IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF WISCONSIN

GREAT LAKES HIGHER EDUCATION
GUARANTY CORPORATION,

Plaintiff,

ORDER

v.

99-C-786-C

EDFUND INC.,

Defendant.

By dint of the their most recently filed competing discovery motions, plaintiff Great Lakes and defendant Edfund have earned a spot in this court's rogues' gallery of problem cases. I had previously threatened Rule 37(b) sanctions in this case; now it is time to impose them on Edfund.

Before the court is Edfund's motion to compel Great Lakes to provide unconditional responses to its first and tenth interrogatories and unredacted Rule 26(a)(1) disclosures. *See* dkt. 103. In response, Great Lakes filed its motion for a protective order. *See* dkt. 107. Great Lakes does not oppose providing the requested information to Edfund; it simply wants that information kept under seal due to its claimed sensitive content.

Edfund opposes Great Lake's request for a protective order and moves to compel unprotected disclosure. Edfund contends that the information is not confidential; Great Lakes did not timely or specifically seek protection; and Great Lakes is behaving disingenuously by seeking protection after opposing Edfund's similar motion.

Having carefully considered both parties' conduct toward each other in this matter and their arguments to the court, I conclude that Edfund is fly-specking and nitpicking in contravention of this court's earlier orders on discovery. Edfund should have agreed to the requested protective order and accepted Great Lakes' information on that basis. This matter never should have reached the level of cross-motions and briefing. Accordingly, I am not only denying Edfund's motion to compel, I am relieving Great Lakes of any obligation to provide the requested information, protected or not.

In its two briefs and two affidavits Edfund argues and attempts to demonstrate that the information that Great Lakes seeks to protect is not really subject to protection. Great Lakes has proffered facts in support of its contrary position. I conclude that Edfund has taken a hypertechnical view of what types of information are entitled to protection and in the process has contravened this court's previous orders and directions to the parties.

Before these most recent motions were filed, I was under the impression that the court had unequivocally resolved the issue of protective orders at the motion hearing on July 10, 2000. In granting Edfund's request for a protective order covering disclosure of its computer

code, I deemed such orders "virtually automatic" in cases of this nature, a characterization embraced by Edfund at the time. *See* Transcript of July 10, 2000 hearing, dkt. 66, at 33. As I noted:

> It may be in the course of litigation that we all learn, or the court rules that certain things are not trade secrets, or have been disclosed, or are not protectable, or some permutation of those things. . . . [B]ut we tend to be cautious at the frond end just so that we don't make a mistake and spread somebody's legitimate trade secrets, proprietary codes, software, whatever, across the streets to their detriment. This is with full regard of the *Jepson v. Makita* case and the *Citizens Bank* case which require the court to act as a fiduciary for the public.

Id. at 33. I then chastised Great Lakes for not agreeing to a protective order which would have obviated the need for a discovery motion and court ruling. *Id.* at 45.

Reasonable litigants would have—and should have—concluded from my statements that the court had green-lighted the use of an overarching bi-lateral protective order that would allow the free flow of sensitive business information in both directions for the remainder of this lawsuit. Such orders are routine in cases of this nature. Reasonable litigants also would have—and should have—concluded from my statements that the court would not in micro-manage either party's initial designation of its protectable information.

Yet, for reasons that I cannot fathom, the parties did not proceed in this fashion. No overarching protective order has ever been submitted, and Edfund continues to quibble over the protectability of Great Lake's business information. This was not Edfund's decision to make: the court had already made that decision on July 10.

My comments on August 3 could only have sharpened both sides' understanding of their discovery obligations to each other. At the hearing on that discovery dispute (which involved a different type of dispute that was a close call), I admonished both sides:

> I'm counting on the parties promptly to get to each other what they need to, and promptly to comply with court orders. . . . I want to make this clear to both sides: we are to the point now in light of previous hearings and my previous orders that if I were to find that one side had not fulfilled its obligations under either the rules or pursuant to my order, we would be at the point of [Rule] 37 sanctions, not just cost-shifting and orders to do better, but actually striking evidence and the like. But I hope we don't get to that point because if I find fault, I will assess penalties commensurate with that fault.
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> Let me . . . offer some thoughts that hopefully will also be construed as guidance for future proceedings. I suppose it's sort of Pollyannish of me to say "gee, it's unfortunate we got to this point. It would have been nice if you could have worked this all out." You couldn't. You spent a lot of time and paper and money just bringing this very limited issue before me. That doesn't augur well in this case, particularly in light of past disputes you have had.
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> [S]ince you asked this court for action you get it, and in the future I would hope you could all work something out, particularly in light of the fact that in the future I will also assess costs.

Transcript of August 3, 2000 hearing, dkt. 89, at 13-14, 17.

In light of all this, Edfund should have agreed to the protective order requested by Great Lakes, looked through the information provided, and then, if truly necessary, sought to remove from protection material that was not genuinely protectable. After all, Great Lakes never told Edfund it couldn't see the requested documents; Great Lakes was only seeking to protect its

information from potential misuse in the future. That type of protection is *virtually automatic* in this type of case, and that type of protection had *already been ordered by the court* at the time the instant dispute arose. Why would Edfund think that this court would do anything but grant Great Lakes' request for protection if asked to do so?

I could not have been clearer at the July 10 hearing that in a business dispute involving source codes, trade secrets and the like, the court was not going to second-guess a party's initial designation of its material as protectable. This should have been enough. Since it wasn't, I have reviewed the parties' submissions regarding the nature of the materials withheld by Great Lakes. I conclude that Great Lakes has made a sufficient showing of confidentiality for each category to be entitled to protection under an appropriate order.

First, the information deemed confidential by Great Lakes in response to Edfund's Interrogatory No. 1 qualifies for protection. Great Lakes characterizes this as a chart of schools with which it does business involving the SCHOLAR program, and asserts that Edfund and CSAC market a potentially competitive program known as PCFAPS. Great Lakes wants assurances, by means of a protective order, that Edfund will not misuse the list. Edfund contends that the information on the list could be gleaned by polling the schools with which Great Lakes does business; therefore, it is not a trade secret. In reply, Great Lakes invited Edfund to conduct such a poll. Edfund characterizes this reply as a figurative Bronx cheer.

If Edfund's position were accurate, then no business's customer list would ever be entitled to protection during litigation because a competitor, with enough time and enough telephones, could always replicate the list by calling and surveying the first business's pool of potential customers. But as we all know, this is not the standard for allowing protection, and customer lists can be protected from misuse if disclosed during pretrial discovery. Therefore, Great Lakes is entitled to some assurance that Edfund will not make improper derivative use of materials obtained at relatively low cost by virtue of pretrial discovery in this lawsuit.

Next, the information requested in Edfund's Interrogatory No. 10 is entitled to protection. Edfund asked Great Lakes to identify all outside contractors or subcontractors working on the FAST project and to provide copies of each contract. Great Lakes produced the contracts but deleted the prices it pays to its vendors for services. Edfund says that this is improper because the project agreement between the two allows Edfund to review, verify and audit development and conversion costs.

If Edfund wanted this information to perform an audit in the ordinary course of business, and if it had asked for this information in the absence of a lawsuit over the contract, then it might have had a point. But given that Edfund asked for these contracts in an interrogatory generated during rancorous civil litigation, Great Lakes is entitled to some protection against Edfund's possible misuse of this information in the future.[1]

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[1] Edfund also argues that it is "egregious" for Great Lakes to offer production of the contracts for review under Rule 33(d) and then refuse to produce the documents on the ground of privilege, citing to

Finally, the information redacted from Great Lake's Rule 26(a)(1) disclosures also is entitled to protection. Edfund maintains that "a party cannot edit a document that is responsive to a request on the grounds that portions of it are nonresponsive." Memorandum in Support, dkt. 104, at 8. Edfund misstates Great Lakes' ultimate position, which is that it *will* disclose this information despite its irrelevance so long as Edfund reviews it under the aegis of a protective order. I am aware of no rule or case law that prohibits a litigant from proceeding in this fashion, so long as the material is actually protectible. Great Lakes proffers that the redacted information relates to reports and meeting minutes regarding contemplated and on-going projects unrelated to Great Lake's relationship with Edfund, which would reveal Great Lakes' business and planning strategy. Great Lakes nonetheless has agreed to disclose this information upon entry of a protective order. Great Lakes is entitled to that order.

In addition to disputing Great Lakes' entitlement to a protective order on the facts, Edfund invoked procedural and equitable grounds for ruling in its favor. Edfund's arguments are not only uncompelling, they reveal a profound misunderstanding of how discovery is supposed to be proceeding in this lawsuit.

One of the reasons that Edfund resisted Great Lakes' request for protection is Edfund's belief that Great Lakes didn't ask in the right way. Edfund invokes Rule 26(b)(5)'s requirement

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Blake Associates, Inc. v. Omni Spectra Inc., 118 F.R.D. 283 (D. Mass. 1988). In *Blake*, the conduct actually deemed "egregious" by the court was disobedience to the court's previously-entered discovery orders. *See id.* at 291. The *Blake* shell has exploded in the tube, injuring Edfund more than Great Lakes.

that a party expressly claim the privilege and describe the nature of the documents; Edfund then claims that a party who does not comply with these requirements within the time limit fixed by the rule waives any objection. Edfund cites to *Clarke v. American Commerce National Bank*, 974 F.2d 127, 129 (9th Cir. 1992) as one authority for this last point. *See* Memorandum in Support, Dkt. 104, at 5. Edfund is off base.

First, *Clarke* holds no such thing. *Clarke* simply held that the trial court could order line-by-line justification of a party's assertion of attorney-client privilege as a basis for withholding documents from discovery. The issues of timeliness and waiver were never addressed. *See Clarke*, 974 F.2d at 129.

Second, Rule 26(b)(5) applies when a party claims that its material is "privileged or subject to protection as trial preparation material." Great Lakes has never claimed a genuine "privilege" against disclosure (such as attorney-client, priest-penitent, Fifth Amendment, *etc.*), nor has it ever claimed that the withheld information was trial preparation material. So, I seriously doubt that Rule 26(b)(5) even applies to this dispute.

Third, even if Rule 26(b)(5) might apply here, Great Lakes did not mislead Edfund or wait too long to seek protection. As Great Lakes notes, in response to Interrogatory No. 1, it specifically indicated that it would provide a list of schools using SCHOLAR upon entry of a protective order. Upon producing the contracts required by Interrogatory No. 10, Great Lakes wrote in its cover letter that it had withheld confidential business information contained in

those contracts, but would provide it upon entry of a protective order. This was more than enough to alert a reasonable opponent that protection was being sought for a specific set of documents.

Additionally, Edfund's claim of a waiver based on a blown 30 day deadline could never prevail without additional circumstances demonstrating an inequitable result. Although the federal rules' thirty day limit to answer or seek protection from an opponent's discovery is a good starting point for efficient discovery, it is a limit honored in the breach by every litigator in America. *This* court has never insisted on lockstep compliance with the time limit; the only time parties normally complain about slow discovery is when their opponents have doubled or tripled the 30 day limit without permission. As all experienced litigators know—or should know—discovery becomes less knotted with unnecessary disputes when the lawyers cut each other some slack. Beyond that, and more to the point, this court explicitly directed the parties to accommodate each other in discovery to avoid ill-conceived and unnecessary discovery motions, like Edfund's motion to compel. As Great Lakes observes, Edfund has indeed elevated form over substance.

As its parting shot, Edfund seeks Rule 37 cost-shifting on its stillborn motion on the ground that it is "disingenuous" for Great Lakes to seek the very sort of protection it opposed when Edfund sought it earlier in this case. Memorandum in Support, dkt. 105 at 8; Opposition, dkt. 112, at 8. Edfund's equitable argument is but a refractory farandole. I

unequivocally rejected Great Lake's argument against protective orders, to Edfund's benefit, yet Edfund seems to argue that this court's decision in the instant dispute should be governed not by that ruling—the de facto "law" of this case—but by the argument I swatted aside. Great Lakes was wrong before, but at least it had not had the benefit of this court's order; Edfund is wrong now, *after* having been put on notice by the court.

There can be no reasonable doubt in this case following the July and August motion hearings that *both* sides are entitled to have *all* of their confidential material protected in some fashion. Whatever the parties' positions prior to July 10, they had new marching orders thereafter and they were obliged to follow them. Their continued piecemeal approach to the protection of sensitive business information in a contract dispute involving large companies and sophisticated law firms dumbfounds me.

Earlier in this case I promised Rule 37(b) sanctions in the future as justice required; the future is now and justice requires sanctions. This mess was 100% avoidable if Edfund would have acceded to the protective order that Great Lakes requested and that this court clearly supported. Seeking a court order to compel unprotected disclosure under the circumstances was not only unduly rigid, it demonstrated a fundamental misunderstanding of how I directed the parties to conduct discovery in this particular case.

Accordingly, I am not only ordering cost-shifting, I am imposing substantive discovery sanctions on Edfund. Edfund shall not receive any of the information that was the subject of its motion to compel.

If the parties do not accommodate each other more flexibly and completely during what remains of discovery, then this court will close their discovery completely, carve pieces out of their case, or even enter judgment in their opponent's favor as the circumstances require. By virtue of today's order, Edfund's remaining rope is shorter than Great Lakes's.

ORDER

It is ORDERED that:

1) Edfund's motion to compel discovery is DENIED on its merits, and Great Lakes' motion for a limited protective order covering that specific material is DENIED as moot.

2) Great Lakes shall not provide any further responses to Edfund's Interrogatories Nos. 1 and 10, and it shall not provide its redacted Rule 26(a)(1) material. Edfund shall not attempt to obtain this information from Great Lakes by any subsequent means of discovery. If Edfund wants this information, it will now have to obtain it on its own.

3) Great Lakes may have until September 22, 2000 within which to submit an itemized bill of its costs and expenses incurred in opposing Edfund's motion to compel and seeking a protective order. Edfund may have until September 29, 2000 within which to respond to the reasonableness of this request.

Entered this 18th day of September, 2000.

BY THE COURT:

STEPHEN L. CROCKER
Magistrate Judge