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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

In re BRIDGEPOINT EDUCATION,
INC., SECURITIES LITIGATION

Civil No. 12cv1737 JM (JLB)

**ORDER REGARDING
DISCOVERY DISPUTES
[ECF No. 61]**

A telephonic discovery conference was held in the instant action on June 27, 2014. During the course of the conference, the Court issued oral orders on discovery disputes one, three and four. As to the second dispute, the Court requested supplemental briefing. (ECF No. 61.) Having reviewed the parties’ supplemental briefs, the Court now issues a ruling on the second dispute raised during the June 27, 2014 conference. Additionally, this Order confirms in writing the Court’s oral discovery orders as to disputes one, three and four.

A. Dispute No. One

In their letter brief to the Court, Plaintiffs argued that Defendants should be compelled to produce documents that relate to accreditation. Plaintiffs argued that although their accreditation claim had been dismissed, the surviving claim related to student persistence, retention, and graduation rates is so closely intertwined with Ashford’s¹ failed WASC accreditation that discovery should be compelled as to accreditation documents.²

¹ The parties use “Bridgepoint” and “Ashford” interchangeably in their briefs. The language of this order reflects the parties’ usage.

² Plaintiffs’ claim concerning the WASC accreditation process was dismissed on September 13, 2013. (ECF No. 39.)

1 In support of their argument, Plaintiffs cited to language from United States District
2 Judge Jeffrey T. Miller’s Order on Defendants’ Motion to Dismiss: “If discovery reveals
3 that Defendants knew that denial of accreditation would be denied, then Plaintiff may be
4 permitted to amend” (ECF No. 39 at 33.) Plaintiffs interpreted this language to be an
5 acknowledgment from Judge Miller that discovery related to accreditation is relevant even
6 without the accreditation claim being a part of the operative complaint.

7 Defendants argued that Plaintiffs are not entitled to discovery that relates solely to
8 the dismissed accreditation claim and that Plaintiffs have incorrectly interpreted Judge
9 Miller’s language. Defendants submitted that they have already agreed to produce
10 documents relating to Plaintiffs’ remaining claim regarding persistence, even if such
11 documents also relate to the topic of accreditation; but they should not be required to
12 produce documents that relate only to accreditation and not retention.

13 The Court held that Plaintiffs are not entitled to discovery relating only to dismissed
14 claims. The Court found Plaintiffs’ reliance on Judge Miller’s language to be misplaced.
15 Having consulted with Judge Miller, the Court concluded that the quoted language did not
16 allow for the specific discovery sought. Rather, Judge Miller had contemplated that if, in
17 the course of engaging in discovery related to the remaining claim, Plaintiffs obtain
18 discovery that supports the dismissed claim, Plaintiffs may seek leave to amend. Judge
19 Miller was not, by that language, authorizing Plaintiffs to engage in discovery directed
20 solely at the dismissed claim. Accordingly, the Court held that Plaintiffs may obtain
21 documents that relate to accreditation only if those documents also relate to persistence.
22 The Court held that Defendants are not required to produce documents that relate solely to
23 accreditation.

24 **B. Dispute No. Two**

25 This unresolved discovery dispute concerns Plaintiffs’ request for discovery
26 extending beyond the time frame that Defendants have agreed to. Defendants submit that
27 they have agreed to review and produce documents from a 34-month period beginning
28 seventeen months prior to the class period and ending four months after the class period -

1 January 1, 2010 to November 1, 2012. Plaintiffs seek documents from an additional nine-
2 month timeframe - November 1, 2012 to July 31, 2013.

3 In their initial letter brief, Plaintiffs argue that documents from this additional nine-
4 month period are relevant to the instant action and should be compelled. Documents from
5 this time period are sought in order to discover discussions of Bridgepoint's efforts and
6 failures regarding the student persistence, retention, and graduation rates which resulted in
7 the denial of Bridgepoint's first accreditation attempt. Plaintiffs cite to a number of cases
8 in which courts have held that pre and post-class period discovery can lead to admissible
9 information. Plaintiffs argue that documents from this timeframe relate to Ashford's second
10 accreditation attempt and are relevant because the documents are likely to discuss
11 Bridgepoint's first accreditation attempt.

12 Defendants argue that documents from this additional nine-month period are not
13 relevant to the remaining claim and therefore should not be compelled. Defendants further
14 submit that this additional discovery is not appropriate because the alleged class period runs
15 from May 3, 2011 to July 13, 2012, and Defendants have already agreed to produce
16 documents from January 1, 2010 to November 1, 2012. The last remaining challenged
17 statement was made on May 1, 2012, and "Plaintiffs allege that the 'truth' was revealed to
18 investors on July 9, 2012." (Defendants' June 19, 2014 Letter at 4.) Finally, Defendants
19 argued that the substantial burden and expense of reviewing documents from this additional
20 period outweighs the limited probative value of any responsive documents.³

21 Defendants' supplemental brief sets forth detailed estimates as to the time and cost
22 of undertaking this additional document production. Based on the production efforts to
23 date, Defendants estimate that production from the additional time frame would increase
24 Defendants' review costs by 26 percent, or roughly \$390,000.

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26 ³ The Court requested additional briefing regarding Defendants' burden argument. Defense counsel was
27 directed to lodge a supplemental letter brief on or before July 3, 2014 addressing this burden of production.
28 Plaintiffs' counsel was directed to file a reply brief on or before July 10, 2014. (ECF No. 61.) On July 11,
2014, the Court issued a minute order directing Defendants to submit an informal letter brief responding to
the arguments raised in Plaintiffs' July 10, 2014 Letter. (ECF No. 65.)

1 Plaintiffs' reply brief offers a much more modest figure. Plaintiffs argue that the
2 figure offered by Defendants reflects the cost of manual review rather than the predictive
3 coding system that Defendants will employ. According to Plaintiffs, the cost of predictive
4 coding is the only cost relevant to Defendants' burden. Plaintiffs estimate that the additional
5 burden to Defendants is roughly \$11,279. After documents have been identified as relevant,
6 Plaintiffs argue that the additional time and expense of undertaking a privilege review can
7 be mitigated by utilizing search terms. Additionally, manual review for relevance is elective
8 and should not be considered. Even if Defendants' cost figure is accepted, Plaintiffs
9 contend that such documents are relevant and that the burden does not outweigh the benefit
10 of discovery because Defendants have "conceded the relevance of this post-class period
11 information."⁴ (Plaintiffs' July 10, 2014 Letter at 2.)

12 Per the Court's request, Defendants submitted a reply brief addressing the arguments
13 raised by Plaintiffs. Defendants argue that predictive coding software does not make
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17 ⁴ The language upon which Plaintiffs rely does not support a claim of any such "concession." Rather,
18 the relevant section states:

19 if there were any admissions regarding persistence deficiencies in the first accreditation
20 application (which is what Plaintiffs claim they seek), they would be found in the months
21 during which Ashford analyzed the reasons for the denial and whether to pursue the appeal,
22 and prepared the second application – i.e., the months from July 2012 through October 2012.
Such documents are not likely to exist in the months from November 2012 to July 2013,
while the second accreditation application was pending, and during which the only
significant event was WASC's April 2013 site visit and the ultimate accreditation in July
2013.

23 (Defendant's July 3, 2014 Letter at 3.) Defendants' reply brief addressed Plaintiffs' contention that
24 Defendants have conceded relevancy:

25 contrary to Plaintiffs' assertion, Defendants do not "concede" the relevance of documents
26 regarding Ashford's second WASC application. Rather, as Defendants noted in their July
27 3 letter, the "admissions" Plaintiffs claim to be seeking from Ashford's second WASC
28 application would more likely be found (if at all) in the time period leading up to Ashford's
October 11, 2012 submission of that second application, which is within the time frame
Defendants already agreed to review.

(Defendants' July 16, 2014 Letter at 2.)

1 manual review for relevance⁵ merely elective. Rather, the software assigns a percentage
2 estimate to each document that reflects the assessment of the probability that the document
3 is relevant. Defendants argue that such software is not foolproof and that attorney review
4 is still required to ensure that the documents produced are both relevant and not privileged.
5 As such, the cost for manual review cannot be ignored. (Defendants’ July 16, 2014 Letter
6 at 1.)

7 **1. Legal Standard**

8 Under Federal Rule of Civil Procedure 26(b)(1), a court may limit discovery of
9 relevant material if it determines that the discovery sought is unreasonably cumulative or
10 duplicative, or obtainable from some other source that is more convenient, less burdensome,
11 or less expensive, or the burden or expense of the proposed discovery outweighs the likely
12 benefit. Fed. R. Civ. P. 26(b)(2)(C). The party resisting discovery has a heavy burden of
13 showing why the requested discovery should not be permitted. *Brady v. Grendene USA,*
14 *Inc.*, 2012 WL 6086881, 2 (S.D. Cal. Dec. 6, 2012). However, once the resisting party
15 meets its burden, the burden shifts to the requesting party to show that the information is
16 relevant and necessary. *Id.*

17 **2. Conclusion**

18 Having reviewed the arguments advanced by the parties, the Court finds that
19 Defendants have set forth sufficient evidence to conclude that the additional production
20 would be unduly burdensome. Furthermore, the substantial burden of producing documents
21 from this time period outweighs the benefit of the additional discovery. While relevant
22 documents may exist from this time period, the Court is persuaded by Defendants’ argument
23 that documents discussing the failure of the first accreditation application are much more
24 likely to be found in the time period leading up to the submission of the second application -
25 not after. Defendants have already agreed to produce documents from the time period

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27 ⁵ Defendants use the term “responsiveness” when responding to Plaintiffs’ argument about “relevance.”
28 It appears that the term is used interchangeably. To avoid confusion, the Court will only use the term
“relevance.”

1 leading up the second application submission. Accordingly, Plaintiffs' request for
2 documents from the period of November 1, 2012 to July 31, 2013 is hereby **DENIED**.

3 **C. Dispute No. Three**

4 In their letter brief, Plaintiffs argued that Defendants should be required to produce
5 all documents related to insider trading. While Plaintiffs acknowledged that their stand-
6 alone insider trading claims have been dismissed, Plaintiffs argued that the Individual
7 Defendants' stock transactions remain relevant to scienter - an element of Plaintiffs'
8 remaining claim. While Defendants have agreed to produce the Individual Defendants' Rule
9 10b5-1 insider trading plans, any amendments to those plans, as well as emails regarding
10 transactions that also discuss persistence, they refuse to produce any other emails discussing
11 the Individual Defendants' transactions in Bridgepoint stock.

12 Defendants argued that Plaintiffs are not entitled to discovery regarding the dismissed
13 insider trading claims. Defendants contend that no allegations about Individual Defendants'
14 trades remain alive in this case and accordingly, Defendants are not required to produce
15 additional emails.

16 The Court held that Defendants are to produce trading plans, amended trading plans,
17 and emails about trades that also concern or reference the issue of persistence. If discovery
18 indicates that any of the Individual Defendants amended their trading plans, and Plaintiffs
19 feel that they are entitled to additional emails regarding the reasons behind the amendments,
20 the parties are directed to meet and confer. If an agreement cannot be reached, the parties
21 may then seek Court intervention.

22 **D. Dispute No. Four**

23 Plaintiffs argued that the documents already produced for the Individual Defendants
24 should be run through the predictive coding software. "Before Plaintiffs even propounded
25 their discovery requests, Defendants ran a list of unilaterally-selected search terms over the
26 Individual Defendants' documents" (Plaintiffs' June 19, 2014 Letter at 5.) Plaintiffs

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1 argued that Defendants were now wrongfully refusing to include these documents in the
2 predictive coding process.

3 Defendants submitted that their choice of review method for the Individual
4 Defendants' emails is reasonable and that they should not be required to run the documents
5 that have already been screened through the predictive coding process. Defendants argued
6 that putting the Individual Defendant documents already screened through predictive coding
7 is likely to negatively impact the reliability of the predictive coding process. Defendants
8 suggested that they would be willing to run additional search terms for the documents
9 already screened but were not amenable to running these documents through the predictive
10 coding process.

11 The Court approved Defendants' method of using linear screening with the aid of
12 search terms to identify responsive documents with regard to the emails already reviewed
13 for the three Individual Defendants. The parties were directed to meet and confer regarding
14 the additional search terms Plaintiffs would like Defendants to use.

15 **IT IS SO ORDERED.**

16
17 **DATED: August 6, 2014**

18 
19 **JILL L. BURKHARDT**
20 **United States Magistrate Judge**