, at 4-5; Dkt. 234-1, at 2. So, Plaintiff's argument would be buttressed if Saraswat was working (regardless of whether she was paid) for Duke at that time. Conversely, Defendants' argument would be buttressed if Saraswat were not working for Duke at that time. Duke and the former defense counsel have desperately offered at least three different dates for the end of the relationship, which—not surprisingly—precede the date that the metatag was placed in Defendants' webpage. But as withheld evidence has been finally produced by Duke, even after court ordered production dates, the end date of Saraswat's employment creeps closer to the date of the inclusion of the metatag and Plaintiff's entry into the electronic cigarette market.

iv. Duke Learns of Plaintiff's Trademark

On July 21, 2010, Duke first learned of Plaintiff's trademark registration. Dkt. 407, at 117 ("3. When did you first learn that Plaintiff had a trademark registration?"); *Id.* at 116 ("3. On 7.21.10 I got the email from my supplier with their packaging and it had a TM by their name. I wasn't 100% sure what that meant, but was fairly surprised to see it."). This information is confirmed by email communications between Duke and one of the former defense counsel in April 2013. *Id.*; Defs.' Ex. 76. Besides the date that Duke learned of Plaintiff's trademark, at least two other critical facts are established on this date: (1) Duke saw the "TM",

and (2) he obviously knew that "TM" meant "trademark" because the trademark symbol was his basis for answering the specific question as to when he first learned of the trademark registration. As will be shown later, in his deposition testimony in 2015, Duke misrepresented both of these facts.

b. 2012

i. Initiation of Litigation and Pleadings

On September 7, 2012, DR Distributors, LLC (Plaintiff) filed a complaint, alleging violations under the Lanham Act for counterfeiting and infringement, unfair competition and false designation and supplemental state-law claims for unfair competition and deceptive trade practices. Dkt. 1.

On September 10, 2012, the case was initially assigned to then Magistrate Judge P. Michael Mahoney and District Judge Frederick J. Kapala.

On October 3, 2012, Thomas Leavens filed his appearance for 21 Century Smoking, Inc and Duke. Dkt. 6. Later, Heather Liberman filed here appearance for Defendants. Dkt. 41. Liberman was an associate at Leavens' law firm.

On the same day the former defense counsel filed their appearances, Defendants answered, denying the operative allegations and raising six affirmative defenses. Dkt. 8. 21 Century Smoking, Inc. also filed a counterclaim against DR Distributors, alleging federal unfair competition, trademark and service mark infringement, and supplemental state-law claims for unfair competition and deceptive trade practices, as well as seeking cancellation of Plaintiff's trademark application and registration. *Id.*

On October 23, 2012, DR Distributors answered the counterclaims, denying the operative allegations and asserting eleven affirmative defenses, including unclean hands. Dkt. 13.

On October 24, 2012, Magistrate Judge Mahoney held a status hearing and ordered counsel to hold a Rule 26(f) conference and submit a proposed case management order (CMO). Dkt. 14. He also set an initial pretrial conference for November 14, 2012. *Id.*

On November 14, 2012, Magistrate Judge Mahoney approved the proposed CMO, required Rule 26(a)(1) disclosures to be served by November 26, 2012, and ordered that fact discovery be completed by October 1, 2013. Dkt. 16.

ii. Leavens' Meeting with Duke About Disclosures

At some time in late 2012, Leavens and Duke met at Duke's "warehouse" on North Ashland Avenue in Chicago, Illinois. Tr. 126-27, 211, 502, 236-37, 627, 759. The Court draws the reasonable inference that this meeting was to provide Rule 26(a)(1) initial disclosures that were due on November 26, 2012. Tr. 868-69; Dkt. 16. No notes were taken of this meeting and no documentation exists regarding this meeting. Tr. 127, 212, 215, 759, 995-96. Duke showed Leavens how he would access his online email accounts. Tr. 236-37, 605, 759. At this time, Duke knew that his GoDaddy and Yahoo! accounts, including Yahoo! chat, were web-based. Tr. 69-70, 89. But Duke never told Leavens this fact. Tr. 238-39. Duke also showed Leavens how the emails were saved online. Tr. 238. According to Leavens, although Duke was showing him these emails and accounts, Duke did not explain to

Leavens what he was doing. Tr. 628. More precisely, Duke never told Leavens that the entirety of all email accounts could only be accessed online. Tr. 628. In other words, Duke never told Leavens that to obtain all of the emails, they needed to be downloaded from the internet. Tr. 1029. And Duke did not explain to Leavens that the emails were online, not on the computers. Tr. 238-39, 628-29. During this meeting, Leavens verbally told Duke to save the information, including Yahoo! chats, and not to delete the data. Tr. 126, 783-85, 790-91. Duke was verbally reminded of this repeatedly. Tr. 590-91. As a result of this meeting, Leavens knew that Duke used Yahoo! (both email and chat) and GoDaddy for 21 Century Smoking, Inc.'s communications. Tr. 763, 926. But Leavens never searched the Yahoo! or GoDaddy accounts. Tr. 132. This meeting between Leavens and Duke was not a custodian interview. Tr. 243, 995-96, 1127-28. No written litigation hold was provided as a result of this meeting nor was Duke instructed to disable any autodeletion functions. Tr. 127, 209, 215, 221-22, 749, 936, 1208.

In November 2012, Leavens and Duke communicated about Defendants' Rule 26(a)(1) disclosures. Tr. 605-06; LS Ex. 7. Leavens provided drafts of the document to Duke, which Duke amended, and then Leavens incorporated those amendments. LS Ex. 7. Critically, the draft disclosure, which Duke reviewed, stated the following about electronic records: "Electronic records are located at 1535 North Ashland Avenue, Chicago, Illinois and reside on three or four computers located there." Tr. 629, 1029; LS Ex. 7. Duke knew that "electronic records" included emails but claimed he did not think of emails in that context then. Tr. 1540, 1544-45. Duke

reviewed, approved, and did not suggest changing this language in the initial disclosures. Tr. 606-07. Duke told Leavens that all of the electronic data ("everything") under his control was on the four computers in his possession. Tr. 605, 629, 896. Therefore, based upon this representation by Duke, Leavens claimed he was under the impression that everything related to 21 Century Smoking, Inc. was on the hard drives of these computers. Tr. 1021. The Rule 26(a)(1) initial disclosures Defendants served on Plaintiff specifically stated "Electronic records are located at 1535 North Ashland Avenue, Chicago, Illinois and reside on three or four computers located there." Dkt. 294-2, at 621; Pl.'s Ex. 50 at 5. This representation was repeated in subsequent disclosures. LS Ex. 4 at 5 (dated August 27, 2103). Leavens signed these disclosures under Rule 26(g). Dkt. 294-2, at 622; Tr. 782; LS Ex. 4 at 5.

Duke claimed that at some time in 2012 or 2013, he offered the former defense counsel his log-in and password information so that they could search the accounts online. Tr. 129-30. There is no documentation to support this claim. Tr. 224. Leavens denied that Duke made this offer at this time. Tr. 760-61. Liberman likewise denied Duke offered his log-in or password information. Tr. 1141-42. And Life, who was not with the law firm during this time, testified that he did not have this information until 2018. Tr. 1237. But it is undisputed that Duke did offer this information to the former defense counsel in the spring of 2018. Tr. 224, 519, 762. Stamatis finally took Duke up on that offer on May 7, 2018. Tr. 522.

c. 2013

i. Online Sales ESI

On February 10, 2013, Laurie Duke, Brent Duke's wife, created an email entitled "lawsuit – monthly sales including online". Dkt. 294-2, at 276-300; Pl.'s Ex. 32. She sent the email to Duke. Tr. 372. The email attached documents showing 21 Century Smoking's sales by location as well as online sales. Dkt. 294-2, at 276-77. (This is referred to as the "withheld online sales document.")

The withheld online sales document contained the agreed search terms and should have been produced during discovery. Tr. 382. It was not. It was not produced until June 1, 2018, long after the close of both fact and expert discovery. Tr. 374, 378, 380; Dkt. 116. Furthermore, Duke never provided the withheld online sales document to the former defense counsel. Tr. 378, 447. So, the withheld online sales document was never provided to Defendants' market penetration expert. Tr. 378, 380, 450. It was Duke's decision not to provide this document. Tr. 380-81.

But Duke did provide another document containing sales information to both the former defense counsel and expert. Tr. 370, 379, 965; Dkt. 294-2, at 251-274.; Pl.'s Ex. 31. (This is referred to as the "produced online sales document.") The market penetration expert's opinion was material to the litigation, and his opinion was used in support of the summary judgment motion. Tr. 966-67. The produced online sales document was provided to Plaintiff's counsel. Tr. 370. The produced online sales document is identical to the withheld online sales document, except that it does not capture online sales figures in the document created by Laurie Duke. The withheld online sales document specifically identifies 21 Century

Smoking's online sales from August 2009 through January 2013. Dkt. 294-2, at 277. According to Plaintiff, these online sales figures are substantially lower than the online sales figures upon which Defendants' market penetration expert relied. Plaintiff also argued that this information shows that online sales decreased over time. Dkt. 267, at 33-36.

At the evidentiary hearing, Duke testified that the withheld online sales document figures were incomplete and were partial calculations, even though all the other figures in the document were accurate. Tr. 374, 376, 448. According to Duke, his wife created the withheld online sales document and then he supplemented the numbers with other online sales information to create an accurate total. Tr. 444. It was represented that the purportedly correct online sales figures were the same figures reported to the Internal Revenue Service for tax purposes. Tr. 1325.

But at the evidentiary hearing, the tax returns were not introduced or even listed as exhibits. And Laurie Duke did not testify. Stamatis testified that he asked Duke about the discrepancy between the two documents and Duke provided the same answers. Tr. 1325-26. But Stamatis never confirmed the explanation with Laurie Duke and there is no evidence he compared the online sales figures to the information reported to the IRS. Tr. 1326. Stamatis took Duke's word and moved on. Tr. 1357. There is no indication on the document that the sales figures were partial or incomplete. Tr. 378. According to Duke, the document's incompleteness would be implicit. Tr. 378-79.

The Court asked Duke whether there was a way to compile all the online sales through a single process or program and in a single document. Tr. 448. Duke answered that a software program could compile all the online sales. Tr. 448. It is not surprising that any decent online sales program could perform this function. If that program could perform that function, then it begs the question why it wasn't used to compile the online sales data instead of Laurie Duke compiling "partial" and "incomplete" data and then Brent Duke supplementing the data to generate a document to provide to the former defense counsel and the market penetration expert.

At the end, however, it does not really matter if the online sales data in the withheld online sales document was partial or incomplete. The issue is that it was relevant and responsive—the ESI contained the agreed search terms—and should have been produced years earlier. It was not. Had it been produced, Plaintiff could have investigated these issues in discovery and examined Duke and his market penetration expert about the online sales figures created by Laurie Duke.

ii. Preliminary Injunction

On March 7, 2013, Plaintiff filed a motion for preliminary injunction and requested that the hearing be expedited. Dkts. 20, 21, 22. Among other things, the preliminary injunction sought to enjoin Defendants from using Plaintiff's trademark in connection with the sale of e-cigarettes, including in metatags, and attending an industry trade show in Las Vegas, Nevada from March 17, 2013, through March 20,

2013.[24] Dkt. 22. Plaintiff apparently also had just learned that from October 2011 to August 2012 Defendants misused Plaintiff's trademark as a keyword in the metadata of Defendants' website. Dkt. 26 at 2. (There is no dispute that the metatag containing Plaintiff's mark was in Defendants' website; Defendants admit as much. Dkt. 278 at 49; Dkt. 347 at 16. The critical issues in this case are how it got there and what are the consequences of this fact.)[25]

On March 14, 2013, Judge Kapala granted Plaintiff's motion for preliminary injunction, in part, and denied the motion, in part. Dkt. 26. Judge Kapala ordered that neither party would use the other's trademark or make any statement that implied the products were affiliated with each other. *Id.* at 2. Further, based on Defendants' representation that they would not be attending the Las Vegas tradeshow, Judge Kapala granted that relief. *Id.*

As far as the Court knows, Defendants did not attend the March 2013 Las Vegas trade show. But as will be discussed later, there was another trade show in Las Vegas in September of 2013. The Court assumes the September trade show was not the August trade show referenced in a different filing.

On April 8, 2013, one of the former defense counsel sent an email to Duke asking a series of questions. One of the questions was "3. When did you first learn that Plaintiff had a trademark registration?" Dkt. 407, at 117. The next day, Duke responded and stated "3. On 7.21.10 I got the email from my supplier with their

[24] In a later filing, Plaintiff asserts that the trade show was in August 2013. Dkt. 232, at 13.
[25] Again, in a later filing, it appears that Plaintiff may be asserting that the metatag existed at the time of the preliminary injunction hearing, which was seven months after the August 2012 date. Dkt. 232, at 13.

packaging and it had a TM by their name. I wasn't 100% sure what that meant, but was fairly surprised to see it." *Id.* at 116. As shown later, Duke falsely testified about these issues in his deposition, and counsel failed to correct the false testimony at any time.

iii. Amended Pleadings Because of Preliminary Injunction Hearing

On May 1, 2013, Plaintiff filed a motion for leave to file a first amended complaint. Dkt. 29. The same day, Defendants filed a motion for leave to file an amended counterclaim. Dkt. 32. Magistrate Judge Mahoney granted both motions. Dkt. 33.

The Plaintiff's first amended complaint contained the same legal claims, but added factual allegations relating to customer confusion and the insertion of the metadata in the keyword section of Defendants' website. Dkt. 29. Defendants' amended counterclaim alleged the same claims; it also contained a jury demand. Dkt. 32.

Both sides filed answers to these amended pleadings. Dkts. 35, 36, 37, 42, 43, 44.

On July 29, 2013, Magistrate Judge Mahoney extended fact discovery to June 2, 2014. Dkt. 45.

iv. Las Vegas Tradeshow

On September 10, 2013, Duke exchanged emails with Bill Edmiston about the upcoming trade show in Las Vegas. Pl.'s Ex. 22; Dkt. 294-2, at 221. Edmiston has some amorphous relationship with Duke. Edmiston testified that he had an

ownership interest in 21 Century Smoking. Tr. 646. Defendants deny that. At the very least, Edmiston was a volunteer agent for Defendants. *Restatement (Second) of Agency*, § 225. So, Edmiston's documents are in the possession, custody, or control of Defendants. *See McBryar v. Int'l Union of Auto. Aerospace & Agric. Implement Workers*, 160 F.R.D. 691, 695 (S.D. Ind. 1993) (documents held by agent are within party's possession, custody, or control). Defendants do not dispute this.

Regardless of Edmiston's status, Duke told Edmiston that "21st Century Smoke is going to have a booth there. Maybe you can record them saying something libelous about me, lol." Edmiston responded by stating "That sounds fine to me. I will go to there [sic] booth and play dumb about the two names. Will record. And take pics. :)". Duke did not respond to Edmiston's email telling him that he was joking or not to record the interaction. There were no attachments to the email from Edmiston to Duke.

As discussed in more detail later, despite being responsive to discovery requests, this email exchange was not produced until years after it was requested and after the Court ordered fact discovery deadline passed. Dkt. 116; Dkt. 267, at 19-24. And as discussed later, this untimely email exchange flatly contradicted the deposition testimony of both Duke and Edmiston. *Compare* Dkt. 294-2, at 221, *with* Dkt. 294-2, at 199, 215. A former defense counsel later acknowledged that the email exchange was at least good impeaching material. Dkt. 267, at 50. Additionally, the email exchange would have supported Plaintiff's defense of invited defamation.

The Las Vegas tradeshow occurred at the end of September 2013. Edmiston attended and Plaintiff had a booth at the trade show.

After the trade show, on October 2, 2013, another email exchange occurred between Edmiston and Duke. Pl.'s Ex. 23, 28; Dkt. 294-2, at 224, 236-37. This email exchange was also not timely produced. Like the other email exchange, it was produced years after the close of all discovery and after motion practice on the defamation counterclaim. In this email exchange, Edmiston sent an email to Duke with no subject but with an attachment, a video labeled IMG_0117.mov. Edmiston wrote, "Brent here is one of the two recordings. Not great with all the noise. Tell you more tomorrow. Kai and I could Both [sic] testify he slammed you. Stated you are just a web site. Buy product all over the place. Stated You [sic] took their brand name. Tell you more tomorrow." Pl.'s Ex. 28; Dkt. 294-2, at 236-37.

This recording ("the first recording") was played at the evidentiary hearing. The first recording does not contain any of the statements Edmiston describes. Tr. 347. Further, the first recording contains no defamatory statements. Tr. 973.

Two minutes after Edmiston sent Duke the email with the first recording, Edmiston sent Duke a second email. Pl.'s Ex. 23; Dkt. 294-2, at 224; Tr. 336. This email's subject was "Part two". This email had an attachment: IMG_0118.mov. (This is the "second recording.") An ".mov" file is a multimedia container file that can contain videos. There's no question Duke received this email with the video attachment. Tr. 184. Obviously, this is the next video in the sequence. No business card was attached. The text of the email stated, "Video too long to send but I have

it." But again, the attachment indicates a video file was attached. Plaintiff requested this ESI in discovery. Pl.'s Ex. 83 at ¶¶ 23, 24. But Defendants failed to produce the document in response to the request, and only produced it years after the close of fact discovery.

The second recording was played at the evidentiary hearing. The Court finds that it contains no defamatory statements. Additionally, the second recording contained no statements about Defendants being "just a website", that 21 Century Smoking "Buys [sic] product all over the place," or Defendants taking Plaintiff's "brand name." There was also no discussion of a lobbyist or a person testing the product on the factory floor. The second recording mentioned the "FDA" but only in the context that the FDA allegedly won't let e-cigarette companies make certain claims about the product.

Duke acknowledged that it was his decision not to provide this email with the second recording to the former defense counsel. Tr. 185, 190-91, 203, 334, 339. Duke claimed that he did not believe there was an attachment to the email. Tr. 185-86. When confronted with the fact that the email specifically showed a file was attached, he testified that all of Edmiston's emails had a business card attached so he just disregarded it. Tr. 186. But there's an evidentiary problem with this assertion. The email exchanges between Duke and Edmiston do not always have Edmiston's business card attached. Indeed, neither the September 10, 2013, nor the October 2, 2013, exchanges have Edmiston's business card attached. Tr. 340; Pl.'s Ex. 22, 23, 28. (A later exchange does contain a business card. Pl.'s Ex. 25;

Dkt. 294-2, at 229.) Duke's assertion is suspicious. Despite the text, the second email with the second recording arrived two minutes after the first and Edmiston said there were two videos. The email clearly indicates that a .mov file was attached. A reasonable inference is that this was the second video that was supposed to support the defamation claim, but it did not; so, Duke simply decided not to provide it. This is an issue best left for a jury to decide.

v. Defendants Move for Partial Summary Judgment

On October 11, 2013, Defendants moved for partial summary judgment on their amended counterclaim as to the claims seeking to cancel Plaintiff's registration of its trademarks. Dkt. 49.

On November 20, 2013, Plaintiff filed its opposition to the Defendants' motion for partial summary judgment. Dkt. 61. In its opposition brief, Plaintiff argued that the doctrine of unclean hands prevented summary judgment in Defendants' favor to cancel the registration of the marks. *Id.* Plaintiff had already pleaded unclean hands as an affirmative defense to the counterclaims.

Defendants replied on December 12, 2013. Dkt. 71.

d. 2014

i. The Undersigned's Entry into the Case

During the pendency of the partial summary judgment motion, due to the retirement of Magistrate Judge Mahoney, on April 30, 2014, the case was reassigned to the undersigned as the then magistrate judge on the case. Dkt. 76. Judge Kapala remained the district judge on the case.

On May 15, 2014, the undersigned held a status hearing with the parties. Dkt. 78. Thomas Leavens appeared as counsel for Defendants. Dkt. 367. The Court addressed a variety of issues at the status hearing. *Id.* at 5-9. In particular, the Court discussed ESI issues. *Id.* The Court was concerned with the status of ESI discovery and voiced its warning that it did not want "an e-discovery snag . . . [that] throws the entire schedule out the window." *Id.* at 9. The Court then directed that the parties "to reconvene a 26(f) conference to discuss e-discovery issues in detail with the e-discovery custodians for each side and the document issues raised during the status hearing." Dkt. 78.

ii. Liberman Meets with Duke About ESI

On May 29, 2014, Liberman had a conference with Duke. Tr. 1127; LS Ex. 14. Although she was the associate working at the direction of the Leavens, he was not present at this conference. Tr. 765, 1126, 1144, 1159. Before this conference, Leavens—the lead counsel and named partner—gave Liberman—the third-year associate—very little, if any, direction. Tr. 765, 767, 769, 773. Indeed, Leavens provided Liberman with no instructions about ESI for this conference. Tr. 992-93. During that conference, Liberman confirmed with Duke that he was not to remove data, identified other custodians, and noted that Duke used a Yahoo! and GoDaddy email account, with the GoDaddy emails being the bduke@21centurysmoking.com and support@21centurysmoking.com addresses. Tr. 1129-30; LS Ex. 14. These were the only accounts Duke identified. Tr. 600-01. It turns out that communications on behalf of 21 Century Smoking, Inc. occurred on other email

accounts, including employees' private email accounts. Tr. 97-99. Liberman did not give Duke any written guidance regarding the preservation of ESI. Tr. 1106. And she did not instruct Duke to disable any autodeletion settings. Tr. 1106. Sometime later in 2014, Liberman confirmed with Duke that he used four computers. LS Ex. 15. Nobody contends that these conferences constituted a custodian interview; in fact, they were not. Tr. 243, 1127-28. There is no evidence that the other custodians' accounts were searched for relevant ESI or that ESI was produced from these other custodians (other than perhaps Duke's wife who would occasionally use the support@21centurysmoking.com account). In fact, evidence at the hearing established that these accounts were not searched until 2019. Tr. 81, 97-101, 1132; Dkt. 318. Liberman believed that all relevant ESI was contained on the four hard drives Duke identified. Tr. 1107, 1121-22. This belief was based on communications from both Leavens and Duke. Tr. 1124-25. Indeed, Duke directly reiterated his previous representations to Leavens with Liberman when Duke specifically informed her that all the electronic information was on the four hard drives. Tr. 1160-61. But she did not confirm all relevant emails were on the four hard drives, which was what she believed Leavens had already established with Duke. Tr. 1126, 1133.

iii. Judge Kapala's Partial Summary Judgement Ruling

A month later, on June 16, 2014, Judge Kapala granted Defendants' motion for partial summary judgment, in part, and denied it, in part. Dkt. 81. In the order, Judge Kapala framed the issues before him on the summary judgment

filings: "(1) whether the uncontested facts show that 21 Century Smoking [Defendant] was the senior user of its mark, thus subjecting DR Distributors' [Plaintiff's] mark to cancellation; and (2) whether any such cancellation would be blocked by the doctrine of unclean hands." Dkt. 80, at 3. Initially, Judge Kapala held that it was "undisputed that [Defendant] used its. . . mark in commerce as a trademark prior to [Plaintiff's] use of its confusingly similar mark." *Id.* at 4. Judge Kapala then found that Defendant was the senior user of the mark and that Plaintiff's mark was subject to cancellation. *Id.* at 5. Judge Kapala also found two alternative bases that subjected Plaintiff's mark to cancellation. *Id.* at 5-6. Judge Kapala ultimately granted summary judgment to Defendants on the issue that it was the senior user of the mark. *Id.* at 6. Judge Kapala then addressed the defense of unclean hands, finding as a matter of law that the unclean hands doctrine applies to cancelation proceedings so long as the inequitable conduct related directly to the trademark that the party seeks to cancel and the party's conduct was in bad faith. *Id.* at 7. Addressing the undisputed facts relating to the unclean hands defense, Judge Kapala focused on the inclusion of the metatags in Defendants' website for nine months, which would allow a reasonable fact finder to conclude that Defendants engaged in inequitable conduct by drawing customers to its website by appropriating a mark it knew to be registered to a more popular competitor. *Id.* at 7. Judge Kapala also noted other facts that supported Plaintiff's unclean hands defense, finding that "a jury could reasonably conclude that [Defendant] was content to profit from the success of [Plaintiff's] junior use until [it] found itself sued

for infringement, and only then moved to cancel the junior mark in an effort to fend off liability." *Id.* at 8. In conclusion, Judge Kapala found that it would "not grant summary judgment as to the entirety of Counts V and VI of the counterclaim, as a reasonable factfinder could determine that cancellation is inappropriate, notwithstanding [Defendants'] senior use, on account of unclean hands." *Id.* There is no doubt that Defendants knew the import of the unclean hands defense for Plaintiff in this case; in fact, they said they knew it was Plaintiff's main argument. Dkt. 269, at 13-14.

iv. First Failed Settlement Conference

About two weeks later, on July 1, 2014, the parties participated in a status hearing, during which they requested that the undersigned hold a settlement conference as the magistrate judge. Dkt. 83. Unfortunately and obviously, the case did not settle. *Id.* So, the Court ordered the parties to submit a revised CMO. *Id.*

The parties submitted a revised CMO, in which they indicated that Rule 26(a)(1) disclosures had already been completed. The Court adopted the proposed CMO and ordered fact discovery completed by April 1, 2015. Dkt. 86.

v. Defendants Added Defamation Counterclaim

On September 24, 2014, Defendants filed a motion to amend the counterclaims to add a defamation claim. Dkts. 88, 89. The Court takes judicial notice that the motion to file the counterclaim was filed on the eve of the expiration of the statute of limitations. 735 Ill Comp. Stat. 5/13-201. The proposed defamation counterclaim related to events occurring at a September 2013 trade show in Las

Vegas, Nevada. Dkt. 99, at 7-9. This appears to be a different trade show than was the subject of the motion for preliminary injunction. The proposed defamation counterclaim was based on the following allegations. On September 25, 2013, Bill Edmiston attended a trade show in Las Vegas. Dkt. 294-2, at 215. According to the counterclaim, Bill Edmiston "was familiar with the electronic cigarette products bearing the [Defendants'] mark, and wanted to learn about the [Plaintiff's] electronic cigarette products." Dkt. 99, at 7. At the trade show, Plaintiff exhibited its products, which bore Plaintiff's mark. *Id.* Edmiston approached two of Plaintiff's representatives and engaged in a conversation, specifically asking them if the products were the same, but was informed that the products were different. *Id.* According to the amended counterclaim, a representative told Edmiston that Plaintiff began using its mark "in an effort to trade off of the goodwill associated with" Defendants' mark. *Id.* The representative allegedly further elaborated that Defendant purchased its products from a third party and merely relabeled the products and that the products were inferior. *Id.* According to the pleading, these allegations were false and made with the intent to disparage and defame Defendants and their products. Dkt. 99, at 8-9. Over Plaintiff's objection, the Court allowed Defendants' second amended counterclaim to be filed. Dkt. 98. The counterclaim was filed, and Plaintiff answered it and filed 17 affirmative defenses. Dkts. 99, 102, 103, 104.

After the defamation counterclaim was filed, Duke and the former defense counsel attempted to obtain the second recording, which was the IMG_0118.mov

file. Despite having already filed the counterclaim, which could only be filed after a reasonable factual inquiry under Rule 11, one of the former defense counsel contacted Duke and asked Duke to obtain the second recording. And remember that the first recording contained none of the statements that were alleged to have been made. Indeed, there was nothing defamatory in the first recording. Tr. 973. The email from the former defense counsel to Duke, dated September 30, 2014—which is after the statute of limitations expired—is a classic example of self-collection.[26] Pl.'s Ex. 25; Dkt. 294-2, at 229. Duke then emailed Edmiston and asked about the second recording. *Id.* Edmiston replied to Duke by stating that the "recordings did not work – could not hear any part of the important stuff – I am not a good 'spy.' :(." Pl.'s Ex. 25; Dkt. 294-2, at 229.

Like the other emails, despite being requested, this ESI was not timely produced. Tr. 353. Duke failed to produce this document to the former defense counsel. Tr. 648. Additionally, Edmiston's description of what was captured in the recording is very different than his description a year earlier.

In response to the former defense counsel's request for the second recording, on September 30, 2014, Duke unequivocally told them there was only one recording. Tr. 648.

A few days later, on October 4, 2014, Edmiston emailed Duke. Pl.'s Ex. 26; Dkt. 294-2, at 231. The subject of the email was "Here is the recording." Duke

[26] Custodian self-collection occurs when counsel direct their clients to identify, preserve, collect, and produce documents and electronic information in response to discovery requests. Jack Halprin, *Custodian Self-Collection – The Challenges & Consequences*, PEER TO PEER (May 2008).

responded by stating that he thought the former defense counsel already had this particular recording, i.e., the first recording. Duke then lamented that the recording did not support the claim. Dkt. 294-2, at 231 ("sucks that it cut off right there, lol."). Edmiston then wrote that the first recording could prove that Plaintiff was at the trade show and could prove Edmiston's two claims, presumably meaning the defamatory statements. This is factually and legally false. The recordings contained none of the content Edmiston previously claimed, and there were no defamatory statements in the recording. Tr. 973.

Like the other emails, this was not timely produced despite being requested. Duke failed to provide this document to the former defense counsel. Tr. 648. This email also did not attach Edmiston's business card.

Fast on the heels of that email, Edmiston sent Duke another email. Pl.'s Ex. 24; Dkt. 294-2, at 227. This email had the same subject matter because it was a continuation of the chain. But it contained no attachments. This email was also not timely produced despite being requested.

In this email, Edmiston told Duke that he found a longer recording that he could not forward, but that he possessed it: "So there is a second one." Pl.'s Ex. 24; Dkt. 294-2, at 227. Edmiston stated that this recording is "mostly just general talking," but he did represent that in this recording Plaintiff stated, "they have gone to the FDA and they have a lobbyist". Edmiston then stated, "Also states this guy is the One [sic] that goes to the factory and tests the vaporing for the units. Long recording and we did not get much good info in this one that much clearer we are

bad spies :) :) But this proves they were there and maybe his voice can be identified." Pl.'s Ex. 24; Dkt. 294-2, at 227.

Whatever the recording was that Edmiston referenced in the October 4, 2014, follow-up email, it has not been produced. Moreover, none of what Edmiston described being contained in that recording is contained in either the first recording (IMG_0117.mov) or second recording (IMG_0118.mov). The reasonable inference to be drawn is that there is a "third recording" that has never been produced.

At the evidentiary hearing, Duke initially testified that around October 4, 2014, he told the former defense counsel that there was a second recording. Tr. 653. Purportedly, Duke verbally told one of the former defense counsel, whom he could not remember, there was a second recording despite this whole conversation occurring via email. Tr. 650-51. Duke later retreated from that testimony, finally admitting that he told them there was only one recording. Tr. 654. As established above, it is beyond dispute that there was a second recording and likely a third recording. Neither was produced to Plaintiff despite being requested. All of these emails and recordings also should have been disclosed in Defendants' initial disclosures under Rule 26(a)(1) without even the need for a document request.

Duke adamantly testified that he told the former defense counsel that there was only one recording because he believed there was only one recording. Tr. 452, 653-54. Duke's testimony that he believed there was only one recording is not credible. For a moment, the Court sets aside the fact that at the evidentiary hearing Duke couldn't even keep his story straight. Tr. 653-54. Instead, the Court

will review the undisputed facts. And these established facts simply cannot be reconciled with this Duke's unbelievable assertion.

In 2013, Duke received an email with the first recording attached. Pl.'s Ex. 28; Dkt. 294-2, at 236-37. This email stated, "Brent here is one of two recordings." *Id.* Moments later, he received another email with a subject line "Part two" that stated, "Video is too long to send but I have it." Tr. 336; Pl.'s Ex. 23; Dkt. 294-2, at 224. At that very moment, Duke knew there was another recording. Whether that recording was attached to the email is immaterial to the fact that there existed another recording. The email clearly refers to another recording. Tr. 648.

If that's not enough evidence to refute Duke's testimony that he believed that there was only one recording, consider the follow-up emails. In 2014, Duke requested the second recording from Edmiston. Pl.'s Ex. 25; Dkt. 294-2, at 229. Edmiston responded by sending Duke a recording. Pl.'s Ex. 26; Dkt. 294-2, at 231. But Duke stated that the former defense counsel already had that recording. *Id.* The point here is that Duke knew the content of the recording he forwarded to the former defense counsel (the first recording); otherwise, he could not have known these were the same recordings. Edmiston then immediately responded by stating that there is a longer recording and stated, "So there is a second one." Pl.'s Ex. 24; Dkt. 294-2, at 227. Again, at this point, Duke knew there was another recording. To remove any doubt that he knew there was more than one recording, Edmiston described the content of this other recording, which was different than the content

of the first recording. And because Duke knew the content of the first recording, he had to know that the recording that Edmiston described was a different recording.

Duke's testimony in 2019 that he believed there was only one recording was false.

vi. Defendants Contract with ESI Vendor

In about November and December of 2014, the former defense counsel began the process to identify and hire an ESI vendor. LS Ex. 13. Leavens and Liberman were involved in the process. Tr. 805, 1118-19. Liberman had never worked with an ESI vendor before. Tr. 1154. Stamatis' only involvement was to suggest a possible vendor that was ultimately not retained. Tr. 1156. None of the other former defense counsel were involved in the process.

On December 1, 2014, in response to an email about the price a possible ESI vendor would charge for the work, Duke represented the following to the former defense counsel: "Here are total gb [gigabytes] on the 4 computers that would have anything related to 21 Century Smoking." Tr. 609; LS Ex. 13. Duke did not inform the former defense counsel that a search of the four computers would not result in a complete production because the computers did not contain online emails. Tr. 630. There is no evidence that at any time during the ESI vendor hiring process Duke informed any of the former defense counsel that online emails (i.e., emails not on the four computers) needed to be searched. Tr. 630, 1029, 1126, 1160, 1164. There is also no evidence that any of the former defense counsel specifically asked Duke if all of his emails were located on the four hard drives to be searched by the ESI

vendor. Tr. 1125. Neither Leavens nor Liberman believed that the ESI vendor would be obtaining Duke's emails from the internet when it copied Duke's hard drives. Tr. 812, 813, 1152. So, both Liberman and Leavens assumed that all of Duke's ESI, including emails, were on the four computers. Tr. 818-19, 820, 895, 896, 898, 1021, 1124-25, 1133.

On December 9, 2014, the former defense counsel contracted with 4Discovery to image Duke's four computer hard drives. Tr. 611, 1417, 1421, 1426-27; Defs.' Ex. 67. Leavens informed Duke that 4Discovery would conduct the search and Duke approved of hiring 4Discovery. Tr. 805, 1057. 4Discovery was not contracted to perform a custodian interview—despite its ability to perform this service—and never performed a custodian interview in this case. Tr. 243, 1426-27, 1496. A custodian interview was not conducted until August 13, 2019. Tr. 100-01; Dkt. 318. The scope of 4Discovery's work was limited to creating a mirror image of the four hard drives and running the search terms against the images. Tr. 1118, 1119, 1432-33. The mission Liberman gave 4Discovery was this: "Here are the four hard drives. Please image them." Tr. 1121. 4Discovery was not asked or contracted at that time to search Duke's GoDaddy or Yahoo! email accounts, which were web-based and stored in the cloud. Tr. 1121-22, 1436-37, 1459. Indeed, the former defense counsel did not anticipate 4Discovery would collect online emails. Tr. 1092. Moreover, 4Discovery was neither told of these email accounts at that time nor provided with log-in or password information for these accounts. Tr. 813. Duke did

not tell 4Discovery about his web-based email accounts, and it never asked him about those accounts. Tr. 245.

vii. ESI Vendor Copies Computers Hard Drives But Not Web-based Emails

4Discovery sent Duke a hard drive to attach to his computers and software to image the four hard drives. Tr. 1428; Dkt. 288, at 4. 4Discovery was to then run the search terms against these hard drive images. Tr. 1430-31.

Duke claimed that he did not know that this process would not capture his online emails. Tr. 545. That claim is simply unreasonable and not credible. *See Bankdirect Capital Fin., LLC v. Capital Premium Fin., Inc.*, No. 15 C 10340, 2018 U.S. Dist. LEXIS 57254, at *5 (N.D. Ill. Apr. 4, 2018) ("We are guided by the overarching principle that common sense and experience always have a role to play in drawing inferences and must not be ignored.").

The most—and truly only—reasonable inference from the facts is that Duke knew this process would *not* capture all his online Yahoo! and GoDaddy emails. First, Duke was personally involved in collecting the ESI off of the four hard drives. Tr. 118, 611, 1037. Duke knew that it was these specific hard drives that were being copied. Tr. 611, 1037. Second, Duke knew that only data from his hard drives was being copied. Tr. 632. Third, Duke knew that his GoDaddy and Yahoo! accounts were web-based and not on the four hard drives. Tr. 129-30, 131, 238-39, 281-82, 838, 908. Fourth, Duke knew that his log-in and password were needed to access the online information, which is why he claims he offered this information to the former defense counsel so that they could obtain the online emails. Tr. 129-30.

Fifth, Duke knew he had not provided his log-in or password information to 4Discovey at this time. Tr. 249. In light of these facts, Duke must have known that 4Discovery was *not* copying his online emails. The incredible and unreasonable contrary testimony by a witness who repeatedly gave demonstrably false testimony does not compel a different conclusion, particularly when that witness has at the very least a working knowledge of computer science.

In late 2014 or early 2015, 4Discovery then ran the search terms provided by the former defense counsel against the imaged hard drives and produced a hit report. Tr. 1430-31; Pl.'s Ex. 91. As a result, Defendants produced about 47,000 pages to Plaintiff. Tr. 1038. Because only the hard drives were imaged and the search terms were only run against those images of the hard drives, this data collection process did *not* search Defendants' web-based emails in either the Yahoo! account (both the email and chat) or the GoDaddy account. Tr. 69, 72, 632, 633, 1287, 1402-03, 1459; Dkt. 253-1, at 4. To reiterate, although the former defense counsel erroneously believed that all of the emails were copied, Tr. 632, the ESI search process did not search Defendants' two main email accounts, which were web-based. Tr. 631-32, 1287, 1332, 1401, 1459; Dkt. 253-1, at 4. So, thousands of documents that contained the search terms, including critical communications between Duke and Saraswat, were not collected or produced at that time. Tr. 904, 1181-82, 1283, 1401; Pl.'s Ex. 17; Dkt. 253-1, at 4-5. As one of the former defense counsel put it, this was "an error in discovery." Tr. 1181. "In hindsight . . . things could have been done differently." Tr. 1289. The former defense counsel never

"figured it out" until the spring of 2018. Tr. 545-47, 916, 1287; Dkt. 253-1, at 4. And when they "figured it out," they only did so with respect to the Yahoo! account. Tr. 1287, 1297. They did not "figure it out" with respect to the GoDaddy emails until May of 2019, when Duke finally informed them that the account had not been searched. Tr. 1297, 1402-03, 1410-11. As already established, Duke knew these email accounts were not copied and should have been. But he did not tell the former defense counsel this fact, despite being involved in the process.

viii. Unreasonable Reaction to Volume of ESI Recovered

Nevertheless, because of the volume of discovery produced by this process, the former defense counsel have taken the position that it was reasonable for them to assume that the production was complete and correct. Tr. 612, 632, 1038, 1398; Dkt. 383, at 2. Not surprisingly, the former defense counsel offer no support for this proposition. Rule 26(g)'s reasonable inquiry requirement is not met by merely eyeballing the volume of documents produced. Indeed, this contention is insufficient to ward off sanctions. *See, e.g.*, *See Metro. Opera Ass'n, Inc. v. Local 100, Hotel Emps. & Rest. Emps. Int'l Union*, 212 F.R.D. 178, 223 (S.D.N.Y. 2003); *HM Elecs., Inv. v. R.F. Techs., Inc.*, No 12-cv-2884, 2015 U.S. Dist. LEXIS 104100, at *60 (S.D. Cal. Aug. 7, 2015), *vacated as moot*, 171 F. Supp. 3d 1020, 1033 (S.D. Cal. 2016); *Qualcomm Inc. v. Broadcom Corp.*, No. 05cv1958-B, 2008 U.S. Dist. LEXIS 911, at *31 (S.D. Cal. Jan. 7, 2008), *vacated in part*, 2008 U.S. Dist. LEXIS 16897 (S.D. Cal. Mar. 5, 2008). The former defense counsel have even gone so far as to argue that because Defendants produced more documents than Plaintiff, it was

reasonable to assume production was complete and correct. Tr. 632-33. Again, not surprisingly, no authority has been cited to support this position, nor is Rule 26(g)'s reasonable inquiry requirement met by claiming one party produced more than another party. These arguments fundamentally misunderstand electronic discovery.

e. 2015

i. Court's Discovery Orders

On March 3, 2015, the Court granted Plaintiff's uncontested motion to extend discovery. Dkts. 110, 115, 116. In this order, the Court set the Rule 26(e) discovery supplement date for June 1, 2015, and the fact discovery cut-off date for July 1, 2015. Dkt. 116. The Court noted that this was "a FINAL extension." *Id.* (As a word of caution, when a court uses capitalization in an order, it is shouting. *Bentrud v. Bowman*, 794 F. 3d 871, 875 (7th Cir. 2015).)

On June 1, 2015, all fact discovery supplementation was due under Rule 26(e). Dkt. 116.

ii. Plaintiff's Motion to Compel and Court's Order

On June 5, 2015, Plaintiff filed a motion to compel, seeking documents including communications between Defendants and their search engine optimization consultant, Kirti Saraswat, and her company, Webrecsol. Dkt. 126. Plaintiff had previously requested documents relating to these issues, but the documents produced in response to the request did not include any Yahoo! chats or

emails between Duke and Saraswat. Pl.'s 83, Tr. 1221-22. It is undisputed that Duke communicated with Saraswat via Yahoo! chat. Tr. 138, 139; Dkt. 294-2.

On June 11, 2015, the Court granted the motion, in part, and denied it, in part. Dkt. 132. The Court ordered that Defendants answer certain contested interrogatories and produce the documents relating to communications between Defendants and Saraswat and Webrecsol. Dkt. 132. In granting the motion to compel and ordering the documents be produced, the Court stated that it was going to give counsel "to June 15th, Monday, to get those documents to your opponents. So that will give you a couple extra days and a weekend to *make sure there are no snafus* . . . and *that [it] is a complete production, so they are not getting them piecemeal and then something else happens, so that they get all the documents that are responsive*." Dkt. 269, at 17-18 (emphasis added); Dkt. 132 (documents to be produced by June 15, 2015).

As a result of this order, Travis Life, the associate who took over for Liberman, contacted Duke and asked him to search for and produce the requested documents. Tr. 1227-28. Duke informed Life that he did not have the documents,[27] so on June 12, 2015, based solely on this single conversation, with no independent investigation, Life informed Plaintiff's counsel that Defendants possessed no

[27] Duke claims that the first time any of the former defense counsel asked for Saraswat and Webrecsol emails was in March of 2018. Tr. 205. This is difficult to believe. Indeed, it is contradicted by his own deposition testimony in June of 2015 when he stated that he believed he had provided all of his emails with Saraswat to the former defense counsel. LS Ex. 1 at 141, 1490-50. Of course, the record establishes that this testimony is false. too. Dkt. 294-2, at 2-114. Life's testimony is far more credible on this point. Life argued the motion in court and heard emphatic directions from the Court to produce the documents if they existed. Dkt. 269, at 17-18. Again, there is no documentation about any of this.

responsive documents. Tr. 1227-28, Pl.'s 55. This was untrue. Tr. 1224, 1228 ("The information we received was inaccurate."). Defendants did, in fact, have responsive documents. Tr. 1228. Moreover, although Duke communicated with Saraswat and Webrecsol through Yahoo! chat, he never even searched Yahoo! chat for responsive documents. Tr. 138, 139, 272. Indeed, Duke took no actions to preserve all Yahoo! chats. Tr. 139, 216, 272. Of course, Leavens knew that Duke used Yahoo! chat to communicate for business purposes. Tr. 783-84. So, despite the former defense counsel's knowledge that Duke used Yahoo! chat to communicate for business, when the motion to compel was granted, none of the former defense counsel asked Duke whether he searched Yahoo! chat for these relevant and responsive documents that were ordered to be produced. As explained in more detail below, some of the responsive documents were produced in 2018, years after the fact discovery cut off and the supplementation date, and after Plaintiff had expended significant time and money seeking these documents and filing a summary judgment motion. Tr. 1228; Dkt. 116; Dkt. 294-2.

iii. Stamatis Appears and Duke is Deposed

In the meantime, attorney Peter Stamatis entered his appearance for Defendants. Dkt. 129. The appearance form indicated that Stamatis was not acting as lead counsel but would be trial counsel. Dkt. 129.

On June 16-17, 2015, Duke was deposed. Pl.'s Exs. 19, 20. Among other things, Duke testified that he only deleted junk emails, searched all email accounts to find any documents that were requested, and turned over all his records to the

former defense counsel. Tr. 225-26. Much of this is false. By this date, he had not produced all responsive Yahoo! and GoDaddy emails to the former defense counsel; he had not produced hundreds, if not thousands of responsive ESI documents (including ESI the Court had just days before ordered be produced); and he allowed emails to be autodeleted. Like his testimony before the Court during the evidentiary hearing, Duke's testimony was slippery. For example, Duke was specifically asked if he had produced all his email communications with his overseas SEO consultant Kirti Saraswat to the former defense counsel, and he answered, "I believe so." and "I think so." LS Ex. 1, at 141-42, 149-50.

During his deposition, Duke also falsely testified to other critical matters in this case. First, as noted previously, Duke falsely testified in his deposition that he only owned two websites when he truly owned "many, many, many websites." Tr. 384-85.

Second, as to the September 2013 Las Vegas trade show in which Edmiston recorded various conversations, Duke was specifically asked "Did you give him any direction to record any of the events taking place at the trade show?" Duke unequivocally answered "No." Dkt. 294-2, at 199. But in an email between Duke and Edmiston that had been withheld for years and was not provided to Plaintiff's counsel before the deposition, Duke states, "maybe you can record them saying something libelous about me, lol." Tr. 348. Edmiston replied by stating, "That sounds fine to me. I will go to there [sic] booth and play dumb about the two names. Will record. And take pics. :)". Dkt. 294-2, at 221. Recall that after this tradeshow,

Defendants filed an amended counterclaim alleging defamation based on statements Plaintiff's representatives purportedly made to Edmiston. Dkt. 99, at 7-9. Further recall that the recordings contained no defamatory statements. Tr. 973.

Third, as stated previously, in April 2013, Duke exchanged the following email communication with one of the former defense counsel: "3. When did you first learn that Plaintiff had a trademark registration?; 3. On 7.21.10 I got the email from my supplier with their packaging and it had a TM by their name. I wasn't 100% sure what that meant, but was fairly surprised to see it." Dkt. 407, at 116-17. But, in his deposition, Duke repeatedly testified under oath that he did *not* see the "TM" on July 21, 2010, and that he did *not* know what the "TM" symbol meant. Dkt. 404, LS Ex. 1, at 351-62; Dkt. 404, LS Ex. 1 at 359 ("I don't recall ever seeing the TM. . ."); Dkt. 404, LS Ex. 1 at 362 ("Q: And before I told you that today [that the TM symbol means "trademark"], you had no understanding of what the TM symbol stood for? A: I do not have a very clear understanding of trademarks, no.").

iv. Court's Concerns About Duke's Deposition Testimony

The Court pauses here to note several concerns. First, being a Stanford graduate who had multiple e-commerce businesses, Duke's testimony that he did not know that "TM" meant "trademark" is simply not credible. Second, the trademark symbol is glaringly obvious on the photograph that Duke received and saw. Dkt. 406-3, at 97. The photograph clearly shows "21st Century Smoke™." *Id.* Indeed, despite testifying that he did not see the trademark symbol in 2010, Duke admitted the symbol was clearly displayed. Dkt. 404, LS Ex. 1, at 350. These two

concerns go to Duke's propensity to testify falsely. The next concern goes to counsel's ethical duty to the Court and opposing counsel. Because the issue of Duke's first knowledge of the Plaintiff's trademark is critical to the case and was specifically addressed by counsel previously, the Court believes that the former defense counsel must have prepared Duke for his deposition and certainly reviewed this issue if not this specific document and the correspondence related to it. And because the Court believes that this issue must have been discussed in deposition preparation, the former defense counsel must have known that Duke not only saw the trademark symbol back in 2010, but also that he knew that "TM" meant "trademark." Therefore, because of this, the former defense counsel had a duty at the deposition to prevent and correct what was clearly false testimony but failed to do so. This whole event is a stain on the credibility of Duke and some of the former defense counsel. A.B.A. Model Rule 3.3(a)(3), (c).

v. Duke Allegedly First Learns of Spoliation by Autodeletion

Duke claimed that on June 29, 2015, he learned for the first time that his GoDaddy accounts (both bduke@21centurysmoking.com and support@21centurysmoking.com) were set to autodelete after 60 days. Tr. 167-69, 310, 316, 318. The Court refers to this as the "autodeletion problem," which is the Court's term. (Recall that none of the former defense counsel instructed Duke to disable autodeletion functions at the beginning of the litigation. Tr. 936, 1208.) Duke claims that as soon as he learned of this autodeletion he took three actions: (1) he contacted GoDaddy about the autodeletion; (2) he called an attorney at

Leavens, Strand & Glover, but cannot remember which one, and verbally notified that attorney of the autodeletion; and (3) he disabled the autodeletion function. Tr. 167-69. There are at least three evidentiary problems with this representation. First, no contemporaneous documentation has been presented to support any of it. Second, Duke previously swore under penalty of perjury that he learned of the autodeletion problem sometime in 2014, LS Ex. 9, at 2, then swore that he learned about it in "approximately May 2015," and then finally testified that he learned about it on the very specific date of June 29, 2015. Tr. 179, 310, 316, 318, 509, 936, 1173. Third, none of the attorneys at Leavens, Strand & Glover corroborate this specific testimony. If the call occurred on June 29, 2015, then Liberman was no longer employed at the firm and could not have received the call. Tr. 1110. Life specifically denied receiving the call and claimed that he did not know about the autodeletion problem until March of 2018. Tr. 1168. And Leavens did not remember receiving the call. Tr. 937.

The autodeletion problem cannot be fully and properly addressed without analyzing the claim of the "auto-forwarding solution." (Again, this is the Court's term.) According to Duke, emails in one of his GoDaddy accounts—specifically, the bduke@21centurysmoking.com account—auto-forwarded to his Yahoo! email account. Tr. 634. These would only be emails physically located in that email's inbox; emails sent from this account were not auto-forwarded to the Yahoo! account. Tr. 635, 636. Moreover, emails in his other GoDaddy account—specifically, the support@21centurysmoking.com account—were never auto-forwarded to the Yahoo!

account, and were, therefore, deleted and are not recoverable. Tr. 173, 938-39. But again, like the autodeletion problem that the auto-forwarding solution allegedly "mitigated," there is a discrepancy between Duke's testimony and the former defense counsel's testimony. According to the former defense counsel, Duke informed them that *all* of the GoDaddy accounts auto-forwarded to the Yahoo! accounts. Tr. 1042; LS Ex. 17. But there are problems with the former defense counsel's testimony too. Initially, there is predictably no contemporaneous documentation to support the former defense counsel's assertion. Instead, there exists only an after-the-fact email dated May 19, 2019, from Stamatis, who had no personal knowledge of the conversation or representation, to Duke. Tr. 1042; LS Ex. 17. Moreover, Leavens' hazy recollection infects his testimony on this front as well. Tr. 1039. He cannot recall the details of what he was told, by whom, or when. Tr. 1039. Furthermore, Duke testified that he never told the former defense counsel that *all* the GoDaddy emails auto-forwarded to his Yahoo! account. Tr. 1536.

Regardless of who is to be believed about the auto-forwarding solution, there are undisputed facts relating to it and the autodeletion problem. First, it is undisputed that certain relevant, responsive GoDaddy emails that existed at and during the time of litigation have been spoliated and cannot be recovered. Tr. 67, 164, 168, 180, 936, 938-39. Second, none of the former defense counsel conducted any investigation into either the autodeletion problem or the auto-forwarding solution. Tr. 942, 1170-71, 1300, 1380. Third, no evidence was presented at the hearing corroborating either the autodeletion problem or the auto-forwarding

solution. Fourth, the auto-forwarding solution was shown to be erroneous at the evidentiary hearing: It was, in fact, not a solution at all. If the auto-forwarding solution is to be believed, then all of the emails in the bduke@21centurysmoking.com inbox should have all auto-forwarded to Duke's Yahoo! email account. That did not happen with critical customer confusion emails and other relevant and responsive emails. Tr. 286-90, 322, 1390-92 (emails that should have been forwarded were not showing up in Yahoo! production). And again, it was not a solution because even accepting the autodeletion problem and auto-forwarding solution in the best light (which is a very difficult proposition), the fact remains that GoDaddy emails from before about November of 2014 were spoliated. Tr. 67, 164-65, 936-39.

vi. Court's Concerns About Autodeletion

Once again, the Court is compelled to pause and comment on a concerning fact. It is undisputed that Duke and Leavens never disclosed the autodeletion problem to Plaintiff or the Court until March 19, 2018. Tr. 936, 1305, 1312. Leavens silently sat on this information for years. Tr. 1312. None of the other former defense counsel knew of the autodeletion until the spring of 2018. Tr. 1168-69, 1297, 1378-79. Liberman was long gone by that time; so, she was unaware of the issue. Tr. 1110. Even if the Court were to credit Duke's and Leavens' versions of the events surrounding the autodeletion problem and auto-forwarding solution

and consider this "mitigation,"[28] Tr. 1039, there is no question that GoDaddy emails existing before about November 2014 were spoliated. Tr. 67, 164, 168, 180, 936, 938-39. Much of the spoliation would have likely been prevented by simply informing Duke to disable the autodeletion function, which any competent counsel should have done. This never happened. Tr. 936, 1208. Courts don't cotton to attorneys failing to promptly notify the court of spoliation issues. *See, e.g.*, *Charlestown Capital Advisors, LLC v. Acero Junction, Inc.*, 18-CV-4437, 2020 U.S. Dist. LEXIS 180982, at *51 (S.D.N.Y. Sep. 30, 2020) ("[C]ounsel conceal[ed] the fact of the spoliation for months. . ."); *Jackson Family Wines, Inc. v. Diageo N. Am., Inc.*, No: 11-5639, 2014 U.S. Dist. LEXIS 19420, at *25-26 (N.D. Cal. Feb. 14, 2014) ("If Defendants had nothing to hide, then why did they willfully conceal the spoliation from the Plaintiff and the Court? Because Defendants have not provided an answer to that question, they cannot defeat the presumption of prejudice.").

The Rules of Professional Conduct require counsel to be candid with the court and act fairly to opposing counsel and parties. Rules of Professional Conduct 3.3 and 3.4. Rule 3.3(a)(1) bars attorneys from knowingly making a false statement of fact or failing to correct a false statement of material fact previously made by the attorney. Rule 3.3(a)(1). Rule 3.3(a)(3) prohibits attorneys from offering evidence that attorneys know to be false. Rule 3.3(a)(3). "There are circumstances where failure to make a disclosure is the equivalent of an affirmative misrepresentation."

[28] "Mitigation" is counsel's term. Tr. 1039. "Mitigation" and "cure" are not synonymous. "Mitigate" is "[t]o make less severe or intense." *Mitigate*, Black's Law Dictionary (9th ed. 2009). "Cure" is "[t]o remove legal defects or correct legal error." *Cure*, Black's Law Dictionary (9th ed. 2009) The auto-forwarding was not a cure.

Rule 3.3, cmt. 3. The duty of candor toward the court is premised on the attorney's obligation as an officer of the court to prevent the fact finder from being misled by false evidence. Rule 3.3, cmt. 5. Rule 3.4 prohibits attorneys from obstructing another party's access to evidence or unlawfully destroying or concealing a document, and likewise prohibits attorneys from counseling or assisting another person to engage in these actions. Rule 3.4(a). The Rule 3.4 recognizes that the right of an opposing party to obtain evidence through discovery is an important procedural right. Rule 3.4, cmt. 2. Fairness in our adversarial system is achieved by preventing the destruction or concealment of evidence. Rule 3.4, cmt. 1. Moreover, Rule 3.4 also requires attorneys in pretrial procedures to make reasonably diligent efforts to comply with a legally proper discovery request by an opposing party. Rule 3.4(d). Rule 8.4 contains a catch-all provision that states that it is misconduct for attorneys to violate or attempt to violate the rules or to knowingly assist another to do so. Rule 8.4(a). Further, Rule 8.4(c) makes conduct involving dishonesty, fraud, deceit or misrepresentation professional misconduct. Rule 8.4(c). Finally, Rule 8.4(d) states that it is professional misconduct to engage in conduct that is prejudicial to the administration of justice. Rule 8.4(d).

The failure to timely disclose the destruction of evidence violates the rules requiring candor to the court and fairness to the opposing party and counsel. *Cobell v. Babbitt*, No. 1-96CV01285, 1999 U.S. Dist. LEXIS 20918, at *196 (D.D.C. Dec. 3, 1999) ("At a minimum, those attorneys who were aware of the Hyattsville document destruction from its inception and yet chose to take no action to ensure timely

notification are guilty, in my view, of violating the Rules of Professional Conduct which demand candor to the Court and fairness to the plaintiffs and plaintiffs' counsel."). The same holds true for the destruction or loss of ESI. Dalila Hoover, *Spoliation Sanctions and How to Avoid Them*, AmericanBar.org (June 18, 2020), https://www.americanbar.org/groups/litigation/committees/pretrial-practice-discovery/articles/2020/spring2020-spoliation-sanctions-and-how-to-avoid-them ("If your client has deleted some information or data, be transparent and let the court and adverse counsel know."). Indeed, counsel must immediately inform the court and opposing counsel when they learn that ESI has been destroyed. *Cruz v. G-Star Inc.*, 17 Civ. 7685, 2019 U.S. Dist. LEXIS 169445, at *40 n.7 (S.D.N.Y. Sep. 30, 2019) ("To be clear, once counsel discovered that relevant information had been destroyed, disclosure should have been made immediately.").

In fact, Leavens specifically testified that he understood that a duty exists to notify opposing counsel and the Court if evidence has been destroyed. Tr. 937. Why Leavens failed to notify the Court of the spoliation of some of the GoDaddy emails is a mystery. Leavens sat on this information for over a year. Tr. 1305. Other than asserting that the auto-forwarding solution was "mitigation," he never explained why he failed to disclose the undisputed spoliation of the GoDaddy emails to the Court. Tr. 1039. But again, the "mitigation" did not solve the spoliation issue. Emails were destroyed. Tr. 67, 169. And again, Leavens conducted no investigation as to any of this. Tr. 942. A failure to comply with ethical obligations to opposing counsel and the Court does not further a witness' credibility.

vii. Plaintiff Seeks to Add Invited Defamation Defense

On July 1, 2015, fact discovery closed. Dkt. 116.

In the fall of 2015, Plaintiff sought to add the additional affirmative defense of invited defamation in response to Defendants' defamation counterclaim, which was based on statements Plaintiff's representatives allegedly made to Edmiston. Dkt. 146. At the time Plaintiff moved to add this affirmative defense, despite having requested email communications on this topic, Plaintiff did not possess the email communication between Duke and Edmiston, which showed that their deposition testimony was false, because Defendants failed to timely produce these relevant and responsive documents. Pl.'s Exs. 22, 83, at ¶¶ 23, 24; Dkt. 294-2, at 199, 215. Defendants objected to the addition of this affirmative defense, relying in part on Edmiston's false deposition testimony. Dkt. 151, at 6. In partial reliance on the former defense counsel's false representation that Edmiston's deposition testimony was accurate and unrebutted, the Court denied Plaintiff's motion to add the affirmative defense. Dkt. 154, at 7.

With the passage of the supplementation date and the close of fact discovery, the Court held a status to discuss retained expert witnesses. Dkt. 145. The Court then set a schedule for the completion of expert discovery. *Id.*

f. 2016

i. Expert Discovery

From the fall of 2015 through the spring of 2017, the parties engaged in expert discovery. This process had its own series of misfires, including one of

Defendants' experts having to supplement his opinion after he was confronted with the fact that a critical representation in his report was erroneous, dkt. 181, and Defendants' withdrawal of another expert's report, dkts. 189, 192. So, like many of the cut-off dates in this case, the expert discovery schedule had to be modified.

All of this expert discovery occurred without the benefit of Defendants' complete and correct disclosure of ESI on critical issues concerning experts' opinions. For example, Plaintiff did not have the withheld online sales document created by Laurie Duke that contained different and lower online sales figures than the figures relied upon by Defendants' market penetration expert.

g. 2017

On January 23, 2017, expert discovery closed. Dkt. 182.

On March 8, 2017, the undersigned established the briefing schedule on the issue as to whether Defendants could file a successive motion for summary judgment. Dkt. 190.

On August 2, 2017, Judge Kapala allowed Defendants leave to file a second motion for summary judgment. Dkt. 197.[29]

On October 19, 2017, the Court set a briefing schedule for cross-motions for summary judgment. Dkt. 208. The cross motions were due on January 18, 2018. *Id.*

h. 2018

[29] Like most judges, Judge Kapala frowned on successive summary judgment motions. *See generally* 11 James Wm. Moore et al., *Moore's Federal Practice* § 56.121[1][a] (3d ed. 2019). But district courts retain discretion to allow them, which Judge Kapala did in this case. *Id.*; Dkt. 197.

i. Cross-Motions for Summary Judgment

On January 18, 2018, the parties filed their simultaneous cross-motions for summary judgment. Dkts. 213, 214, 215, 216.

Plaintiff's memorandum in support of its summary judgment motion alleged, among other things, that Defendants withheld critical email communications concerning not only the metadata in Defendants' website but also diversion of Plaintiff's customers and disparagement of Plaintiff's products and business. Dkt. 216, at 33. According to Plaintiff, these actions in conjunction with other actions established its unclean hands defense. *Id.*

ii. Former Defense Counsel's Scramble to "Figure It Out"

After Plaintiff filed this scathing memorandum, the former defense counsel began to "figure it out." Tr. 1177, 1181, 1243, 1283 ("They are accusing these guys of hiding documents."). Initially, Life contacted Duke and asked him to "re-search" for relevant and responsive documents. Tr. 260. About 112 documents were found and produced. Tr. 250, 254; Dkt. 294-2. Thousands of others were not. Tr. 227, 250. Ultimately, Life contacted 4Discovery, which informed him that the search of the four computers would not have captured the Yahoo! emails stored online. Tr. 1286-87; LS Ex. 11 at 3. Beyond this, how the former defense counsel specifically came to this conclusion is still a bit of a mystery. Tr. 1285-87. The evidentiary hearing produced coy, vague testimony, with no witness willing to state exactly who said what to whom and how the conclusion was reached. And as standard operating

procedure in this case, there was no documentation, contemporaneous or otherwise, to shed any light on the process.

On March 19, 2018, in response to Plaintiff's unclean hands argument asserting Defendants destroyed and failed to produce ESI, Defendants produced hundreds of Yahoo! emails (but not Yahoo! chats) and then used some of these previously unproduced documents in support of their summary judgment motion. *See, e.g.*, Tr. 1283; Dkt. 233, at 24-25; Dkt. 234-1. To state the painfully obvious, by producing and using undisclosed ESI, Defendants proved Plaintiff's point that ESI had been withheld. As far as the Court knows, this production was done without apologies. Indeed, despite possessing the documents for 48 hours, the former defense counsel only produced them to Plaintiff at 8:26 p.m., after Plaintiff had already filed its response brief. Dkt. 239, Ex. A. And, for the first time, Defendants also disclosed to the Court and Plaintiff the autodeletion problem (i.e., the spoliation of ESI). Dkt. 234-2, at 2; Pl.'s Ex. 73, at 2. This disclosure was done without any fanfare; the disclosure was slipped into a declaration attached to exhibits responding to Plaintiff's summary judgment motion. Dkt. 234-2, at 2. Although the withheld documents Defendants used in the response brief were only recently produced, long after the Rule 26(e) supplementation date and the fact discovery cut-off date, Defendants did not flag this or otherwise point this out to the Court or opposing counsel.

iii. What the Former Defense Counsel Don't "Figure Out"

And, critically, the former defense counsel failed to "figure it out" with respect to the GoDaddy emails. Tr. 838, 908, 911, 1296-97, 1404. So, even then, there was another tranche of ESI that the former defense counsel did not even know they had failed to produce. The former defense counsel's failure to even consider, let alone investigate, whether the GoDaddy account had likewise not been searched is perplexing and troubling. At that time, the former defense counsel knew the following:

- Duke used both Yahoo! and GoDaddy. Tr. 763, 926;
- Plaintiff's main argument of unclean hands was based on Defendants' failure to produce electronic communications. Dkt. 216, at 33; Tr. 1283
- The Yahoo! email account had not been searched and the Yahoo! emails had not been produced because the emails were web-based. Dkt. 253-1, at 4; LS Ex. 11, at 3;
- Plaintiff was contending that GoDaddy emails had not been produced. Dkt. 232, at 11 n.1;
- Emails that, according to Duke's representation, should have been forwarded from the GoDaddy account to the Yahoo! account were not forwarded. Tr. 1390-92; and
- The late-produced emails contained emails from the GoDaddy accounts, in addition to the Yahoo! accounts. *See, e.g.*, Dkt. 294-2, at 62.

But not a single one of the former defense counsel working on the case at that time thought to investigate or even ask about the GoDaddy email account. Despite five

days of evidentiary hearings, they never explained why they did not "figure it out;" it just never occurred to them. Tr. 838, 908, 911, 1296-97, 1404.

Of course, the former defense counsel would have been able to "figure it out" had Duke simply told them that the GoDaddy emails had not been searched either, which Duke clearly knew. Tr. 281-82. By the spring of 2018, Duke knew that the former defense counsel did not know the distinction between emails stored locally on the hard drives and emails stored in the cloud online. Tr. 249. Instead of informing the former defense counsel that the GoDaddy emails had not been subjected to the search terms, he failed to disclose that information to them for years. Tr. 281-82, 1328-30 ("Mr. Shonder is talking to Mr. Duke at the little table in my office. And we learn about the GoDaddy . . . that the corporate emails were not on the hard drives, but they were in the cloud, too, at GoDaddy."), 1402-03 ("[W]e were having a discussion about your Bryan Scott Kos . . . and he said or he revealed to me that there were the corporate emails had been housed on GoDaddy and had not been part of the – they weren't stored on the computer, and therefore were not searched, okay?"), 1410-11 ("Well, I think Plaintiff had attached some documents to their sanctions brief, and so we were talking about those e-mails, and Mr. Duke just said, well, he has got another account that is GoDaddy and that also wasn't subject to the search or words to that effect."). If Duke's admissions and plain statements to Shonder and Stamatis are not enough direct evidence on this point, there's plenty of circumstantial evidence establishing that Duke knew the GoDaddy accounts had

not been searched and failed to disclose this. At that time, Duke knew the following:

- He used both Yahoo! and GoDaddy email accounts for 21 Century Smoking Inc.'s business. Tr. 68, 89-90;
- Plaintiff was seeking emails related to the claims in the lawsuit. Tr. 139, 222-24, 229-30, 614;
- Yahoo! emails had not been searched and produced because they were web-based, which Duke knew by the spring of 2018. Tr. 298-99, 545;
- Duke knew GoDaddy emails were also web-based. Tr. 129-31;
- The ESI vendor would need Duke's log-in and password information, which he had not provided, to access the GoDaddy accounts. LS Ex. 1 at 143; and
- The former defense counsel did not have all the relevant GoDaddy emails. Tr. 1328-30, 1402-03, 1410-11.

On this important issue of the failure to realize that the GoDaddy emails had not been searched because they were web-based just like the Yahoo! emails, a reasonable inference is that some of the former defense counsel were too obtuse, uninterested, or careless to ask the question, and Duke was too coy, veiled, or duplicitous to volunteer the information.

Adding to the calamity, for some inexplicable reason, the former defense counsel also still failed to "figure it out" with respect to the Yahoo! chats. Dkt. 267, at 57-58. Those had not been preserved, searched, and produced either.

iv. Responses to Summary Judgment Motions and ESI Issues Emerge

On March 19, 2018, Plaintiff contemporaneously filed its response in opposition to Defendants' motion for partial summary judgment. Dkt. 232. In the filing, Plaintiff continued to assert that Defendants engaged in litigation misconduct that supported its unclean hands defense. Dkt. 232, at 14, 24, 27. With premonition of larger ESI problems, Plaintiff also noted that there was a lack of email responses to customer confusion complaints. Dkt. 232, at 11 n.1.[30] Because the briefing schedule established simultaneous filings, at the time it filed its response, Plaintiff was still in the dark about a number of ESI matters. For example, Plaintiff had not yet received the newly produced 112 pages of emails. Dkt. 239, Ex. A; Dkt. 294-2. Moreover, Plaintiff was unaware of Defendants' forthcoming ESI document dump of thousands of pages of responsive documents, the extent of the Yahoo! email withholding, the failure to preserve Yahoo! chats, and the GoDaddy email autodeletion. And Plaintiff certainly did not know that there were two GoDaddy email accounts that had not even been searched.

After receiving the 112 pages of responsive documents and learning of the autodeletion problem for the first time, on April 6, 2018, Plaintiff sought to amend its summary judgment filings. Dkt. 239. Unsurprisingly, Plaintiff argued that the

[30] This footnote should have been a huge tip-off to the former defense counsel that there were production or spoliation issues with respect to the Duke's GoDaddy accounts. The allegation, which turned out to be true, is evidence that the GoDaddy emails were not all forwarded to the Yahoo! account. As noted above, Duke's GoDaddy emails autodeleted for years during the pendency of this litigation. Unfortunately, the former defense counsel ignored this warning, failed to confront Duke, or investigate the issue at that time, and did not take this allegation seriously. As discussed below, they did not learn of the failure to produce responsive GoDaddy emails until they blindly stumbled across it over a year later, causing their withdrawal from this case.

tardy disclosure of the documents prejudiced it, evidenced its repeated concerns and allegations that Defendants had failed "to properly preserve and produce all relevant documents" sought by Plaintiff, and "fully support[ed] a finding of 'unclean hands.'" Dkt. 239, at 2-3. Plaintiff reasonably requested that it be granted leave to amend its summary judgment filings to address these recently produced documents that were required to be produced years earlier. Dkt. 239, at 5.

v. Court Attempts to Understand ESI Problems

Two weeks later, on April 17, 2018, the Court held a status hearing on the Plaintiff's motion to amend the summary judgment filings. Dkt. 249. At the hearing, Plaintiff highlighted that it had serious concerns about the recently disclosed ESI issues and argued that it had been prejudiced because it relied on the discovery responses in formulating its litigation strategy. Dkt. 249, at 17. After being forced to admit that the 112 pages of recently produced documents were responsive to Plaintiff's discovery requests, Defendants repeatedly requested time to "go back and figure it all out." Dkt. 249, at 8, 9, 22. The Court had its own concerns. Initially, the Court repeatedly raised the issue of a written litigation hold. *Id.* at 11, 12. This was not the first time the Court drew the former defense counsel's attention to the need to have a proper written litigation hold. Dkt. 367, at 6. Then the Court asked the following very direct and precise question and received the following direct answer: "THE COURT: Were you relying upon those documents [i.e., the recently produced 112 pages] in any way . . . in your filings? MR. STAMATIS: No, your Honor." Dkt. 249, at 8. This was untrue. Defendants

did rely on those documents. Tr. 1283; Dkt. 233, at 24-25; Dkt. 234-1. Additionally, the Court specifically asked if data had been lost. Dkt. 249, at 12. Stamatis responded, "Not to our knowledge, your Honor." *Id.* But there is no dispute that data had been lost, specifically certain GoDaddy emails and Yahoo! chats, at the least. Finally, the Court fired a series of warning shots. After allowing Defendants time to investigate and file a response, the Court stated the response "better be really good and supported by an affidavit." *Id.* at 23. The Court further predicted where these ESI issues were going: "I see this whole thing blowing up, and then we jump down the ESI rabbit hole, and it is going to be a problem, and there will be sanctions motions and motions to exclude, motions for adverse instructions." *Id.* In conclusion, the Court gave its final warning to the former defense counsel: "I would spend a lot of time talking to Mr. Duke about what happened with the ESI. Maybe there is no 'there' there, but that's a problem currently, as it is currently framed." *Id.* at 25-26.

vi. Defendants Identify 15,000 Pages of Responsive Documents Not Produced

In May of 2018, the former defense counsel reactivated the contract with 4Discovery, the e-discovery vendor, to search Duke's Yahoo! account. Tr. 1451. Only then did 4Discovery finally perform the search of Duke's Yahoo! email account. Tr. 1452, 1455. 4Discovery was provided with Duke's log-in and password information and searched the Yahoo! email account with the search terms, resulting in another hit report identifying the documents. Tr. 1452-53. This ESI was stored in the cloud, as Yahoo! is a web-based email system. Tr. 1452. Thousands of

documents were identified on this hit report. Pl.'s Ex. 91. (There may have been fewer documents, but there were over one thousand pages of responsive documents that should have been produced in a best-case scenario for Defendants. Dkt. 370, at 3-5. Plaintiff represented that it received about 15,000 pages. Tr. 912.)

At this time, 4Discovery was not instructed to search for Yahoo! chats. Tr. 1455. No instruction was given to 4Discovery to search this function even though, by then, the former defense counsel knew that Duke communicated with Saraswat by Yahoo! chat and that Plaintiff had requested those documents. Tr. 783-84; Dkt. 126; Dkt. 132. In fact, a cut-and-pasted email of a Yahoo! chat between Duke and Saraswat about SEO was produced by the former defense counsel in March of 2018. Tr. 924; Dkt. 294-2, at 171; Defs.' Ex. 64. In litigation, this document is called a "hot doc." As discussed in detail previously, this ESI substantially undermined Duke's and Saraswat's credibility by proving their prior sworn statements to be false on multiple levels. And this ESI bolstered Plaintiff's unclean hands assertion, by proving that the person inserting metatags into 21 Century Smoking's website expressed how she would continue to attempt to increase the SEO.

After 4Discovery conducted its search, on May 14, 2018, Defendants filed their response in opposition to Plaintiff's motion to amend its summary judgment filings. Dkt. 253. The filing was supported by declarations of Life and Leavens but not Duke, which had to be an intentional but very strange decision. Likewise, the document was certainly not reviewed by Duke before it was filed because it is larded with assertions that Duke now claims are false. The filing is troublesome,

containing a dismissive attitude, misrepresentations of fact, and meritless legal arguments. Initially, the theme of the document was "There's-nothing-to-see-here." This was the theme despite their admission that 4Discovery's recent search for responsive ESI had identified four banker's boxes of previously undisclosed and responsive documents. *Id.* at 9. Next, the filing also misrepresented that Liberman reviewed Duke's email systems with Leavens. *Id.* at 3. Liberman testified she was not present when this occurred. Tr. 1126. The filing also represented that both GoDaddy accounts auto-forwarded to the Yahoo! account. Dkt. 253, at 3-4, 12, 14. That is untrue. Tr. 173, 634, 938-39. Finally, the response made several legally meritless arguments. For example, the response asserted that the failure to disable the autodeletion functions was reasonable. Dkt. 253, at 13-14. Further, the response asserted that sanctions were not warranted because there was no bad faith, ignoring that only negligence is required to impose sanctions under Rule 37(b), (c). Dkt. 253, at 9; *e360 Insight, Inc. v. Spamhaus Project*, 658 F.3d 637, 642-43 (7th Cir. 2011). Additionally, the response completely ignored that the 112 pages were documents that the Court had ordered Defendants to produce by June 15, 2015, which meant that Rule 37(d) was violated. Moreover, the response repeatedly attempted to cast blame on 4Discovery for Defendants' and the former defense counsel's errors. Dkt. 253, at 6, 8. Strangely, after attempting to blame 4Discovery, Defendants represented that they had retained 4Discovery again to search the Yahoo! email account. *Id.* at 9. Hiring a contractor to do important ESI searching after accusing it of incompetence is very odd.

vii. Court's Warning Shots and Attempts to Resolve ESI Problems

On May 17, 2018, the Court held another status hearing on the ESI issues. Dkt. 256. At the hearing, the former defense counsel stated that they "took a hard look to get to the bottom of what happened." *Id.* at 5. Of course, as is now abundantly clear, the look was not hard and the bottom was not reached. They suggested that all the documents 4Discovery identified should be produced and then the parties should discuss next steps. *Id.* at 7. Unsurprisingly, Plaintiff was skeptical of this suggestion, noting that now thousands of additional documents were going to be produced long after discovery was closed. Importantly, Plaintiff once again emphasized that it had been prejudiced because its litigations strategy had been developed on the discovery that had been produced. *Id.* at 13. During the status, Leavens admitted that the ESI process was "just informed by [his] own personal experience in emails being maintained on the computer." *Id.* at 14.

The Court then struck without prejudice all the summary judgment filings while the ESI issues were resolved. *Id.* at 30. The Court then continued to hammer on the issue of the lack of litigation hold letters. *Id.* at 19. In exasperation, the Court fired yet another warning shot and explained the state of the law relating to ESI:

> [I]t is not 2004 anymore, it is not even 2009. It is not 2004 with *Zubalake* [sic]. We are at 2018 . . . The Rules of Professional Conduct require counsel to be reasonably competent in ESI and in electronic information. I'm baffled

> as to what I'm being told, how it occurred, because it doesn't make a whole lot of sense to me, but I don't have all the facts again.
>
> * * *
>
> Rule 37(e) was amended and amended in large part to streamline the process and to focus on the key issues relating to ESI so that the ESI tail does not wag the litigation dog . . .

Id. at 16.

The Court then required all the ESI be produced in native format and that because hard copies existed already, those be provided as well. *Id.* at 21. Following this Court's "no harm, no foul" ESI mantra, the Court then gave Plaintiff a reasonable time to review this ESI to determine if there was anything of value in the production. *Id.* at 24. In striking all the filings, the Court concluded by stating, "You have a mess before Judge Kapala. The mess is probably going to get worse before it gets better. We have to figure out the ESI issues, okay?" *Id.* at 30.

On August 14, 2018, the Court held a hearing on discovery matters, after Defendants had produced another 15,000 pages of documents to Plaintiff long after the close of discovery. Dkt. 266. The Court wanted to know if the documents were relevant and important. Dkt. 267, at 17.

In detail, Plaintiff highlighted four keys from the recently produced ESI. First, Plaintiff addressed the withheld ESI going to the defamation counterclaim. Specifically, Plaintiff noted the discrepancies between Duke's and Edmiston's deposition testimony and what the documents established. Further, Plaintiff

established that a video recording showed that no defamatory statements were made during the conversation that was the basis of the claim. (One of the former defense counsel later admitted as much. Tr. 973.) Plaintiff also emphasized that it would have been able to not only impeach the witnesses in their depositions but also establish an invited defamation affirmative defense. Dkt. 267, at 19-24. Even one of the former defense counsel admitted that the withheld emails were impeaching. *Id.* at 50. Second, Plaintiff highlighted the ESI communications between Duke and Saraswat. This ESI contained the September 13, 2010, communication that contradicted Duke's prior sworn testimony as to when Saraswat stopped working for him. *Id.* at 24-33. Third, Plaintiff emphasized that the ESI showed that online sales were different than had been previously represented and different than Defendants' market penetration expert assumed. According to this recently produced ESI, online sales were decreasing, not increasing. *Id.* at 33-36. Fourth, Plaintiff addressed the "autodeletion problem" and "auto-forwarding solution." As an example, Plaintiff used the Debra Wood email exchange to show the flaws in Defendants' explanation. *Id.* at 37-44.

In response, Defendants asserted that none of these examples were "the smoking gun." *Id.* at 47. Defendants took that position even though they admitted that some of the ESI was "really good impeaching material." *Id.* at 50. As to the "autodeletion problem" and "auto-forwarding solution," Stamatis stated the following: "When we talked to Mr. Duke, Mr. Duke was clear: At that time, these emails were forwarding. That's how he had it set up." *Id.* at 58. Duke adamantly

denied ever telling Stamatis this. Tr. 1536. Obviously, both cannot be truthful statements. And even though all the issues arose from Defendants' own documents that were purportedly reviewed by the former defense counsel, Defendants requested more time to investigate the issues raised. *Id.* at 58. As shown later, the "investigation" was simply to speak with Duke about these problems and then just continue to accept all his representations at face value. Tr. 1309-10, 1357 ("I took it [Duke's representations] as face value, and we moved on from there."). They did so despite their skepticism about Duke's representations. Tr. 859.

viii. More ESI Concerns Emerge: Yahoo! Chat and Self-Collection

Two other important issues emerged at this hearing. First, Leavens revealed that Defendants were engaged in self-collection of ESI. Dkt. 267, at 29. Adding to that revelation, the former defense counsel acknowledged that they were not monitoring or reviewing Defendants' self-collection. Dkt. 267, at 30 ("THE COURT: My question was did anybody follow up, do a re-search – re-search – of the computer to make sure that Mr. Duke's personal search, a party-to-the-lawsuit's search, of his ESI was complete and accurate? MR. LEAVENS: There was not a search of his Yahoo! account by the ESI provider, we have acknowledged that, and that was something that was our error for not including. And as far as following up and doing a search ourselves, his attorneys, of his Yahoo! account, I don't recall whether we did that or not. I'm sorry, your Honor."). In response to hearing this, the Court fired another warning shot: "I guess one of the lessons, one of the takeaways is don't have your client who is a party do the document search." *Id.* at 65. This

warning shot, like all the Court's warning shots in this case to Defendants, went unheeded. Second, and relatedly, the Court questioned the former defense counsel about the search conducted of the Yahoo! account. Specifically, the Court asked the former defense counsel if they understood that emails and chats were different communication methods. *Id.* at 31-33. The former defense counsel assumed that they were the same so that 4Discovery's search of the Yahoo! email would also capture the chats. *Id.* at 32. This assumption was wrong. Tr. 1436, 1498. In front of the former defense counsel, the Court went online from its own computer in the courtroom to the Yahoo! home page to show the former defense counsel that Yahoo! email and Yahoo! chat were different and ordered them to determine if both were searched. *Id.* at 57-58.

At the end of the August 14, 2018, hearing, the Court allowed Plaintiff the opportunity to refile or supplement its motion for sanctions. The Court also set a briefing schedule on the motion. *Id.* at 61-62.

ix. Defendants and Former Defense Counsel Finally Investigate Yahoo! Chat

After the Court raised the issue about the Yahoo! chats still not being searched, on September 13, 2018, Defendants filed a status report with the Court. Dkt. 268. This status report made two important points. First, the status report confirmed that the Yahoo! chats had *not*, in fact, been searched, as the Court feared. *Id.* at 2. Second, the status report represented that the Yahoo! chats could be searched and responsive chats would be produced. *Id.*

In September of 2018, five months after 4Discovery was contracted to search for Yahoo! emails, and after the Court had disabused the former defense counsel of their erroneous assumption that Yahoo! email and chat were the same, 4Discovery finally searched for Duke's Yahoo! chats. Tr. 1455-57. (This would have been the second time the former defense counsel used 4Discovery to obtain ESI despite previously accusing it of incompetence. Again, that is strange.) Yahoo! chats are also stored in the cloud. Tr. 1457. Yahoo! chats are easy to obtain and doing so is basic work for an e-discovery vendor. *Id.* But 4Discovery was unable to locate any Yahoo! chats; none were found. Tr. 1458. And remember, it is undisputed that Duke communicated with Saraswat about metatags and SEO via Yahoo! chat. *See, e.g.,* Dkt. 294-2, at 171. If Yahoo! chat were used and then a search for those chats was performed but none were found, then the reasonable inference is that those chats were deleted. Tr. 1499-1500. Not surprisingly, Duke claimed he never deleted any chats. Tr. 1519.

On October 10, 2018, despite previously informing the Court that the Yahoo! chats could be searched and would be produced, Defendants informed the Court that 4Discovery could not recover the Yahoo! chats. Dkt. 273. The Court responded that this development was troubling and disturbing, noting that it would not "instruct counsel how to preserve evidence." Dkt. 274.

x. GoDaddy Accounts Remain Unsearched

Importantly, even at this late date, 4Discovery was never asked to search Duke's GoDaddy account. Tr. 1459. The search of the GoDaddy account did not

occur until August of 2019 by a different vendor on the eve of the evidentiary hearing after the Court demanded a report on the status of the search of the account. Dkt. 318, at 6, 10; Dkt. 318-1, at 14-15. A custodian interview was not performed until that time as well. Tr. 100-01.

xi. San Diego Meeting

In the fall of 2018,[31] after the discovery of the failure to produce thousands of pages of responsive documents, a meeting occurred in San Diego between the former defense counsel and Duke, along with one of Duke's current defense counsel. Tr. 855. The meeting lasted at least two hours. Tr. 857, 1326. Leavens even flew to San Diego for this meeting. Tr. 1019. Although the testimony on this point was somewhat vague, the purpose of the meeting was to address discovery problems and get answers to questions relating to the ESI blunders. Tr. 854-55, 1177. The Yahoo! email fiasco was one "bomb," but there were other "bombs" too. Tr. 1178.[32]

[31] The Court pauses to discuss the lack of the ability by any witness to nail down the date of this meeting because it is emblematic of a larger issue in this case. Allegedly, the meeting occurred in either September or November of 2018. Tr. 297, 854. Based on the chronology of the case, the most reasonable inference is that this meeting occurred in September. The fact that nobody could pin down a date for this meeting shows how cavalierly Duke and the former defense counsel have taken these issues. Nobody even bothered to look at flight itineraries or checked their phone or time records to determine when this important meeting occurred. Indeed, minimally descriptive and professional billing records would have contained this information. A simple "investigation" consisting of popping open a calendar would have only taken a few minutes. This minimal effort by Duke or any of the former defense counsel would have uncovered the date and time of this meeting. Their alleged inability to recall the date of the meeting also created credibility problems for all the witnesses, especially relating to their recollection of dates. In fact, Duke's erroneous recall of critical dates was troublesome. Duke was described as a "digital pack rat." Tr. 584. A "digital pack rat" would have all the electronic data he needed to review to identify dates.

[32] "Bomb" and "bombs" were terms used by one of the former defense counsel. Tr. 1178. The Court agrees with that description.

Despite the participation of Duke and five attorneys in this meeting, the testimony about what occurred was vague and muddled. The witnesses' recollections about the meeting were hazy and contradictory including on the topics of whether counsel sought to withdraw or whether Duke's credibility was questioned. Tr. 296, 859, 1184, 1328 (withdraw issue), 303-04, 857, 1007, 1327-28 (Duke's credibility issue). All the witnesses' fuzzy memory about this meeting is stunning. Tellingly and strangely, nobody recalled the "autodeletion problem" and the concomitant "auto-forwarding solution" being discussed at this meeting. Tr. 1311. Allegedly and unbelievably, no conclusions were reached as to what occurred or how it happened. Tr. 1181 ("So I don't recall having conversations about any conclusions."). Per standard operation procedure for this case, nobody took notes and no document was created memorializing what occurred at this meeting. Tr. 1184-85, 1400. Certainly, no written action plan to investigate, remedy, and prevent ESI problems was created. According to Leavens, Duke assured the former defense counsel that there would be no more surprises. Tr. 908. Despite everything that had occurred up to that point—including the concerns about Duke's credibility, Tr. 854-56—the former defense counsel just took these assurances at face value and moved on. Tr. 1357 ("I took it [Duke's representations] as face value, and we moved on from there."). And they did so even though not all of them accepted Duke's explanations. Tr. 859.

xii. Defendants and Former Defense Counsel's Failed Escape from ESI Blunders: The Motion to Dismiss the Defamation Counterclaim

Although no witness testified to this, based on the evidence and the reasonable inferences drawn from that evidence, the Court finds that as a result of the San Diego meeting, Defendants and the former defense counsel engaged in a half-cocked scheme to extricate themselves from the sanctions corner. Instead of addressing the ESI spoliation issue head on, they tried to procedurally outmaneuver Plaintiff.

On October 15, 2018, in what can only be reasonably interpreted as an attempt to avoid sanctions relating to the undisclosed ESI going to the defamation counterclaim, Defendants attempted to drop that claim. Dkt. 275. As noted throughout this order, this counterclaim was the subject of substantial litigation, including the motion to amend the affirmative defenses to add the invited defamation affirmative defense. Dkt. 146. Plaintiff opposed the motion. Dkt. 279. Defendants strangely still contended there was merit to the claim. Dkt. 280, at 2. According to Defendants, they were willing to let this claim go "to simplify matters before the Court" and "in the interest of streamlining the case." *Id.* This posturing was too much to take. Defendants also took the opportunity to minimize Plaintiff's assertions of Defendants' ESI failures and to argue that Plaintiff was blowing everything out of proportion. *Id.* at 10. Defendants were wrong when they took that position then. And even as the additional ESI failures have come to light, Stamatis still takes that position. That position is even more erroneous now. The Court denied the motion because, in part, Defendants claimed that at that time they were still willing to proceed with the counterclaim. Had Defendants simply

stated that they were willing to forego the claim and not pursue it, the Court would have likely granted a Rule 41(b) motion or *sua sponte* dismissed the counterclaim. Dkt. 292, at 6 n.7. Indeed, the Court explained this at the status hearing before ruling on the motion. Dkt. 293, at 31-33. There are two important aspects of this Court's ruling on the motion to dismiss the defamation counterclaim. First, no attorneys' fees are being awarded to Plaintiff for work related to this motion. Second, Defendants did not file any objections to the district judge on this ruling, the reasonable inference being that any objection would have been overruled. Consequently, this ruling cannot now be appealed. Fed. R. Civ. P. 72; 28 U.S.C. § 636.

i. 2019

i. Sanctions Motion Schedule

On January 29, 2019, the Court held yet another status to attempt to "get to the bottom" of the ESI issues. Dkts. 290, 293. At the hearing, Plaintiff explained how Defendants' ESI failures had prejudiced it. Dkt. 293, at 5, 7. According to Plaintiff, its entire litigation strategy had been affected, including expert discovery. *Id.* at 5. Plaintiff also asserted that its examinations of witnesses at depositions were hindered by Defendants' failure to preserve and produce the ESI. *Id.* at 7. In mixing metaphors, Defendants responded that Plaintiff was on "a fishing expedition for a smoking gun." *Id.* at 14. The Court confirmed that the ESI issues went beyond Rule 37(e) and that a dismissal on the counterclaim would not resolve all of the ESI issues. *Id.* at 16-18. Because the parties agreed that the issues should be

briefed and followed with an evidentiary hearing if necessary, the Court entered a lengthy briefing schedule, allowing the parties to file 75-page memoranda. *Id.* at 25-27.

On March 25, 2019, Plaintiff filed a 75-page memorandum in support of its motion for sanctions. Dkt. 294. The memorandum asserted that sanctions should be imposed under numerous bases, including the Court's inherent authority and an arsenal of rules, such as Rule 26(g), Rule 37(a),(b),(c) and (e) and Rule 56(h) as well as 28 U.S.C. § 1927. Dkt. 294, at 60, 63, 66, 79, 81. As remedies for the alleged violations, Plaintiff sought evidentiary sanctions, attorneys' fees and dismissal of Defendants' counterclaims, and entry of default on Plaintiff's complaint. Dkt. 294 at 83.

In May of 2019, Judge Kapala retired as district judge, and Judge Thomas M. Durkin was assigned as the district judge on the case. Dkt. 297.

ii. Former Defense Counsel Finally "Figure It Out" About GoDaddy Accounts Because Duke Finally Tells Them

On May 29, 2019, just a few days before the response brief was due to Plaintiff's 75-page memorandum, Duke met with Shonder and Stamatis in Stamatis' office. TR. 1328-29, 1400-01. During a discussion about emails, Duke told Shonder that he has "another account that is GoDaddy and that also wasn't subject to the search." Tr. 282, 528-30, 1410-11. According to Shonder, Duke said, "Well, I have his emails, too. Those also were on the cloud." Tr. 1401. Duke then told Shonder that because the GoDaddy emails were stored in the cloud and not on

the computers they had not been searched. Tr. 281-82, 1401-02. This was how the former defense counsel learned that the GoDaddy emails had not been searched. Tr. 1332. When Shonder heard this information, he was "crestfallen" and the blood rushed out of his head. Tr. 1402. Shonder stated "Okay, well, we have got a big problem now, and we have got to address it." Tr. 1402. Shonder told Duke "Well, this is big. We are going to have to tell the court about it." Tr. 1403. When Stamatis heard Duke provide this information, he said that it was "Groundhog's Day all over again." Tr. 1357. He then said, "You have got to be kidding me." Tr. 1357. Stamatis also said, "I need to let everyone know." Tr. 284. Both Shonder and Stamatis were shocked and surprised. Tr. 684.

Two days later, on May 31, 2019, Peter Stamatis and Steven Shonder moved to withdraw from representing Defendants. Dkt. 300. Fast on the heels of that motion was Thomas Leavens and Peter Strand's motion to withdraw. Dkt. 303.[33] A few days later, Travis Life and Heather Liberman moved to withdraw as well. Dkts. 305, 307. In typical fashion, like most motions to withdraw as counsel, the motions were scant on details other than referencing an "irrevocably impaired" relationship and a conflict of interest relating to the recent discovery of yet more potentially relevant and undisclosed ESI. But because of the history of the case and the timing of these motions, it was fairly obvious that these were "noisy withdraws." *Fort v. Colvin*, No. 15 CV 50189, 2016 U.S. Dist. LEXIS 177011, at *2-3 (N.D. Ill. Dec. 22, 2016). Plaintiff takes the position that these noisy withdraws allow the

[33] Peter Strand filed an appearance in this case but had no substantive involvement. He is not the subject of either the sanctions motion or this order.

Court to reasonably infer that the former defense counsel believed that Duke was untrustworthy. Dkt. 381, at 6. Along with the motions to withdraw, a motion to stay the response to the motion for sanctions was filed. Dkt. 298.

On June 4, 2019, the Court granted the motion to stay the response and the various motions to withdraw. Dkt. 313. During this hearing, former defense counsel gave a convoluted explanation of how they learned of the failure to produce the GoDaddy emails. But they did say that they were still operating under the belief that all the GoDaddy emails were on the four hard drives. Dkt. 315, at 6-7. Stamatis continued to push his position that Defendants had an excellent case on the merits and that Plaintiff was fighting over the ESI issue to avoid the merits. *Id.* at 8. But, in a moment of candor, Stamatis confessed that he "would be hard pressed to say there shouldn't be sanctions on this." *Id.* at 9. Upon reflection and representation, he has apparently changed his mind on this point. The Court required a status report regarding the GoDaddy emails by August 13, 2019, and set a status hearing for August 20, 2019. Dkt. 313. The Court also noted that it intended to discuss with a possible resolution to the case. *Id.* at 3.

iii. New Defense Counsel Appear and Court Attempts to Resolve the Case

On August 8, 2019, new counsel for Defendants appeared. Dkts. 316, 317.

The August 13, 2019, status report essentially described the beginnings of a proper custodian interview. Dkt. 318. This was the first and only time a custodian interview was performed in this 2012 case in which fact discovery closed on July 1,

2015. Tr. 100-01, 243. It also turns out that there were more sources of ESI that had not been searched. Tr. 243; Dkt. 318.

On August 20, 2019, the Court held a hearing to review the status report and to discuss the possibility of resolving the case. Again, unfortunately and obviously, the case did not settle. Dkt. 320.

On September 30, 2019, the Court scheduled the dates for the evidentiary hearing. Dkt. 328.

On October 1, 2019, counsel appeared for the former defense counsel. Dkts. 331, 332, 333.

On October 18, 2019, counsel for Stamatis moved to allow the former defense counsel to be present and participate during the evidentiary hearing. Dkt. 339. That motion was joined by the other former defense counsel. Dkt. 342. The Court granted those motions. Tr. 6.

On October 24, 2019, Defendants finally filed their response to Plaintiff's renewed motion for sanctions. Dkt. 347. Despite Plaintiff's reliance on a slew of bases for sanctions, this response focused solely on Federal Rule of Civil Procedure 37(e). *Id.* at 4-6, 32-35.

iv. Evidentiary Hearing Held

From October 28, 2019, through November 19, 2019, the Court held five days of evidentiary hearings. Dkts. 350, 353, 359, 362, 363.

On November 20, 2019, the Court gave all the participants of the evidentiary hearing the opportunity to file post-hearing briefs. Dkt. 363. The Court once again

gave the parties the opportunity to participate in a settlement conference. *Id.* But the parties eschewed that opportunity. Dkt. 366.

v. Post-Hearing Briefs Filed

On January 27, 2020, the parties filed their post-hearing briefs. Dkts. 378, 379, 380, 381, 382, 383.

(a) Plaintiff's Brief

Plaintiff's post-hearing brief, factually, focused on the following matters: (a) the credibility of the witnesses, including Duke's alleged perjury; (b) the late disclosure of ESI, including the emails and videos related to the defamation counterclaim, the Saraswat documents, and the online sales data document, Dkt. 381, at 8-11; (c) the loss of ESI, including the GoDaddy emails and Yahoo! chats, *id.* at 9-10, 16; and (d) the still unproduced ESI, including the GoDaddy emails, *id.* at 15. Legally, the brief highlighted Federal Rules of Civil Procedure 26(g) and 37(b), (d) and (e). *Id.* at 20, 25.

(b) Defendants' Brief

In a well-written and well-organized brief that was persuasive in parts Defendants addressed all but one of the bases Plaintiff had used to seek sanctions. Dkt. 382, at 3. This is in contrast to their memorandum in response to the motion for sanctions that only addressed Rule 37(e). Dkt. 347, at 4-6, 32-35. Defendants made no mention of Rule 26(g), which allows a court to sanction parties as well as counsel. Fed. R. Civ. P. 26(g). As to the lost ESI and Rule 37(e), Defendants argued that there was no intent so the nuclear options could not be used, and that because

there was no prejudice, no other curative measures were necessary. Dkt. 382, at 5-8. Alternatively, Defendants argued that if prejudice were found, then the matter should be left for the jury to decide how to consider the evidence relating to the spoliation. As to possible sanctions under Rule 37(b) because of Defendants' failure to comply with this Court's discovery orders, Defendants argued that they had no intent. *Id.* at 17-19. But only negligence, not intent, is required for sanctions under this rule. *e360 Insight, Inc. v. Spamhaus Project*, 658 F.3d 637, 642-43 (7th Cir. 2011). Regarding the late produced ESI, Defendants asserted it was harmless under Rule 37(c). Dkt. 382, at 9-13. Defendants further stated that if the Court were inclined to impose monetary sanctions, the former defense counsel should pay. *Id.* at 26.

(c) Leavens, Strand & Glover Brief

The Leavens, Strand & Glover attorneys' brief rightfully recognizes that ESI should have been produced earlier and that the late production impacted the litigation. Dkt. 379, at 2. But they asserted that their actions were appropriate and made in good faith. Understandably, their main argument was that they could reasonably rely on Duke's incorrect representations. Legally, the brief primarily focused on Rule 37(e), *id.* at 21-25, except for a single line about Rule 26(g), *id.* at 25. Additionally, good faith is not a defense for a Rule 37(b) violation, which unquestionably happened. *e360 Insight*, 658 F.3d at 642-43. But the brief failed to address many issues. For example, it failed to address their lack of a custodian interview, their lack of any instructions to disable autodeletion functions, and their

complete reliance on self-collection without any oversight. The brief also neglected to address that because of their failures thousands of GoDaddy emails have still not been produced. Dkt. 318. But most importantly, these attorneys failed to address that solely relying on Duke's representations was not a reasonable inquiry, especially after they possessed not only suspicions that he was being less than candid with them but proof that he was not fully forthright with them. Tr. 854-56, 1071, 1224 ("The information we received was inaccurate."). Indeed, Leavens testified that after Duke provided certain explanations, Leavens was "not sure that [he] acceptable all of them." Tr. 859. Substantial case law establishes that the reliance was not reasonable.[34] Courts recognize the common-sense proposition that attorneys should be skeptical of their clients after they have learned that their clients have been less than candid and cannot just blindly rely on clients' say so. *A PDX Pro Co. v. Dish Network Serv., LLC*, 311 F.R.D. 642, 657 (D. Colo. 2015); *Bernal v. All Am. Inv. Realty, Inc.*, 479 F. Supp. 2d 1291, 1327 (S.D. Fla. 2007). Blindly relying on a client about the identification, preservation, and collection of ESI is also not reasonable.[35] This filing also did *not* argue that Life and Liberman should be spared from sanctions because they were associates working under the

[34] *See S. Leasing Partners v. McMullan*, 801 F. 2d 783, 788 (5th Cir. 1986) (explaining that blind reliance on a client is seldom a sufficient inquiry under Rule 11); *see also Fin. Inv. Co. (Bermuda) v. Geberit AG*, 165 F.3d 526, 533 (7th Cir. 1998) (taking client's word was "wholly inadequate pre-filing investigation" under facts).

[35] *HM Elecs., Inc. v. R.F. Techs., Inc.*, Case No. 12cv2884, 2015 U.S. Dist. LEXIS 104100, at *40 (S.D. Cal. Aug. 7, 2015); *Phoenix Four Inc. v. Strategic Res. Corp.*, 05 CV 4837, 2006 U.S. Dist. LEXIS 32211, at *17-18 (S.D.N.Y. May 23, 2006); *see also* Hon. Shira A. Scheindlin & Daniel J. Capra, *Electronic Discovery and Digital Evidence* 209 (2009); Kenneth J. Whithers, *Computer-Based Discovery in Federal Civil Litigation*, 2000 Fed. Cts. L. Rev. 2, 3-4 (2000).

direction of a partner. This argument could not be made because it would raise a conflict in the representation, at least that is the Court's best guess. Nevertheless, the Court will make this argument for Liberman and Life and ultimately does not impose any monetary sanctions on them primarily for that reason. As the senior partner on the case and as a lead counsel, Leavens had a duty to reasonably supervise those who had been delegated the e-discovery responsibilities. *HM Elecs., Inc. v. R.F. Techs., Inc.*, Case No. 12cv2884, 2015 U.S. Dist. LEXIS 104100, at *58 (S.D. Cal. Aug. 7, 2015); *Qualcomm*, 2008 U.S. Dist. LEXIS 911, at *54-55. But the Court is requiring Life and Liberman to attend ESI training. Hopefully, Liberman's recollection of this training will be better than her recall of her previous CLE program. Tr. 1149-50.

(d) Stamatis' Brief

The theme of Stamatis' brief was his limited role in, and particularly his lack of involvement in, the discovery process. Dkt. 378, at 1-5. On the legal front, the brief made several technical and valid points. For example, Stamatis signed no discovery documents so he could not be sanctioned under Rule 26(g). *Id.* at 23-24. Additionally, the clear violations of Rule 37(b) occurred before he was involved with the case. *Id.* at 14, 22. As a result, Stamatis asserted that only minimal—if any—sanctions should be imposed. *Id.* at 13. But, just like Leavens, he was a lead counsel, so the duty to supervise and monitor the associates rests with him, too. *HM Elecs., Inc.*, 2015 U.S. Dist. LEXIS 104100, at *58; *Qualcomm*, 2008 U.S. Dist. LEXIS 911, at *54-55. Additionally, the brief did not address, among other things,

any of the following: His lack of reasonable follow up when discovery problems arose; his sole reliance upon representations from Duke, whose credibility was rightfully questioned, as well as from the other former defense counsel who similarly blinded relied on Duke's representations; and the failure to timely produce GoDaddy emails when a reasonable inquiry would have revealed the fundamental flaw with the entire production process. Tr. 1290, 1309-10, 1325-26, 1357. The brief also did not address the continued ESI issues and the need to produce responsive documents at this late date, which implicates Rule 37(a). Additionally, the brief did not address the misrepresentations made to the Court that hindered the fact-finding process as well as the efforts to remedy the ESI failures at an early stage. It is clear that Stamatis believed that the ESI issue was just distraction, which may explain why he merely barked orders to the other former defense counsel, Tr. 1288-89, instead of taking the issues seriously and conducting a reasonable investigation himself or supervising a reasonable investigation. Tr. 1300, 1357. That was an error in judgment, but not evidence of intent to hide or destroy ESI.

Indeed, Stamatis' position throughout this entire ESI catastrophe is that it is all a distraction from the substance of Duke's meritorious trademark claim. But, as the Court noted throughout this order, that position is flawed for several reasons. The position is also fundamentally flawed for a much larger reason. The position fails to address that Defendants' and the former defense counsel's actions and inactions struck at the core of how this Court administers justice by relying on

sworn testimony of witnesses, complete and accurate discovery responses, and meritorious legal representations by attorneys.

The following facts have been established. Although they are discussed elsewhere, these facts bear repeating. Defendants filed a counterclaim alleging defamation. Dkt. 88. This claim was part of the pleadings and at issue when Stamatis filed his appearance. The counterclaim was based on statements allegedly made by Plaintiff's representative at the Las Vegas trade show. (The Court sets aside for a moment the extraordinary fact that none of the recordings of the statements support the allegations.) In discovery, Plaintiff then specifically requested "[a]ny and all documents which refer or relate to any requests or instructions given or made to Bill Edmiston . . . with regard to the Global Gaming Expo in Las Vegas in 2013" and "[a]ny and all documents which refer or relate to any audio or video recordings of any interactions, conversations, or statements between Bill Edmiston and any parties or individuals concerning 21ST CENTURY SMOKE electronic products at the Global Gaming Expo in Las Vegas in 2013." Pl.'s Ex. 83 at ¶¶ 23, 24. In responding to these discovery requests, Defendants failed to produce the email chain between Duke and Edmiston containing the following colloquy: Duke: "maybe you can record them saying something libelous about me, lol;" Edmiston: "that sounds fine to me. I will go to there [sic] booth and play dumb about the two names. Will record. And take pics. :)." Pl.'s Ex. 22.[36] These emails

[36] The Court rejects any assertion that Duke believed this was all a joke. Tr. 343. The inclusion of "lol" does not require a different result. The interactions between Duke and Edmiston, as well as between Duke and the former defense counsel, negate this assertion.

were not produced until June 1, 2018, years after the close of fact discovery and several motions by Plaintiff. Dkt. 116.

During his own deposition, Duke denied providing Edmiston with any instruction about recording the interaction. Dkt. 294-2, at 199 (Q: "Did you give [Edmiston] any direction to record any of the events taking place at the trade show?" A: "No."). Stamatis defended Duke at this deposition. *Id.* at 180. Edmiston likewise denied receiving any instructions from Defendants to have a conversation with Plaintiff's representative. *Id.* at 215. The withheld emails show that both Duke and Edmiston falsely testified under oath. And Duke did so in the presence of Stamatis.

Plaintiff eventually filed a motion to add the affirmative defense of invited defamation. Dkt. 146. Invited defamation is an affirmative defense that bars defamation claims if the publication is procured by the plaintiff. *Leyshon v. Diehl Controls N. Am., Inc.*, 946 N.E.2d 864, 873 (Ill. App. Ct. 2010). Plaintiff asserted that this was a meritorious affirmative defense to the defamation counterclaim. Dkt. 146-1, at 14. Defendants objected to allowing this affirmative defense because, in part, there was no evidence that Duke instructed Edmiston. Dkt. 151, at 6. Specifically, the response stated that Edmiston spoke with Plaintiff's representative

---

When Duke received the emails with the audio and video recordings, Duke was not surprised or concerned with Edmiston's actions. If Duke's instructions to Edmiston were all just a big joke, his response would have been something along the lines of "Bill, what were you doing? I was just joking. I didn't mean for you to record them." Nothing remotely like that was conveyed. Tr. 347; Dkt. 294-2, at 224-31. Of course, the fact that Edmiston recorded the conversations is strong evidence that the Edmiston did not believe Duke was joking. Tr. 343.

"on [his] own volition." *Id.* The response then quoted Edmiston's deposition testimony where he denied any instruction by Defendants. *Id.* Stamatis signed this response brief under Federal Rule of Civil Procedure 11. *Id.* at 13.

In a thorough order, the Court denied Plaintiff's motion to add the affirmative defense. Dkt. 154. The Court denied the motion, in part, because Edmiston's deposition testimony that Duke did not instruct him was unrebutted. Dkt. 154, at 7. Indeed, because of Edmiston's unrebutted testimony, the Court stated that the affirmative defense of invited defamation was not strong. *Id.* So, the Court's ruling was based, in part, upon false deposition testimony, withheld ESI, and erroneous legal representations. The Court's ruling was infected by the misconduct.

In hindsight, with the benefit of the withheld emails, the Court believes its ruling may have been erroneous. The Court does not possess a way-back machine but is firmly convinced its decision may have been different had it been provided an accurate factual record. *Cf. United States v. Bagley*, 473 U.S. 667, 682 (1985). Stamatis should recognize that a mere distraction has not occurred when courts make erroneous decisions based on false testimony, withheld ESI, and counsel's misrepresentations. Instead, a miscarriage of justice has occurred.

(e) Shonder's Brief

Factually, Shonder's brief focused on his limited involvement with the case, in particular with discovery, and consequently, no sanctions should be imposed on him. Dkt. 383, at 11-13. The brief also highlighted that when he learned of the two

major ESI explosions, the first time, he made every effort to produce the documents and notify the Court, and the second time, he moved to withdraw. Legally, Shonder's brief focused on Rule 37(e). Because of his lack of involvement and supervisory responsibility, the Court finds that Shonder should not be sanctioned in any way. He does not wear the jacket for any of the ESI problems in this case.

vi. Post-Hearing Activity Included Mediation

In 2020, Duke also filed two post-hearing briefs to reopen the hearing. Dkts. 370, 384. Because of various Court orders relating to COVID that stayed briefing on motions, those motions were not fully briefed until June 23, 2020. Dkt. 414. Those motions were taken with the sanctions motion and are ruled on by separate order. Dkt. 414. They are both denied.

On September 29, 2020, after the undersigned was sworn in as a district judge, Judge Durkin was removed from the case, and the undersigned was reassigned the case as the district judge. Dkt. 417.

On October 23, 2020, the Court held a status conference that was also another attempt to convince the parties to discuss settling the case. Dkt. 420. The Court explained the sanctions it intended to impose but wanted to give the parties the opportunity to resolve the case before those sanctions were imposed and made public. The Court explained that it understood the consequences that were about to befall the parties and the former defense counsel. The Court then gave the parties time to find a mediator and mediate the case. The parties selected former Magistrate Judge P. Michael Mahoney as the mediator. Dkt. 428. Despite the

mediation, obviously, the case did not settle. Dkt. 430. At the request of the former defense counsel, the Court held fire until after January 4, 2021, and then after another request, until January 19, 2021. Dkts. 431, 432, 436. The case was not settled by that date. In fact, the parties have eschewed every opportunity to resolve this case. Consequently, the Court has entered this order.

C. The E-Discovery Process: Same As It Ever Was

E-discovery is still discovery. Unquestionably, at times, ESI discovery can be complex. But complex issues were not at play here. The same basic discovery principles that worked for the Flintstones still work for the Jetsons. *See Brown v. Tellermate Holdings Ltd.,* No. 2:11-cv-1122, 2014 U.S. Dist. LEXIS 90123, at *4 (S.D. Ohio July 1, 2014) ("[T]he underlying principles of discovery do not change just because ESI is involved."). Indeed, just like in the good old days, ESI document disclosure and discovery involve five fundamental steps: (1) identification, (2) preservation, (3) collection, (4) review, and (5) production. *The Sedona Principles, Second Edition: Best Practices Recommendations & Principles for Addressing Electronic Document Production*, 35 (Jonathan M. Redgrave ed., 2007).

1. Identification of ESI: The Whole Process Starts Here

For ages, reasonable attorneys have known that the initial client interview is crucial to litigation success. R. Lawrence Dessem, *Pretrial Litigation in a Nutshell* 10 (4th ed. 2008). Everything that counsel does during the pretrial process builds upon the initial client interview. *Id.* at 9. Counsel must interview the client to obtain all relevant available information. Mauet, *supra* note 9, at 29. While

attempting to engender client confidence, counsel should maintain a healthy skepticism concerning a client's initial explanation of a case. Dessem, *supra*, at 17. The client must be pushed, probed, even cross-examined to test the facts provided to counsel. Mauet, *supra* note 9, at 32. Counsel should elicit detailed, specific facts rather than being content with generalities and conclusions that the client may initially offer. Dessem, *supra*, at 17. And counsel should be cognizant of not only what the client says, but also what the client doesn't say. *Id.*; Mauet, *supra* note 9, at 31. Reasonable counsel conduct proper and thorough initial client interviews not simply because it is best practices; rather, these interviews are required by the Federal Rules of Civil Procedure and the Rules of Professional Conduct. Fed. Rs. Civ. P. 11, 26(g), 37(e); Model Rules of Prof'l Conduct r. 1.1 cmt. 5 (Am. Bar Ass'n 2020) ("Competent handling of a particular matter includes inquiry into and analysis of the factual and legal elements of the problem, and use of methods and procedures meeting the standards of competent practitioners. It also includes adequate preparation."); *see S. Leasing Partners v. McMullan*, 801 F. 2d 783, 788 (5th Cir. 1986) (blind reliance on a client is seldom a sufficient inquiry under Rule 11); *see also Fin. Inv. Co. (Bermuda) v. Geberit AG*, 165 F.3d 526, 533 (7th Cir. 1998) (taking client's word was "wholly inadequate pre-filing investigation" under facts). Of course, a client interview is not just a one-and-done process; follow up can be just a critical. Dessem, *supra*, at 10.

After 2004 and the *Zubulake* decisions, counsel who did not understand or take seriously ESI issues were playing Russian roulette. For sure, each litigation

chamber does not contain a bullet but when one does, the consequences can be tragic. The *Zubulake* decisions—culminating with *Zubulake V* in 2004—were highly publicized not only in legal publications,[37] but also in mainstream media.[38] In 2004, Judge Scheindlin issued a warning to counsel:

> Now that the key issues have been addressed and national standards are developing, *parties and their counsel are fully on notice of their responsibility to preserve and produce electronically stored information.* * * * It is hoped that counsel will heed the guidance provided by these resources and will work to ensure that preservation, production and spoliation issues are limited, if not eliminated.

Zubulake v. UBS Warburg LLC, 229 F.R.D. 422, 440-41 (S.D.N.Y. 2004) (emphasis added). The fourth edition of the Manual for Complex Litigation, published in 2004, highlighted the importance of ESI. The Manual addressed the prevalence of ESI and the courts' and the parties' responsibilities relating to this information. Manual for Complex Litigation § 11.446, at 77-78 (4th ed. 2004) ("Discovery of Computerized Data"). Tellingly, the Manual identified the various locations in which ESI might

---

[37] Michael Newman & Shane Crase, *Avoiding the Pitfalls of Electronic Discovery in Employment Litigation*, Federal Lawyer 20 (June 2007); Scott A. Carlson & Ronald L. Lipinski, *eDiscovery: A New Approach to Discovery in Federal and State Courts*, 95 Ill. B.J. 184 (2007); Todd D. Robichaud, *Old Wine in New Bottles: Discovery Disputes and Cost-Shifting in the Digital Age*, 33 The Brief 56 (2004); Ryan A. Horning, Kelly Smith-Haley & Bradley A. Klein, *Electronic Discovery: The New Rules*, 20 Chic. Bar. Ass'n Rec. 51 (Apr. 2006); Jason Krause, *Don't Try This at Home*, 91 A.B.A. J. 59 (Mar. 2005); Wendy Davis, *The Zubulake Road Show*, 91 A.B.A. J. 22 (Feb. 2005); Jonathan M. Redgrave & Erica J. Bachmann, *Ripples on the Shores of Zubulake: Practice Considerations from Recent Electronic Discovery Decisions*, 50 Fed. Law. 31 (2003).

[38] Ameet Sachdev, *E-Mails Become Trial For Courts*, Chi. Trib. (Apr. 10, 2005), https://www.chicagotribune.com/news/ct-xpm-2005-04-10-0504090326-story.html; Susanne Craig & Ann Davis, *UBS Warburg Is Ordered to Pay For Retrieval of E-Mails in Case*, Wall St. J. (May 19, 2003, 12:01 AM), https://www.wsj.com/articles/SB105329801953669300; Landon Thomas Jr., *A Ruling Makes E-Mail Evidence More Accessible*, N.Y. Times (May 17, 2003), https://www.nytimes.com/2003/05/17/business/a-ruling-makes-e-mail-evidence-more-accessible.html.

be stored, including personal computers as well as information that "can be accessible via the Internet." *Id.* at 78.

In 2006, the Federal Rules of Civil Procedure were amended to specifically address ESI concerns. Rule 16(b) was amended to alert the court of the possible need to address ESI discovery early in the litigation. Fed. R. Civ. P. 16(b) advisory committee's note to 2006 amendment. Both Rule 26(a) and Rule 34 were amended to recognize that a party must disclose ESI. Fed. R. Civ. P. 26(a), 34 advisory committee's notes to 2006 amendment. In reality, the rules were catching up with case law that already held that producing parties were obligated to search electronic systems for information requested. *McPeek v. Ashcroft*, 202 F.R.D. 31, 32 (D.D.C. 2001). And Rule 26(f) was amended to direct the parties to discuss ESI during their discovery-planning conference. Fed. R. Civ. P. 26(f) advisory committee's notes to 2006 amendment. The practical purpose of this amendment was to facilitate early identification of electronic discovery issues to prevent expensive and time-consuming discovery disputes. Hon. Shira A. Scheindlin & Daniel J. Capra, *Electronic Discovery and Digital Evidence* 199 (2009). By 2006, it was generally understood that attorneys could not "get away with 'I don't understand these computers' anymore." Helen W. Gunnarsson, *Coming Soon: New Federal E-Discovery Rules*, 94 Ill. B.J. 578, 580 (2006) (quoting Chicago attorney Todd Flaming).

In 2007, the Sedona Conference published an annotated version of *The Sedona Principles, Second Edition: Best Practices Recommendations & Principles*

for Addressing Electronic Document Production (Jonathan M. Redgrave ed., 2007). This book was nearly 300 pages packed full of practical, user-friendly information regarding ESI.

By 2008, among other entities, the RAND Institute for Civil Justice noted the obvious, even back then, that virtually all information was available in electronic form. James N. Dertouzos, RAND Institute for Civil Justice, *The Legal and Economic Implications of E-Discovery: Options for Future Research* 1-2 (2008). In that same year, courts assumed counsel had learned the sophisticated ways to work with information technology professionals and how to ask them the correct questions to obtain the information needed. *See Alexander v. FBI*, 541 F. Supp. 2d 274, 277 (D.D.C. 2008). The obligation of counsel to effectively communicate with the client about information technology and receive truthful responses was a commonly discussed topic. *See, e.g.*, Karl R. Wetzel, *Communication Between Counsel and Corporate IT*, 17 Bus. L. Today 37, 41 (2007) ("The importance of communication between the business lawyer and corporate IT cannot be overstated. The days of contacting in-house counsel or a corporate executive regarding the discovery mandates of a pending litigation and receiving a number of banker's boxes in return are a thing of the past. Business lawyers must now rely upon and trust the corporate IT representative to assist them in the identification, preservation, and collection of relevant ESI to comply with the newly amended FRCP and the obligations set forth by recent case law."). And courts were reiterating warnings similar to the warnings announced in *Zubulake* years earlier. *See, e.g.*, *Qualcomm*,

2008 U.S. Dist. LEXIS 911, at *71 ("While no none can undo the misconduct in this case, this process, hopefully, will establish a baseline for other cases. * * * If nothing else, it will provide a road map to assist counsel and corporate clients in complying with their ethical and discovery obligations and conducting the requisite 'reasonable inquiry.'").

By 2009, courts were issuing wake up calls to counsel about electronic discovery. *William A. Gross Constr. Assocs. v. Am. Mfrs. Mut. Ins. Co.*, 256 F.R.D. 134, 134 (S.D.N.Y. 2009). In addition to *The Sedona Principles*, other excellent ESI treatises were readily available. *See, e.g.*, Scheindlin & Capra, *supra*. Bar associations had jumped into the ESI field too. The American Bar Association had published multiple articles and two books on ESI issues in this time frame. Michael D. Berman, Courtney Ingraffia Barton & Paul W. Grimm, *Managing E-Discovery and ESI From Pre-Litigation Through Trial* (2011); Kristin M. Nimsger & Michele C.S. Lange, *Electronic Evidence and Discovery: What Every Lawyer Should Know Now* (2d ed. 2009). The continuing legal education industry was awash in ESI seminars, with advertisements littered through publications. *See, e.g.,* Jason Krause, *E-Discovery Gets Real*, 93 A.B.A. J. 44, 49 (2007) (advertising a CLE entitled "new Rules for Electronic Discovery"); Scott A. Carlson & Ronald L. Lipinski, *eDiscovery: A New Approach to Discovery in Federal and State Courts*, 95 Ill. B.J. 184-87 (2007) (advertising a CLE on e-discovery); 20 Chic. B. Ass'n Rec. 1-2 (Jan. 2006) (advertising 6.5 hours of CLE on e-discovery at the Midwest law and technology conference); 18 Chi. B. Ass'n Rec. [i]-[iv] (Oct. 2004) (advertising e-

discovery CLEs). And, under the leadership of then Chief Judge James Holderman and Magistrate Judge Nan Nolan, the United States Court of Appeals for the Seventh Circuit created the Seventh Circuit Electronic Discovery Pilot Program. Beginning in 2010, the Program provided free webinars on various ESI topics, including "You and Your Clients: Communicating About E-Discovery," "The 4 P's of eDiscovery," "What Everyone Should Know About the Mechanics of E-Discovery," "Ethics of E-Discovery," and "ESI 101: A Brief Survey of the Technology and Its Application for Beginners." *See* Seventh Circuit Council on eDiscovery and Dig. Info., *Library of On-Demand Webinars*, www.ediscoverycouncil.com/webinars. These free webinars provided basic, but important, information regarding fundamental legal principles for the identification, preservation, collection, review, and production of ESI.

The growth of ESI and its impact on litigation has continued unabated. The impact of ESI "on discovery cannot be overstated." 6 James Wm. Moore et al., *Moore's Federal Practice*, § 26.09 at 26-68.8(2) (3d ed. 2019). Indeed, it is almost quaint now to say that all litigation involves ESI. Nevertheless, counsel are still rightfully reminded that "[e]ven in the smallest of cases these days, electronic data—especially email—play a role." George Socha & Margaret Wolf, *Why Can't I Just Review it in Outlook?*, 102 Judicature 9 (2018).

With the expansion of ESI, the amendments to the Federal Rules of Civil Procedure, and the possible consequence of serious (and sometimes case-dispositive) sanctions, a new aspect of client interviews emerged: the custodian interview.

Whether viewed as a different type of client interview or merely an outgrowth of a client interview, they are similar and just as important. Like the initial client interview, the custodian interview is not merely a theoretical best practice. Instead, like the initial client interview, a proper and thorough custodian interview is mandated by the Federal Rules of Civil Procedure and the Rules of Professional Conduct. Fed. Rs. Civ. P. 26(f), 26(g), 37(e); Model Rules of Prof'l Conduct r. 1.1 cmt. 8 (Am. Bar Ass'n 2020). Since at least 2006, counsel have been required to take an active, affirmative role in advising their clients about the identification, preservation, collection, and production of ESI. Scheindlin & Capra, *supra*, at 470-71. Indeed, twenty years ago, an attorney's duty in this regard was clear:

> The attorneys have an obligation to investigate their clients' information management system thoroughly to locate potentially relevant and discoverable material, no matter how technically opaque that information system may appear. *Such an investigation goes well beyond simply asking the client for the relevant files and trusting that the client itself has a complete understanding of its own information technology structure.*

Kenneth J. Withers, *Computer-Based Discovery in Federal Civil Litigation*, 2000 Fed. Cts. L. Rev. 2, 3-4 (2000) (emphasis added).

As with an initial client interview, a reasonable custodian interview can require counsel to cross-examine the client and test the accuracy of the client's response to document requests to ensure that all appropriate sources of data have been searched and that responsive ESI has been collected—and eventually reviewed and produced. Scheindlin & Capra, *supra*, at 209. Simply relying on a client's say so may not be reasonable. *HM Elecs., Inc. v. R.F. Techs., Inc.*, Case No. 12cv2884,

2015 U.S. Dist. LEXIS 104100, at *40 (S.D. Cal. Aug. 7, 2015); *Phoenix Four Inc. v. Strategic Res. Corp.*, No. 05 Civ. 4837, 2006 U.S. Dist. LEXIS 32211, at *17-18 (S.D.N.Y. May 23, 2006). And like an initial client interview, the custodian interview can be an iterative process, requiring follow up. Sedona Conference, *The Sedona Conference "Jumpstart Outline:" Questions to Ask Your Client & Your Adversary to Prepare for Preservation, Rule 26 Obligations, Court Conferences & Requests for Production* (2011).

At the least, a reasonable custodian interview consists of locating the relevant people and the locations and types of ESI. 1 Arkfeld's Best Practices: Electronic Discovery § 4.7; Tr. 1494-96. Counsel have a duty to know and understand their clients' ESI systems and storage. *HM Elecs., Inc.*, 2015 U.S. Dist. LEXIS 104100, at *57-58. The relevant people are the individuals who have custody of the relevant ESI or the ability to obtain the ESI. Counsel must interview them to learn the relevant facts regarding ESI and to identify, preserve, collect, and produce the relevant ESI. 1 LN Practice Guide: MA e-Discovery and Evidence § 3.07[1]. The failure to adequately interview key custodians that results in the failure to identify, preserve, collect, and produce ESI can result in sanctions. *Small v. Univ. Med. Ctr.*, No. 13-cv-0298, 2018 U.S. Dist. LEXIS 134716, at *149-50 (D. Nev. Aug. 8, 2018); *HM Elecs., Inc.*, 2015 U.S. Dist. LEXIS 104100, at *46 ("it was unreasonable to ask one person").

The relevant locations are those places where the ESI can be found so that it can be both (a) preserved and (b) collected and produced. Although both are

necessary, preserving ESI is distinct from collecting and producing ESI. Scheindlin & Capra, *supra*, at 208. Relevant locations can include a myriad of places, including hard drives, laptops, and internet-based applications. Martin T. Tully & Lauren H. Cooper, *Introduction to Information Systems at Organizations—It's Not a "Just Push a Button World," in* The Federal Judges' Guide to Discovery 6, 9-10 (2d ed. 2015); Scheindlin & Capra, *supra*, at 211. An internet-based application is one in which an internet user goes to a third-party's website and logs onto an application program provided by a third party. The user then uses the application as if it resided on the user's device. When using an internet-based application, the data usually remains with the third-party provider. Scheindlin & Capra, *supra*, at 64.

The types of ESI can include emails and chats/instant messages. Tully & Cooper, *supra*, at 6, 9-10; Scheindlin & Capra, *supra*, at 211. Emails differ from chats/instant messages. *The Sedona Conference Glossary: E-Discovery & Digital Information Management (Fourth Edition)*, 15 Sedona Conf. J. 305, 324, 333 (Sherry B. Harris & Paul H. McVoy, eds., Fall 2014). Email may or may not be an internet-based application. "Email" is "[a]n electronic means of sending, receiving and managing communications via a multitude of different structured data applications (email client software), such as Outlook or Lotus Notes or those often known as 'webmail,' such as Gmail or Yahoo! Mail." *Id*. at 324. Webmail is an example of an internet-based application. In addition to Yahoo! mail, GoDaddy emails are webmail. Tr. 522-23.

Before 2012, even counsel with only rudimentary knowledge of ESI had access to sources to guide them in custodian interviews. For example, back in 2011, the Sedona Conference published a free questionnaire that notified counsel about identifying, preserving, collecting, and producing ESI—including email, third-party email sources, and instant messaging. Sedona Conference, *Jumpstart Outline*, *supra*, at 1. This free publication specifically addressed email servers and instructed counsel to ask the client to identify the systems (client and server-side applications) used for emails and the time period for the use of each system, whether end-user emails are stored in the end-user's hard drive, email server, or a server of a third party application service provider; whether backup email servers exist; and whether the client's email servers overwrite, reformat, erase, or otherwise destroy the content of email on a periodic basis. *Id.* at 3-5. Other checklists existed as well. Scheindlin & Capra, *supra*, at 210-11; *see also* Hon. Shira A. Scheindlin & Jonathan M. Redgrave, *Discovery of Electronic Information in Business and Commercial Litigation in Federal Courts* ch. 22 (2d ed. 2008). These checklists likewise instructed counsel to question clients about applications used including email, instant messaging, internet email, and shared email systems with a service provider. The Sedona Conference, *Jumpstart Outline*, *supra*, at 3-5; Scheindlin & Capra, *supra*, at 210-11. Handy glossaries were published for the technology impaired. *See, e.g.,* Maura R. Grossman & Gordon V. Cormack, *The Grossman-Cormack Glossary of Technology-Assisted Review*, 7 Fed. Cts. L. Rev. 1 (2013).

These issues were not merely academic concerns, discussed by commentators and ESI wonks. Federal judges across the nation were making the same points.[39]

2. Preservation of ESI: The Litigation Hold

Once a party reasonably anticipates litigation, it is duty-bound to take good faith steps to preserve documents and data that may be relevant to the litigation. *Zubulake v. UBS Warburg* LLC, 220 F.R.D. 212, 216-17 (S.D.N.Y. 2003); Fed. R. Civ. P. 37(e); *The Sedona Principles*, Principle 5. Though a party need not preserve all documents in its possession—again, perfection is not the standard—it must preserve what it knows and reasonably ought to know is relevant to possible litigation and is in its possession, custody, or control. *See, e.g.*, *Doe v. City of Chicago*, Case No. 18-cv-03054, 2019 U.S. Dist. LEXIS 113395, at *14-15 (N.D. Ill. July 9, 2019); *Mintel Int'l Grp., Ltd. v. Neerghen*, Case No. 08 CV 3939, 2009 U.S. Dist. LEXIS 131224, at *4-5 (N.D. Ill. Jan. 22, 2009). Of course, as discussed above, litigants and attorneys must familiarize themselves with their data retention

[39] *See, e.g.*, *Brown*, 2014 U.S. Dist. LEXIS 90123 at *4; *Moore v. City of Chi. Heights*, No. 09 C 3452, 2011 U.S. Dist. LEXIS 126738, at *27-28 (N.D. Ill. Feb. 15, 2011) (Gilbert, J.) ("A lawyer needs to communicate with is or her client about the information that is or may be available to support a claim or defense especially at an early stage of the litigation. If no communication or inquiry takes place between the lawyer and client at the earliest stages of litigation, then it is impossible to assure information that may be used for these purposes is discovered and disclosed. This is particularly critical with respect to ESI. Technology changes so rapidly today, and the archiving of ESI has become so ubiquitous that policies and practices of just a few years ago are now obsolete. It is, therefore, imperative that parties and their counsel not only assume that what they understood to be the typical way of doing things remains the case over time."); *Qualcomm*, 2008 U.S. Dist. LEXIS 911, at *31 ("For the current 'good faith' discovery system to function in the electronic age, attorneys and clients must work together to ensure that both understand how and where electronic documents, records and emails are maintained and to determine how best to locate, review, and produce responsive documents. Attorneys must take responsibility for ensuring that their clients conduct a comprehensive and appropriate document search.").

systems, both local and web-based, to determine whether potentially relevant information is, in fact, being preserved. Fed. R. Civ. P. 37(e) advisory committee's note to 2015 amendment ("It is important that counsel become familiar with their clients' information systems and digital data—including social media—to address these issues.") What programs does the client use that creates ESI that could relate to the litigation? How is the information stored? Who can access the data and what can they do with it? Are there copies? Will the data be stored indefinitely?

Attorneys and litigants must ask these and other questions to identify what they are required to preserve for litigation purposes and, once a party reasonably anticipates litigation, it must take affirmative action to satisfy its preservation duties. *See, e.g.*, *Hohider v. UPS*, 257 F.R.D. 80, 82 (W.D. Pa. 2009). Additionally, attorneys must inform their clients of these preservation duties. Indeed, "[t]he preservation obligation runs first to counsel, who has a duty to advise his client of the type of information potentially relevant to the lawsuit and of the necessity of preventing its destruction. Moreover, this responsibility is heightened in the age of electronic discovery." *Orbit One Commc'ns. v. Numerex Corp.*, 271 F.R.D. 429, 437 (S.D.N.Y. 2010) (internal citations and quotations omitted). The efforts a party takes to satisfy its preservation duties are known as the "litigation hold." *See, e.g.*, Nathan M. Crystal, *Ethical Responsibility and Legal Liability of Lawyers for Failure to Institute or Monitor Litigation Holds*, 43 Akron L. Rev. 715, 717 (2010). To ensure their clients institute litigation hold procedures sufficient to satisfy their preservation duties, and to ensure they fulfill their own discovery obligations,

attorneys utilize a tool well-known to all competent litigators: the litigation hold notice. *See, e.g.*, *Borum v. Brentwood Vill., LLC*, 332 F.R.D. 38, 45-46 (D.D.C. July 18, 2019). A litigation hold notice is a communication, either written or oral, that puts clients on notice of their duties to preserve documents within their possession, custody, or control that are relevant to the litigation and further directs the clients how to fulfill those obligations. Since well before 2012, litigation hold notices have been and continue to be a crucial and necessary tool for ensuring that clients preserve ESI consistent with their discovery obligations. *See, e.g.*, Mark S. Sidoti & Reneé L. Monteyne, *The Effective Internal Litigation Hold Letter*, In-House Def. Q., Winter 2007, at 9.

The standard and recognized method to ensure clients have been adequately informed of their preservation duties is through a written litigation hold letter. *See, e.g.*, *Pope v. Cty. of Albany*, No. 11-CV-736, 2012 U.S. Dist. LEXIS 192394, at *9-10 (N.D.N.Y. July 31, 2012). Best practices dictate that a written letter is the superior form of the litigation hold notice for various practical reasons, primarily because it documents when the hold issues and what it directs a litigant to do to meet its discovery obligations. *Borum*, 332 F.R.D. at 45 ("A litigation hold typically takes the form of a written hold.") (The importance of documentation is discussed below.) Even so, under certain circumstances, reasonable, good-faith verbal communications to a client—typically a small business or individual litigant—*may* suffice to convey that party's discovery obligations and ensure discovery is preserved, even in lieu of a formal litigation hold letter or policy. *See, e.g.*, *id.* at 45-

46; *Steuben Foods, Inc. v. Country Gourmet Foods*, LLC, 08-CV-561S(F), 2011 U.S. Dist. LEXIS 43145, at *17-19 (W.D.N.Y. April 21, 2011); *Jones v. Bremen High Sch. Dist. 228*, No. 08 C 3548, 2010 U.S. Dist. LEXIS 51312, at *15-18 (N.D. Ill. May 25, 2010); *Haynes v. Dart*, No. 08 C 4834, 2010 U.S. Dist. LEXIS 1901, at *10-14 (N.D. Ill. Jan. 11, 2010). But, of course, any litigation hold notice, either written or verbal, must contain enough information to adequately inform its intended recipient of its discovery obligations under the circumstances. As these and many other cases demonstrate, regardless of the *form* the litigation hold notice takes, its *content* is critical. At minimum, parties have a duty to preserve discovery materials in a reasonable manner and a sufficient hold notice should explain how to satisfy that duty. *Cf. Pope*, 2012 U.S. Dist. LEXIS 192394 at *8-9; *Zimmerman v. Poly Prep Country Day Sch.*, 09 CV 4586 (FB), 2011 U.S. Dist. LEXIS 40704, at *81 (E.D.N.Y. Apr. 13, 2011); *Point Blank Sols. Inc. v. Toyobo Am. Inc.*, No. 09-61166-CIV, 2011 U.S. Dist. LEXIS 42239, at *92-95 (S.D. Fla. Apr. 5, 2011); *Keithley v. Home Store.com, Inc.*, No. C-03-04447 SI, 2008 U.S. Dist. LEXIS 61741, at *18-19, 47-48 (N.D. Cal. Aug. 12, 2008). For example, one oft-cited litigation pamphlet outlining ten tips for crafting a sufficient litigation hold warns that simply directing a client to "save everything" is insufficient. Stephanie F. Stacy, *Litigation Holds: Ten Tips in Ten Minutes*, https://www.ned.uscourts.gov/internetDocs/cle/2010-07/LitigationHoldTopTen.pdf ("Don't leave a voice-mail or send an e-mail communicating the litigation hold, and don't walk down the hallway and instruct the custodian to 'save everything.' Put the Litigation Hold Notice in writing, with

clear instructions to suspend automatic deletion and [] on what should be preserved.") (emphasis added); *Brown*, 2014 U.S. Dist. LEXIS 90123 at *56 ("[Defendants'] counsel had an obligation to do more than issue a general directive to their client to preserve documents which may be relevant to the case.").[40] This is sage advice, as the quagmire of discovery issues in this case illustrates. Rather than providing general statements directing clients not to delete anything relevant, attorneys must give reasonable and specific instructions detailing where ESI might be stored and what steps the client may need to take to preserve it.

Among other things, critically, an adequate hold notice must include a warning to disable autodelete functions. Autodelete settings (as the name implies) automatically delete regularly created electronic data at regular time intervals. These settings are widely used in many applications for various practical or business purposes unrelated to litigation. For instance, electronic records become outdated, electronic storage space may be limited, and storing ESI for extended periods can be costly absent any specific reason to retain the data. Regularly and automatically deleting old data is an easy way to efficiently address these issues. So, autodelete functionality is and has been a near ubiquitous feature in programs and email services that produce ESI, leading to a phalanx of publications warning litigators of the need to clearly and adequately inform their clients to investigate and turn off autodelete functions as part of their litigation hold processes.[41]

---

[40] That is precisely all that was done here. Tr. 127, 28, 216-18, 588, 788.

[41] *See, e.g.*, Syed Ahmad & Corey Lee, *Practical Advice for a Successful Legal Hold Program*, 8 Tech. Litig. 7, 8-9 (2014) ("It is also critical to record efforts that were made to

It follows that in cases involving ESI, to satisfy their preservation duties, parties must investigate and disable autodelete functions on email accounts (client and web-based) at the onset of litigation if those accounts reasonably contain relevant information and it is reasonable under the circumstances of the case to do so. This was the standard articulated in the *Zubulake* decisions and incorporated into the 2006 version of Fed. R. Civ. P. 37(f). The 2006 committee notes to Rule 37(f) explained the impact of autodeletion functions:

> [Rule 37(f)] applie[d] to information lost due to the routine operation of an information system only if the operation was in good faith. Good faith in the routine operation of an information system may involve a party's intervention to modify or suspend certain features of that routine operation to prevent the loss of information, if that information is subject to a preservation obligation.

Fed. R. Civ. P. 37(e) advisory committee's note to 2006 amendment. Well before this case was filed in 2012, attorneys were on notice to instruct their clients to disable

---

set aside the regular document retention policy, such as turning off auto-delete in email, and the date those steps were taken."); Matthew Ralph & Caroline D. Sweeney, *E-Discovery and Antitrust Litigation*, 26 Antitrust 58, 59 (2011-2012) (stating that "suspension of email auto-delete functions is now a fairly well recognized standard of conduct" in e-discovery context); Richard L. Miller & Kristen Werries Collier, *Avoiding the Innocent Spoliation of Evidence*, 24 Chi. B. Ass'n Rec. 40, 43 (2010) (advising in state law context that once a business expects litigation, it "should suspend all electronic auto-delete policies and programs with respect to the individuals that were involved with the matter at issue") (emphasis removed); Joshua C. Gilliland & Thomas J. Kelley, *Modern Issues in E-Discovery*, 42 Creighton L. Rev. 505, 513 (2009) ("If you get sued and your client has not suspended their document destruction policies or turned off its auto-delete procedure, a court will not find that the client acted in good faith. For instance, there is ample bodies of case law where people still get sanctioned by trying to claim [2006 safe harbor] Federal Rule 37(e) protection, which fails, because they did not suspend their e-mail archiving systems."); Helen L. Marsh, *Here Comes the Judge: The New Federal Rules on E-Discovery*, 18 Prac. Litig. 7, 16 (2006) (advising attorneys to "[i]dentify auto-delete or auto-archive policies, employee compliance with those policies, and determine modification, if necessary, to meet requirements of [the] litigation hold.").

autodelete functions. *The Sedona Principles: Best Practices Recommendations and Principles for Addressing Electronic Document Production*, 29, 247 (2d ed. 2007). Indeed, long before the litigation started and during its long and convoluted existence, courts regularly warned parties to suspend their automatic deletion policies when litigation was reasonably anticipated.[42] *See, e.g.*, *Weitzman v. Maywood*, No. 13 C 1228, 2014 U.S. Dist. LEXIS 120686, at *4 (N.D. Ill. Aug. 29, 2014) ("When a party first reasonably foresees that litigation is on the horizon, it must suspend its ordinary policies governing how information is retained or destroyed and put into place a litigation hold to preserve relevant material."); *YCB Int'l, Inc. v. UCF Trading Co.*, No. 09-CV-7221, 2012 U.S. Dist. LEXIS 104887, at *25 (N.D. Ill. June 12, 2012) (citing *Zubulake*, 220 F.R.D. at 218); *Krumwiede v. Brighton Assocs., L.L.C.*, No. 05 C 3003, 2006 U.S. Dist. LEXIS 31669, at *23-24 (N.D. Ill. May 8, 2006) (same); *see also* Jonathan Redgrave, *An Examination of "Litigation Holds" and the Preservation of Electronic Documents in the Context of* Zubulake, Jones Day Commentaries, Nov. 2004, at 4, https://www.jonesday.com/files/Publication/8b2f8bf5-d077-4b02-80e5-

[42] *See also* Nicholas O'Donnell, *10 Essentials for a Well-Drafted Litigation Hold Notice*, Sullivan Law (Jan. 7, 2016, 5:38 PM) (explaining that a litigation hold should direct IT personnel to suspend normal deletion policies and suggesting the following language: "To comply with our legal obligations, the Company must make all reasonable efforts to preserve, or suspend from deletion, overwriting, modification, or other destruction of all relevant paper or electronic data in your possession, custody, or control that is relevant to this litigation matter.") (emphasis removed); The Sedona Principles, at 29 ("As part of a legal hold process, a party should be prepared to take good faith measures to suspend or modify *any feature of information systems* which *might impede* the ability to preserve discoverable information.") (emphasis added); Sidoti & Monteyne, *supra* p. 28, at 12 (example hold letter directing client to suspend deletion and overwriting practices to comply with discovery obligations).

f69db0d75372/Presentation/PublicationAttachment/05cfba3e-a8d6-471f-9eaf-fab096b23b82/RedgraveJDcommentary.pdf. Even state courts warned counsel of the failure to disable autodelete functions and affirmed sanctions for failing to do so. *VOOM HD Holdings, LLC v. Echo Star Satellite, LLC*, 939 N.Y.S.2d 321, 332-33 (N.Y. App. Div. 2012). The comments to the 2015 amendments to Rule 37, which replaced Rule 37(f) with the current version of 37(e), again warned of the consequences of failing to disable autodeletion functions:

> [A]s under [the 2006 version of 37(f)], the routine, good-faith operation of an electronic information system would be a relevant factor for the court to consider in evaluating whether a party failed to take reasonable steps to preserve lost information, although the prospect of litigation may call for reasonable steps to preserve information by intervening in that routine operation.

Fed. R. Civ. P. 37(e) advisory committee's note to 2015 amendment. Thus, even after the 2015 amendments, courts continue to expect litigants to reasonably investigate and alter routine data destruction once litigation is reasonably anticipated to satisfy their preservation duties. *See, e.g.*, *Charlestown Capital Advisers, LLC. v. Acero Junction, Inc.*, 18-CV-4437, 2020 U.S. Dist. LEXIS 180982, at *34 (S.D.N.Y. Sep. 30, 2020); *Hernandez v. Helm*, No. 18 C 7647, 2019 U.S. Dist. LEXIS 195947, at *11-12 (N.D. Ill. Nov. 12, 2019); *Hunting Energy Servs. v. Kavadas*, No. 3:15-CV-228 JD, 2018 U.S. Dist. LEXIS 161416, at *13-14 (N.D. Ind. Sept. 20, 2018). These are not novel concepts. Instead, this is what a typical litigation hold should do. The Sedona Conference, *Commentary on Legal Holds, Second Edition: The Trigger & The Process*, 20 Sedona Conf. J. 341, 357 (2019).

The rationale behind directing litigants to investigate and disable autodelete

functions is obvious: if ESI is relevant to litigation that may or has commenced, the Rules of Civil Procedure require that that data be preserved, which cannot be done if the data is set to autodelete and is ultimately deleted. As this case demonstrates, attorneys and parties that ignore their obligations to reasonably investigate the possibility of or disregard autodelete functions run the risk of destroying relevant evidence and visiting prejudice upon their litigation adversaries, thereby earning sanctions. A litigation hold—whether verbal or written—that fails to instruct a party to disable autodeletion functions is not much of a litigation hold. *Brown*, 2014 U.S. Dist. LEXIS 90123 at *56; *MOSAID Techs. Inc. v. Samsung Elecs. Co.*, 348 F. Supp. 2d 332, 339 (D.N.J. 2004) ("When the duty to preserve is triggered, it cannot be a defense to a spoliation claim that the party inadvertently failed to place a 'litigation hold' or 'off switch' on its document retention policy to stop the destruction of that evidence.").

The issuance of a litigation hold does not end counsel's duty in preserving ESI. Lisa C. Wood & Matthew E. Miller, *What You and Your Client Can and Should Do to Avoid Spoliation of Electronic Evidence*, 27 Antitrust ABA 85, 86 (Summer 2013) ("In addition, it is not enough to notify the client of preservation obligations: 'Counsel must take affirmative steps to monitor compliance [with the litigation hold] so that all sources of discoverable information are identified and searched.'"). Counsel cannot simply issue a litigation hold and assume they are done with their role in preserving ESI. Scheindlin & Capra, *supra*, at 85. They must continue to monitor and supervise or participate in a party's efforts to comply

with the duty to preserve. The Sedona Conference, *Commentary on Legal Holds, Second Edition: The Trigger & The Process*, 20 Sedona Conf. J. 341, 358 (2019) (collecting cases and other authority dating back to 2004); *see, e.g., Charlestown Capital Advisors, LLC*, 2020 U.S. Dist. LEXIS 180982, at *34.

Here, certain GoDaddy emails and all Yahoo! chats (except for two, one of which is particularly damning, chats that were disclosed years after the close of fact discovery, Pl.'s Exs. 17, 37) were deleted and are gone forever. *See, e.g.*, Tr. 219, 927 (Yahoo! chats gone forever), 938 (some GoDaddy emails not recoverable). And none of the former defense counsel instructed Duke to disable any autodelete functions. Tr. 936. But, strangely, Duke and the former defense counsel still take the position that a written litigation hold was not necessary for Duke to understand his preservation duties. Tr. 588. This is patently wrong. Had Duke understood his duties, those documents would not have been spoliated. Again, ESI was deleted and is lost, so obviously Duke did not understand his preservation duties. Tr. 927, 938. Or, if Duke did understand his duties, then he intentionally spoliated ESI. Had reasonable steps—including a litigation hold communication stating to cease all autodelete functions—been taken when the duty to preserve arose, this ESI would more likely not have been deleted. Moreover, counsel did nothing to follow up on their supposedly reasonable verbal litigation hold, even after learning of the autodeletion of GoDaddy emails and the failure to collect the Yahoo! emails. And, even after those colossal failures, they dawdled for months after learning about the need to obtain and preserve the Yahoo! chats and did so only after the Court

ordered them to investigate the issue. *Compare* Tr. 926 (Leavens testifies that he knew Yahoo! chats were not produced, does nothing to investigate whether chats were recovered before May 2018 and does not know why he did nothing), *with* Dkt. 268, at 1 (showing that counsel did not investigate issue until after August 14, 2018, hearing); *J.S.T. Corp. v. Robert Bosch LLC*, No. 15-13842, 2019 U.S. Dist. LEXIS 90431, at *31 (E.D. Mich. 2019) ("Bosch then did not take any proactive efforts to restore or replace the lost email until many months later."). They dawdled even though Leavens knew—all the way back in 2012—that Duke communicated on Yahoo! chat. Tr. 926. And if more evidence that the verbal litigation hold was insufficient is necessary, it bears repeating that even though Duke communicated with Saraswat via Yahoo! chat, he never searched for responsive Yahoo! chat documents or attempted to preserve this ESI and it is now gone forever. Tr. 138, 139, 216, 272. Whether the remaining requirements necessary to impose sanctions under Rule 37(e) are established is addressed below.

3. Collection of ESI

The collection of ESI overlaps with many other areas of the discovery process. ESI that is not identified or preserved cannot be produced. And even ESI that is identified and preserved may not be collected if clients are not properly counseled and supervised—by using, among other things, appropriate documentation—during the identification and preservation process. And even when attorneys properly counsel and supervise clients, allowing clients to self-collect ESI leaves them subject

to allegations of incomplete production. In this case, Defendants and the former defense counsel engaged in unsupervised and undocumented self-collection.

Custodian self-collection occurs when counsel direct their clients to identify, preserve, collect, and produce documents and electronic information in response to discovery requests. Jack Halprin, *Custodian Self-Collection – The Challenges & Consequences*, PEER TO PEER (May 2008). Reasons counsel give for relying on custodian self-collection include that the case is small, to save on costs, or that their client has its own know-how for preserving and finding responsive information on its own. *See* Alex Khoury, *Self-Collection in E-Discovery – Risks vs. Rewards,* Law 360 (Aug. 28, 2017, 10:43 AM EDT), https://www.law360.com/articles/957202/self-collection-in-e-discovery-risks-vs-rewards.[43] However, parties and counsel that embark on self-collection can soon encounter multiple pitfalls that can sidetrack the litigation and lead to motions to compel, spoliated evidence, and even sanctions. *Id.* Without proper guidance and oversight from counsel, custodian self-collection can be a risky move, as this case establishes. The former defense counsel appeared oblivious to any of these concerns. Tr. 1201-02.

The first pitfall counsel may encounter is the client's failure to identify all sources of responsive information. Clients may not have the technical or legal understanding to identify all possible sources of information, especially ESI. *See*

[43] None of these reasons exist here. First, this is not a small case. Duke's former counsel claims it is an eight-figure case. Dkt. 367, at 64. Second, the case is being defended under a reservations of rights, so costs are far less of a concern. Third, the mere existence of the sanctions motion and this order shows that Duke's preservation and collection efforts were monumentally lacking.

Halprin, *Custodian Self-Collection, supra* ("Technical limitations, lack of legal understanding and improper preservation techniques such as "drag-and-drop" are all grounds for potential errors in self-collection efforts. . . . [S]ome employees may not understand or remember that relevant ESI may be stored as sent e-mail messages or drafts of documents."). Although some sources of information are obvious such as documents or e-mails, other potential sources of electronic information are less obvious, including social media, messaging apps, thumb drives, and cloud storage. 1 LexisNexis Practice Guide: MA e-Discovery & Evidence § 3.08. Based on the evidence at the hearing, this type of ESI was not preserved, searched, collected, or produced in this case before Plaintiff filed the motion for sanctions.

Relying solely on the client to identify the universe of relevant information, without reasonable inquiry to verify that the client accurately captured that universe, can lead to sources of information being overlooked. For instance, in *Bd. of Regents of the Univ. of Neb. v. BASF Corp.*, No. 04 CV 3356, 2007 U.S. Dist. LEXIS 82492, at *6-7 (D. Neb. Nov. 5, 2007), plaintiff's counsel "gained an 'understanding'" after talking to his client's employees that all relevant information could be found in a professor's lab except for a few other documents, though counsel knew where those were, too. But after opposing counsel questioned whether all responsive documents had been found and produced on multiple occasions, each occasion led plaintiff's counsel to inquire further, which led to the discovery of more previously-unknown relevant information, including ESI contained on floppy discs

(remember those?) that required a computer forensics expert to retrieve. *Id.* at *7-12. This trickling production of documents eventually led the court to conclude that plaintiff's counsel had failed to conduct the thorough search for documents required by Fed. R. Civ. P. 34 and awarded sanctions. *Id.* at *17-20; *see also Tarlton v. Cumberland Cty. Corr. Facility*, 192 F.R.D. 165, 170 (D.N.J. 2000) ("[Defense c]ounsel had a duty to explain to their client what types of information would be relevant and responsive to discovery requests and ask how and where relevant documents may be maintained. . . . It was not their option to simply react to plaintiff's fortuitous discovery of the existence of relevant documents by making disjointed searches, each time coming up with a few more documents, and each time representing that that was all they had.").

The second pitfall counsel may fall into after embarking on self-collection is the client's failure to preserve evidence, as discussed throughout this order. As was done here, "[i]t is not sufficient to notify all employees of a legal hold and expect that the party will then retain and produce all relevant information." *Samsung Elecs. Co. v. Rambus, Inc.*, 439 F. Supp. 2d 524, 565 (E.D. Va. 2006); *see also Procaps, S.A. v. Patheon, Inc.*, No. 12-24356-CIV, 2014 U.S. Dist. LEXIS 28263, at *5 (S.D. Fla. Feb. 28, 2014) (awarding attorneys' fees, in part, because counsel "failed to realize that its client never actually implemented the litigation hold"). Instead, counsel must take affirmative steps to monitor compliance. *Samsung Elecs.*, 439 F. Supp. 2d at 565. One particular risk that can result from failing to fully instruct the client on its obligations to preserve evidence or to monitor its

compliance is the autodeletion of electronic information. Here, as discussed in detail, counsel ran headlong into this risk despite nearly a decade of case law and secondary authority flagging this critical issue for them. For example, back in 2004, the court in *Convolve, Inc. v. Compaq Comput. Corp.*, 223 F.R.D. 162, 175-76 (S.D.N.Y. 2004), noted that in "the world of electronic data, the preservation obligation is not limited simply to avoiding affirmative acts of destruction. Since computer systems generally have automatic deletion features that periodically purge electronic documents such as e-mail, it is necessary for a party facing litigation to take active steps to halt that process."

Even when the client has identified all possible sources of relevant information, a third pitfall may arise when the client may not find or provide to counsel all responsive documents and ESI from those sources. Crafting effective searches of ESI can be challenging, even for counsel. *See Nat'l Day Laborer Org. Network v. U.S. Immigration & Customs Enf't Agency*, 877 F. Supp. 2d 87, 108-09 (S.D.N.Y. 2012). Therefore, "effective custodian-conducted searches must give specific directions as to search terms and techniques." *Brown v. West Corp.*, 287 F.R.D. 494, 499 (D. Neb. 2012). In *Procaps S.A.*, plaintiff's counsel left the collection of relevant documents to the client, who looked for responsive documents using a single search term and searched only e-mails between the plaintiff and defendant, neglecting to search internal e-mails or e-mails on which he was copied, which led the court to order a comprehensive forensic search of the plaintiff's ESI and to award fees. *Procaps*, 2014 U.S. Dist. LEXIS 28263, at *7-8.

Similarly, in *Cache La Poudre Feeds, LLC v. Land O'Lakes Farmland Feeds, LLC*, 244 F.R.D. 614, 625, 630 (D. Colo. 2007), counsel merely directed the client to "identify documents that 'related to the litigation,'" "simply accepted whatever materials employees provided," and then assured opposing counsel that they had made the necessary efforts to provide all relevant documents and information. That is precisely what happened in this case. And, as in this case, that representation turned out to be untrue. The court found that counsel could not legitimately claim that they made every effort to provide all relevant information when they had undertaken no independent action to verify the completeness of what employees found. *Id.* at 629-30.

Clients may fail to find or provide all responsive information for the additional reason of self-interest. As one author has warned, "[d]ocument collection by custodians who have a stake in the outcome of the litigation or whose conduct might have been embarrassing or compromising will draw heightened scrutiny and skepticism." Khoury, *Self-Collection in E-Discovery, supra*; *see also* 1 LexisNexis Practice Guide: MA e-Discovery & Evidence § 3.08. ("Permitting self-collection, particularly where the custodians are fact witnesses to a litigation, has some obvious downsides such as the fact witnesses' self-interest and likely lack of forensic training in locating and securing relevant documents.").

This type of skepticism was warranted in *Wachtel*, when the court imposed sanctions after the defendant relied on employees to search for and turn over whatever the employees determined was relevant: "[m]any of these specific

employee-conducted searches managed to exclude inculpatory documents that were highly germane to Plaintiffs' requests." *Wachtel*, 239 F.R.D. at 92. As in this case, some of these documents were first revealed to the plaintiff when attached as exhibits to the defendants' summary judgment motions. *Id.* at 91. Moreover, as in *Wachtel*, Duke was left to determine relevance. Tr. 785-86.

A fourth pitfall is that clients who self-collect may not fully document how they conducted their searches. As articulated in *The Sedona Principles*, "[h]aving documentation can help respond to legitimate challenges . . . – even those made years later – to the processes employed, avoid overlooking ESI that should be collected, and avoid collecting ESI that is neither relevant nor responsive to the matter at issue." *The Sedona Principles, Third Edition: Best Practices, Recommendations & Principles for Addressing Electronic Document Production*, 19 SEDONA CONF. J. 1, cmt. 6.c (2018). Counsel who do not closely monitor a client's search criteria and techniques may discover too late that the client did not document the sources of information it searched or the tools or terms it employed.

As established in this case, if opposing counsel challenges the completeness of discovery responses, the lack of documentation from the client will leave counsel hamstrung when attempting to defend the production. And more fundamentally, the revelation that the client's search was never systemized and documented will leave counsel vulnerable to the argument that counsel had never met its duty to conduct a reasonable inquiry into the thoroughness of the client's search and the completeness of the production before the production was made. *See Metro. Opera*

Ass'n, Inc. v. Local 100, Hotel Emps. & Rest. Emps. Int'l Union, 212 F.R.D. 178, 221-22 (S.D.N.Y. 2003); *see also* Halprin, *Custodian Self-Collection, supra* ("self-collection is inherently risky because it is not defensible; counsel who rely on self-collection cannot have confidence in the accuracy and thoroughness of the process or determine how much relevant information custodians may have failed to produce or even intentionally delete as the case law has shown."). Though an added cost at the front-end, "[r]etaining an experienced e-discovery consultant and relying on that consultant to plan and supervise a collection provides a 'buffer' between the client and the appearance of intentionality if any documents missed during collection become the focus of a spoliation motion." Khoury, *Self-Collection in E-Discovery, supra*. That was not done here. The ESI vendor was only charged with copying the four hard drives and running the search terms against the images. Tr. 1426, 1432-33, 1481, 1494-95. An ESI consultant was not engaged to plan and supervise the production of ESI until well after the motion for sanctions was filed. Dkt. 318.

Not every effort to self-collect is doomed to failure. When counsel issue a detailed written litigation hold (including an instruction to disable autodelete functions) that is fully disseminated to all the relevant custodians, properly instruct the client on thorough searches, conduct a reasonable inquiry to ensure that the client's efforts resulted in a responsive production of information, and document their efforts, courts have concluded that counsel and the party have met their obligations. *See Mirmina v. Genpact LLC,* No. 3:16-cv-00614, 2017 U.S. Dist. LEXIS 117412, *4-5 (D. Conn. July 27, 2017). But none of that happened here.

Indeed, the former defense counsel were never concerned about issues related to self-collection. Tr. 1201-02. There was no attorney supervision of the ESI collection in this case. They had no idea of the methodology Duke used to collect the ESI in response to discovery requests. Tr. 891. In fact, the former defense counsel allowed Duke to determine what ESI was material to the case. Tr. 786. As has been demonstrated in this case, nothing is to be gained and much is to be lost when counsel blindly rely on a client to self-collect after an inadequate litigation hold and insufficient inquiry into the adequacy of the client's search.

4. Review of ESI

The review of the collected ESI can raise thorny problems, particularly as it relates to the identification, culling, and logging of documents protected from disclosure by a privilege or the work-product doctrine. The Federal Rules of Civil Procedure have attempted to address those problems in various ways. *See, e.g.,* Fed. R. Civ. P. 26(b)(5)(B). Likewise, Federal Rule of Evidence 502(b) provides a valuable safeguard, provided counsel or the court uses it. Panel Transcript, *Electronic Evidence and Digital Evidence: E-Discovery: Where We've Been, Where We Are, Where We're Going*, 12 Ave Maria L. Rev. 1, 31 (2014) ("[T]he number of lawyers who do not know about Federal Rule of Evidence 502 is mind-boggling."—Judge Andy Peck (ret.)). Thankfully, the sanctions motion here generally does not raise issues relating to the review of the materials. There was some noise made about a discrepancy about the number of hard copy documents produced after the Yahoo! snafu. This issue was touched upon during the hearing, but in the scheme of

things and other clear discovery violations, it does not affect this Court's ultimate determination of the sanctions to be imposed for at least two reasons. First, electronic documents were produced in native format, per court order, ameliorating this concern. Second, because of the imposition of all of the sanctions this Court is already imposing (which cure Plaintiff's prejudice), in its discretion, this Court chooses not to impose any sanctions relating to the discrepancy. Consequently, for this and other reasons stated in the order addressing this issue, the Court denies Duke's motion to reopen the evidentiary hearing. Dkt. 370.

5. Disclosure/Production of ESI

Production of ESI involves several issues, including, but not limited to, the nature of the disclosure/production and the timing of the disclosure/production.

The nature of the production is addressed in Rule 34(b)(2)(D), (E). Luckily, the nature of the production of ESI is not a major issue in the sanctions motion, in part, because, when first notified of the initial Yahoo! snafu, the Court ordered production of the available responsive ESI in both native format and hard copy.[44] As noted previously, this production method raised some concerns by Plaintiff because of a discrepancy in these two forms of production. But again, this Court is not imposing sanctions because of this discrepancy.

Unluckily, the timing of the ESI disclosure/production is a major issue in the sanctions motion. Just like physical documents, ESI must be timely disclosed. So,

[44] This decision should not be read as authority for requiring all native production all the time. The facts of this case are hopefully unique. The Court's order requiring this production to be both in hard copy and all native was the result of frustration with Defendants' ESI processes.

some ESI must be disclosed automatically, without even a production request. Those Rule 26(a)(1)(A)(ii) disclosures of ESI must be made either at the date ordered by the court or under Rule 26(a)(1)(C). These disclosures include ESI a party may use to support its claims or defenses. Fed. R. Civ. P. 26(a)(1)(A)(ii). It is critical that the ESI be provided in initial disclosures or as early as possible in the litigation. *Moore*, 2011 U.S. Dist. LEXIS 126738, at *27-28. If ESI does not fall within the scope of the required initial disclosures but is responsive to Rule 34 production requests, it must be produced within 30 days. Fed. R. Civ. P. 34(b)(2)(A). And as a failsafe, just like paper documents, ESI that falls under the scope of required initial disclosures or a production request must be made as supplemental disclosures or productions under Rule 26(e). Like many courts, this Court's standard practice is to include a specific date in its case management order to make supplemental disclosures and productions. Fed. Rs. Civ. P. 16(a)(3)(B)(i), 26(e)(1)(B). In this case, that date was June 1, 2015. Dkt. 116.

Case management orders, which are sometimes referred to as scheduling orders under Rule 16, are critical in federal civil litigation. *Kassim v. City of Schenectady*, 221 F.R.D. 363, 365 (N.D.N.Y. 2003) (importance of a case management order "cannot be overstated"). These orders should not be taken lightly. *Bradford v. DANA Corp.*, 249 F.3d 807, 809 (8th Cir. 2001); *see also Johnson v. Mammoth Recreations, Inc.*, 975 F.2d 604, 610 (9th Cir. 1992) ("A scheduling order is not a frivolous piece of paper, idly entered, which can be cavalierly disregarded without peril.") (internal citation and quotation omitted).

Long ago, our system rejected trial by ambush, and instead, instituted the discovery process. *Bankdirect Capital Fin., LLC v. Capital Premium Fin., Inc.*, No. 15 C 10340, 2018 U.S. Dist. LEXIS 224705, at *11 n.5 (N.D. Ill. Nov. 8, 2018). The disclosure and discovery rules exist to ensure that cases are not litigated in the dark. *Hickman v. Taylor*, 329 U.S. 495, 501 (1947). For that process to work, courts must impose and enforce deadlines. *Marmo v. Tyson Fresh Meats, Inc.*, 457 F.3d 748, 759 (8th Cir. 2006) (adhering to case management order dates is critical to achieving the goal of Rule 1); *Anthony v. City & Cty. of Denver*, 16-cv-01223, 2018 U.S. Dist. LEXIS 150096, at *10 (D. Colo. Sept. 4, 2018) (scheduling order is an important tool to avoid surprises to the parties and court). Indeed, Rule 16 *requires* case management orders to include specific benchmark dates in the order. Fed. R. Civ. P. 16(b)(3)(A). Without these orders and the dates contained in those orders, federal civil litigation would be chaotic. *Fuller v. Winn-Dixie Montgomery, LLC*, No. 16-00363, 2017 U.S. Dist. LEXIS 112777, at *4-5 (S.D. Ala. July 19, 2017) (without adherence to the dates in a scheduling order an *ad hoc*, chaotic, "anything-goes" approach would result); *Brandt v. City of Westminster*, No. 16-cv-01356, 2017 U.S. Dist. LEXIS 113171, at *10 (D. Colo. May 1, 2017) (scheduling order is an important tool necessary for the orderly preparation of a case).

Indeed, there is a method to this Court's madness in its case management orders. This Court specifically schedules supplement dates at least 30 days before the close of fact discovery for at least three reasons. First, this date acts as a warning shot. The date is a reminder to the parties to take a final pass through the

file to ensure that if there are documents, witnesses, or information that have not been disclosed, they must be disclosed immediately. Second, in theory, this practice prevents last minute disclosures or productions that would derail the case management. By requiring supplemental disclosures 30 days before the close of fact discovery, if there are last minute disclosures of documents, witnesses, or information, the parties have 30 days to complete discovery on those matters. This process ensures that the remaining dates in the case management order, such as the dispositive motion date, remain intact. When parties blow the supplemental disclosure date—as Defendants did here—the damage cascades downstream through the remaining deadlines. Third, a firm and specific date forecloses motions and responses as to whether the supplemental disclosures or productions were made "in a timely manner." Fed. R. Civ. P. 26(e)(1)(A).

The supplemental disclosure date and the close of fact discovery date are even more paramount when expert witnesses are used, as in this case, for multiple reasons. First, a party cannot withhold or fail to produce information or documents and then feed those documents to its expert as a backdoor attempt to later introduce the evidence. Second, and maybe even worse, parties cannot withhold documents or information from the other side as well as their expert and then after the expert issues a report and is deposed, produce the documents or information to the other side. Even if the expert claims—as one of the experts unsurprisingly

claims here, Dkt. 348, at 329-30[45]—that the new documents or information would not change the opinions, the other side is entitled to that information to challenge the opinions. Fed. R. Civ. P. 26(a)(2)(B)(ii); Tr. 1265. This is precisely why parties are entitled to know and receive the documents and information which an expert considers. *In re Google AdWords Litig.*, C08-03369, 2010 U.S. Dist. LEXIS 136757, at *10 (N.D. Cal. Dec. 8, 2010); *JPMorgan Chase Bank, N.A. v. Mal Corp.*, 07 C 2034, 2009 U.S. Dist. LEXIS 153240, at *14 (N.D. Ill. Oct. 30, 2009) (disclosure of facts and data is to allow party to prepare effective cross-examination of expert witness).

As established at the hearing, and as shown in this order, Defendants failed to timely disclose ESI under the requirements of Rule 26(a)(1), Rule 26(e), and Rule 34. There can be no reasonable dispute that critical necessary and responsive ESI was not timely disclosed or produced under Rule 26(a)(1) and Rule 26(e) because these documents were not disclosed until well after June 1, 2015, when Defendants disclosed them for the first time in response to Plaintiff's motion for summary judgment and in support of their own summary judgment motion. *See, e.g.,* Dkt. 233, at 24-25; Tr. 1284; Pl.'s Ex. 1. Obviously, if ESI is used to fend off summary judgment, that ESI is electronically stored information the party is using to support its claims and defenses. Fed. R. Civ. P. 26(a)(1)(A)(ii). And the ESI produced in

[45] Defendants' experts have been problematic throughout the life of the case. One expert, David A. Haas, made an "unquestionably embarrassing gaffe" in his original opinion that required him to supplement his opinion, which like the other expert witness, still did not require him to change his ultimate opinion. Dkt. 181, at 5. And yet another expert witness's opinion was withdrawn on the eve of his deposition. Dkt. 189. One can only speculate as to the reasons.

2018 was responsive to various production requests served years earlier. More importantly, because Duke's GoDaddy email accounts were not searched before May of 2019, there is likely a cache of additional ESI that has ***still*** not been produced. Dkt. 318.[46]

One final layer on the timing of production of ESI exists in this case. On June 11, 2015, the Court granted, in part, Plaintiff's motion to compel. Dkt. 132. In that order, the Court required Defendants to produce responsive documents by June

[46] Even at the hearing, Stamatis continued to protest that none of the untimely produced documents was important. Tr. 1293-94. This protestation is meritless and, frankly, beneath an attorney of his stature. Stamatis lost substantial credibility arguing otherwise. Besides being contrary to Leavens' admission that the Plaintiff's arguments were not frivolous, Tr. 918-19, Stamatis' position fails for at least three reasons. First, opposing counsel does not get to decide what is important to an adversary. Non-privileged ESI that may support a claim or defense must be disclosed under Rule 26(a)(1)(A)(ii) and non-privileged, proportional, relevant and responsive ESI must be produced under Rule 34. There is no rule that allows opposing counsel to determine disclosures and productions based upon what he thinks is important. Second, Plaintiff litigated the case up until that point based on the incomplete disclosures and discovery. Unquestionably, Plaintiff's litigation tactics and actions would have been different had it possessed this ESI. *Laukus*, 292 F.R.D. at 511; Tr. 356 ("And if we would have had these not dumped on us in June of 2018, we might have been able to understand this much more clearly and taken depositions timely and done other things in this case."). Third, the assertion is hollow under the specific facts of this case. Plaintiff had repeatedly and unequivocally asserted the unclean hands defense based upon the undisputed fact that the metatag was in the website. Indeed, Defendants knew the import of this defense. Dkt. 269, at 13-14. And, so, the SEO ESI that was not timely produced went to the heart of Plaintiff's case. Notably, Pl.'s. Ex. 17 inflicts significant damage to Defendants' arguments regarding unclean hands. Likewise, the ESI relating to the defamation claim are important. Initially, it is critical to remember that Defendants were so flummoxed by this ESI that they sought to dismiss the defamation counterclaim to avoid being sanctioned for their late production. Dkt. 292, at 1. Moreover, this ESI supports Plaintiff's argument that no defamatory statements were made, were inconsistent with Duke's deposition testimony and, therefore, could be used to impeach Duke (compare Dkt. 294-2, at 199 (Pl.'s Ex. 20) ("Q: Did you give him any direction to record any of the events taking place at the trade show? A: No.") *with* Tr. 348 ("maybe you can record them saying something libelous about me, lol.")), and would have provided Plaintiff's with the ability to timely raise "invited defamation" as an affirmative defense, Dkts. 147, 154. The untimely disclosure of this ESI prejudiced Plaintiff in these ways, among many others.

15, 2015. *Id.* On June 12, 2015—one day later—after merely asking Duke if responsive documents existed and conducting no other investigation, the former defense counsel informed Plaintiff that no responsive documents existed. Tr. 1227, 1228. That was false. Tr. 1228. Responsive documents existed. Tr. 1181, 1228. And those documents were later produced in the spring of 2018, years after the court ordered date of June 15, 2015. Tr. 1220, 1223, 1228. It really should go without saying, but ESI must be produced by the date a court orders its production by either a case management order or an order granting a motion to compel—not years later in the middle of summary judgment briefing. *Hart v. Blanchette*, No. 13-CV-6458, 2019 U.S. Dist. LEXIS 55061, at *110-12 (W.D.N.Y. Mar. 29, 2019) (attorneys and parties must follow court orders) (collecting cases), *see also Frazier v. Layne Christensen, Co.,* 486 F. Supp. 2d 831, 845-46 (W.D. Wis. 2006) (granting motion for sanctions for, among other things, producing thousands of documents during summary judgment briefing); *Wachtel v. Health Net, Inc.*, 239 F.R.D. 81, 105-06 (D. N.J. 2006) (granting motion for sanctions for, among other things, producing thousands of documents during summary judgment briefing and relying on undisclosed documents in summary judgment briefs).

6. Three Assumptions Underlying the ESI Discovery Process

The five basic steps of e-discovery assumes three interrelated propositions: (a) that counsel is competent, (b) that the client is honest and candid with counsel, and (c) that counsel documents the processes that were used so that they can reasonably defend the processes if the production is challenged.

a. Competence of Counsel

Counsel must be competent in their knowledge and ability to identify, preserve, collect, review, and produce ESI. Competence pervades every aspect of the ESI discovery process. This is not a new requirement. Donald R. Lundberg, *Electronically Stored Information and Spoliation of Evidence*, 53 Res Gestae 131, 133 (2010) ("It is no longer amateur hour. It is way too late in the day for lawyers to expect to catch a break on e-discovery compliance because it is technically complex and resource-demanding."). Giving credit where it is due, the Court freely quotes from the excellent discussion of this topic by Redgrave, et al., *Expectations of Conduct by Counsel*, *supra* note 6, at 16. Courts can and should expect attorneys appearing before them on e-discovery matters to demonstrate that they are prepared and competent. *Id.* at 25.

> Attorneys have a professional and ethical obligation to understand all phases of discovery, including the identification, preservation, collection, processing, review, and production of relevant electronically stored information (ESI). . . If attorneys are not competent in these areas, they have an ethical duty to become competent, associate themselves with attorneys who are, or to decline the representation. * * * Courts are showing less patience with counsel who plead ignorance regarding ESI or technology in general. Competence in discovery includes having a general understanding of discovery rules, how they apply to the various types of ESI a client may have that could be relevant to the matter, and a more specific understanding of how a client's information technology systems and ESI are structured. Counsel must investigate how to locate, preserve, and collect relevant ESI from those systems, and should seek to do so in the most efficient and cost-effective manner.

Id. at 16-17. "Establishing basic facts about a client's ESI, Information Governance/record retention program, and legal hold process is fundamental to

meeting discovery obligations [ ] and should be accomplished as early as practicable under the circumstances." *Id.* at 19.

Critical to this case is counsel's competence when working with an ESI vendor. As established at the evidentiary hearing and as discussed in this order, the former defense counsel gave a very limited scope of work to the ESI vendor and then sought to blame the vendor when it performed under the contract as directed. Tr. 810-11, 893.[47] That's a nonstarter.

> Parties are expected to select competent partners, such as service providers or vendors. . . Hiring a competent vendor is only the first step; counsel must appropriately supervise that vendor throughout all phases of discovery. Counsel should not assume that the vendor is proceeding as counsel thinks the vendor should proceed. Rather, counsel should confirm that the vendor is actually following counsel's instructions. Disconnects can happen at all stages [including] [w]hat sources are searched; [and] what data . . . is collected . . . .

Redgrave, et al., *Expectations of Conduct by Counsel*, *supra* note 6, at 18; *see also* *The Sedona Principles, Second Edition, supra,* at 122 ("Ultimate responsibility for

[47] A more egregious attempt to shift blame was Defendants' and the former defense counsel's attempt to blame Plaintiff for failing to notify them that Defendants' representations were incorrect. Dkt. 253-1, at 4. This is another legal nonstarter. *MOSAID Techs. Inc.*, 348 F. Supp. 2d at 337. And this is an astounding assertion, particularly when Defendants and the former defense counsel's view were that Plaintiff's assertions of discovery chicanery was an erroneous blunderbuss. Dkt. 233, at 22; Tr. 1291-93. This defense was emblematic of Defendants' and the former defense counsel's position: Blame everyone and everything else. Blame the vendor; blame opposing counsel; blame the "circumstances." Dkt. 253-1, at 4; Tr. 1403. It wasn't until the post-hearing briefs when Leavens' counsel—and only Leavens' counsel—wisely abandoned that position. Dkt. 379, at 1-2. But, still, the recognition of errors was made with passive voice. *See, e,g.*, Dkt. 379 at 1 ("there were certain deficiencies in the discovery process"). Stamatis previously recognized that sanctions were warranted. Dkt. 315, at 9. But he has since crawfished that admission. Dkt. 378, at 2, 25. A wiser, more reasonable and honest strategy is that when you mess up, 'fess up. Doubling down in the face of overwhelming facts was foolish. Litigation is not a game. "As officers of the court, all attorneys conducting discovery owe the court a heightened duty of candor." *A PDX Pro Co.*, 311 F.R.D. at 653.

ensuring the preservation, collection, processing, and production of electronically stored information rests with the party and its counsel, not with the non-party consultant or vendor."). Here, there was no disconnect in the vendor following counsel's instructions. The vendor did precisely what counsel instructed it to do. The disconnect was that the initial collection—per counsel's direction, based upon Duke's unverified and repeatedly inaccurate representations that everything was on the hard drives, Tr. 609, 629, 1029, 1160-61; LS Ex. 7; LS Ex. 13—was woefully deficient.

> In 2012, the ABA's Commission on Ethics 20/20 . . . wrote that "technology has irrevocably changed and continues to alter the practice of law in fundamental ways" and that "[l]awyers must understand technology in order to provide clients with competent and cost effective services they expect and deserve." * * * The 20/20 Commission noted that practicing law in today's digital age "now require(s) lawyers to have a firm grasp on how electronic information is created, stored, and retrieved" and stated that "lawyers need to know how to make and respond to electronic discovery requests and to advise their clients regarding electronic discovery obligations." Unsurprisingly, this Comment has been widely interpreted as imposing a duty relating to competence when practicing e-discovery.

Redgrave, et al., *Expectations of Conduct by Counsel*, *supra* note 6, at 22-23. Again, the recognition of the duty of competence with respect to ESI is not new and existed years before this case was filed. Back in 2009, a leading treatise noted counsel's duties:

> Lawyers have a responsibility to educate themselves and their clients about the new and pertinent legal and technical issues regarding electronic discovery. This is especially true when it comes to counsel's affirmative obligation to actively engage with his or her client in the process of identifying, preserving, reviewing, and producing electronic information. This includes the obligation to seek, as part of the lawyer's

> due diligence, all relevant information, positive or otherwise, which may relate to the claims at issue. To do otherwise is an ethical violation.

Scheindlin & Capra, *supra*, at 473.

b. Honesty and Candor of Client

Axiomatically, a client has a duty to be honest with its counsel and to affirmatively notify its counsel to correct mistakes, misrepresentations, and misapprehensions. *See Taylor v. Illinois*, 484 U.S. 400, 418 (1988) ("The client has a duty to be candid and forthcoming with the lawyer. . ."); *Petrie v. Gen. Contracting Co.*, 413 P.2d 600, 601 (1966) ("We are constantly hearing talk about the obligations of lawyers to be honest with their clients, which is correct and salutary. But it is also true that a client has a duty to be honest with his lawyers and that the latter's rights are equally entitled to be safeguarded by the courts."). Attorneys and clients must be able to rely on the truthfulness of the statements they make to each other. 7A C.J.S. *Attorney & Client* § 344 (2020). Indeed, the attorney-client privilege exists to foster candid communications between the attorney and the client. 81 Am. Jur. 2d, *Witnesses*, §§ 319, 320 (2020). Certainly, the law cannot countenance clients lying to their counsel or failing to timely correct errors they are aware of.

The attorney-client relationship is a principal-agent relationship. *Royal Maccabees Life Ins. Co. v. Malachinski*, No. 96 C 6135, 2001 U.S. Dist. LEXIS 3362, at *61 (N.D. Il. Mar. 20, 2001). The client is the principal, and the attorney is the agent. *Id.* A client's duty of honesty and candor exists from this general relationship. The principal has a duty to deal with the agent fairly and in good faith. Restatement (Third) of Agency § 8.15 (Am. Law Inst. 2006). This duty

requires principals to furnish information to agents. *Id.* at cmt c. In the specific agency context of the attorney-client relationship, clients owe lawyers the same duties they owe third parties, including the duty not to misrepresent facts. Restatement (Third) of the Law of Governing Lawyers § 7 cmt. a (Am. Law Inst. 2000).

Even outside the context of a principal-agent relationship, misrepresentations can occur when a party has a duty to speak but remains silent. Restatement (Third) of Torts: Liability for Economic Harm § 13 (Am. Law Inst. 2020). A duty to speak to correct a misrepresentation exists in at least three circumstances. First, a duty to speak exists when the actor has made a prior statement and knows that it will likely mislead another if not amended, even if it was not misleading when made. *Id.* at § 13(a). In this context, nondisclosure can amount to deceit if the actor has spoken other words, or performed other acts, that may not have been culpable at the time but will become so if the actor remains silent. Thus, an actor may make a false statement and believe it to be true but later discover that it is false or misleading, or an actor may make a false statement in the reasonable belief that it will not elicit reliance but later discover that it has. Under these circumstances, the actor is obliged to update the earlier statement to prevent those statements from having a fraudulent effect. *Id.* at cmt. b. Second, a duty to speak exists when the actor is in a fiduciary or confidential relationship with another that obliges the actor to make disclosures. *Id.* at § 13(b). So, silence can amount to deceit if it occurs against the backdrop of a special relationship between

the parties that causes one of them to rely on the other to be forthcoming. *Id.* at cmt. c. Confidential relationships occur when a party is required to act in good faith because they have a relationship of trust. *Id.* The principal-agent relationship, in particular the attorney-client relationship, is a fiduciary one. *Bank One v. Trammell Crow Servs.*, No. 03 C 3624, 2003 U.S. Dist. LEXIS 23120, at *17-18 (N.D. Ill. Dec. 23, 2003). Third, a duty to speak exists when the actor knows that the other party to a transaction is mistaken about a basic assumption behind it, and that the other party, because of the relationship between them, the customs of the trade, or other circumstances would reasonable expect disclosure of what the actor knows. Restatement (Third) Torts § 13(c). As a result, when the fact is basic to the transaction and the other party has a legitimate reason to rely on the actor to supply the information, this imbalance of knowledge creates a duty on the better-informed party to disclose it. *Id.* at cmt. d.

Case law likewise places a duty upon clients to be honest with counsel and to correct factual errors, in part, to ensure that the same errors and mistakes are not repeated in the future. *Moser v. Bret Harte Union High Sch. Dist.*, 366 F. Supp. 2d 944, 986 (E.D. Cal. 2005). Parties have a duty to provide true, explicit, responsive, complete, and candid answers to discovery. *Carlson v. Freightliner LLC*, 226 F.R.D. 343, 372 (D. Neb. 2004); *Wagner v. Dryvit Sys.*, 208 F.R.D. 606, 609 (D. Neb. 2001).

Finally, the Federal Rules of Civil Procedure place a duty of candor on parties. That duty is enforced on pain of sanctions. Fed. R. Civ. P. 11(b), (c) advisory committee's note to 1983 amendment. In discovery, the parties have an

obligation to conduct themselves in good faith. Hon. Paul Grimm, *Good Faith in Discovery,* 46 Litig. 23 (2020) (Rule 26(g) requires parties to act in good faith in discovery).

Duke was at a legal and factual advantage over the former defense counsel. Legally, he was in a fiduciary relationship with them. In this relationship, Duke was the principal and they were the agents. Factually, Duke had a knowledge advantage over the former defense counsel. As a general matter, he knew more about computer usage, systems, and storage than the former defense counsel. Tr. 1027, 1029, 1030. Even if one were to believe Duke's recent self-professed claim to be a Luddite—and this Court does not—he still knew more than the former defense counsel, save perhaps Shonder.[48] Specifically, as to his knowledge of his own computer usage, systems, and storage, Duke knew far more than the former defense counsel. This was his data after all; and none of them conducted a custodian interview. Tr. 243, 773-75, 783, 1127-28. Consequently, Duke was duty bound to be honest and candid with the former defense counsel. He was not.

Duke was not honest and candid about the location of his emails, both the Yahoo! and GoDaddy emails. Without doubt, Duke notified them of the existence of these email accounts, and he even showed Leavens these accounts. Tr. 236-37, 605, 759. (Whether Leavens understood what he was observed is doubtful. Tr. 628; Dkt.

[48] For example, Shonder understood the distinction between email client and web-based emails and recognized that the auto-forwarding "solution" was not accurate. Tr. 1390-92,136. In contrast, Liberman was unaware of any difference between email client and web-based email, Tr. 1151; Stamatis just assumed for some reason that all chats were ethereal, Tr. 1320; and Leavens didn't know much about anything related to this topic. Tr. 838, 908, 1030; Dkt. 256, at 13-14.

256, at 13-14.) But Duke was not honest and candid with the former defense counsel about the location of the emails or the searching, copying and producing of the emails.

As to the location, Duke informed the former defense counsel both verbally and in writing that his electronic data ("everything") was on the four computers. Tr. 605, 629, 896, 1029; Dkt. 294-2, at 621; LS Ex. 7. He reiterated that they "had everything." Tr. 1242. This was not true. The late production of the Yahoo! emails, the spoliation of the Yahoo! chats, and the still-to-be produced GoDaddy emails prove that point. Tr. 1224 ("The information that we received was inaccurate."); Dkt. 318, at 4-5. And Duke knew that all his electronic data, including emails, were not on the four hard drives. Tr. 238-39, 1402-03, 1410-12. Duke knew that both the Yahoo! and GoDaddy emails were web-based and did not reside on his computers. Tr. 238-39. But Duke did not tell the former defense counsel this. Tr. 238-39. Moreover, he failed to correct this information, despite having a duty to do so.

As to the searching, copying, and producing of the emails, he knew that neither the Yahoo! or GoDaddy online emails would be copied, searched and produced by just copying the hard drives. Tr. 118, 129-31, 238-39, 281-82, 611, 632. He did not notify the former defense counsel of this fact until years later. The undisputed evidence establishes that he did not tell the former defense counsel that the GoDaddy emails had not been copied, searched, and produced until May of 2019. Tr. 1328-30, 1402-03, 1410-12. Despite five days of testimony, there was no evidence that Duke ever told them that the Yahoo! emails were not produced

because they were stored online rather than on his four computers. Indeed, the best inference from the evidence is that 4Discovery told the former defense counsel that the Yahoo! emails were not produced because they were web-based. LS Ex. 11, at 3. Critically, after the disclosure that the Yahoo! emails had not been produced because they were online and not stored on the four hard drives, Duke only notified the former defense counsel a year later that GoDaddy emails were stored in the cloud and not on the four computers when he thought it would help him respond to the motion for sanctions. Tr. 1402-03, 1410-12.

Duke also told the former defense counsel, specifically Life, that no documents existed regarding Duke's communications with Saraswat. Tr. 1222-24. As the tardy Yahoo! document production showed, this was false too. Tr. 1181, 1222-24.

Duke also told the former defense counsel that only one recording of the Las Vegas trade show existed. Tr. 654. This was false. As shown previously, he knew there were at least two, and more likely three. Dkt. 294-2, at 221-31.

These findings of lack of honesty and candor are buttressed by Duke's false testimony documented throughout this order. In particular, Duke's deposition testimony contains at least three notable falsehoods.

These finding do not absolve the former defense counsel. They possessed their own duties, which they breached. They fundamentally failed to implement reasonable and established processes to identify, preserve, collect, and produce ESI. They failed to identify ESI by not conducting a custodian interview. Tr. 100-01,

243, 773-75, 783, 995-96, 1127-28. They failed to preserve ESI by not issuing a litigation hold that, among other things, informed Duke to disable autodeletion functions, and failed to monitor the litigation hold, to the extent there was one. Tr. 127, 209, 215, 221-22, 749, 936, 1208. They failed to collect ESI by leaving Duke to self-collect without any oversight or confirmation of his efforts. Tr. 1170-72, 1186-87, 1201-02, 1120-24. And all of these failures were part of the reason—in addition to Duke's lack of honesty and candor—that lead to the untimely production of ESI as well as the spoliation of ESI. And even after they were on notice of repeated ESI failures, they conducted no investigation or monitoring, but instead simply continued to rely on Duke—the very person whom they knew made misrepresentations to them previously. Tr. 1224 ("The information that we received was inaccurate."), 1357 ("In hindsight, you know, I would have done things differently, but I took that as face value, and we moved on from there.").

c. Documentation

Documentation, including documenting communications with clients, is not a new phenomenon that arose with the advent of ESI. Documentation has always been a fundamental aspect of an attorney's trade. This includes documenting correspondence with clients, which traditionally are kept in a correspondence file. Mauet, *supra* note 9, at 17. Here, however, the former defense counsel did not even have a correspondence file. Tr. 749-50. Perhaps that is unsurprising because counsel had almost no correspondence to file.

Documenting the process used to identify, preserve, collect, review, and produce ESI is critical:

> Documenting discovery efforts can greatly benefit attorneys in the short and long term. The sheer volume and complexity of electronic discovery requires meticulous organization. Documenting discovery will help attorneys focus on what questions must be asked and what documents will be needed. While documenting discovery might be time consuming, it may be beneficial to an attorney not only because it can help organize the discovery process and help demonstrated to the court that proper discovery protocol has been followed, but it may also provide much needed support for the evidentiary issues.

Scheindlin & Capra, *supra.* at 484. Documenting the efforts to collect ESI is particularly important. *Id.* at 209 ("[I]t is always wise to document the steps taken to collect responsive ESI."). Documentation is even more important when the client is left to self-collect ESI, as discussed above. And documenting the processes and efforts made to preserve ESI is fundamentally important. The Sedona Conference, *Commentary on Legal Holds, Second Edition: The Trigger & The Process*, 20 Sedona Conf. J. 341, 405 (2019); Lundberg, *Electronically Stored Information and Spoliation of Evidence*, 53 Res Gestae at 133 (Case law "illustrates the importance of lawyers taking a thoroughly documented leadership role in directing client compliance with the often-rigorous demands of e-discovery"). This is particularly true when preservation efforts are likely to be challenged. The Sedona Conference, *Commentary on Legal Holds, Second Edition: The Trigger & The Process*, 20 Sedona Conf. J. at 378. "Counsel should document conversations with 'key players' regarding preservation efforts and the steps taken to collect and produce responsive information. This documentation should be done contemporaneously with the meetings and communications to avoid misunderstandings or lapses in memory."

Wood & Miller, *What You and Your Client Can and Should Do to Avoid Spoliation of Electronic Evidence*, 27 Antitrust ABA at 88. Indeed, documentation of the litigation hold process is so important that the Sedona Conference established a guideline addressing why and how to document this process. *Id.* at 404-05.

Moreover, counsel are better able to accurately explain and defend their actions taken during the ESI process if documentation exits. For example, in *A PDX Pro Co. v. Dish Network Serv., LLC,* 311 F.R.D. 642 (D. Colo. 2015), counsel repeatedly emailed his client about perceived discovery deficiencies, and when it turned out that the client had not been forthcoming, the court found that the information in those emails established that counsel engaged in a reasonable inquiry. *Id.* at 655-56. So, sanctions were not awarded against that counsel. *Id.* at 656.

In this case, the lack of documentation on all manner of issues was pervasive. As shown, the absence of documentation—which at times appears intentional—of the ESI discovery process not only increases the difficulty to defend actions and decisions, but it also increases the fact finder's suspicion of witnesses' testimony. This is more so when the actions and decisions were already shown to be inadequate and counsel had reason to question the credibility of a client left unmonitored to self-collect ESI but, nevertheless, continued to fail to document.

* * *

Lest Defendants and the former defense counsel think this Court is being hypersensitive, the issues in this case are issues that vex federal trial court judges

nationally. Attorneys' failures to understand their client's data and e-discovery practices, search for data appropriately or diligently, search the data itself appropriately or diligently, deliver complete productions, act timely or act at all, comply with court orders, and understand e-discovery itself or turn to someone who does for assistance are all failures that federal trial court judges identify as requiring corrective action. George Socha, *Exterro and Duke/EDRM Judges Survey 2019 Series: Part 2, Taking Affirmative Action to Address E-Discovery Problems*, ACEDS.org (April 15, 2019), https://aceds.org/exterro-and-duke-edrm-judges-survey-2019-series-part-2-taking-affirmative-action-to-address-e-discovery-problems. This Court is not picking nits. Indeed, a reason why this Court has cited so many authorities from such a vast swath is to show that the fundamental principles of ESI identification, preservation, collection, review, and production was not cabined to a tiny patch of the legal profession. Electronic discovery is—and has been for years—ubiquitous. The multiple failures in this case were fundamental. Alone, each failure was problematic. Collectively, they were cataclysmic. The errors were disastrous not only to Plaintiff but also to the Court and the other litigants seeking the resources of the Court.

D. Legal Authority to Impose Sanctions

Plaintiff seeks sanctions under a full arsenal of authority, including inherent authority, civil contempt, 28 U.S.C. § 1927, Rule 11, Rule 26(g), Rule 37, and Rule 56(h).[49]

1. Bases the Court Will Not Use

a. Inherent Authority and Civil Contempt

The Court will not impose sanctions under either its inherent authority or civil contempt at this time.

Initially, when conduct could be adequately sanctioned under the Federal Rules of Civil Procedure or a specific statute, a court should generally rely on those rules or statute to impose sanctions rather than on its inherent authority.

---

[49] Plaintiff did not seek to impose sanctions under two other excellent candidates: Rule 16(f) and the prior version of Rule 37(e). Initially, Rule 16(f) allows for sanctions, even on the court's own motion, against a party or its attorneys for failing to obey a scheduling order or other pretrial order, both of which happened here. Fed. R. Civ. P. 16(f)(1)(C). Those sanctions include, but are not limited to, sanctions authorized by Rule 37(b)(2)(A)(ii) – (vii) as well as reasonable expenses. Fed. Rs. Civ. P. 16(f)(1), (2); *see Hart v. Blanchette*, No. 13-cv-6458, 2019 U.S. Dist. LEXIS 55061, at *107-12 (W.D.N.Y. Mar. 29, 2019) (for an excellent discussion of sanctions under Rule 16(f)). But because (1) Plaintiff did not cite this rule and the parties did not brief this rule, (2) similar standards apply to other rules invoked by Plaintiff, and (3) sufficient authority to impose sanctions exists under other rules invoked by Plaintiff and addressed by the parties, in its discretion, the Court will not *sua sponte* rely on Rule 16(f). *Hart*, 2019 U.S. Dist. LEXIS 55061, at *108 n. 23. Next, because this case was filed in 2012, the 2015 amendments do not necessarily apply. The amendments renumbered and substantially revised what was former Rule 37(f). *See* Philip T. Favro, *The New ESI Framework Under the Proposed Rule 37(e) Amendments*, 21 Rich. J. L. & Tech. 8, (2015). And, theoretically, had this Court applied former Rule 37(f) to these circumstances, the Court would have imposed significantly harsher sanctions (and not "curative measures"). *See, e.g.*, *The End of Sanctions? Rules Revisions and Growing Expertise are "De-Risking" eDiscovery*, Logikcull (2019), https://www.logikcull.com/public/files/The-End-of-Sanctions.pdf. (Only Stamatis addressed the issue, and wisely, argued against applying former Rule 37(f).) Because Plaintiff did not move for sanctions under former Rule 37(f), the Court will apply Rule 37(e) as adopted in 2015. The Court will not *sua sponte* apply the former and potentially applicable rule, despite good reasons to do so. Defendants and the former defense counsel are catching a break.

Chambers v. NASCO, Inc., 501 U.S. 32, 50 (1991). Here, Rules 26(g) and Rule 37 provide adequate authority. Moreover, inherent authority requires a finding of bad faith designed to obstruct the judicial process or to violate a court order; clumsy lawyering is not enough. *Fuery v. City of Chicago*, 900 F.3d 450, 463-64 (7th Cir. 2018).[50] The Court is not currently finding subjective bad faith—as that term is defined in this context—at this time, although there is more than sufficient evidence to impose sanctions under other rules and impose curative measures under Rule 37(e). Finally, with respect to the loss of ESI, the Court still believes that its ability to rely on inherent authority has been removed. *Snider v. Danfoss, LLC*, No. 15 CV 4748, 2017 U.S. Dist. LEXIS 107591, at *7 n.8 (N.D. Ill. July 12, 2017); *see also Philmar Dairy, LLC v. Armstrong Farms*, No. 18-cv-0530, 2019 U.S. Dist. LEXIS 115384, at *4 (D.N.M. July 11, 2019); *Nuvasive, Inc v. Kormanis*, No. 1:18CV282, 2019 U.S. Dist. LEXIS 40195, at *5-7 (M.D.N.C. Mar. 13, 2019); Matthew Hamilton & Donna Fisher, *New Best Practices Under E-Discovery Spoliation Rule*, Law360 (Aug. 30, 2019, 1:13 PM EDT), https://www.law360.com/articles/1193820/new-best-practices-under-e-discovery-spoliation-rule. But there are good arguments why this belief may be incorrect. Hon. James C. Francis IV & Eric Mandel, *Limits on Limiting Inherent Authority: Rule 37(e) and the Power to Sanction*, 17 Sedona Conf. J. 613, 643-47 (2016); Casey

[50] The Seventh Circuit has never addressed whether the bad faith requirement to impose sanctions under inherent authority is objective, like under Rule 26(g), or subjective. The circuits appear divided on that issue. *See Clemens v. Nissan Motor Co.*, No. 04-CV-2584, 2007 U.S. Dist. LEXIS 116916, at *2 n.1 (N.D. Tex. Apr. 20, 2007). This Court can tackle that issue another day.

C. Sullivan, *Kicking the Hornet's Nest: Judge Francis on eDiscovery, Inherent Authority, and the Supreme Court*, Logikcull (May 25, 2017), https://www.logikcull.com/blog/kicking-the-hornets-nest-judge-francis-on-ediscovery-inherent-authority-and-the-supreme-court. However, these arguments were not raised by the parties and the Court declines to resolve this thorny issue *sua sponte*. Deciding whether an Advisory Committee Note—not the text of a rule—can abrogate federal courts' inherent authority can await another day.

Civil contempt rests on a court's inherent authority. *Jones v. Lincoln Elec. Co.*, 188 F.3d 709, 737 (7th Cir. 1999). So, all the same reasons for rejecting inherent authority apply to civil contempt at this time. Civil contempt would not be a good source of authority for at least one other possible reason. Defendants and the former defense counsel significantly violated unambiguous demands in court orders when they failed to make reasonable and diligent efforts, such as failing to timely disclose and produce ESI even when ordered to do so. *See SEC v. Hyatt*, 621 F.3d 687, 692 (7th Cir. 2010) (identifying elements for civil contempt). But their actions and inactions occurred when the undersigned was a magistrate judge. When a contemptuous act is committed when a magistrate judge is hearing a case on a referral, a cumbersome and time intensive process is necessary. 28 U.S.C. § 636(e)(6). Part of this process includes a certification to "a district judge" who then holds a hearing and metes out punishment. *Id.* This Court is unsure how that process would work under these particular circumstances now that the undersigned

is the district judge assigned to the case. Currently, the Court has neither the time nor desire to resolve that unique problem.

b. Rule 11

Although, unquestionably, false representations were made in papers filed with the Court, including declarations under oath and representations in filings based on those declarations, *see, e.g.*, dkts. 253, 253-1, the Court will not impose sanctions under Rule 11. All the papers related to motions filed for various discovery failures. *See, e.g.*, Dkt. 239, at 7-8. And Rule 11 cannot be used as authority for sanctions for motions under Rules 26-37. Fed. R. Civ. P. 11(d) ("This rule does not apply to disclosures and discovery requests, responses, objections, and motions under Rules 26 through 37."); *see Moeck v. Pleasant Valley Sch. Dist.*, 844 F.3d 387, 391 n.8 (3d Cir. 2016) (Rule 11 not applicable to incidents that "arose in the context of discovery"). Further, more applicable rules exist that address the discovery violations at issue here. 2 James Wm. Moore et al., *Moore's Federal Practice* § 11.02[8], at 11-14 (3d ed. 2019). This Court will not rely on Rule 11 as a basis for sanctions.

c. Rule 56(h)

This Court likewise is disinclined to impose sanctions under Fed. R. Civ. P. Rule 56(h). There is very little case law on this rule. *Allegheny Ludlum Corp. v. Nippon Steel Corp.*, No. 89-5940, 1991 U.S. Dist. LEXIS 204, at *11 (E.D. Pa. Jan. 7, 1991). Indeed, sanctions are rarely awarded under this rule. *AMTRAK v. Cimarron Crossing Feeders*, Nos. 16-1094 & 18-1081, 2018 U.S. Dist. LEXIS

193595, at *142 (D. Kan. Nov. 14, 2018) (even actions that were "certainly disturbing" did not result in sanctions); *Gress v. Smith*, No. 2:13-cv-0328, 2018 U.S. Dist. LEXIS 54823, at *13 (E.D. Cal. Mar. 30, 2018). And when sanctions have been awarded, the conduct has been particularly egregious. *Scalia v. E. Penn Mfg. Co.*, No. 18-1194, 2020 U.S. Dist. LEXIS 103459, at *29 (E.D. Pa. Jun. 13, 2020); *Allegheny Ludlum Corp.*, 1991 U.S. Dist. LEXIS 204 at *11. The paucity of case law imposing sanctions may be based on several factors. First, the rule requires direct evidence of a prior inconsistent statement. *Gress*, 2018 U.S. Dist. LEXIS 54823 at *13. Second, before sanctions can be imposed, a court must have relied on the affidavit. 11 James Wm. Moore et al., *Moore's Federal Practice* § 56.94[6], at 56-242 (3d ed. 2019). Third, an elevated burden of proof must be met to impose sanctions under this rule. *Bowers v. Rector & Visitors of the Univ. of Va.*, No. 3:06-cv-00041, 2007 U.S. Dist. LEXIS 75064, at *10 (W.D. Va. Oct. 9, 2007) ("clear evidence" required); *see also* 2 James Wm. Moore et al., *Moore's Federal Practice* § 11.02[8], at 11-14 (2019) (Rule 56(h) standard more stringent than Rule 11 standard). Fourth, sanctions require that the affidavit be based on subjective bad faith or "solely for delay." Fed. R. Civ. P. 56(h); *Bowers*, 2007 U.S. Dist. LEXIS 75064 at *10 (subjective bad faith required). "Solely" is a critical word, whether used in a rule, statute, or opinion. *See Kallenbach v. Colvin*, No. 15 CV 50120, 2016 U.S. Dist. LEXIS 140780, at *7 (N.D. Ill. Oct. 11, 2016). The law rarely finds that an action occurred for a singular purpose.

The Court will not impose sanctions under Rule 56(h) for three reasons. First, there are other, more applicable rules that address the conduct raised in the sanctions motion, which is focused primarily on discovery issues. Second, although declarations were submitted to this Court that were undoubtably untrue, at this time, the Court is not currently finding these declarations were necessarily made with subjective bad faith or done solely for delay. But the Court is finding that false representations were made with gross negligence. *See Liberty Life Assurance Co. v. Devillalvilla*, No. 6:12-cv-1320, 2013 U.S. Dist. LEXIS 184334, at *5 (M.D. Fla. Nov. 12, 2013), *objection overruled*, 2014 U.S. Dist. LEXIS 10316 (M.D. Fla. Jan. 28, 2014) ("Wielding Hanlon's razor, the Court declines to infer malice from conduct that can be adequately attributed to incompetence."). Third, the erroneous declarations were not ultimately relied upon by the Court in ruling on the summary judgment motions because no judge ever ruled on the motions.

d. 28 U.S.C. § 1927

Exercising its discretion, the Court will not impose sanctions under 28 U.S.C. § 1927.

This statute allows courts to sanction attorneys for unreasonably protracting litigation:

> Any attorney or other person admitted to conduct cases in any court of the United States or any Territory thereof who so multiplies the proceedings in any case unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys' fees reasonably incurred because of such conduct.

28 U.S.C. § 1927. This statute is dense. First, under the plain language of the statute, it applies only to counsel, not to parties. *United States v. Int'l Bhd. of Teamsters*, 948 F.2d 1338, 1345-46 (2d Cir. 1991). Second, the actions must multiply the proceedings, meaning prolong the case. *See Mandel v. Bd. of Trs. of the Cal. State Univ.*, No. 17-cv-03511, 2019 U.S. Dist. LEXIS 89156, at *3 (N.D. Cal. May 28, 2019). Third, the attorney's actions must be both unreasonable and vexatious. 28 U.S.C. § 1927. "Vexatious" means "without reasonable or probable cause or excuse; harassing; annoying." *United States v. Lain*, 640 F.3d 1134, 1137 (10th Cir. 2011) (citing *Vexatious,* Black's Law Dictionary 1596 (8th ed. 2004); *Cruz v. Savage*, 896 F.2d 626, 632 (1st Cir. 1990) ("vexatious" means "harassing or annoying"); *see also BDI, LLC v. Summit Drilling Co.*, No. 16-CV-0226, 2017 U.S. Dist. LEXIS 94365, at *10 (N.D. Okla. June 20, 2017) ("vexatious" means "intended to harass"). And, in the Seventh Circuit, the unreasonableness standard is objective; subjective bad faith is not required. *Claiborne v. Wisdom*, 414 F.3d 715, 721 (7th Cir. 2005) (reckless or gross negligence is sufficient). Fourth, the Court has discretion to impose sanctions. *Rojas v. Town of Cicero*, 775 F.3d 906, 908-09 (7th Cir. 2015).

Certainly, among other things, the former defense counsel's repeated misrepresentations have been annoying to the Court. *See, e.g.*, Tr. 920, 923 (Stamatis representation to Court on August 14, 2018 that Yahoo! chat had been searched was false); Tr. 1042; Dkt. 253-2, at 4 (Life's representation to Court that GoDaddy support emails were forwarded to Yahoo! account was false). And

Plaintiff unquestionably believes it has been harassed. *See, e.g.*, Dkt. 239, at 4, 6 ("Again, this is but one more example among many that demonstrates a pattern of litigation misconduct."). But, in its discretion, the Court will not invoke 28 U.S.C. § 1927 to impose sanctions. The Court is not currently finding that the former defense counsel sought to delay or prolong this case. Instead, having been at least partially hoodwinked by Duke, they bumbled through e-discovery. And, because 28 U.S.C. § 1927 does not apply to Duke—who is just as culpable as the former defense counsel—the statute is not a good source to impose sanctions, especially when several specific rules address the actions.

2. Bases for Sanctions

Instead of these bases, the Court will impose sanctions under the applicable provisions of Rule 26(g) as well as sanctions and curative measures under Rule 37.

a. Rule 26(g)

Plaintiff seeks sanctions for Defendants' and the former defense counsel's various failings under Rule 26(g), including their failure to conduct reasonable inquiries. Dkt. 294, at 59, 81; Dkt. 381, at 15, 21.

Attorneys have obligations when they sign initial disclosures and discovery responses, among other discovery documents. When signing a discovery disclosure, objection, request, or response, attorneys or parties certify to the best of their knowledge, information, and belief formed after a reasonable inquiry that:

(A) with respect to disclosures, the disclosure is complete and correct when made; and

(B) with respect to a discovery request, response, or objection, it is:

(i) consistent with these rules and warranted by existing law or by a nonfrivolous argument for extending, modifying, or reversing existing law, or for establishing new law;

(ii) not interposed for any improper purpose such, as to harass, cause unnecessary delay, or needlessly increase the costs of litigation; and

(iii) neither unreasonable nor unduly burdensome or expensive, considering the needs of the case, prior discovery in the case, the amount in controversy, and the importance of the issues at stake in the action.

Fed. R. Civ. P. 26(g)(1)(A), (B).

If a certification violates [Rule 26(g)] without substantial justification, the court . . . ***must*** impose an appropriate sanction on the signer, the party on whose behalf the signer was acting, or both. The sanction may include an order to pay the reasonable expenses, including attorney's fees, caused by the violation.

Fed. R. Civ. P. 26(g)(3) (emphasis added).

Although the signature "does not require the signing attorney to certify the truthfulness of the client's responses to a discovery request," it forces an attorney to "stop and think" about discovery responses and "certifies that the lawyer has made a reasonable effort to assure that the client has provided all the information and documents available to him that are responsive to the discovery demand." Fed. R.

Civ. P. 26(g) advisory committee's note to 1983 amendment; *see also Colyer v. City of Chicago*, No. 12 C 04855, 2016 U.S. Dist. LEXIS 40, at *86-101 (N.D. Ill. Jan. 4, 2016). Despite Leavens' allusions to the contrary, the reasonable inquiry standard does not require subjective bad faith. Dkt. 379, at 7, 13.

> [The standard] is an objective standard similar to the one imposed by Rule 11. In making the [reasonable] inquiry, the attorney may rely on assertions by the client and on communications with other counsel in the case as long as that reliance is appropriate under the circumstances. Ultimately, what is reasonable is a matter for the court to decide on the totality of the circumstances.

Fed. R. Civ. P. 26(g), advisory committee's note to 1983 amendment (citation omitted); *see also Dugan v. Smerwick Sewerage Co.*, 142 F.3d 398, 407-08 (7th Cir. 1998); *Tec-Air v. Nippondenso Mfg. USA*, No. 91 C 4488, 1994 U.S. Dist. LEXIS 2026, at *25-27 (N.D. Ill. Feb. 24, 1994). An attorney must be sanctioned for failing to conduct an objectively reasonable inquiry because of "carelessness and inattentiveness;" therefore, "even honest mistakes can be sanctionable." *MAO-MSO Recovery II, LLC v. State Farm Mut. Auto. Ins. Co.*, 935 F.3d 573, 583-85 (7th Cir. 2019) (discussing objectively reasonable inquiry under Rule 11).[51] If an attorney or

[51] District Court Judge for the District of Maryland Paul Grimm recently emphasized the importance of Rule 26(g):

> [T]he signature requirement is no mere formality; it is a certification that before propounding, answering, or objecting to a discovery request, the lawyer has made a reasonable inquiry, which eliminates "empty head, pure heart" excuses for failure to comply with the rule.

Hon. Paul Grimm, *Good Faith in Discovery*, 46 Litig. 23, 25 (2020). Attorneys would be wise to familiarize themselves with Rule 26(g) as most federal trial court judges believe that it is the most neglected e-discovery rule. George Socha, *Exterro and Duke/EDRM Judges Survey 2019 Series: Part 1, Failure to Comply with Federal Rules* ACEDS.org (April 1, 2019), https://aceds.org/exterro-edrm-judges-survey-2019-series-part-1-failure-to-comply-

party violates Rule 26(g), sanctions are mandatory, though the nature of the sanctions is left to the Court's discretion. *Rojas v. Town of Cicero*, 775 F.3d 906, 909 (7th Cir. 2015) ("Rule 26(g)(3) gives the judge discretion over the nature of the sanction but not whether to impose one."); *see also Dugan v. Smerwick Sewerage Co.*, 142 F.3d 398, 407-08 (7th Cir. 1998).

Courts must impose sanctions under Rule 26(g)(3) when attorneys fail in their duties "to make a reasonable investigation to assure that their clients have provided all available responsive information and documents." *Bernal v. All Am. Inv. Realty, Inc.*, 479 F. Supp. 2d 1291, 1333 (S.D. Fla. 2007). Rule 26(g) requires counsel to make a "*careful inquiry*." *Sun River Energy, Inc. v. Nelson*, 800 F.3d 1219, 1229 (10th Cir. 2015) (emphasis in original). Counsel are only permitted to rely on their clients' assertions if that reliance is appropriate under the circumstances. *A PDX Pro Co. v. Dish Network Serv., LLC*, 311 F.R.D. 642, 653 (D. Colo. 2015); *HM Elecs.*, 2015 U.S. Dist. LEXIS 104100, at *40. "[C]ounsel cannot simply take a client's representation about such matters at face value." *Brown*, 2014 U.S. Dist. LEXIS 90123, at *51. Blind reliance on a client's representation is rarely a reasonable inquiry. *Bernal*, 479 F. Supp. 2d at 1327. Reliance on clients' representations is even less reasonable after counsel has reason to question the clients' previous representations. *A PDX Pro Co.*, 311 F.R.D. at 657 (once counsel

with-federal-rules. According to a recent survey, federal trial court judges "feel attorneys are failing to meet their Rule 26(g)(3) obligations to ensure their discovery disclosures and requests and responses are complete and correct." *Id.*

became skeptical of clients' representations and information, he could no longer reasonably rely on them).

Rule 26(g)(3) authorizes the court to sanction the attorney signing initial disclosures, the party the attorney represents, or both. Fed. R. 26(g)(3). Here, that means this Court can sanction Leavens, Life, or Duke. *See, e.g.*, *Perkins v. Gen. Motors Corp.*, 965 F.2d 597, 600-01 (8th Cir. 1992). The rule contemplates that sanctions must be imposed not only on attorneys who fail to conduct a reasonable investigation, but also upon clients if they are complicit in the violation of the rule. *Bernal*, 479 F. Supp. 2d at 1334. So, when attorneys and their clients are equally culpable, they should be equally sanctioned. *See Id.*; *Brown*, 2014 U.S. Dist. LEXIS 90123 at *51; *Laukus*, 292 F.R.D at 505-06.

Defendants' initial disclosures implicate Rule 26(g) in at least two ways. First, the initial disclosures did not provide any of the relevant emails regarding the recordings, nor did they provide all the Las Vegas trade show recordings. Tr. 979. According to Leavens theory, these recordings supported the defamation claim, so they were required to be disclosed under Rule 26(a)(1)(A)(ii). Tr. 972-73. Second, Defendants' initial disclosures in which they assert that "[e]lectronic records are located at 1535 North Ashland Avenue, Chicago, Illinois and reside on three or four computers located there" also implicate Rule 26(g)(1)(A). Pl.'s Ex. 50, at 5; Dkt. 294-2, at 621. This disclosure was signed by Attorney Leavens on November 26, 2012, on behalf of Duke. Pl.'s Ex. 50, at 6; Dkt. 294-2, at 622. These initial disclosures were reviewed by Duke more than once and contained his input. Tr. 1029. These

initial disclosures were not supplemented before the June 1, 2015, supplement date. So, in addition to Rule 26(g), sanctions under Rule 37(c)(1) come into play in two ways. Fed. R. Civ. P. 37(c)(1) (authorizing sanctions for the failure to provide information required by Rule 26(a) or (e)); *In re Delta/AirTran Baggage Fee Antitrust Litig.*, 846 F. Supp. 2d 1335, 1358 (N.D. Ga. 2012). These initial disclosures were not complete and correct at the time they were made, nor were they timely supplemented.

Defendants' various discovery responses implicate Rule 26(g)(1)(B) because they were made without reasonable inquiry. The responses relied solely on Duke's representations without any careful inquiry or reasonable investigation, particularly after they had good reason to question Duke's credibility when his previous representations turned out to be untrue. Rather than learning from their mistakes, they continued unfazed down the same path, belittling Plaintiff's' repeated and legitimate concerns in the process.

b. Rule 37

Plaintiff moved for sanctions under every provision of Rule 37, except for subsection (d). Dkt. 294, at 58-81; Dkt. 381, at 21. Plaintiff correctly did not invoke Rule 37(d) because Defendants did not totally fail to respond to a discovery request. *Stevens v. Greyhound Lines, Inc.*, 710 F.2d 1224, 1228 (7th Cir. 1983); *Charter House Ins. Brokers, Ltd. v. New Hampshire Ins. Co.,* 667 F.2d 600, 604 (7th Cir. 1981). Instead, Plaintiff argues that the disclosures and discovery responses were

incomplete, not provided after a reasonable inquiry, not timely supplemented, and that ESI was lost.

i. Rule 37(a)

When a party provides incomplete or evasive disclosures, answers to interrogatories, or responses to requests to produce, the other party can seek to compel complete and non-evasive productions, answers, and responses. Fed. R. Civ. P. 37(a). If the court grants the motion, the non-complying party or its attorney or both must pay the moving party's reasonable expenses, including attorneys' fees, unless the non-complying party's position was substantially justified or an award of expenses would be unjust. Fed. R. Civ. P. 37(a)(5). Rule 37(a) sanctions should encompass all the expenses that would not have been sustained had the opponent conducted itself properly. *Lightspeed Media Corp. v. Smith*, 830 F. 3d 500, 507 (7th Cir. 2016). The plain language of the rule mandates attorneys' fees be paid by the opposing party or counsel or both, provided their position was not substantially justified or an award would be unjust.

Rule 37(a) applies because the GoDaddy accounts were not searched with the agreed upon search terms. As a result, after years of litigation, Plaintiff has been deprived of thousands of relevant and responsive documents because Defendants never produced them. Dkt. 318. In addition to GoDaddy emails, there appear to be additional ESI that was not produced. *Id.*

ii. Rule 37(b)

If a party "fails to obey an order to provide or permit discovery, including an order under" Rule 37(a), the court may issue further just orders. Fed. R. Civ. P. 37(b)(2). "As long as the sanction is 'just,' there are virtually no limitations on judicial creativity in fashioning a response or remedy to a violation of a discovery order." 7 James Wm. Moore et al., *Moore's Federal Practice* § 37.51[10] at 37-120 (3d ed. 2019). In addition to the non-exhaustive list of possible sanctions, such as prohibiting the disobedient party from introducing designated matters in evidence, a court may order the party, the attorney advising the party, or both, to pay reasonable expenses caused by the failure to comply with the order, unless the failure was substantially justified or an award would be unjust. Fed. R. Civ. P. 37(b)(2)(A)(ii), (b)(2)(C). Standing alone, the failure to comply with a district court's discovery order is enough to impose sanctions under Rule 37(b). *e360 Insight, Inc. v. Spamhaus Project*, 658 F.3d 637, 642 (7th Cir. 2011). Culpability only determines which sanctions to impose, not whether sanctions are appropriate. *Id.* A violation of a court order does not need to be in bad faith; a negligent violation can trigger Rule 37(b) sanctions. *Id.* at 642-43. Sanctions under Rule 37(b) must be proportionally tailored to the severity of the disobedient party's conduct. *Nelson v. Schultz*, 878 F.3d 236, 239 (7th Cir. 2017).

Rule 37(b) is implicated in this case because Defendants failed to comply with this Court's June 11, 2015, order requiring documents relating to Webrecsol and Kirti Saraswat's SEO work with Defendants be produced by June 15, 2015. Dkt. 132. Former defense counsel claimed that no additional documents existed based

merely upon a single conversation with Duke. Tr. 1227. That claim was false. Tr. 1223-24, 1227-28. Responsive documents existed but were not disclosed by June 15, 2015. Dkt. 234-1. Instead, responsive documents were dumped on Plaintiff years later during summary judgment briefing. Dkt. 234-1; Tr. 1199, 1283, 1284.[52] Moreover, even though Duke used Yahoo! chat to communicate with Saraswat, he never searched Yahoo! chat for responsive documents. Tr. 138, 139.

iii. Rule 37(c)

If a party fails to provide information, such as ESI, as required by Rule 26(a) or (e), the party is barred from using that information in a motion or at trial, unless the failure was substantially justified or harmless. Fed. R. Civ. P. 37(c)(1). In addition to or in lieu of barring the information, among other things, a court may also order the party to pay reasonable expenses and inform the jury of the party's failure. Fed. R. Civ. P. 37(c)(1)(A)—(C). Monetary sanctions under Rule 37(c) may only be imposed on a party, not counsel. *Maynard v. Nygren*, 332 F.3d 462, 470 (7th Cir. 2003); *see also Sun River Energy, Inc. v. Nelson*, 800 F.3d 1219, 1226-27 (10th Cir. 2015). Sanctions under Rule 37(c) are automatic and mandatory unless the non-movant can establish that the failure was substantially justified or harmless. *David v. Caterpillar, Inc.*, 324 F.3d 851, 857 (7th Cir. 2003).

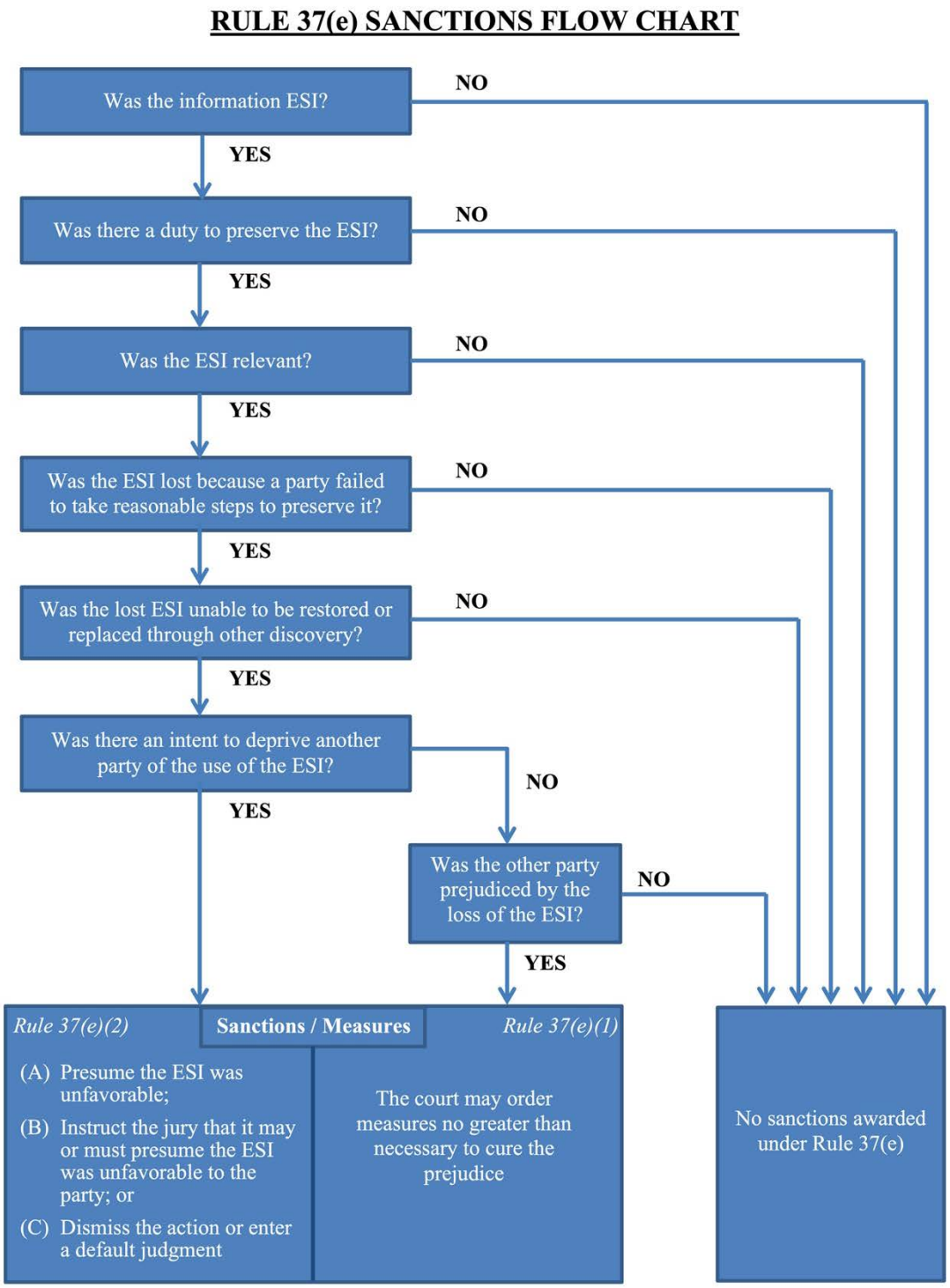
[52] Defendants also violated this Court's case management order by failing to provide Rule 26(e) supplements by June 1, 2015. Dkt. 116. But that is a violation of a scheduling order that is more appropriately addressed by other rules, such as Rule 16(f) or Rule 37(c)(1). *In re Delta/Air Tran Baggage Fee Antitrust Litig.*, 846 F. Supp. 2d 1335, 1354-55 (N.D. Ga. 2012); *see also Dreith v. Nu Image, Inc.*, 648 F.3d 779, 787 (9th Cir. 2011). The Court is using Rule 37(c)(1) to address this violation of a court order.

Rule 37(c) is implicated here because voluminous, relevant ESI was not disclosed either in the initial disclosures or by the Rule 26(e) supplement date. The information was not disclosed until years after the Rule 26(e) supplement date, completion of expert discovery, and the filing of dispositive motions. Despite this blatant violation of Rules 26(a) and (e), Defendants and the former defense counsel attempted to use undisclosed ESI in response to Plaintiff's summary judgment motion and in support of their summary judgment motion. Dkt. 233, at 24-25; Dkt. 234-1 (disclosing communications between Kirti Saraswat and Duke and Frank Gu and Duke for first time). Producing and, more importantly, attempting to use undisclosed ESI in response to a summary judgment motion can only be described as dirty pool. Indeed, as Judge Tharp recently stated, "It is a general proposition of law that, after discovery is closed, a party may not rely on documents that it had in its possession but failed to produce during discovery. There is no need for an order that states as much." *Worldpay, US, Inc. v. Haydon*, No. 17-cv-4179, 2018 U.S. Dist. LEXIS 193562, at *7-8 (N.D. Ill. Nov. 14, 2018). Plus, there is likely significantly more relevant and responsive ESI that has not been produced. Dkt. 318.

iv. Rule 37(e)

Rule 37(e) provides the sole source to address the loss of relevant ESI that was required to be preserved but was not because reasonable steps were not taken, resulting in prejudice to the opposing party. *Snider v. Danfoss, LLC*, 12 CV 4748, 2017 U.S. Dist. LEXIS 107591, at *7-8 (N.D. Ill. July 12, 2017). Rule 37(e) establishes an analytical decision tree. *Oracle Am., Inc. v. Hewlett Packard Enter.*

Co., 328 F.R.D. 543, 549 (N.D. Cal. 2018). The decision tree process can be visualized by a flow chart, such as this:



See Hon. Iain D. Johnston & Thomas Y. Allman, *What Are the Consequences for Failing to Preserve ESI: My Friend Wants to Know,* Circuit Rider 57-58 (2019). Other flow charts exist.[53] *See, e.g.*, *The End of Sanctions? Rules Revisions and Growing Expertise are "De-Risking" eDiscovery*, Logikcull (2019); Jarrad Smith, *It's Purple Raining Sanctions: Litigation Regarding Prince's Estate Provides Framework for Determining When Sanctions Apply Under FRCP 37(e)*, JDSupra (April 24, 2019), https://www.jdsupra.com/legalnews/it-s-purple-raining-sanctions-18106; *FRCP & E-Discovery: The Layman's Guide*, Exterro, www.exterro.com/frcp-e-discovery-guide/rule-37e/ (last visited Jan. 14, 2021); Hon. James C. Francis IV & Eric Mandel, *Limits on Limiting Inherent Authority: Rule 37(e) and the Power to Sanction*, 17 Sedona Conf. J. 613, 618 (2016). Luckily, they all illustrate the rule properly. The Court is partial to its chart for obvious reasons.

Rule 37(e) has five threshold requirements: (1) the information must be ESI; (2) there must have been anticipated or actual litigation that triggers the duty to preserve ESI; (3) the relevant ESI should have been preserved at the time of the litigation was anticipated or ongoing; (4) the ESI must have been lost because a party failed to take reasonable steps to preserve it; and (5) the lost ESI cannot be restored or replaced through additional discovery. Fed. R. Civ. P. 37(e); *Snider*,

[53] The Court envisions the creation of these various flow charts by ESI wonks as being akin to characters in "Close Encounters of the Third Kind" creating images and replications of Devil's Tower: People vexed by an interaction, furiously creating something tangible in an attempt to make sense of a new phenomenon. *Close Encounters of the Third Kind Mashed Potatoes*, YouTube (May 30, 2011), https://www.youtube.com/watch?v=yecJLI-GRuU.

2017 U.S. Dist. LEXIS 107591, at *8-10. If any of these requirements are not met, then curative measures and sanctions are unavailable under Rule 37(e).

If all these threshold requirements are met, then the court must determine if the party seeking the ESI has suffered prejudice or if the party with possession, custody, or control of the ESI intended to deprive the seeking party of the ESI. Fed. R. Civ. P. 37(e)(1), (2). If prejudice but not intent exists, then the court can impose curative measures. Fed. R. Civ. P. 37(e)(1). A curative measure recognized by the Advisory Committee notes is barring evidence. Fed. R. Civ. P. 37(e), advisory committee note's to 2015 amendments ("In an appropriate case, it may be that serious measures are necessary to cure prejudice found by the court, such as forbidding the party that failed to preserve information from putting on certain evidence. . ."); *see also, e.g.*, *Charlestown Capital Advisers, LLC. v. Acero Junction, Inc.*, 18-CV-4437, 2020 U.S. Dist. LEXIS 180982, at *54 (S.D.N.Y. Sep. 30, 2020). A common curative measure courts impose is instructing the jury that it can consider the circumstances surrounding the loss of the ESI. Thomas Y. Allman, *Dealing with Prejudice: How Amended Rule 37(e) Has Refocused ESI Spoliation Measures*, 26 Rich. J. L. & Tech. 1, 64-66 (2020) (collecting cases).[54] If intent (which presumes

[54] Some courts have held that awards of attorneys' fees are curative measures authorized under Rule 37(e)(1). *See, e.g.*, *Karsch v. Blink Health Ltd.,* 17-CV-3880, 2019 U.S. Dist. LEXIS 106971, at *74 (S.D.N.Y. June 20, 2019). This view is held by ESI gurus. *Cat3, LLC v. Black Lineage, Inc.*, 164 F. Supp. 3d 488, 502 (S.D.N.Y. 2016) (Francis, J.). Even knowing it is in the distinct minority on this issue, this Court is not so sure attorneys' fees are available but is open to being convinced otherwise. *Snider*, 2017 U.S. Dist. LEXIS 107591, at *12-13 (attorneys' fees are not identified in Rule 37(e) but are specifically identified in all other sections of Rule 37); *Newman v. Gagan, LLC*, No. 2:12-CV-248, 2016 U.S. Dist. LEXIS 123168, at *20-21 (N.D. Ind. May 10, 2016). Because the Court is not

prejudice) exists, then the court can impose sanctions, including presuming that the information was unfavorable, instructing the jury to presume the information was unfavorable, or entering dismissal or default. Fed. R. Civ. P. 37(e)(2).

Rule 37(e) is implicated in this case because relevant Yahoo! chats and GoDaddy emails, which could have and should have been preserved through reasonable measures, have been lost and cannot be recovered, prejudicing Plaintiff. In the Court's view, the only unresolved aspect of Rule 37(e) is whether Defendants intended to deprive Plaintiff of this ESI.[55]

v. Rule 37's Exceptions for Sanctions

Except for subsection (e), all the other provisions of Rule 37 prohibit district courts from imposing sanctions if the party's actions were (a) substantially justified or (b) harmless or sanctions would be unjust. Fed. R. Civ. P. 37(a)(5)(A)(ii), (iii); Fed. R. Civ. P. 37(b)(2)(C); Fed. R. Civ. P. 37(c)(1); 37(d)(3). Rule 37(c) provides that courts need not impose sanctions if, in addition to the non-compliant party's position being "substantially justified," the violation was "harmless." Fed. R. Civ. P. 37(c). In contrast, under Rules 37(a) and (b), a court may decline to impose monetary sanctions if "other circumstances make an award of expenses unjust." Rule 37(e) incorporates the concepts of harmlessness and justification in its

---

imposing an award of attorneys' fees under Rule 37(e), it need not conclusively address this issue now. All attorneys' fees imposed are under other rules. Imposing attorneys' fees as a sanction under this rule at this time would be redundant.

[55] ESI may have been lost when the former defense counsel's email system was migrated and when the hard drive containing the images of the four hard drives crashed. The Court is not imposing any sanctions for these unfortunate incidents. The evidence, if relevant, was not lost because of a failure to take reasonable steps to preserve it.

requirements that corrective measures or sanctions can only be imposed if reasonable steps were not taken that resulted in prejudice. Fed. R. Civ. P. 37(e).

Whether a party's failure to comply with the discovery rules is "substantially justified" or "harmless" is within the broad discretion of the district court. *David v. Caterpillar, Inc.*, 324 F.3d 851, 857 (7th Cir. 2003). The same is true for a finding that that the imposition of sanctions would be "unjust." *See Worldcom Network Sevs. v. Metro Access, Inc.*, 205 F.R.D. 136, 141 (S.D.N.Y. 2002). The party facing the sanctions (the non-complying party) bears the burden to establish that the failure was substantially justified or harmless or the imposition of sanctions would be unjust. *Salgado by Salgado v. Gen. Motors, Corp.*, 150 F.3d 735, 742 (7th Cir. 1988); *see also Torres v. City of L.A.*, 548 F.3d 1197, 1213 (9th Cir. 2008) ("[T]he burden is on the party facing the sanction to demonstrate that the failure to comply with Rule 26(a) is substantially justified or harmless"); *Wilson v. Bradlees of New England, Inc.*, 250 F.3d 10, 21 (1st Cir. 2001) ("Rather it is the obligation of the party facing the sanctions for belated disclosure to show that its failure to comply with the Rule was either justified or harmless. . . ."); *Lorillard Tobacco Co. v. Elston Self Serv. Wholesale Groceries*, 259 F.R.D. 323, 327 (N.D. Ill. 2009) (burden on non-complying party to show award would be unjust); 7 James Wm. Moore et al., *Moore's Federal Practice*, § 37.97[3] at 37-184 (3d ed. 2019).

"Substantially justified" means a reasonably debatable contention based on both fact and law. *Pierce v. Underwood*, 487 U.S. 552, 565 (1988). Misunderstanding the law does not make an action "substantially justified."

Musser v. Gentiva Health Servs., 356 F.3d 751, 758 (7th Cir. 2004). "Harmless" means a lack of prejudice to the party entitled to the information. *Am. Stock Exch., LLC v. Mopex, Inc.*, 215 F.R.D. 87, 93 (S.D.N.Y. 2002).

The "unjust" provision is a "rather flexible catch-all provision." *Slabaugh v. LG Elecs. USA, Inc.*, No. 1:12-cv-01020-RLY, 2014 U.S. Dist. LEXIS 161687, at *2 (S.D. Ind. Nov. 17, 2014). Black's Law Dictionary unhelpfully defines "unjust" as "[c]ontrary to justice; not fair or reasonable." *Unjust*, Black's Law Dictionary (11th ed. 2019). But "[t]he definition of 'unjust' in the context of Rule 37 is unclear." *Smith v. Bradley Pizza, Inc.*, No. 17-cv-02032, 2019 U.S. Dist. LEXIS 98337, at *35-36 (D. Minn. June 12, 2019). The term may also be defined as "inequitable" or "harsh." *Tracinda Corp. v. DaimlerChrysler AG*, 502 F.3d 212, 241 (3d Cir. 2007) (discussing identical language in Fed. R. Civ. P. 16(f) context). According to the Third Circuit, these definitions "invite a consideration of the degree of the sanction in light of the severity of the transgression which brought about the failure to produce." *Id.* Essentially, this is a proportionality concept. Therefore, in determining whether sanctions are "unjust," courts may consider the nature of the offending party's discovery failures and the degree of prejudice and harm visited upon the prevailing party relative to the prevailing party's own abuses of the discovery process (if any). *See, e.g.*, *Pelayo v. Platinum Limousine Servs.*, No. 15-00023, 2018 U.S. Dist. LEXIS 2573, at *13-17 (D. Haw. Jan. 5, 2018); *SEC v. Yorkville Advisors, LLC*, No. 12 Civ. 7728, 2015 U.S. Dist. LEXIS 24578, at *22-25 (S.D.N.Y. Feb. 27, 2015); *HSBC Bank USA, N.A. v. Resh*, No. 3:12-cv-00668, 2014 U.S. Dist. LEXIS 10176, at *26-34 (S.D.

W. Va. Jan. 28, 2014). And the Rule's "unjust" exception allows a court to deny attorneys' fees "where the prevailing party also acted unjustifiably," Fed. R. Civ. P. 37(a)(4) committee notes to 1970 amendment.

Under the Rules' plain language, the "unjust" provision is in addition to the "substantially justified" provision. To some extent, "substantially justified" and "unjust" embody the concept of "just;" therefore, a district court's sanction imposed because a party's position was not "substantially justified" is also likely "just." 7 James Wm. Moore et al., *Moore's Federal Practice*, § 37.51[9][a] at 37-115; §37.97[3] at 37-184. But "although the two terms' meanings may overlap, 'unjust circumstances' must necessarily differ from 'substantial justification' lest the two provisions render one or the other surplusage. The primary difference between the two is that the 'unjust circumstances' standard focuses on conduct of the moving party; the 'substantial justification' standard is not so limited." *Lorillard Tobacco Co. v. Elston Self Serv. Wholesale Groceries*, 259 F.R.D. 323, 328 n.1 (N.D. Ill. 2009).

The ability of the district court to reopen discovery after its closure does not make a party's action substantially justified or harmless. *Finwall v. City of Chicago*, 239 F.R.D. 494, 501 (N.D. Ill. 2006). Untimely disclosures and discovery responses and supplements to them are generally not substantially justified or harmless. *Amari Co. v. Burgess*, No. 07 C 01425, 2012 U.S. Dist. LEXIS 157229, at *14 (N.D. Ill. Nov. 2, 2012). Indeed, supplements made after the close of fact discovery are by definition "untimely." *Mitchell v. Iowa Interstate R.R. Ltd.*, No. 07-1351, 2010 U.S. Dist. LEXIS 157594, at *2-3 (C.D. Ill. May 25, 2010).

A district court need not make an explicit finding as to substantial justification or harmlessness. *David v. Caterpillar, Inc.*, 324 F.3d 851, 857 (7th Cir. 2003). But the courts of appeal, including the Seventh Circuit, have identified several factors the district courts should consider when determining substantial justification or harmlessness, even though these factors seem to be just reiterations of the rule: (1) the prejudice or surprise caused by the failure, (2) the ability to cure the prejudice, (3) the extent of trial disruption, and (4) the bad faith or willfulness in failing to disclose. *Tribble v. Evangelides*, 670 F.3d 753, 760 (7th Cir. 2012).

E. Application of Findings to Relevant Law

Multiple violations of several rules of the Federal Rules of Civil Procedure occurred. And the violations were not substantially justified or harmless, nor would sanctions be unjust. Accordingly, sanctions are warranted.

1. Sanctions are Warranted under Rules 26(g), 37(a), (b), (c)

a. Rule 26(g)

Rule 26(g) authorizes a court to sanction attorneys, the parties they represent, or both, if disclosures and discovery responses are made without reasonable inquiry. Fed. R. Civ. P. 26(g). The "stop-and-think" requirement of this rule was not met in this case on more than one occasion by both Leavens and Duke. Because Stamatis did not sign any disclosures or discovery responses, he cannot face sanctions under this Rule. Fed. R. Civ. P. 26(g); Dkt. 378, at 22.

In Plaintiff's memorandum in support of its motion for sanctions, it specifically cited Rule 26(g) and argued the lack of a reasonable inquiry by

Defendants and the former defense counsel.[56] Defendants' 35-page response brief made no mention of Rule 26(g) at all. Dkt. 347.[57] Because of this absence, the Court flagged the failure. At the outset of the evidentiary hearing, the Court addressed this with the current defense counsel. Tr. 8 ("I will ask the Defendants this question now: Is it the Defendants' position that Rule 37(e) abrogates all other possible applicable rules relating to sanctions and a court's inherent authority?"). The Court did not flat out tell all the interested parties to address all the bases for the sanctions, but it certainly gave a big hint. Of course, it is not the Court's duty to tell parties to address all relevant arguments. Nevertheless, the current defense counsel seemed to recognize the Court's point. Tr. 9 ("Obviously, I believe that to the extent there is other discovery violations, okay, in addition to spoliation of ESI, like intentional withholding of documents and some of the other things that Plaintiffs have accused Defendants and the former defense counsel of, that there is certainly – the court has authority to address that."). Then during the hearing, the Court flagged the issue again. At one point, Defendants objected to a line of

[56] Dkt. 294, at 51 ("A court is also *required* to impose sanctions against a party and/or its counsel, pursuant to Rule 26(g)(3), when he/she falsely certifies that 'to the best of that person's knowledge, information, and belief formed after *reasonable inquiry*,' discovery responses are complete and such disclosures have not been made for an improper purpose.") (emphasis in original); Dkt. 294, at 71 ("This Court is also *required* to impose sanctions against Defendants and their counsel, pursuant to Rule 26(g)(3), because they wrongfully certified that 'to the best of their knowledge, information, and belief formed after *reasonable inquiry*,' their discovery responses and objections were complete and disclosures had not been made for an improper purpose. *Id.* 'The point of Rule 26(g) is to hold someone personally responsible for the completeness and accuracy of discovery responses.'") (emphasis in original).

[57] Defendants were given up to 75 pages to respond, so they had plenty of room to address this issue.

questioning based on relevance. Tr. 388. After Plaintiff responded, the following colloquy occurred:

THE COURT: Based upon that, overruled. That's where I assumed he was going.

MR. SALAM: And, your Honor, I just -- I respect your ruling.

THE COURT: Oh, thanks.

MR. SALAM: My concern is I still don't see how that is relevant to the issues in the sanctions motion, as to -- when I say "sanctions," I know they have raised it. I'm trying to understand what the relevance is to Rule 37 sanctions, the issues in Rule 37 about whether or not there has been any ESI lost and not otherwise recovered.

THE COURT: Well, remember that their motion was much more than just Rule 37(e).

So overruled.

MR. SALAM: Thank you, your Honor.

Tr. 389-90.

By this point, all the parties and the former defense counsel were on notice that the sanctions motion was not limited to Rule 37(e).

Defendants' post-hearing brief made a terrible tactical decision to intentionally not address Rule 26(g). Despite Plaintiff's explicit reliance on the rule, dkt. 294, at 51, 71, and despite the Court's warning that all the bases should be addressed, Tr. 8, 390, Defendants took the position that Plaintiff's reliance on Rule

26(g)(3) was perfunctory and therefore waived, so it did not need to address the rule. Dkt. 382, at 2. Ironically, Defendants made that argument in a footnote. Dkt. 382, at 2 n.2. And undeveloped arguments made in footnotes are waived. *Harmon v. Gordon*, 712 F.3d 1044, 1053 (7th Cir. 2013). Besides being waived, Defendants' assertion is wrong. Plaintiff's Rule 26(g) argument was adequately presented and should have been addressed, especially after the Court confirmed that Plaintiff's motion for sanctions was not cabined to Rule 37(e). Tr. 7, 390. Regardless, even if Plaintiff's Rule 26(g) argument was not sufficiently developed, the Court has the authority to raise a Rule 26(g) violation *sua sponte*. *Liguria Foods, Inc. v. Griffith Labs., Inc.*, 320 F.R.D. 168, 188 (N.D. Iowa 2017); *St. Paul Reinsurance Co. v. Commercial Fin. Corp.*, 198 F.R.D. 508, 511 (N.D. Iowa 2000). The Court will address and impose sanctions under Rule 26(g).

Leavens only argument as to Rule 26(g) was on the final page of the brief, which stated, "[R]easonable reliance and good faith prevent sanctions from being entered under Rule 26(g)." He went on to note that, "Rule 26(g) allows sanctions when a party or counsel makes false certifications based upon reasonable inquiries." Dkt. 379, at 25. The discussion concluded by stating that there is "no evidence" that Leavens engaged in this type of conduct and that "the repeated unsupported suggestions to the contrary are merely indicative of the hyperbolic rhetoric that this litigation has come to include." Dkt. 379, at 25. Although the Court agrees that this case has been and still is full of hyperbolic rhetoric, evidencing the belief that litigation is war and the courtroom is a battlefield, it disagrees that there is "no

evidence" that Leavens failed to make reasonable inquiries. The preceding 200-plus pages are littered with the evidence.

Rule 26(g) requires disclosures and discovery responses to be made upon reasonable inquiry, with disclosures being complete and correct when made and discovery responses being consistent with the Federal Rules of Civil Procedure. Fed. R. Civ. P. 26(g)(1)(A),(B)(i). The rules that discovery responses must be consistent with include the following: Rule 33(b), addressing interrogatory answers and objections; Rule 34(b)(2), addressing document production and responses; and Rule 37(a)(4), requiring complete and non-evasive discovery responses. With good reason, no party contested either the completeness or consistency prong of Rule 26(g). Instead, Leavens—the only party to address the Rule 26(g) violations—claimed that he made reasonable inquiries. Dkt. 379, at 25-26. But that's wrong. He didn't.

But before addressing Leavens' lack of reasonable inquiry, consider all the ESI that was not produced before the close of discovery in this "eight figure case." Dkt. 267, at 64; *Tec-Air*, 1994 U.S. Dist. LEXIS 2026, at *28-29 (in multimillion dollar lawsuit the lack of an efficient system to ensure relevant documents produced shows lack of reasonable inquiry). This includes about 112 pages of Yahoo! emails produced on March 29, 2018. Dkt. 294-2, at 2-114. This also includes nearly 15,000 pages of Yahoo! emails produced on May 31 and June 1, 2018. And it includes nearly 23,000 GoDaddy documents that contain the agreed-upon search terms that have yet to be produced. Dkt. 318-1, at 13. The untimely produced ESI also

included the email communications between Duke and Edmiston, as well as at least one recording of the Las Vegas trade show encounter. Additionally, consider the ESI that was *never* produced, including the Yahoo! chats and the GoDaddy emails, because it was destroyed during the pendency of this case. Tr. 216, 219, 927 (chats destroyed); Tr. 67, 164, 168, 173, 180, 936, 938-39 (GoDaddy emails destroyed); Tr. 1498-1500 (chats destroyed in 2018); Dkt. 382, at 7; Dkt. 372 at 7-11 (chats destroyed in 2016).

With regard to ESI, reasonable inquiry necessitates a proper custodian interview. A proper custodian interview has been required for years before this case was even filed. Kenneth J. Whithers, *Computer-Based Discovery in Federal Civil Litigation*, 2000 Fed. Cts. L. Rev. 2, 3-4 (2000). A custodian interview required Leavens to take an active and affirmative role to investigate 21 Century Smoking's information technology structure by asking difficult, thorough questions to identify custodians and locations of potentially relevant ESI. *See, e.g., HM Elecs., Inc.*, 2015 U.S. Dist. LEXIS 104100, at *40; *Phoenix Four Inc.*, 2006 U.S. Dist. LEXIS 32211, at *17-18. None of that happened. And a proper custodian interview prevents blind reliance on a client's general description of its information systems. Scheindlin & Capra, *supra*, at 209; Whithers, *Computer-Based Discovery in Federal Civil Litigation*, 2000 Fed. Cts. L. Rev. at 3-4. Leavens never conducted a custodian review nor had any of his associates conduct a custodian interview. Tr. 243, 773-75, 783, 995-96, 1127-28. The absence of a custodian review is strong evidence that counsel did not conduct a reasonable inquiry. *Metro Opera Ass'n.*, 212 F.R.D. at

221; *see also, Small*, 2018 U.S. Dist. LEXIS 134716, at *149-50; *HM Elecs., Inc.*, 2015 U.S. Dist. LEXIS 104100, at *46 ("it was unreasonable to ask one person"). And recall that a custodian interview is not a new concept; instead, it is merely a modern outgrowth of a client interview, which long ago were needed to establish a reasonable inquiry. Dessem, *supra*, at 9-10, 17; Mauet, *supra*, at 29-32.

Armed with the information obtained from the custodian interview, counsel should have a reasonable understanding of the client's information systems. Counsel is required to have that understanding. *A PDX Pro Co.*, 311 F.R.D. at 657; *see also HM Elecs.*, 2015 U.S. Dist. LEXIS 104100, at *57-58. The absence of a reasonable understanding of the client's information systems is strong evidence that counsel did not conduct a reasonable inquiry. *A PDX Pro Co.*, 311 F.R.D. at 657; *Metro. Opera Ass'n.*, 212 F.R.D. at 221-23; *Small*, 2018 U.S. Dist. LEXIS 134716, at *149-50; *HM Elecs., Inc.*, 2015 U.S. Dist. LEXIS 104100, at *46. As shown throughout this order, Leavens did not have a reasonable understanding of Defendants' information systems. *See, e.g.,* Dkt. 256, at 13-14 ("I just don't have the technological background necessarily to make the technical distinction that escapes us here, which is that those emails would not be revealed in the search that was done of those four computers.").

The understanding of the client's information systems allows counsel to create a systematic process and plan for responding to discovery requests. *Nat'l. Ass'n. of Radiation Survivors*, 115 F.R.D. at 552-53. The absence of a process and a plan is strong evidence that counsel did not conduct a reasonable inquiry. *Metro.*

Opera Ass'n., 212 F.R.D. at 221; *Nat'l. Ass'n. of Radiation Survivors*, 115 F.R.D. at 556; *see Tec-Air*, 1994 U.S. Dist. LEXIS 2026, at *28-29. Leavens had no process or plan for responding to discovery requests. Tr. 891 ("I don't know whether we did or not, the methodology of collecting the documents to respond to a document request."). He just had his associates call Duke for the ESI. Tr. 1104-06. And Duke was even left on his own to determine the materiality of the ESI. Tr. 786. The complete lack of a process and plan (or any systemized structure) to any aspect of discovery is evidenced in other ways, including the lack of documentation, Tr. 759, the lack of directions to the associates working on ESI issues, Tr. 767, 773, and the lack of direction to the ESI vendor, other than having his associate tell the vendor to copy the hard drives. Tr. 813.

Part of the process and plan includes monitoring of the identification, preservation, collection, and production of ESI. The Sedona Conference, *Commentary on Legal Holds, Second Edition: The Trigger & The Process*, 20 Sedona Conf. J. 341, 358 (2019) (collecting cases and other authority dating back to 2004); *see, e.g., Charlestown Capital Advisors, LLC*, 2020 U.S. Dist. LEXIS 180982, at *34. The absence of reasonable monitoring is strong evidence that counsel did not conduct a reasonable inquiry. *Metro. Opera Ass'n.*, 212 F.R.D. at 221-22; *see also Franklin v. Howard Brown Health Ctr.*, No. 17 C 8376, 2018 U.S. Dist. LEXIS 171609, at *6-7 (N.D. Ill. Oct. 4, 2018). Leavens completely failed to monitor the process. He failed to monitor his own associates and he failed to monitor Duke. Tr. 786, 1104-06. The absolute complete lack of monitoring is evidenced by this simple

fact: During the pendency of this case, significant and relevant ESI—the Yahoo! chats and certain GoDaddy emails—were destroyed.

The most telling evidence that a reasonable inquiry was not conducted is the ease and speed with which a large volume of ESI is produced once a reasonable inquiry is done. *HM Elecs.*, 2015 U.S. Dist. LEXIS 104100, at *35 ("There can be no doubt that Defendants and their attorneys failed to make reasonable inquiries, because Defendants' lead attorneys were able to identify masses of responsive ESI in September and December when they finally inquired of their vendors about the ESI."); *Qualcomm*, 2008 U.S. Dist. LEXIS 911, at *35; *Tec-Air*, 1994 U.S. Dist. LEXIS 2026, at *28 ("Finally the documents that were belatedly produced after the close of discovery were found with little effort once it was decided to conduct a focused search for documents from 1974."). Here, once the former defense counsel asked obvious questions that should have been asked during a reasonable custodian interview, an avalanche of relevant and responsive ESI was produced. And after the Yahoo! email failure came to light, it was unreasonable for any of them not to conduct the same inquiry about the GoDaddy emails.

Much of the prejudice that occurred because of the Rule 26(g) violations could have been avoided had Duke simply been candid with the former defense counsel. *See Metro. Opera Ass'n.*, 212 F.R.D. at 221 ("The client is charged with knowledge of what documents it possesses."). He affirmatively told them that all the electronic records were located on the four computer hard drives and that they had all the ESI. Tr. 604-07, 609, 629, 1029, 1242; LS Ex. 7. But Duke knew his web-based

emails were not located on these hard drives, and never told the former defense counsel. Tr. 129-31, 238-39, 281-82, 838, 908. Indeed, Duke participated in the collection of the emails from the hard drives, so he knew the productions would be incomplete. Tr. 118, 611, 1037, 1428, 1430-31; Dkt. 288, at 4. And even though he was fully aware that the Yahoo! emails were not produced because they were web-based, he never disclosed that the GoDaddy emails—which were likewise web-based—had not been searched until another year past. Tr. 281-82, 1401-02, 1410-11. At its core, Rule 26(g) requires objective good faith of not only counsel but also the parties. *See Nat'l Ass'n of Radiation Survivors*, 115 F.R.D. at 554-55. Duke's actions were not in good faith.

Both Leavens and Duke must pay Plaintiff's attorneys' fees because both violated Rule 26(g). *Bernal*, 479 F. Supp. 2d at 1334; *Brown*, 2014 U.S. Dist. LEXIS 90123, at *51. These violations could not have occurred without both Duke's dishonesty and Leavens' disinterest and dereliction of duty.

b. Rule 37(a)

When a party provides incomplete or evasive disclosures, answers to interrogatories, or responses to requests to produce, the other party can seek to compel complete and non-evasive productions, answers, and responses. Fed. R. Civ. P. 37(a). If the court grants the motion, as the Court has done here, then the non-complying party or its attorney or both must pay the moving party's reasonable expenses, including attorneys' fees, unless the non-complying party's position was

substantially justified or an award of expenses would be unjust. Fed. R. Civ. P. 37(a)(5).

In Plaintiff's memorandum in support of its motion for sanctions, it specifically cited and relied upon Rule 37(a). Dkt. 294, at 50-51, 71.[58] Like Rule 26(g), in Defendants' 35-page response brief, they never addressed Rule 37(a). Dkt. 347. Again, this failure caused the Court to flag the issue before and during the evidentiary hearing. Tr. 8, 389-90. In Defendants' post-hearing brief, they recognized that Plaintiff relied upon Rule 37(a) and represented that they would address the rule. Dkt. 382, at 2. But they never did. None of the former defense counsel's post-hearing briefs addressed Rule 37(a) either. Dkts. 378-79, 383. And nowhere did any of their briefs argue that their actions were substantially justified or that an award of attorneys' fees would be unjust under Rule 37(a). So, they have forfeited their objections to sanctions under Rule 37(a). *Kenall Mfg. Co. v. Cooper Lighting, LLC*, 354 F. Supp. 3d 877, 883 (N.D. Ill. 2018); *see also Henry v. Hulett*, 969 F.3d 769, 785-86 (7th Cir. 2020).

Once Plaintiff filed the motion for sanctions under Rule 37, the Defendants and the former defense counsel were on notice that the Court could sanction any of

[58] Rule 37(a) was flagged many ways on at least three pages. Dkt. 294 at 50-51 ("Multiple provisions of this Rule have been triggered by Defendants conduct in this case, including: Rule 37(a)(3)(A) which governs motions to compel disclosure and for appropriate sanctions. . . Rule 37 also provides for the recovery of the moving party's expenses, including attorneys' fees from the non-compliant party's discovery violations, and *requires* the payment of these expenses for certain misconduct.") (emphasis in original); Dkt. 294 at 71 ("Plaintiffs' recovery of reasonable expenses, including attorneys' fees is required under several provisions of Rule 37. Pursuant to Rule 37(a)(5)(A), Defendants must pay Plaintiffs' reasonable expenses incurred in making this and earlier Rule 37 motions.").

them under this rule. *DeVaney v. Cont'l Am. Ins. Co.*, 989 F.2d 1154, 1160 (11th Cir. 1993). Further, the Court has authority to impose sanctions *sua sponte* under Rule 37. *Elmore v. City of Greenwood*, No. 3:13-cv-01755, 2015 U.S. Dist. LEXIS 80904, at *14 (D.S.C. June 23, 2015).

For the sake of completeness and to resolve a clear basis upon which Plaintiff sought sanctions and this Court can impose sanctions, the Court addresses this rule. The Court does so despite Defendants' and the former defense counsel's forfeiture of any arguments to the contrary. The Court focuses on the more than 23,000 documents in Defendants' GoDaddy email accounts and the 15,000 pages of documents in the Yahoo! account that contained the agreed-upon search terms. Dkt. 318-1, at 13; Dkt. 370, at 3-5; Tr. 912; Pl.'s Ex. 91. These were required to be produced years ago. Dkt. 116.

Defendants provided incomplete disclosures and responses to document requests. The GoDaddy email accounts, containing thousands of relevant and responsive documents, still have not been produced. Dkt. 318-1, at 13. And the Yahoo! account was likewise not searched with the agreed-upon terms before the close of fact discovery, and those documents were not produced until Plaintiff had already filed its summary judgment motion and response. Plaintiff's motion for sanctions under Rule 37(a) is completely meritorious. Defendants are ordered to produce all responsive documents to Plaintiff's production requests, including producing all GoDaddy emails that contain the agreed-upon search terms.[59] The

[59] The Court is not precluding a privilege and relevance review of those documents.

documents must be provided in native, searchable format within 30 days of the entry of this order. Because the Court is granting the motion, Defendants must pay Plaintiff's reasonable expenses, including attorneys' fees. Rule 37(a) authorizes the Court to impose an attorneys' fees sanction against a party and its attorneys. The Court requires both Defendants as well as Leavens and Stamatis to pay the attorneys' fees.

Although Stamatis was not involved in the initial discovery including the e-discovery, he abdicated his responsibilities as a lead attorney by blindly relying on Duke and leaving the problems to be solved by other counsel. *Laukus*, 292 F.R.D. at 509, Tr. 1290, 1390-91. And just like Leavens, Stamatis was on notice as to the discovery problems by the spring of 2018 at the latest. And like Leavens, he undertook no investigation. Stamatis merely asked Duke for an explanation, which he took at face value and ordered the other former defense counsel to ensure that there would be no more problems. Tr. 1290, 1310 ("Well, we looked at it. And I don't know what the results were. I still don't know."), 1357 ("I took [Duke's representations] as face value, and we moved on from there."), 1390-91, 1399-1400. Stamatis' main argument against sanctions is that much of the discovery occurred before he filed an appearance. Dkt. 378, at 2, 5-6, 13. But being late to the party is not an excuse. *HM Elecs.*, 2015 U.S. Dist. LEXIS 104100, at *68-69 ("This excuse shows [counsel] did not, and still do not, comprehend that it is their duty to become actively engaged in the discovery process, to be knowledgeable about the source and extent of the ESI, and to ensure that all gathered data is accounted for, and that

these duties are heightened—not diminished—when there is a transition between firms or other personnel critical to discovery."); *Nat'l Ass'n of Radiation Survivors v. Turnage*, 115 F.R.D. 543, 555 (N.D. Cal. 1987) (if counsel relies on investigation of preceding counsel or a party, the duty remains on counsel to acquire knowledge and facts sufficient to enable counsel to certify discovery responses). And being late to the party is even less of an excuse when Stamatis was on notice of the multiple discovery problems. *Bankdirect Capital Fin.,* 2018 U.S. Dist. LEXIS 224705, at *12 (after prior errors are discovered "[t]hat ought to have put counsel on their most careful behavior, but it clearly didn't happen"); *Qualcomm*, 2008 U.S. Dist. LEXIS 911, at *36, *48 (sanctions imposed, in part, because counsel failed to heed several warning signs that ESI search and production was inadequate). As a lead counsel, Stamatis was waist deep in this case when the Yahoo! production errors came to light. But instead of taking the e-discovery issues seriously, he belittled Plaintiff's valid concerns. And he did so even after the Court gave explicit warnings about the e-discovery failures, including the dangers relating to self-collection. Dkt. 249, at 23-26; Dkt. 256, at 16; Dkt. 267, at 30, 65; Dkt. 274. And like Leavens, Stamatis never conducted any reasonable investigation into the e-discovery issues after the Yahoo! email failure arose. Simply asking a client who has already been less than candid for an explanation and then blindly accepting the explanation is not a reasonable investigation. This is particularly true because the Court warned Stamatis about investigating the matter. Dkt. 249, at 23, 25-26 ("I see this whole thing blowing up. * * * I would spend a lot of time talking to Mr. Duke about what

happened with the ESI."). The brief San Diego meeting, which none of the participants recalled with any clarity, is in no way a reasonable investigation. Nevertheless, his late involvement is why the Court has apportioned a smaller percentage of the fees to be paid by him.

Duke must pay as well. He was not candid with his counsel. Duke provided misleading and false information to them, repeatedly telling them they had all the data when they didn't, and he knew they didn't. Tr. 604-05, 609, 1242, 1401-02, 1410-11; LS Ex. 7; Dkt. 318-1 at 13. And when he knew that the GoDaddy emails had not been searched, he failed to correct that error. The facts establish that Duke knew the GoDaddy emails had not been searched and produced no later than the spring of 2018. In fact, he likely knew this when he personally participated in the imaging of his four hard drives in early 2015. The facts also establish that despite this knowledge, he did not notify the former defense counsel that the GoDaddy email accounts had not been searched until May 2019.

For these reasons, as well as the reasons explained throughout this order, Defendants, Leavens, and Stamatis are sanctioned under Rule 37(a).

For the reasons stated below, the failure to produce these documents was not substantially justified nor would the award of fees be unjust.

c. Rule 37(b)

When parties fail to obey court orders, district courts are authorized to impose just sanctions, including attorneys' fees and prohibiting the violating party from introducing matters into evidence. Fed. R. Civ. P. 37(b)(2). Intent to violate

an order is not required to impose sanctions under this rule; the violator's mental state only goes to the type and extent of sanctions. *e360 Insight*, 658 F.3d at 642. The mental state is also captured in the factors courts should consider in fashioning an appropriate sanction. *Tribble*, 670 F.3d at 760.

Plaintiff's motion sought sanctions for violating this Court's June 11, 2015, order, among other orders. Dkt. 294, at 52-54, 73. Defendants did not respond to this argument in their response brief. Dkt. 347. Plaintiff's post-evidentiary hearing brief continued to seek sanctions under Rule 37(b) for violating this order. Dkt. 381, at 20, 25. Leavens did not respond to Plaintiff's request for sanctions under this rule. Dkt. 379. So, Leavens has forfeited his objections to the imposition of sanctions under Rule 37(b). *See Kenall Mfg. Co.*, 354 F. Supp. 3d at 883; *see also Henry*, 969 F.3d at 785-86. Stamatis noted that he was not involved in the violation of the June 11, 2015, order, so no sanctions are warranted against him. Dkt. 378, at 14, 22. The Court agrees. In contrast to their response brief, in their post-hearing brief, Defendants addressed the request for sanctions under Rule 37(b)(2) for violating the June 11, 2015, order. Dkt. 382, at 17-18.

The June 11, 2015, order granted Plaintiff's motion to compel production of documents, including communications, relating to Saraswat's and Webrecsol's SEO work for Defendants. Dkt. 132; Dkt. 269, at 17-18. The Court gave Defendants until June 15, 2015, to produce the documents. Dkt. 132. At the hearing granting the motion, the Court stated that it wanted "a complete production, so [Plaintiff's counsel] are not getting them piecemeal and then something else happens, so that

they get all the documents that are responsive." Dkt. 269, at 17-18. Following this order, Life contacted Duke and requested that these documents be produced. Tr. 1127-28. Duke told Life that no documents existed. Tr. 1227-28. Duke made this representation even though he used Yahoo! chat to communicate with Saraswat, and he never even searched Yahoo! chat. Tr. 138, 139. Moreover, by this time, Leavens—who should have been supervising Duke—knew that Duke used both Yahoo! email and Yahoo! chat for 21 Century Smoking's business. Tr. 783-84. But Leavens never followed up with Duke to confirm that he searched either. Instead, working under the direction of Leavens, Life blindly took Duke at his word and informed Plaintiff's counsel that no responsive documents existed. Tr. 1227; Dkt. 294-2, at 656; Pl.'s Ex. 55.

Duke's representation to Life and Life's representation to Plaintiff's counsel were false. Tr. 1223-24, 1227-28. Responsive documents existed but were not disclosed by June 15, 2015. Tr. 1228. Rather than a complete production per the Court's order, Defendants made no production.

At the hearing, Duke testified he was not asked for these documents until March of 2018. Tr. 205. Defendants did not make this argument in their post-hearing brief and, even if they did, the Court has already explained in detail that this testimony is not credible. Instead, Defendants' post-hearing brief argued that Duke "honestly" stated that all the responsive documents Defendants were aware of had been produced. Dkt. 382, at 17. Duke's purported honesty is not a defense to the imposition of sanctions under Rule 37(b)(2), which provides for sanctions even

when a party acts negligently. *e360 Insight*, 658 F.3d at 642-43; *Tec-Air*, 1994 U.S. Dist. LEXIS 2026, at *20-21. To the extent Defendants are using Duke's alleged honesty as a mitigating factor, bad faith is only one factor. Moreover, Duke's honesty argument is meritless. His response to Life wasn't honest when he did not even search the Yahoo! chat account, despite using that account to communicate with Saraswat. Tr. 138, 139. The prejudice factor is overwhelming under these circumstances. The first production wave of these responsive documents occurred on March 29, 2018. Dkt. 294-2, at 2-114. That wave comprised 112 pages. *Id.* The second wave, comprising nearly 15,000 pages, occurred on May 31 and June 1, 2018. Tr. 912, 1452-53; Pl.'s Ex. 91. These productions were in the middle of summary judgment briefing and years after the documents were ordered to be produced. Dkt. 132; *Tec-Air*, 1994 U.S. Dist. LEXIS 2026, at *27-28 (documents produced after the close of discovery). For nearly forty years, courts have held that ultimately producing requested documents does not absolve a party of its untimely production. *Fautek v. Montgomery Ward & Co.*, 96 F.R.D. 141, 145 (N.D. Ill. 1982).

As sanctions, the Court (1) awards attorneys' fees against Duke and Leavens; (2) bars Defendants from using any of the documents or information contained in the documents not produced by June 15, 2015;[60] (3) bars Defendants from contesting that Saraswat and Webrecsol were performing work for Defendants through the date the metatag containing Plaintiff's mark was removed from

[60] This sanction is nearly duplicative of the sanctions imposed under Rule 37(c) barring Defendants from using any documents or information not produced by the supplementation date. The sanction under Rule 37(b) is merely a subset of the Rule 37(c) sanction.

Defendants' website; and (4) bars any of Defendants' expert witnesses from testifying that their opinions would not change had they considered these documents. Fed. R. Civ. P. 37(b). These sanctions are tailored to the severity of Defendants' and Leavens' conduct and to remedy the prejudice Plaintiff has suffered. Plaintiff's trial strategy was sabotaged, and it was forced to litigate the extensive summary judgment motions without the documents the Court ordered Defendants to produce years before. *Metro. Opera Ass'n.*, 212 F.R.D. at 229 (trial strategy and summary judgment hampered by untimely production of documents). Plaintiff's entire summary judgment briefing was undone by the late production of the documents. And the barring orders are directed toward Saraswat's and Webrecsol's SEO work for Defendants, which is the precise topic upon which Plaintiff sought discovery and the Court ordered production.

In fashioning a remedy under Rule 37(b), the Court considered finding that Defendants intentionally placed Plaintiff's mark in Defendants' website. But that sanction would be equivalent to granting default in favor of Plaintiff and dismissing Defendants' counterclaim. The Court believes that sanction would be too severe. *See Worldpay, US, Inc.*, 2018 U.S. Dist. LEXIS 193562, at *17 (default and dismissal are the most extreme sanctions).

d. Rule 37(c)

When a party fails to provide information that is required to be disclosed under Rule 26(a) or 26(e) and that failure is neither substantially justified nor harmless, sanctions are automatic and mandatory. Fed. R. Civ. P. 37(c)(1); *David*,

324 F.3d at 857. Those sanctions include barring the non-producing party from using the documents or information, requiring the payment of the moving party's attorneys' fees, and informing the jury of the party's failure to produce the documents or information. Fed. R. Civ. P. 37(c)(1)(A), (B). Rule 37(c) only authorizes sanctions against a party. Fed. R. Civ. P. 37(c); *Maynard*, 332 F.3d at 470. The following is just a sample of the admittedly tardy disclosures requiring sanctions under Rule 37(c). Dkt. 382, at 9 ("There is no dispute that documents in these ten categories were not produced until after discovery closed.").

There is no doubt that all the ESI that the former defense counsel frantically disclosed in the spring of 2018 was required to be disclosed under Rule 26(a) and Rule 26(e). They knew it should have been disclosed, but it was not. They admitted as much. Tr. 1283; Dkt. 294-2, at 2. This disclosure included the 112 pages of documents that were disclosed on March 19, 2018 in the middle of summary judgment briefing. Pl.'s Ex. 1; Dkt. 294-2, at 2-114. It also included the 15,000 pages of ESI from the Yahoo! email account that were disclosed on May 31 and June 1, 2018, years after they should have been produced. These tardy disclosures were caused in large part by Duke's repeated dishonesty with the former defense counsel.

Included within that disclosure was the ESI that substantially undermined Duke's and Saraswat's sworn testimony. Pl.'s Ex. 17; Dkt. 294-2, at 171-173. Not only was this document impeaching, but it also went to the heart of Plaintiff's unclean hands defense. Also included in this tardy production were the emails between Duke and Edmiston and the recordings that substantially undermined the

highly questionable defamation counterclaim. Pl.'s Exs. 22-27; Dkt. 294-2, at 221-233.

Finally, there exist over 23,000 documents in the GoDaddy email accounts that should have been produced years ago. All of these documents contain the agreed-upon search terms and should have been produced in 2015. Dkt. 116; Dkt. 318-1, at 13. Because these documents have yet to be produced to Plaintiff as of the date of this order, the full extent of the undeniable prejudice is not known.

Defendants argued that these failures were not a result of bad faith or willful intent. Dkt. 382, at 10. But once a Rule 37(c) violation occurs, sanctions are automatic. *David*, 324 F.3d at 857. Defendants appeared to be relying upon the list of factors that courts should consider when determining the extent and nature of those sanctions. *Tribble*, 670 F.3d at 760. In support of this argument, Defendants placed the blame squarely on the former defense counsel, particularly Leavens. Dkt. 382, at 10.[61] But Defendants failed to address Duke's repeated representations to the former defense counsel that "they had everything" when they didn't, and Duke knew they didn't. Tr. 604-05, 609 ("Here are the total GB on the four computers that would have anything related to 21 Century Smoking."), 1160, 1224 ("The information that we received was inaccurate."), 1242 (Duke would repeatedly and erroneously tell counsel "You have all the data. You have everything."). Defendants also failed to address that Duke reviewed and approved the initial

[61] This is a clever argument. Because Rule 37(c) only allows sanctions against a party, by placing blame on the former defense counsel for these particular violations and errors, Plaintiff would be left without a remedy.

disclosures that stated that all the electronic records were located on the four computers. Tr. 606-07, 629, 1029; LS Ex. 7. Duke's claim that he did not know that electronic documents included emails is not credible for the multiple reasons this Court has identified throughout this order. Tr. 1529-30, 1540, 1544-45; Dkt. 294-2, at 621.

The Court imposes the following sanctions against Duke under Rule 37(c)(1) because, as shown below, Duke has failed to establish that his failures were substantially justified or harmless: (1) Duke is barred from using any of the ESI not produced by June 1, 2015, or the information contained in that ESI; (2) Duke must pay Plaintiff's reasonable attorneys' fees; and (3) the fact finders will be informed of Defendants' failures. Fed. R. Civ. P. 37(c)(1)(A),(B).

2. Defendants' Failures were Not Substantially Justified or Harmless, and Sanctions would not be Unjust

Although Defendants and the former defense counsel didn't specifically address substantial justification, harmlessness, or unjustness as to each applicable rule, the Court addresses all those issues.

Neither Defendants nor the former defense counsel argued that their failures were substantially justified. Because it is their burden to show substantial justification, they have forfeited this issue and cannot prevail. *Salgado by Salgado*, 150 F.3d at 742 (burden on nonmovant to show substantial justification); *Kenall Mfg.*, 354 F. Supp. 3d at 883 (failure to respond to argument forfeits issue).

Even if they were to assert that their many failures were substantially justified, they would still lose. None of their actions or inactions, both intentional

and negligent, were reasonably debatable. Their errors were fundamental. As to the former defense counsel, they violated nearly every basic principle of e-discovery, which resulted in a multitude of rule violations. As to Duke, his actions were not substantially justified. Dishonesty and lack of candor with counsel is never substantially justified.

Likewise, neither Defendants nor the former defense counsel[62] argued that sanctions under Rule 37(a)(5)(A)(iii) would be unjust. Again, it was their burden to establish that an award would be unjust, and because they have not even addressed the issue, they have forfeited this argument and cannot prevail. *Lorillard Tobacco*, 259 F.R.D. at 327 (burden on nonmovant to show sanctions would be unjust); *Kenall Mfg.*, 354 F. Supp. 3d at 883. Moreover, there is simply nothing unjust in requiring a party that has repeatedly failed to produce relevant and responsive ESI to pay the attorneys' fees of the party that was required to litigate the issue. The GoDaddy emails are a good example. The record establishes that there are over 23,000 documents in the GoDaddy accounts that contain the agreed-upon search terms. Dkt. 318-1, at 13. They weren't produced. The same holds true for the Yahoo! emails. Plaintiff should not be required to eat the cost of Defendants' and the former defense counsel's ESI failures.

[62] Stamatis briefly argued that the imposition of sanctions on him would be unjust under Rule 37(b)(2)(C). Dkt. 378, at 22. As noted previously, the Court agrees that his minimal involvement in the violation of the Court's orders weigh against imposing sanctions on him under this rule.

Read charitably, the Court discerns only two possible arguments asserting that imposing sanctions would be unjust. The arguments neither individually nor collectively meet Defendants' burden.

First, Defendants made a "whataboutism" or "monkey see, monkey do" argument based upon Plaintiff's alleged spoliation of ESI. *Lorillard Tobacco*, 259 F.R.D. at 328 n.1 (unjust circumstances focus on conduct of moving party). According to Defendants, Plaintiff has likewise destroyed a substantial amount of ESI. Dkt. 382, at 19-20. But this issue was previously raised in a motion that, by agreement, was dismissed without prejudice to be raised later in a motion in limine. Dkt. 290; Dkt. 293, at 32. Also, besides being fundamentally different in nature and timing, dkt. 278, at 56, this issue was not raised in Defendants' response brief before the hearing, so unsurprisingly nobody addressed it and no evidence was presented at the hearing on this issue. Defendants are free to raise this issue again in their motion in limine, which is precisely what Defendants agreed to do. Dkt. 293, Dkt. at 32; Dkt. 290. The issue raised in the Defendants' dismissed motion has no impact on this Court's decision on the spoliation issues before it. Moreover, Defendants cannot duck the consequences of their repeated fundamental rules violations by pointing at a single yet-to-be-determined allegation of spoliation. *Bankdirect Capital Fin.*, 2018 U.S. Dist. LEXIS 224705, at *23 (repeated rule violator cannot "slough off its violations by pointing at opponent").

Second, on the final pages of their post-hearing brief, Defendants assert, "Plaintiff should not be reimbursed for the unreasonable amount of time and money

they have spent trying to prove the alleged Duke-Saraswat conspiracy, trying to convince the Court that Mr. Duke is a liar, or that he and his former lawyers intentionally failed to comply with discovery obligations." Dkt. 382, at 25-26.[63] This cursory argument fails to show why imposing an award of attorneys' fees would be unjust.

The Court is not reimbursing Plaintiff for an unreasonable amount of time and money relating to those identified issues. The Court is reimbursing Plaintiff for Defendants' and the former defense counsel's repeated and unreasonable e-discovery failures, which the Plaintiff was required to litigate because Defendants never took Plaintiff's clearly legitimate concerns seriously. Tens of thousands of documents were not timely produced despite Court-ordered deadlines. Specific documents that the Court ordered be produced were not produced by the due date but were instead produced in the middle of summary judgment briefing. Plaintiff should be reimbursed for these clear violations of rules and court orders.

Defendants and the former defense counsel focused on—to the extent they focused on any of exceptions under Rules 37(a),(b), and (c)— the alleged lack of harm to Plaintiff. Dkt. 379, at 22; Dkt. 382, at 10, 12.

The former defense counsel and Defendants minimized the prejudice Plaintiff has suffered. Neither addressed the prejudice to the Court or the other litigants whose cases have been sidetracked because of this case. *Bankdirect Capital*, 2018 U.S. Dist. LEXIS 224705, at *23. The former defense counsel seemed to recognize

[63] Interestingly, Defendants' argument in this regard is no longer than Plaintiff's Rule 26(g) argument that Defendants asserted was undeveloped and, therefore, waived.

prejudice may have occurred but that they were unaware of the extent, as the extent is still unknown. Dkt. 379, at 2. Defendants focused on the lack of a trial date as their basis for claiming that their errors were harmless. Dkt. 382, at 11. The Court vehemently rejects both assertions.

The prejudice shelled upon Plaintiff was extraordinary. Parties suffer prejudice when their access to relevant information and documents impairs their ability to prepare for trial. *Laukus*, 292 F.R.D. at 511. Parties incur prejudice because they do "not have the benefit of the documents while selecting deponents, taking depositions, conducting third party discovery, and preparing [their] trial strategy and pre-trial documents." *HM Elecs*, 2015 U.S. Dist. LEXIS 104100, at *77; *see also Tec-Air*, 1994 U.S. Dist. LEXIS 2026, at *13-14 (documents produced seven months after close of discovery). All that happened here. Plaintiff repeatedly articulated the harm it has suffered. Dkt. 239, at 2-3; Dkt. 249, at 17; Dkt. 293, at 5,7; Tr. 356. Plaintiff was deprived of massive amounts of ESI during the entire pretrial litigation process.

Additionally, failing to produce tens of thousands of relevant and responsive documents and only producing them long after the close of discovery, both fact and expert, and after extensive summary judgment motions and responses have been filed is the epitome of trial by ambush. *Bankdirect Capital*, 2017 U.S. Dist. LEXIS 224705, at *11 n. 5. The gravamen of the Federal Rules of Civil Procedure is to eliminate trial by ambush. *See Hickman*, 329 U.S. at 501; *A PDX Pro Co.*, 311 F.R.D. at 652. Defendants and the former defense counsel then further prejudiced

Plaintiff by making Plaintiff extensively litigate the ESI issues for another 18 months, all while still having not made a complete production of relevant and responsive ESI.

Arguing that Plaintiff has not suffered prejudice because no trial date has been set is just as meritless.

Although courts can consider the impact on trial as a factor, *Tribble*, 670 F.3d at 760, it is not determinative. It is only one factor. *Cf. S. Sys. v. Torrid Oven, Ltd.*, 105 F. Supp. 2d 848, 854 (W.D. Tenn. 2000). Prejudice can still occur even though a court has not held the trial or even set a trial date. *HM Elecs., Inc. v. R.F. Techs., Inc.*, No. 12cv2884, 2015 U.S. Dist. LEXIS 104100, at *75 (S.D. Cal. Aug. 7, 2015). As Magistrate Judge Cole noted a decade ago, it is rarely a good answer to simply argue a lack of prejudice because of the absence of a trial date. *Hard Surface Sols., Inc. v. Sherwin-Williams Co.*, 271 F.R.D. 612, 617 (N.D. Ill. 2010) ("[I]t is no answer to say the trial date has not been set."). That is particularly true in the U.S. District Court for the Northern District of Illinois, Western Division. As anybody who practices here should know, in the Western Division, a trial date is not given until all discovery and pretrial matters are completed. *PCM Leasing, Inc. v. BelGioioso Cheese, Inc.*, No. 16 CV 50076, 2019 U.S. Dist. LEXIS 117813, at *10-11 (N.D. Ill. July 11, 2019). The same holds true for other courts that operate with a similar system. *See McPeek v. Harrah's Imperial Palace Corp.*, No. 2:13-cv-01371, 2015 U.S. Dist. LEXIS 66545, at *12 (S.D. Nev. May 20, 2015) (the argument that no prejudice occurs because no trial date has been set ignores "the fact that a trial

date is not set in this district until after the close of discovery, after dispositive motions are decided and after the joint pretrial order is filed"). As a result, the discovery closure date has the same effect as a trial date. If parties do not meet the deadlines for discovery, the case cannot proceed, and no trial will occur.

Furthermore, cases recognize that the trial date factor implicitly also means the dispositive motion date. *Mack v. City of Chicago*, 16 C 7807, 2019 U.S. Dist. LEXIS 48554, at *7 (N.D. Ill. Mar. 25, 2019). After the Supreme Court's summary judgment trilogy, modern civil litigation implicitly recognizes the likelihood—alas, inevitability—of summary judgment motions. *See Rowe Int'l Corp. v. Ecast, Inc.*, 586 F. Supp. 2d 924, 935 (N.D. Ill. 2008). Consequently, "[t]hat a trial date has not been set is immaterial, for [the rules prohibit] improperly withheld evidence from disrupting a 'motion' as well as a 'trial.'" *Mack*, 2019 U.S. Dist. LEXIS 48554, at *7. So, parties and courts are prejudiced when discovery failures wreak havoc on dispositive motion deadlines, too. *Woliner v. Sofronsky*, No. 18-CV-80305, 2019 U.S. Dist. LEXIS 3431, at *12 (S.D. Fla. Jan. 8, 2019).

This entire case was derailed in the middle of extensive summary judgment briefing after years of fact and expert discovery—discovery that occurred without a complete production of relevant and responsive documents because of the multiple failures by Defendants and the former defense counsel. The lack of a trial date offers no quarter to the clear prejudice inflicted on Plaintiff here.

In a simply stunning argument, Defendants argued that even if prejudice existed, the Court should not permit a reopening of discovery to cure the prejudice.

Dkt. 382, at 11-12. But Defendants almost immediately retreated from that meritless position. Dkt. 382, at 12. To the extent Defendants or the former defense counsel assert that the prejudice can be cured by reopening discovery, the Court rejects the assertion. Merely reopening discovery—which would require reopening both fact and expert discovery—is an exceedingly poor option, particularly in a 2012 case. Reopening discovery is not necessarily a reasonable cure for the prejudice incurred by a party. *Laukus*, 292 F.R.D. at 513. A party suffers prejudice if it would need to reopen multiple depositions. *Id. a*t 511. Memories fade. More money is spent. Resolution is delayed. There must be an end to litigation. Again, this is a 2012 case. It is the oldest rat in the barn. Reopening discovery is not a reasonable option.

Since discovering the ESI deficiencies, at nearly every opportunity, Plaintiff has highlighted the prejudice it has suffered. *See, e.g.*, Dkt. 239, at 2-3; Dkt. 249, at 17; Dkt. 256, at 13; Dkt. 293, at 5, 7; Tr. 356. And it made the prejudice plain in its post-hearing brief. Dkt. 381, at 23. In a moment of candor, Stamatis even recognized that he'd be "hard pressed" to say that sanctions weren't warranted. Dkt. 315, at 9. The Court agrees. In fact, the Court believes it would be abusing its discretion if it did *not* sanction Defendants and the former defense counsel. *Metro. Opera Ass'n*, 212 F.R.D. at 220 (a court should not shrink from imposing harsh sanctions when they are warranted because unless sanctions are perceived as a credible threat rather than a paper tiger, the pretrial quagmire threatens to engulf the entire litigation process).

Defendants finally argued that the prejudice was not great because only a "handful of documents" were identified by Plaintiff as being critical. Dkt. 382, at 11. That argument fails. First, it does not address the over 23,000 GoDaddy documents that have yet to be produced, so it is unknown how many more critical documents exist. Dkt. 318-1, at 13. Second, the argument does not address that included in these "handful of documents" are critical documents that undermine the defamation counterclaim, substantially impeach Duke, and support Plaintiff's unclean hands defense. Dkt. 267, at 19-24, 50 (withheld ESI was "good impeaching material"). Third, it does not address that an online sales document that should have been produced, but wasn't, would have undoubtably been used to examine Duke and his market penetration expert. Fourth, the argument does not address that the late-produced documents established that the claimed auto-forwarding solution did not, in fact, prevent the spoliation of ESI that should have been preserved. Opposing counsel doesn't get to decide what's important to the other side's case.

3. Curative Measures are Necessary under Rule 37(e)

There is absolutely no doubt that two sets of ESI were destroyed: the Yahoo! chats and certain GoDaddy emails. Even Defendants recognized this fact in their post-hearing brief. Dkt. 382, at 4. This Court has already articulated the decision tree process to analyze destroyed ESI. *Snider*, 2017 U.S. Dist. LEXIS 107591, at *8-11. But before conducting that analysis, the Court must address two preliminary

matters regarding evidentiary issues and present background about the Yahoo! chats and the GoDaddy emails.

a. Evidentiary Issues

First, the Court addresses an evidentiary issue raised in Leavens' post-hearing brief. Leavens argued against curative measures and sanctions by relying, in part, on a declaration found in this Court's lengthy docket, a declaration by Saraswat. Dkt. 276. There are two fundamental problems with relying on that declaration. First and foremost, the declaration was never introduced into evidence, a fact even Defendants recognized. Dkt. 382, at 8. So, the Court will not consider it.

Additionally, even if the Court were to consider the Saraswat declaration, it would not help Leavens. The declaration is demonstrably false in many respects. Indeed, it is the falsity of that very declaration in conjunction with the falsity of Duke's declaration on the same subject that only further undermines Defendants' and Leavens' arguments. The declaration claimed that Saraswat's "work for Mr. Duke and 21 Century Smoking ended in or about February of 2010." Dkt. 276, at 2. Saraswat also claimed that she "did not do any work of any kind on 21 Century Smoking's website after February of 2010," and that she "did not make any changes to its website content, keywords or metadata after that month." *Id.* These would be critical, relevant facts going to Plaintiff's unclean hands argument, as previously discussed. But these claims in Saraswat's declaration are demonstrably false. The content of the one chat that was produced establishes the falsity of Saraswat's

declaration. That chat established that Saraswat was working for Duke on the 21 Century Smoking website on September 13, 2010, including working on the metadata components of the website. Dkt. 294-2, at 171-73; Pl.'s Ex. 17. At that time, Saraswat and Duke communicated about here continued efforts to increase Defendants' SEO. *Id.* Moreover, Saraswat's declaration even conflicts with Duke's testimony as to when she stopped working for him. At one point, Duke claimed Saraswat stopped working for him in April of 2010. Dkt. 234-2, at 1. But even at the evidentiary hearing, Duke pushed that date back to the end of 2010. Tr. 1552-53. This exhibit fundamentally establishes why ESI can be so critical to a case. This one piece of evidence not only impeaches the Defendants' two most important witnesses, but it also bolsters Plaintiff's main defense. So, when luckily the content of ESI somehow survives a destruction process and that content undermines the destroying party's claims, the destruction of the other ESI becomes exponentially more important.

The second evidentiary issue involves how and when the chats were destroyed. Defendants argued that the Yahoo! chats were lost because of a changeover in the Yahoo! program in 2016. Dkt. 382, at 7. Defendants based that argument on the opinion testimony of Yaniv Schiff. Dkt. 382, at 7. Despite Duke's self-purported ignorance of computer science, he came to the same opinion. Tr. 138. As explained in more detail in the separate order addressing Defendants' motion to reopen the hearing to allow Schiff's opinion testimony, the Court is not considering his opinion. These reasons include, but are not limited to, the following. First,

Defendants had months to obtain an expert witness but did not do so until after the hearing was closed—and after they repeatedly confirmed to the Court that they had no more evidence to present. Tr. 1554. Second, and critically, the expert opinion is from a hired gun who has not been subjected to cross-examination, so his opinions are inherently biased. *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1231 (Fed. Cir. 2014) (retained expert witnesses are inherently biased but the bias is mitigated by the ability to cross-examine); *Tagatz v. Marquette Univ.*, 861 F.2d 1040, 1042 (7th Cir. 1988) ("Hired experts, who generally are highly compensated—and by the party on whose behalf they are testifying—are not notably disinterested."). Therefore, in the Court's discretion, it is not considering Schiff's opinions. *Jones v. Lincoln Elec. Co.*, 188 F.3d 709, 723 (7th Cir. 1999) (discussing that the district court has discretion to admit expert testimony); *see Gopalratnam v. Hewlett-Packard Co.*, 877 F.3d 771, 782 (7th Cir. 2017) (non-*Daubert* issues going to admissibility of expert testimony are reviewed for abuse of discretion). Moreover, even accepting Schiff's un-cross-examined opinion, the Yahoo! program change-over occurred in 2016, long after the duty to preserve was triggered. Dkt. 382, at 7; Dkt. 373, at 7-11. Gough's testimony indicates that perhaps the chats were destroyed in 2018. Tr. 1498-1500. Schiff's opinion only moves the possible date of when the chats were destroyed forward two years from 2018 to 2016. Regardless, the duty to preserve had been

triggered before either date, which Defendants concede. Dkt. 382, at 4 (duty to preserve began on September 2, 2012).[64]

b. Background of Yahoo! Chats and GoDaddy Emails

i. Yahoo! Chats

These facts are established: (1) Yahoo! chat was the major method Duke used to communicate with Saraswat, who worked on Duke's website and who input metadata into that website, Tr. 136-39; (2) Plaintiff's theory was that Duke or Saraswat or both included Plaintiff's mark in a metatag on Defendants' website; (3) Defendants knew this was Plaintiff's main theory, Dkt. 269, at 13-14; (4) Plaintiff's requested these chats; and (5) on June 11, 2015, the Court ordered Defendants to produce these communications, Dkt. 132; Dkt. 269, at 16-18.

The following facts are also established. Despite all of the above, (1) Duke never searched for Yahoo! chats, Tr. 139, 272; (2) Duke did nothing to preserve these chats, Tr. 139, 272, even though he knew they should be preserved, Tr. 215-16, 621; and (3) Duke did not obtain copies of the chats, Tr. 272. As a result, the chats were not preserved. Tr. 216. All Yahoo! chats became unrecoverable when Yahoo! suspended the program in July of 2018. Tr. 1498-1500. The former defense counsel knew Duke communicated with Saraswat via Yahoo! chat. Tr. 763, 926. Nevertheless, the former defense counsel did not instruct Duke to disable any autodeletion settings. Tr. 936, 1208.

[64] Whether Duke received notice of Yahoo! terminating the chat function in 2016 is irrelevant. Dkt. 382, at 7. The duty to preserve already existed by then. Moreover, as explained earlier, Duke's testimony that he did not receive notice from Yahoo! that it was terminating a major communication function is simply not credible.

The evidence at the evidentiary hearing also established that if Yahoo! chat were used and were searched for but not found, then it is a reasonable inference that the chats were deleted. Tr. 1499-1500. This is particularly true because the program should have saved these chats. Tr. 552.

Furthermore, the evidence establishes that the former defense counsel dawdled in investigating the Yahoo! chat issue and attempting to preserve the chats. They knew Duke used Yahoo! chat for business as early as 2012. Tr. 763, 926. Before May 31, 2018, they read Yahoo! emails that referenced Yahoo! chats relating to SEO, and they did nothing to investigate the Yahoo! chat issues between May 31, 2018 and August 14, 2018—and were unable to explain why they did nothing. Tr. 926. Months passed while they did nothing. Tr. 924-25. During that time, because the Yahoo! chat program was suspended in July of 2018, all chats became irretrievable. Tr. 1498-1500. The former defense counsel's dawdling was particularly costly, if the chats were destroyed in 2018 as the evidence at the hearing indicated. While the former defense counsel dawdled, Duke did nothing. Tr. 139, 272. When parties learn of potential spoliation issues, they must act quickly to address those issues to reasonably ensure that no further spoliation occurs. *J.S.T. Corp.*, 2019 U.S. Dist. LEXIS 90645, at *30-31 ("Its efforts to do so have been reluctant, delayed, and piecemeal. . . [the company] then did not take any proactive efforts to restore or replace the lost email until many months later.").

ii. GoDaddy Emails

Duke used two GoDaddy accounts to communicate about 21 Century Smoking business. Tr. 90. Some of those communications included communications with customers who were confused about the parties to this trademark case: 21 Century Smoking and 21st Century Smoke. Tr. 197, 260, 288. At least some of these emails, as well as other emails relating to Defendants' business, were autodeleted. Tr. 286-90, 1370, 1390-92. In this 2012 case, the autodeletion was not disabled until June 29, 2015. Tr. 167-69, 310, 316, 318. The former defense counsel did not instruct Duke to disable any autodeletion settings. Tr. 936, 1208. At least one confused customer alleged that Defendants were using Plaintiff's mark to increase Defendants' sales. Pl.'s Ex. 69.

c. Rule 37(e) Decision Tree Analysis

Rule 37(e) creates an analytical decision tree. *Oracle Am., Inc.*, 328 F.R.D. at 549. The Court applies the decision tree below.

i. Was the Information ESI?

There is no dispute that the Yahoo! chats and GoDaddy emails are electronically stored information. The Court assumes that most parties accused of spoliating evidence will argue that the evidence was ESI, rather than physical evidence, because of Rule 37(e)'s more forgiving standard.

ii. Was There a Duty to Preserve the ESI?

The duty to preserve is based on the common law, and Rule 37(e) does not attempt to create a new duty to preserve. Fed. R. Civ. P. 37(e), advisory committee's notes to 2015 amendments. The uniform understanding is that the

duty to preserve is triggered when litigation is commenced or reasonably anticipated. *The Sedona Principles*, *Third Edition*, *supra* at 51. The scope of the duty to preserve includes ESI that is expected to be relevant and proportional to the claims or defenses in the litigation. *Id.* In a traditional tort setting, the moving party would bear the burden of proof to establish that a duty existed. *See Shurr v. A.R. Siegler*, 70 F. Supp. 2d 900, 934-35 (E.D. Wisc. 1999). And in a traditional tort setting, duty is a question of law determined by the factual circumstances presented. *See Masters v. Hesston Corp.*, No. 99 C 50279, 2001 U.S. Dist. LEXIS 6732, at *27-28 (N.D. Ill. May 24, 2001) (*citing Quinton v. Kuffer*, 582 N.E.2d 296, 300 (Ill. App. Ct. 1991)).

This action was filed on September 7, 2012. Dkt. 1. Defendants' answer was filed on October 3, 2012. Dkt. 8. Plaintiff first learned of its mark being contained in Defendants' website, which was a basis for the preliminary injunction, no later than March 7, 2013. Dkt. 22. So, the duty to preserve was likely triggered by September 7, 2012, and certainly, no later than March 7, 2013. Even Defendants seem to recognize that the duty to preserve was triggered in September of 2012. Dkt. 382, at 4. The scope of the duty includes ESI relevant to the claims and defenses—including customer confusion, SEO of Defendants' website, and the inclusion of metadata in Defendants' website. The GoDaddy email accounts were used for all manner of Defendants' business, including tracking customer confusion correspondence. Tr. 90, 284-87. And the Yahoo! chat was used to communicate

with Saraswat about SEO and metadata in Defendants' website. Tr. 138-39; Pl.'s Ex. 17.

The GoDaddy accounts were autodeleting through mid-2015. Tr. 167-69, 310, 316, 318. And the Yahoo! chats were destroyed in either 2018 or 2016. Tr. 138, 1498-1500. All these dates are after the duty to preserve was triggered.

The GoDaddy emails and the Yahoo! chats were destroyed after the duty to preserve was triggered.

iii. Was the ESI Relevant?

The nature of the missing evidence is beneficial for understanding relevance, as well as for determining prejudice. *Cf. Snider*, 2017 U.S. Dist. LEXIS 107591, at *12. Under general discovery principles, the party seeking to compel discovery has the burden of showing relevance. *Mason Tenders Dist. Council of Greater N.Y. v. Phase Constr. Servs.*, 318 F.R.D. 28, 36 (S.D.N.Y. 2016); *see Zimmer, Inc. v. Beamalloy Reconstructive Med. Prods., LLC*, No. 16-cv-00355, 2019 U.S. Dist. LEXIS 47539, at * 10 (N.D. Ind. Mar. 22, 2019); *O'Gara v. Equifax Info. Servs., LLC*, No. 16-cv-01237, 2018 U.S. Dist. LEXIS 10361, at *5 (S.D. Ind. Jan. 23, 2018). This burden is not a high standard for at least two reasons. First, relevance is determined under the standard in Federal Rule of Civil Procedure 26(a)(1) and not the standard of Federal Rule of Evidence 401, which itself is not a high standard. *Jones v. Wiseman*, No. 20-5105, 2020 U.S. App. LEXIS 40040, at *25 (6th Cir. Dec. 22, 2020); *Snider*, 2017 U.S. Dist. LEXIS 107591, at *9 n.9; *Laudicina v. City of Crystal Lake*, 328 F.R.D. 510, 519-20 (N.D. Ill. 2018). Second, the principle that the

party with access to the proofs generally bears the burden on an issue should temper, at least to some extent, the quantum necessary to meet the burden. *See Schaffer v. Weast*, 546 U.S. 49, 60 (2005) (the party with access to the proofs bears the burden of proof). In spoliation circumstances, the party seeking sanctions does not have access to all the necessary proofs in large part because the other side spoliated the evidence.

Again, the GoDaddy email accounts were used for multiple aspects of Defendants' business, including tracking customer confusion correspondence. Tr. 90, 284-87. Customer confusion is at the center of any trademark case. *Ziebart Int'l Corp.*, 802 F.2d at 225. And Yahoo! chat was used to communicate with Saraswat about SEO and metadata in Defendants' website. Tr. 138-39; Pl.'s Ex. 17. It is undisputed that Plaintiff's mark was in Defendants' website. Dkt. 278, at 49; Dkt. 347, at 16. Plaintiff's theory was that Duke or Saraswat included Plaintiff's mark in Defendants' website, and Defendants knew this was Plaintiff's primary argument. Dkt. 278, at 49. The GoDaddy emails and the Yahoo! chats easily meet the relevance standard under Rule 37(e).

iv. Was the ESI Lost Because a Party Failed to Take Reasonable Steps?

There exists some authority, by well-respected ESI jurists, that places the burden on the party seeking sanctions to show that reasonable steps were not taken. *Sosa v. Carnival Corp.*, No. 18-20957, 2018 U.S. Dist. LEXIS 204933, at *47-48 (S.D. Fla. Dec. 4, 2018); *see also Glob. Hookah Distribs. v. Avior, Inc.*, No. 3:19-CV-00177, 2020 U.S. Dist. LEXIS 133985, at *33-34 (W.D.N.C. Jul. 29, 2020). This

Court is not so sure about that allocation of burden. Again, burdens of proof generally fall on the party with better access to the information. *Schaffer*, 546 U.S. at 60. It seems odd to place the burden on the movant to show that the party that unquestionably destroyed the ESI failed to take reasonable steps to preserve the destroyed evidence. The movant would not have access to the information programs or systems or the relevant resources and skills of the party that destroyed the ESI. Moreover, placing the burden on the movant for this requirement just begs for the dreaded discovery-on-discovery quagmire.

Regardless of which party bears the burden, it is beyond dispute that Defendants failed to take reasonable steps to preserve the GoDaddy emails and Yahoo! chats. To preserve the GoDaddy emails, Defendants simply needed to disable the autodeletion setting, which is something that Duke was able to complete after a single phone call to GoDaddy. Tr. 178, 316-17. As the legion of case law discussed earlier in this order shows, disabling an autodeletion function is universally understood to be one of the most basic and simple functions a party must do to preserve ESI. *See, e.g.*, *Bankdirect Capital Fin.*, 2018 U.S. Dist. LEXIS 57254, at *13, 23-25. As for the Yahoo! chat, the evidence at the hearing established how simple it would be to preserve and collect Yahoo! chats—provided they have not been deleted. Tr. 1493-1500. Further, Duke could have copied and saved this ESI at any time. Indeed, Duke could have even simply cut and pasted the chats into emails and forwarded the emails to an account, which is precisely what he did with the September 13, 2010, chat. Pl.'s Ex. 17. Instead, he took no

actions to preserve the chats. Tr. 139, 272. In fact, a reasonable inference is that Duke affirmatively deleted the chats, despite his claims to the contrary. Tr. 99-100, 1519 (chat program set to save and chats were not autodeleted); Tr. 1499-1500 (if chat used, searched for but not found, then it was deleted).

Moreover, Leavens' and Stamatis' actions were not reasonable. First, they failed to even draw the distinction between Yahoo! email and Yahoo! chat. Instead, the Court had to inform them of the distinction. And the Court's investigation consisted of simply going to the Yahoo! home page, which the Court did during a status hearing. Dkt. 267, at 31-33, 57-58. Second, Leavens and Stamatis dawdled even after the Court explained the distinction, which established that they had not yet preserved the chats. Two months passed before they took any action, and in the meantime, Yahoo! terminated its chat program. Tr. 316-17 (counsel took no actions to investigate chats between May 31, 2018, and August 14, 2018).[65] The ESI was lost because Defendants and the former defense counsel failed to take reasonable steps to preserve it.

v. Was the Lost ESI Unable to be Restored or Replaced?

As with the reasonable steps issue, there is some authority that places the burden on the moving party to show that the lost ESI in incapable of being replaced

[65] This terrible scenario is the best-case scenario for Defendants and the former defense counsel. If the chats were not destroyed in the summer of 2018 when Yahoo! terminated the program, while they dawdled, then the chats were destroyed by Duke earlier or the chats were destroyed in 2016 when Yahoo! transitioned the program to a web-based system. The key is that all these dates are after the date upon which the duty to preserve was triggered.

or restored. *Glob. Hookah Distribs*, 2020 U.S. Dist. LEXIS 133985, at *33-34; *Sosa*, 2018 U.S. Dist. LEXIS 204933, at *47-48. The Court has the same concerns with respect to this allocation of burdens, too.

Regardless of which party bears the burden of proof on this issue, all the evidence establishes that the Yahoo! chats and autodeleted GoDaddy emails cannot be restored or replaced. Tr. 67, 164, 168, 180, 216, 936, 938-39, 1498-1500. They're gone.

Defendants made a strange argument that the lost chats could be restored by deposing Saraswat. Dkt. 382, at 8. Of course, allowing a deposition of a witness is *not* what Rule 37(e) meant by "restored or replaced through additional discovery." Fed. R. Civ. P. 37(e). The question is whether the *electronically stored information* can be restored or replaced. *Id.* Further, even in the context of establishing prejudice, Defendants' proposed solution is insufficient under these facts. *Schmalz v. Vill. of N. Riverside*, No. 13 C 8012, 2018 U.S. Dist. LEXIS 216011, at *10-11 (N.D. Ill. Mar. 23, 2018). Deposing the sender and receiver of chats is not a remedy here.

The Yahoo! chats and the autodeleted GoDaddy emails that were not auto-forwarded to the Yahoo! account cannot be restored or replaced. If Plaintiff were to bear the burden on this issue, they have met this burden.

vi. Was There Intent to Deprive/Was There Prejudice?

Intent and prejudice are both separate and related concepts under Rule 37(e). Intent must be established before a court can impose sanctions, such as adverse jury instructions, default, and dismissal under Rule 37(e)(2). Fed. R. Civ. P. 37(e), advisory committee's notes to 2015 amendments. If intent is established for these sanctions, prejudice need not be separately established because prejudice is assumed from the intent. *Snider*, 2017 U.S. Dist. LEXIS 107591, at *10 (citing Fed. R. Civ. P. 37(e)(2), advisory committee's notes to 2015 amendments). So, in that way, the concepts of intent and prejudice are interrelated. But only prejudice is required for a court to impose curative measures under Rule 37(e)(1). Fed. R. Civ. P. 37(e), advisory committee's notes to 2015 amendments. And, although there is authority requiring the moving party to establish *intent*, *Freidig v. Target Corp.*, 329 F.R.D 199, 210 (W.D. Wisc. 2018), the court is left with discretion to determine which party bears the burden to establish *prejudice*. Fed. R. Civ. P. 37(e), advisory committee's notes to 2015 amendments.[66]

There is certainly enough evidence for a reasonable person to conclude that Defendants intentionally destroyed the Yahoo! chats. But a reasonable person could likewise find, under the facts found by this Court, that Defendants did not intentionally destroy this ESI. The destruction of the GoDaddy emails is a closer

[66] Defendants argued in their post-hearing brief that, "In meeting their burden, Plaintiffs' [sic] must present compelling evidence of bad faith to trigger Fed. R. Civ. P. 37(e)(2). *Barbera v. Pearson Educ., Inc.*, 906 F.3d 621, 628 (7th Cir. 2018)." Dkt. 382, at 8. This contention is patently false. There is nothing in *Pearson* that requires a party seeking sanctions under Rule 37(e)(2) to "present compelling evidence." The Court expects better from counsel. Misrepresenting the holdings of cases is sanctionable. *See Hill v. Norfold & W. Ry. Co.*, 814 F.2d 1192, 1200-01 (7th Cir. 1987).

call. So, because reasonable people could disagree as to whether Defendants intended to destroy this ESI, the Court is leaving this issue to the jury to determine and will not impose sanctions under Rule 37(e)(2).

But, because the Court finds that Plaintiff has been prejudiced by Defendants' destruction and failure to preserve ESI, it imposes curative measures.

Establishing prejudice can be challenging. *Schmalz*, 2018 U.S. Dist. LEXIS 216011, at *8; *Snider*, 2017 U.S. Dist. LEXIS 107591, at *10 (determining prejudice is "tricky business"). Under Rule 37(e), the ESI has been lost. It's gone. So, prejudice takes on an additional consideration. Courts must consider the harm caused not only under the general concept of prejudice in other Rule 37 contexts, but also in the context of determining the harm inflicted on account of the non-existence of relevant information. That is a slightly different and more difficult undertaking. The process can be challenging in at least two ways: (1) marshalling the evidence to show harm because of the absence of evidence, and (2) determining which party bears the burden of proof to show prejudice. Because of these difficulties, the rule gives the court discretion as to how to best determine prejudice. Fed. R. Civ. P. 37(e), advisory committee's note to 2015 amendments.

"Prejudice" under Rule 37(e) means that a party's ability to obtain the evidence necessary for its case has been thwarted. *J.S.T. Corp.*, 2019 U.S. Dist. LEXIS 90645, at *19. Prejudice also occurs when parties are forced to unnecessarily litigate e-discovery issues when ESI is spoliated. *Brown*, 2014 U.S. Dist. LEXIS 90123, at *50-51.

There is little doubt that Plaintiff has been prejudiced by Defendants' unquestionable destruction of the GoDaddy emails that were not auto-forwarded to the Yahoo! email account. Defendants' GoDaddy accounts were used for nearly every facet of Defendants' business, including communicating with confused customers, such as Ms. Wood, who specifically accused Defendant of using Plaintiff's mark to increase Defendants' sales. Pl.'s Ex. 69. There is even less room for doubt about the prejudice Plaintiff suffered because of Defendants' either intentional destruction of the Yahoo! chats or, at the very least, unreasonable failure to preserve those chats. That ESI went right to the core of Plaintiff's unclean hands defense. Because of that prejudice, the Court is not only allowing the jury to hear about Defendants' behavior in failing to preserve these chats but is also imposing an evidentiary curative measure. Had the Court not already imposed attorneys' fees under several other rules, it might be inclined to reverse its previously stated view on the availability of attorneys' fees and impose that purported curative measure under the facts of this case.

In his post-hearing brief, Leavens claimed, "Perhaps more important, there was no direct evidence that any specific chat communications material to the issues in this case have been lost and cannot now be produced." Dkt. 379, at 15. That claim is completely legally, factually, and logically incorrect. Legally, there is no legal requirement that there be "direct evidence." *Bankdirect Capital Fin.*, 2018 U.S. Dist. LEXIS 224705, at *18. Cases involving ESI spoliation nearly always involve circumstantial evidence. *Schmalz*, 2018 U.S. Dist. LEXIS 216011, at *14-

15. (discussing cases involving circumstantial evidence to establish spoliation). Additionally, the undisputed facts established that except for the contents of one chat, *all* the chats are gone and cannot be recovered. Tr. 216. In fact, Leavens hired Gough to recover the chats, but he was unable to do so. Tr. 1498-1500. Further, chats between Saraswat and Duke about SEO work were "material to the issues in this case." Finally, this entire argument is nonsensical. The fundamental problem with spoliation issues is that the evidence is gone, so, of course, a party cannot point to a specific communication.

d. Curative Measures Imposed

The Court will instruct the jury that it can consider the behavior that resulted in the loss of the ESI. Fed. R. Civ. P. 37(e)(1). This is the remedy Defendants proposed. Dkt. 382, at 6. The jury will be allowed to consider the evidence of Defendants' behavior resulting in the loss of the ESI along with all the other evidence in making its decision. The jury will also be instructed that Defendants had a duty to preserve the spoliated Yahoo! chats and GoDaddy emails, that the spoliated Yahoo! chats and GoDaddy emails were relevant to the claims in the case, that Defendants failed to take reasonable steps to preserve the spoliated Yahoo! chats and GoDaddy emails, and that the spoliated Yahoo! chats and GoDaddy emails cannot be recovered. Fed. R. Civ. P. 37(e)(1). Additionally, Defendants are precluded from asserting that Saraswat and Webrecsol were not working for Defendants at time the metadata containing Plaintiff's mark was inserted in Defendants' webpage. Fed. R. Civ. P. 37(e)(1); *see also, e.g., Charlestown*

Capital Advisers, LLC, 2020 U.S. Dist. LEXIS 180982, at *54; *J.S.T. Corp.*, 2019 U.S. Dist. LEXIS 90645, at *36. This remedy attempts to alleviate the harm Plaintiff incurred because of the destruction of the Yahoo! chats. The Court has already barred this evidence under Rule 37(b)(2)(A). But the bar under Rule 37(e) will be the belt to the Rule 37(b)'s suspenders.

4. Default and Dismissal Are Not Warranted

The Court has spent a considerable number of pages explaining the reasoning for imposing the sanctions it believes are warranted. But the Court must also explain, even briefly, why it chose not to impose certain sanctions in its discretion. Plaintiff understandably sought default against Defendants and dismissal of Defendants' counterclaims. Dkt. 294, at 83; Dkt. 381, at 7, 25. But public policy favors decisions being made on the merits. *Innovation Ventures, L.L.C. v. Aspen Fitness Prods.*, No. 11-13537, 2014 U.S. Dist. LEXIS 47544, at *11 (E.D. Mich. Apr. 7, 2014). Default and dismissal are the most extreme sanctions available. *Cohn v. Guaranteed Rate, Inc.*, 318 F.R.D. 350, 353 (N.D. Ill. 2016). The Seventh Circuit has cautioned that these extreme sanctions should only be imposed when there is a clear record of contumacious conduct or less severe sanctions are unavailable. *Rice v. City of Chicago*, 333 F.3d 780, 785-86 (7th Cir. 2003). Whether a clear record of contumacious conduct exists under these facts is reasonably debatable. As the Court stated at the outset of this order, exercising its discretion, a reasonable jurist could rightfully impose those sanctions. But there are certainly less drastic sanctions available that will remedy the prejudice to Plaintiff and allow the case to

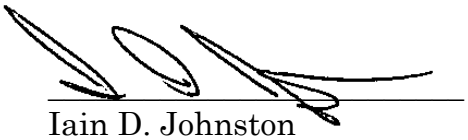
be heard on the respective merits. The sanctions this Court has fashioned are tailored toward the discovery violations. These sanctions include reimbursement of attorneys' fees and evidentiary sanctions, so Defendants will not profit from their violations. The Court's decision not to default Defendants and dismiss their counterclaims was not made lightly. Instead, the decision was discretionary based on all the facts of the case.

* * *

This case is an example supporting federal judges' belief that "too many attorneys pay too little heed to both the spirit and the letter of procedural rules addressing e-discovery." George Socha, *Exterro and Duke/EDRM Judges Survey 2019 Series: Part 1, Failure to Comply with Federal Rules*, ACEDS.org (April 1, 2019), https://aceds.org/exterro-edrm-judges-survey-2019-series-part-1-failure-to-comply-with-federal-rules. Again, the Court does not and cannot require perfection. But the Federal Rules of Civil Procedure require reasonableness and good faith by the parties and counsel that appear before it. Those standards were not met even under 2012 standards, let alone 2020 standards. These failures prejudiced Plaintiff. A remedy is required.

By February 22, 2021, Plaintiff must file its fee petition. Defendants and the former defense counsel must file any response to the fee petition by March 22, 2021. Plaintiff must file any reply by April 16, 2021.

Entered: January 19, 2021

By: 

Iain D. Johnston
United States District Judge