

# Looking Ahead to Avoid Spoliation Sanctions

By Daniel J. Melman and Sarah Benowich

A recent Federal Circuit decision denying a petition for a writ of mandamus should serve as a cautionary tale and reminder for corporate entities regarding the critical importance of preserving documentary evidence in a timely and appropriate manner.

In *In re: (Ivantis), Inc.*, Case No. 2020-147 (Fed. Cir. Nov. 3, 2020) (Wallach, J.) (*Ivantis*), the Federal Circuit denied Ivantis's petition to vacate an opinion and order by the district court, which found that Ivantis had "destroyed evidence"

---

**Daniel Melman** is a Partner in the Litigation Group at Pearl Cohen New York office. He is an experienced intellectual property litigation and trial attorney, with a focus on patents, trade secrets, and other complex matters across various technologies and industries. He concentrates his practice on the protection and enforcement of intellectual property assets and defending clients against claims of infringement. He can be reached at DMelman@PearlCohen.com. **Sarah Benowich** is an Associate in the Litigation Group at Pearl Cohen's New York office. Prior to joining Pearl Cohen, Sarah was a litigation associate at an international law firm specializing in intellectual property, media, and technology-related litigation. She can be reached at SBenowich@PearlCohen.com.

and "intended to deprive Glaukos [the patentee] of [...] potential evidence concerning copying and willfulness." *Id.* at 2. Accordingly, the district court "ordered that the jury could presume the destroyed evidence was favorable to Glaukos and unfavorable to Ivantis," including on the issue of whether Ivantis willfully infringed Glaukos's patents. *Id.*

## BACKGROUND

Among the many pitfalls and challenges inherent in litigation discovery and case management, evidence spoliation is one that can lead to powerful adverse sanctions. "Spoliation is 'the destruction or significant alteration of evidence, or the failure to preserve property for another's use as evidence in pending or future litigation.'" (*Glaukos Corp. v. Ivantis, Inc.*, Case No. 8:18-cv-00620-JVS-JDE, at 2 (C.D. Cal. June 17, 2020) (*Glaukos*) (quoting *Kearney v. Foley & Lardner, LLP*, 590 F.3d 638, 649 (9th Cir. 2009)).

To avoid spoliation, parties must preserve evidence when litigation becomes reasonably foreseeable. Thus, at the outset of litigation, parties often initiate so-called "litigation holds," which are directives to maintain and preserve documentary and electronic evidence and to

suspend corporate document retention policies that may lead to the destruction of evidence. While this practice generally is necessary, it may not be sufficient to satisfy the duty to preserve evidence, depending on the timing, mechanisms, and substance of the litigation hold.

Because the intentional or negligent destruction of evidence can have serious ramifications in a party's ability to defend or prosecute its case, courts have significant authority to impose sanctions, based in the Federal Rules of Civil Procedure, or alternatively but to a lesser degree, in their inherent judicial power.

Rule 37(e) identifies three non-exclusive sanctions for courts to consider imposing after a finding that a party acted with the "intent to deprive another party of the information's use in the litigation": "presume that the lost information was unfavorable to the party; instruct the jury that it may or must presume the information was unfavorable to the party; or dismiss the action or enter a default judgment."

Courts may also impose sanctions based on their inherent authority to manage their dockets — and such sanctions may

be imposed without a finding of bad faith that the Federal Rules require. Although courts must exercise their inherent power “with restraint and discretion,” they have “broad discretion” to fashion sanctions for spoliation on a “case-by-case” determination based on considerations of fault, prejudice, and avoidance of substantial unfairness. *See, Roadway Express, Inc. v. Piper*, 447 U.S. 752, 764 (1980).

In *Glaukos*, the general challenges of evidence spoliation were brought to bear in a high-value patent infringement suit between two competitors, highlighting the importance of ongoing assessment and vigilance regarding document retention.

#### LITIGATION IN THE DISTRICT COURT

Glaukos and Ivantis are both California-based companies providing technological and medical solutions for glaucoma and ophthalmic conditions. On April 14, 2018, Glaukos sued Ivantis, alleging that Ivantis’s Hydrus Micro-stent product (Hydrus) used for treating glaucoma infringed two of Glaukos’s patents. Glaukos alleged that Ivantis had been aware of Glaukos’s technology and patents long before Ivantis developed its allegedly infringing Hydrus product. *Glaukos* at 6.

The concern about evidence spoliation first emerged during discovery when “Ivantis informed Glaukos that it was unable to produce emails prior to April 19, 2017.” *Ivantis*, at 2. Ivantis had instituted a litigation hold on April 19, 2018, five days Glaukos filed the complaint. The litigation hold

suspended Ivantis’s “email retention policy of deleting emails after 12 months.” *Id.* at 2. In light of the above, “Glaukos move[d] for an adverse inference jury instruction and preclusion sanctions based on Ivantis’s failure to preserve emails when litigation allegedly became reasonably foreseeable.” *Glaukos* at 5.

#### THE DISTRICT COURT DECISION

The district court ultimately granted Glaukos’s motion for an adverse inference instruction and exclusion of evidence based on Ivantis’s spoliation of documents. *See, Glaukos* at 1.

At the heart of the district court’s decision was Ivantis’s document retention policy, which was instituted in 2013 and “automatically delete[d] emails after 12 months,” allegedly “to alleviate burdens on its IT systems.” *Id.* at 2. The district court found that “[i]t [was] impossible for Ivantis to recover any emails that were deleted,” but that “Ivantis made no effort to preserve documents related to Glaukos before Glaukos filed suit in April 2018.” *Id.*

Applying Ninth Circuit and other circuits’ similar precedent, including the seminal decision in *Zubulake v. UBS Warburg LLC*, 220 F.R.D. 212 (S.D.N.Y. 2003), the district court reiterated that, regardless of a party’s later status as plaintiff or defendant, the obligation to preserve relevant evidence attaches when litigation is “pending or reasonably foreseeable.” *Id.* at 2. This duty is generally triggered “[a]s soon as a potential claim is identified.” *Id.* (citing *Apple, Inc. v. Samsung Elecs Co.*, 888 F. Supp. 2d 976, 991 (N.D.

Cal. 2012). The duty to preserve “extends to evidence that parties knew or should have known was relevant or may be relevant to future litigation.” *Glaukos* at 2.

As the district court explained, to support a finding of spoliation the movant must demonstrate that the other party “destroyed evidence that was potentially relevant to the reasonably foreseeable litigation.” *Glaukos* at 5. Glaukos argued that Ivantis’s “failure to suspend its email policy, which deleted all company emails annually, resulted in spoliation of evidence.” *Id.* Glaukos pointed to four key facts showing why litigation was reasonably foreseeable before Ivantis suspended its email retention policy (*id.* at 5 - 6):

- *First*, in 2009, one of the two inventors of the patents at issue told Ivantis that he was sure the Hydrus device “must infringe” and later expressed the same view in an email produced in discovery by the inventor.
- *Second*, “in 2013 Ivantis hired outside patent litigation counsel to conduct diligence related to Glaukos’s patents.” Additionally, “Ivantis assert[ed] the work product privilege over documents dating back to at least September 2017.”
- *Third*, in 2017, “multiple investors considered investing in Ivantis or acquiring it but declined to do so based on concerns about patent litigation by Glaukos.”
- *Fourth*, “Ivantis began preparing *inter partes review* petitions to challenge Glaukos’s

[patents at issue] by no later than March 2018.”

The district court was unconvinced that “Glaukos’s choice not to explicitly put Ivantis on notice of litigation excuses Ivantis’s obligation to preserve emails relevant to litigation, at the point that it was reasonably foreseeable.” *Id.* at 6. The district court similarly was unmoved by Ivantis’s argument that while it may have foreseen litigation generally it did not foresee “*this* litigation” specifically. *Id.* at 7 (emphasis added).

In sum, the district court concluded that “actions taken by Ivantis, and various communications made by third parties to Ivantis, illustrate not only that a reasonable party in Ivantis’s position would have reasonably foreseen this litigation, but that Ivantis *actually* foresaw this litigation, at least by the beginning of 2017, if not earlier.” *Glaukos* at 7.

In a warning to those crafting and reviewing corporate document retention policies, the district court ruled that: “Therefore, even if Ivantis’s policy supported the annual, automatic deletion of emails, Ivantis was required to cease deleting emails once the duty to preserve attached. Since Ivantis acknowledges that it did not cease its email policy, the Court finds that the evidence supports a finding of spoliation and that the Court may impose sanctions.” *Id.* at 8. The district court also underscored the fact that “Ivantis instituted its email deletion policy in 2013, the same year it retained patent litigation counsel.” *Id.* at 10.

In granting Glaukos’s requested relief, the district court held that

an adverse inference sanction was appropriate to remedy the prejudice Glaukos suffered as a result of Ivantis’s spoliation, which deprived it of email evidence that “likely would have been probative to the claims at issue in this action,” specifically, Ivantis’s copying and willful patent infringement. *Id.* at 9–10.

#### THE FEDERAL CIRCUIT DECISION

As a threshold matter, the Federal Circuit reminded litigants that a party “seeking a writ bears the heavy burden of demonstrating to the court that it has no adequate alternative means to obtain the desired relief ... and that the right to issuance of the writ is clear and indisputable.” *Ivantis* at 2 (citations omitted).

The Federal Circuit noted “[i]t is generally inappropriate to review such discovery orders by mandamus because a post-judgment appeal is an adequate means to correct an erroneous adverse-inference instruction.” *Id.* Ivantis argued that it may not survive as a company to that stage if it were to suffer an adverse trial verdict. Nevertheless, the Federal Circuit rejected Ivantis’s argument as too speculative and insufficient to “depart from the usual practice of waiting until after final judgment to review such orders.” *Id.* at 3. Crucially, the Federal Circuit “discern[ed] no obvious basic, undecided legal issue underlying the district court’s ruling, nor [could the Federal Circuit] say that it was so patently unreasonable as to warrant mandamus.” *Id.*

#### PRACTICAL IMPLICATIONS

This decision highlights the dangers and potential dire consequences

of holding to a knee-jerk reactionary practice — as many client-defendants and their litigation counsel often do — that the duty to preserve evidence kicks in only when a suit is filed or when a complaint is served.

As the decision illustrates, a potential future defendant’s obligations to retain documents and to halt any document retention and destruction policies may be triggered long before a lawsuit is filed. This is especially so for companies operating in a climate of reasonably foreseeable litigation.

Litigation counsel must keep clear and open lines of communication with clients, both potential defendants and potential plaintiffs, throughout their life cycles regarding the landscape of disputes that may lead to litigation. The core consideration regarding formulating and updating effective and appropriate document retention policies cannot simply be IT efficiency; rather, parties must also account for document preservation duties in view of the foreseeability of future litigation.

