JENNER&BLOCK

Practice Series

Protecting Confidential Legal Information

A Handbook for Analyzing Issues Under The Attorney-Client Privilege And The Work Product Doctrine

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APPRECIATION

Shortly after I joined Jenner & Block out of law school in 1986, Jerry Solovy "invited" me to work on the annual update of this outline, which he had initiated in 1984 largely in response to the U.S. Supreme Court's decision in *Upjohn Co. v. United States*. Over the last 25 years, Jerry actively nurtured this work, which he called the firm's "bestseller," notwithstanding the fact that we provide it to our clients, friends and colleagues free of charge. Each week, Jerry would send memos and emails with suggestions for cases or articles that we should include in the next update and, as each year came to a close, increasingly earnest emails and phone calls asking when the next update would be ready for publication. This is the first year that Jerry will not see the newest edition. Jerry was truly a great leader in the legal community, and I will miss working with him on this project.

I want to thank some of the many people who have made contributions to this effort: My associate Michele Slachetka, who has led the team of lawyers who have devoted significant time to this year's update. My associate Nicole Allen who, along with Michele, works with me on the privilege section of Jenner & Block's monthly publication The Spotlight Litigation Monitor and on the firm's Attorney-Client Privilege Resource Center, which is updated monthly and is available on our firm website. Sarah Ansari, Joseph Dunn, Eamon Kelly, Hillary Levun, Alexander May, Marisa Perry, Erica Roberts, Ravi Shankar, Christie Starzec, and Katherine Welsh, who have each contributed to the outline. My assistant, Sue Cihlar, who for more than ten years has made the revisions to the outline and put up with my demands for perfection. Finally, I would like to thank Anne Fitzpatrick, my former associate, who for many years led the update team and applied her pre-law school professional editor's skills to the improvement of this publication.

David M. Greenwald
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I. THE ATTORNEY-CLIENT PRIVILEGE

Historically, the attorney-client privilege developed upon two assumptions: that good legal assistance requires full disclosure of a client's legal problems, and that a client will only reveal the details required for proper representation if her confidences are protected. *See* Fisher v. United States, 425 U.S. 391, 403 (1976). In response to these assumptions, the attorney-client privilege developed at common law to encourage free and open communication between client and lawyer, thus promoting informed, effective representation. 8 JOHN H. WIGMORE, EVIDENCE § 2291 (Supp. 2009). Because the privilege obstructs the search for truth, however, it is construed narrowly. *See, e.g.*, Fisher, 425 U.S. at 403; Haines v. Liggett Grp., Inc., 975 F.2d 81, 84 (3d Cir. 1992) ("[S]ince the privilege has the effect of withholding relevant information from the factfinder, it applies only where necessary to achieve its purpose."); In re Grand Jury Proceedings Under Seal, 947 F.2d 1188 (4th Cir. 1991).

Over the years, the courts have provided several definitions of the attorney-client privilege. Judge Wyzanski provided the seminal definition in United States v. United Shoe Machinery Corp., 89 F. Supp. 357, 358-59 (D. Mass. 1950):

> The [attorney-client] privilege applies only if (1) the asserted holder of the privilege is or sought to become a client; (2) the person to whom the communication was made (a) is a member of the bar of a court, or his subordinate and (b) in connection with this communication is acting as a lawyer; (3) the communication relates to a fact of which the attorney was informed (a) by his client (b) without the presence of strangers (c) for the purpose of securing primarily either (i) an opinion on law or (ii) legal services or (iii) assistance in some legal proceeding, and not (d) for the purpose of committing a crime or tort; and (4) the privilege has been (a) claimed and (b) not waived by the client.
>
> As a general matter, the privilege protects:
>
> (A) a communication,
>
> (B) made between privileged persons (*i.e.*, attorney, client or agent),
>
> (C) in confidence,
>
> (D) for the purpose of obtaining or providing legal assistance for the client.

See In re Air Crash Disaster at Sioux City, Iowa on July 19, 1989, 133 F.R.D. 515, 518 (N.D. Ill. 1990); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 68 (2000) (hereinafter REST. 3D); 8 JOHN H. WIGMORE, EVIDENCE § 2292 (Supp. 2009); *see also* Coltec Indus., Inc. v. Am. Motorists Ins. Co., 197 F.R.D. 368, 370-71 (N.D. Ill. 2000) (Noting the elements as outlined by Wigmore: "(1) Where legal advice of any kind is sought (2) from a professional legal adviser in his capacity as such, (3) the communications relating to that purpose, (4) made in confidence (5) by the client, (6) are at his instance permanently

protected (7) from disclosure by himself or by the legal adviser, (8) except the protection be waived."); SEC v. Beacon Hill Asset Mgmt. LLC, 231 F.R.D. 134, 137 (S.D.N.Y. 2004) (quoting United Shoe).

A. COMMUNICATIONS COVERED BY THE PRIVILEGE

Virtually all types of communications or exchanges between a client and attorney may be covered by the attorney-client privilege. Privileged communications include essentially any expression undertaken to convey information in confidence for the purpose of seeking or rendering legal advice. Haines v. Liggett Grp., Inc., 975 F.2d 81, 90 (3d Cir. 1992) (privilege extends to verbal statements, documents and tangible objects conveyed in confidence for the purpose of legal advice); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 119 (2000); 8 JOHN H. WIGMORE, EVIDENCE § 2292 (Supp. 2009).

1. Documents And Recorded Communications

The broad sweep of privileged communications encompasses not only oral communications, but also documents or other records in which communications have been recorded. WebXchange Inc. v. Dell Inc., 264 F.R.D. 123, 127 (D. Del. 2010) ("For purposes of the attorney-client privilege, a communication is any expression through which a privileged person undertakes to convey information to another privileged person and any document or record that embodies such expression . . . .") (internal quotations omitted); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 69 (2000); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 89 (6th ed. 2006); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5484 (Supp. 2009).

However, documents do not become automatically privileged merely because they are communicated to an attorney. The privilege only protects those documents that reflect communications between an attorney and client. In re Grand Jury Subpoenas, 959 F.2d 1158 (2d Cir. 1992); Duttle v. Bandler & Kass, 127 F.R.D. 46, 51 (S.D.N.Y. 1989). Documents or other communications that a client transmits to a lawyer neither gain nor lose privileged status as a result of the transfer. Fisher v. United States, 425 U.S. 391, 404 (1976); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 89 (6th ed. 2006). Unless a pre-existing document was itself privileged before it was communicated to an attorney, it does not become privileged merely because of the transfer. Fisher, 425 U.S. at 404; JOHN W. STRONG (Supp. 2009), MCCORMICK ON EVIDENCE § 89 (6th ed. 2006); 8 JOHN H. WIGMORE, EVIDENCE § 2307 (Supp. 2009). Thus, a court will consider a pre-existing document to be privileged only if the document was kept confidential and was prepared to provide information to the lawyer in order to obtain legal advice. *See* United States v. DeFonte, 441 F.3d 92, 94 (2d Cir. 2006), *aff'd*, 283 F. A'ppx 864 (2d Cir. 2008) (notes prepared by an incarcerated client of issues to be discussed with attorney, and which were in fact later discussed with counsel, were protected by attorney-client privilege); Christofferson v. United States, 78 Fed. Cl. 810 (Fed. Cl. 2007) (plaintiffs had no reasonable expectation of privilege for their responses to questionnaires about their claims where the questionnaires were jointly drafted with opposing counsel to facilitate settlement and contained factual information that could be discovered through interrogatories or depositions).

In addition to written documents, other modes of communication may also be covered under the privilege. Thus, telephone, audio and video recordings may qualify as privileged communications. *See* JOHN W. STRONG, MCCORMICK ON EVIDENCE § 89 (6th ed. 2006). In general, the mode of communication is not relevant to the determination of privilege. For example, privilege will not apply to recordings that would not fall under the attorney-client privilege even if they were written. *See* In re Grand Jury Subpoena Dated July 6, 2005, 256 F. App'x 379, 382-83 (2d Cir. 2007) (declining to extend DeFonte to tape recordings that appellant made of conversations with his broker where appellant could not show that the recordings were confidential communications between himself and his attorney for the purpose of obtaining legal advice). However, the method of communication may be relevant to a determination as to whether the communicator could reasonably expect the information would remain confidential. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 119 cmt. b (2000); *Communications Must Be Intended to Be Confidential*, § I.C, *infra*.

2. Communicative Acts

The attorney-client privilege includes non-verbal, communicative acts within its definition of protected communications. RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 69 cmt. e (2000). A communicative act is one in which the privileged person's actions attempt to convey information, such as a facial expression or nod of affirmation. *See* 8 JOHN H. WIGMORE, EVIDENCE § 2306 (Supp. 2009); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5484 (Supp. 2009). Such acts are typically protected by the attorney-client privilege. However, not all acts are voluntary attempts at communicating. For example, physical characteristics, demeanor, complexion, sobriety, or dress are not communicative and would not be protected. *See* JOHN W. STRONG, MCCORMICK ON EVIDENCE § 89 (6th ed. 2006).

See also:

> *In re Grand Jury Proceedings, 13 F.3d 1293, 1296 (9th Cir. 1993). Attorney required to testify regarding client's expenditures, income producing activities and lifestyle during European vacation.*
>
> *In re Grand Jury Proceedings, 791 F.2d 663, 666 (8th Cir. 1986). An attorney could not claim the privilege to avoid testifying about the authenticity of a client's signature or to avoid identifying the client in a photograph.*
>
> *United States v. Weger, 709 F.2d 1151, 1154-55 (7th Cir. 1983). The type style characteristics of a letter typed on a typewriter are not communicative and therefore not privileged.*
>
> *Darrow v. Gunn, 594 F.2d 767, 774 (9th Cir. 1979). An attorney's observations of demeanor are not privileged unless based on a confidential communication.*
>
> *United States v. Kendrick, 331 F.2d 110, 113-14 (4th Cir. 1964). Physical characteristics (e.g., a mustache) are not subject to the privilege.*
>
> *United States v. Kaiser, 308 F. Supp. 2d 946, 954 (E.D. Mo. 2004). "Peripheral matters pertaining to the relationships between respondents and their clients, such as client identities and fee information, are simply not protected by the privilege because that type of information was not communicated in confidence to the attorney for the purpose of securing legal advice."*

*Frieman v. USAir Grp., Inc., Civ. A. No. 93-3142, 1994 WL 719643, at *6-7 (E.D. Pa. Dec. 22, 1994). Lawyer for client claiming permanent disability was compelled to testify regarding observations of client's physical condition and activities.*

Williams v. Chrans, 742 F. Supp. 472, 493 (N.D. Ill. 1990), aff'd, 945 F.2d 926 (7th Cir. 1991). Testimony by a legal clerk that the defendant was calm and articulate while a dead body was hidden in defendant's trunk did not violate the privilege.

But see:

Gunther v. United States, 230 F.2d 222, 223-24 (D.C. Cir. 1956). Attorney could not be called to testify as to client's competency because such an inquiry would require testimony as to facts learned in privileged context.

State v. Meeks, 666 N.W.2d 859, 868-71 (Wis. 2003). Rejecting Darrow v. Gunn, 594 F.2d 767 (9th Cir.1979) (cited above) and holding that attorney's observation of client's mental state necessarily involved attorney-client communications.

3. Fees, Identity And The "Last Link"

Some courts have carved out exceptions to the types of communications that are protected by the privilege and have denied protection to items such as the identity of the client, the fact of consultation, the payment of fees, and the details of retainer agreements. *See* 8 JOHN H. WIGMORE, EVIDENCE § 2313 (Supp. 2009); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5484 (Supp. 2009); Diane M. Allen, *Attorney's Disclosure, in Federal Proceedings, of Identity of Client as Violating Attorney-Client Privilege*, 84 A.L.R. FED. 852 (1987). These courts have reasoned that such routine items are not communicated in order to obtain legal services and that fear of disclosure of such information will not deter clients from providing these facts.

See:

Reiserer v. United States, 479 F.3d 1160, 1165-66 (9th Cir. 2007). During IRS investigation of tax attorney, disclosure of the identities and fees paid by tax attorney's clients not barred by attorney-client privilege, even if information may lead to IRS investigation of the clients. The court distinguished Baird v. Koerner, 279 F.2d 623 (9th Cir. 1960), in which the revelation of the client's identity would have constituted admission of guilt of the offense that led the client to seek legal assistance.

In re Grand Jury Subpoena Duces Tecum, 94 F. App'x 495, 497 (9th Cir. 2004). Defendant in money-laundering case could not assert the privilege over communications with his attorney related to fee arrangements in defense of an LSD possession charge. Such information, even if it could implicate the defendant in money-laundering, was not a privileged legal communication.

In re Grand Jury Subpoena, 204 F.3d 516, 519 (4th Cir. 2000). Client may not veil his identity with attorney-client privilege by voluntarily disclosing confidential communications which necessarily will be exposed by revealing client's identity.

Gerald B. Lefcourt P.C. v. United States, 125 F.3d 79, 86 (2d Cir. 1997). Information regarding the payment of fees is not privileged.

United States v. Bauer, 132 F.3d 504, 508-09 (9th Cir. 1997). Identity of client, amount of fees paid, identification of payment by case name, general purpose of work performed, and whether client's testimony is the product of attorney coaching are not within attorney-client privilege.

United States v. Ellis, 90 F.3d 447, 450-51 (11th Cir. 1996). Identity of fee payer not protected because disclosure would not lead to the uncovering of privileged information.

In re Grand Jury Subpoenas, 906 F.2d 1485, 1492 (10th Cir. 1990). Subpoena that requested the identity of the source of the fees, the amount of the fees, and the manner and date of payment did not seek privileged information, but disclosure of fee contracts would be subject to in camera review to determine whether the contracts contained confidential communications.

In re Grand Jury Proceedings, 841 F.2d 230, 233 n.3 (8th Cir. 1988). The identity of a third party paying the legal fees of another is typically not privileged.

In re Two Grand Jury Subpoena Duces Tecum Dated Aug. 21, 1985, 793 F.2d 69, 71-72 (2d Cir. 1986). Affirming district court's refusal to quash subpoena that sought law firm's financial records including cancelled checks drawn on firm's escrow accounts, retainer agreements, closing statements, correspondence relating to client recoveries, invoices and receipts for disbursements, and records relating to liens upon funds received on behalf of clients; privilege does not protect information about fee arrangements except when they involve prejudicial disclosure of confidential communications.

In re Grand Jury Subpoenas, 803 F.2d 493, 499 (9th Cir. 1986), corrected, 817 F.2d 64 (9th Cir. 1987). Identity of a non-client fee payer is not privileged.

In re Grand Jury Proceedings, 517 F.2d 666, 670-71 n.2 (5th Cir. 1975). Identity of client not privileged (collecting cases).

*Grewal & Assocs., P.C. v. Hartford Cas. Ins. Co., No. 1:10-cv-214, 2010 WL 3909491, at *3-4 (W.D. Mich. Sept. 30, 2010). Citing First, Seventh, Ninth, and Tenth Circuit law that the privilege does not attach to bank records, such as checks from an attorney's clients. While checks may be communicative, checks are not confidential. Once deposited, checks are seen by a "sea of strangers" (e.g., the bank's personnel).*

SEC v. W Fin. Grp., LLC, No. 3-08-CV-0499, 2009 WL 636540 (N.D. Tex. Mar. 9, 2009). Denying motion to quash an SEC subpoena requesting records of transfers of funds into and out of the lawyer's trust account relating to specific clients being investigated by the SEC. Noting that the Fifth Circuit had not addressed the issue, the court followed several other circuits' reasoning that the deposit and disbursement of money in a commercial checking account is not a communication, nor is it confidential.

*Huffman v. United States, No. 0780736CIV, 2007 WL 4800643, at *4-6 (S.D. Fla. Nov. 29, 2007). Bank records of an attorney client trust account are generally not protected by attorney-client privilege and petitioner failed to establish that the last link doctrine's limited exception would apply. Attorney's motion to quash IRS's summons of the bank records of attorney trust account, including copies of bank statements, cancelled checks, signature cards and copies of wire transfers, was denied.*

United States v. Cedeno, 496 F. Supp. 2d 562, 567-68 (E.D. Pa. 2007). The identity of person paying for the legal defense of defendant in drug conspiracy case not privileged, even when the benefactor is also client of defendant's attorney.

*Global Htm Promotional Grp., Inc. v. Angel Music Grp. LLC, No. 06-2044 civ, 2007 WL 221423 at *2 (S.D. Fla. Jan. 26, 2007). Phone records detailing time and duration of attorney-client communications not privileged because they did not reveal substance of the communications.*

Bank Brussels Lambert v. Credit Lyonnais (Suisse), 220 F. Supp. 2d 283, 288 (S.D.N.Y. 2002). Holding that it is "well established" in the Second Circuit that a client's identity is not protected, except in special circumstances.

But see:

*Abrams v. First Tenn. Bank Nat'l Ass'n, No. 3:03-cv-428, 2007 WL 320966, at *2 (E.D. Tenn. Jan. 30, 2007). To the extent such documents had not been supplied to any defendant, invoices to plaintiff-clients from attorney that detailed legal matters and thought processes were privileged.*

United States v. Gonzalez-Mendez, 352 F. Supp. 2d 173, 175-76 (D.P.R. 2005). Holding that, while a client's fee arrangements are not privileged, the government was not entitled to an expedited hearing on the issue of whether otherwise destitute defendants were paying their attorneys from the proceeds of a bank heist.

Ehrich v. Binghamton City Sch. Dist., 210 F.R.D. 17, 20 (N.D.N.Y. 2002). Billing statements that detail attorney services, listing services provided and conversations and conferences between counsel and others, are privileged.

Other courts and the Restatement have rejected a strictly categorical approach. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 69 cmt. g (2000); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 90 (6th ed. 2006); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5484 (Supp. 2009). Under this alternative approach, the attorney-client privilege applies if revealing the information would directly, or by obvious inference, reveal the content of a confidential communication from a privileged person (client, attorney or agent). *See* In re Witness before the Special March 1980 Grand Jury, 729 F.2d 489, 495 (7th Cir. 1984) (holding that the privilege protects an unknown client's identity where disclosure would reveal a client's motive for seeking legal advice); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 69 cmt. g (2000). Courts often refer to this approach as a "last link" exception. Under the "last link" doctrine a routine communication, such as a client's identity, is not protected unless it links the client to the case. *See, e.g.*, In re Grand Jury Proceedings, 517 F.2d 666, 671 (5th Cir. 1975); NLRB v. Harvey, 349 F.2d 900, 905 (4th Cir. 1965); Baird v. Koerner, 279 F.2d 623 (9th Cir. 1960) (an often-cited case but highly criticized as a misapplication of the doctrine).

It should be remembered that the purpose of the privilege is to encourage free disclosure; it does not act generally to protect clients from incrimination. *See, e.g.*, In re Grand Jury Proceedings, 791 F.2d 663, 665 (8th Cir. 1986); In re Shargel, 742 F.2d 61, 62-63 (2d Cir. 1984). Thus, the privilege does not protect information that is merely invasive or inculpatory, and it is not enough that the communication provides the "last link" to incriminate the client. In re Grand Jury Proceedings, Cherney, 898 F.2d 565, 568 (7th Cir. 1990) (affirming decision to quash subpoena but noting that the client's identity was privileged because disclosure would reveal a confidential communication: the reason the client sought legal advice; not because disclosure would incriminate the fee payer). Instead, the only "last link" that implicates the privilege is the one that connects the client to a confidential communication or that exposes a confidential communication. *See* JOHN W. STRONG, MCCORMICK ON EVIDENCE § 90 (6th ed. 2006).

See:

> *In re Grand Jury Subpoena Duces Tecum, 94 F. App'x. 495, 497 (9th Cir. 2004). Though potentially incriminating in money laundering case, fee arrangements with counsel were not privileged because they would not provide the last link to the criminal charge.*
>
> *In re Grand Jury Matter, No. 91-01386, 969 F.2d 995, 997-98 (11th Cir. 1992). An attorney was ordered to reveal the identity of a client who paid with a counterfeit $100 bill. The court reasoned that the only "last link" provided by the identity information was to incriminate the client and not to reveal any confidences.*
>
> *In re Grand Jury Matter (Special Grand Jury Narcotics) (Under Seal), 926 F.2d 348, 352 (4th Cir. 1991). It is irrelevant that disclosure of a fee arrangement will implicate the client. The privilege only protects fee arrangements if they will reveal confidential communications.*
>
> *In re Grand Jury Subpoena for Att'y Representing Reyes-Requena, 913 F.2d 1118, 1124-25 (5th Cir.1990). Court indicated that its holding in In re Grand Jury Proceedings, 517 F.2d 666, 671 (5th Cir. 1975) (cited above), applied only where disclosure of fee information would reveal the "ultimate motive" for seeking legal advice.*
>
> *United States v. Strahl, 590 F.2d 10, 11 (1st Cir. 1978). Attorney could testify that client paid him with a stolen treasury note because disclosure did not implicate the client "in the very criminal activity for which legal advice was sought" and penalize the seeking of advice.*
>
> *DeGuerin v. United States, 214 F. Supp. 2d 726, 737 (S.D. Tex. 2002). Fee information protected only where revealing the information also would expose a substantive attorney-client communication.*
>
> *Sony Corp of Am. v. Soundview Corp. of Am., No. 3:00 CV 754 (JBA), 2001 WL 1772920, at *3 (D. Conn. Oct. 23, 2001). Fee information protected only if it reveals the motive for representation or substance of advice.*

But see:

> *Dean v. Dean, 607 So. 2d 494, 498-99 (Fla. Dist. Ct. App. 1992). Court refused to order an attorney to disclose the identity of a client involved in a hit and run accident.*

Where the disclosure of even routine information would expose client confidences instead of merely providing a link to the confidences, the attorney-client privilege applies. A common situation involving this aspect of the privilege arises when the motive of a client is revealed by the fact of consultation.

See:

> *In re Grand Jury Proceedings, 204 F.3d 516, 520-22 (4th Cir. 2000). Where it "appeared that the client's identity was sufficiently intertwined with the client's confidences such that compelled disclosure of the former essentially disclosed the latter," the attorney-client privilege would preclude an attorney from disclosing the client's identity, but where the client voluntarily discloses otherwise privileged information, such a privilege is lost as to the clients identity, even where the disclosure of his identity will link the client to the statement.*
>
> *Ralls v. United States, 52 F.3d 223, 226 (9th Cir. 1995). Privilege applies when identity of payor or terms of engagement were so "inextricably intertwined" with confidential communications that revealing either the identity or the terms "would be tantamount to revealing privileged communication."*

In re Grand Jury Proceedings, 946 F.2d 746, 748-49 (11th Cir. 1991). Revelation of a client's identity would expose his motive for seeking advice (i.e., a drug conspiracy investigation). Court further noted that the government's knowledge of this motive did not obviate the protection of the attorney-client privilege.

In re Grand Jury Proceedings, Cherney, 898 F.2d 565, 568-69 (7th Cir. 1990). Grand jury sought the identity of third party who was paying the attorneys' fees of the person who was the target of its investigation. Seventh Circuit noted that fee information normally is not privileged, but that in this case revealing the payor's identity might disclose a confidential communication: the payor's motive for paying the fees of the target. Court held payor's identity was privileged.

*Funke v. Life Fin. Corp., No. 99 Civ. 11877 (CBM), 2003 WL 1787125, at *1 (S.D.N.Y. Apr. 3, 2003). Retainer agreements may contain privileged communications.*

Riddell Sports, Inc. v. Brooks, 158 F.R.D. 555, 560 (S.D.N.Y. 1994). Although attorney fee arrangements are ordinarily not protected, the privilege would apply to bills, ledgers, statements, time records and correspondence that reveal the client's motive in seeking representation or litigation strategy.

Brett v. Berkowitz, 706 A.2d 509, 515 (Del. 1998). Attorney specializing in divorce cases was not required to produce the names of his other clients to a client that sued the attorney for sexual harassment. "[T]he mere revelation of the [other clients' names] would reveal the confidential communication that [the clients] were seeking advice concerning a divorce." Id.

But see:

Gerald B. Lefcourt, P.C. v. United States, 125 F.3d 79, 87 (2d Cir. 1997). Though acknowledging the adoption of a "legal advice exception" in other circuits, the Second Circuit "all but categorically rejected it" in Vingelli v. United States (see below).

Vingelli v. United States, 992 F.2d 449 (2d Cir. 1993). Grand jury subpoenaed attorney to determine who was paying the fees for the defense of a convicted party. Attorney refused to disclose the client and fee information because it would reveal the purpose of the representation. Court found that the client could have consulted the attorney for a variety of reasons and that while the disclosure of the fee payor's identity might suggest the possibility of wrongdoing it would not reveal a confidential communication. Court also found that the fact that money was paid did not reveal any confidential communication and that the financial transfers were not made to obtain legal advice.

4. Knowledge Of Underlying Facts Not Protected

While the privilege protects communications between privileged persons, it does not permit a party to resist disclosure of the facts underlying those communications. Upjohn Co. v. United States, 449 U.S. 383, 395-96 (1981); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 69 cmt. d (2000). The privilege creates a distinction between the contents of a lawyer-client communication and the contents of a client's memory or files. Upjohn, 449 U.S. at 395-96; *see also* Swidler & Berlin v. United States, 524 U.S. 399, 412 (1998); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5484 (Supp. 2009). Thus, the privilege will not protect a client from testifying about her recollections or records, only whether the client related them to her attorney. *See* In re Six Grand Jury Witnesses, 979 F.2d 939 (2d Cir. 1992) (holding that privilege protects communications and the fact of communication but not the underlying information contained in the communications).

See also:

*United States v. Clem, 210 F.3d 373, 2000 WL 353508, at *1 (6th Cir. 2000) (unpublished). Attorney's testimony could be compelled where it related not to privileged communications but to underlying facts.*

Diversified Indus., Inc. v. Meredith, 572 F.2d 596, 611 (8th Cir. 1977). Employee interviews were privileged communications, but the litigants were not foreclosed from obtaining the same information from non-privileged sources.

Hilton-Rorar v. State & Fed. Commc'ns Inc., No. 5:09-CV-01004, 2010 WL 1486916 (N.D. Ohio April 13, 2010). Email attachments sent to lawyer not privileged where they contained factual information that pre-existed the lawyer-client relationship.

*Perius v. Abbott Labs., No. 07C1251, 2008 WL 3889942, at *7 (N.D. Ill. Aug. 20, 2008). Because underlying facts are not privileged, disclosure of facts to litigation adversary does not waive the privilege.*

EEOC v. Outback Steakhouse, 251 F.R.D. 603, 609-11 (D. Colo. 2008). Neither the work product doctrine nor the attorney-client privilege precluded discovery of the underlying facts contained in privileged communications or documents. The court ordered defendants to respond to plaintiff's interrogatories about defendant's investigations into gender discrimination or harassment complaints made by female employees.

*Tilley v. Equifax Info. Servs., LLC, No. 062304JAR, 2007 WL 3120447, at *2 (D. Kan. Oct. 24, 2007). Noting that attorney-client privilege did not protect discovery of underlying facts and that defendant's attorney was directly involved in the events underlying plaintiff's claims of defamation, the court compelled defendant's attorney to answer plaintiff's deposition questions.*

*Pastrana v. Local 9509, Commc'ns Workers of Am., No. 06CV1779W(AJB), 2007 WL 2900477, at *3 (S.D. Cal. Sept. 28, 2007). The date on which plaintiff learned defendant was not going to pursue plaintiff's grievance claim was not protected by attorney-client privilege and was thus discoverable. Acknowledging Upjohn, the court ordered the deposition of plaintiff's attorney to determine facts relevant to defendant's statute of limitations defenses. Work product doctrine did not apply to protect facts that plaintiff's attorney had learned.*

Dairyland Power Coop. v. United States, 79 Fed. Cl. 709, 721-22 (Fed. Cl. 2007). The attorney-client privilege did not preclude discovery of information that a Department of Energy employee learned from company documents and third parties and conveyed to government's counsel.

But see:

Admiral Ins. Co. v. U.S. Dist. Ct. for Dist. of Ariz., 881 F.2d 1486, 1490 n.5 (9th Cir. 1989). The district court denied a motion to quash a subpoena aimed at discovering privileged statements made by corporate officers to counsel where the underlying facts of the statements could not be obtained from the officers themselves because they planned to assert the Fifth Amendment. The Court of Appeals reversed; although the privilege did not shield the underlying facts, there is no exception to the attorney-client privilege where the facts cannot be obtained by means other than the privileged communication.

Southern Bell Tel. & Tel. Co. v. Deason, 632 So. 2d 1377, 1387 (Fla. 1994). Southern Bell asserted attorney-client privilege in response to deposition questions about certain employee discipline matters, arguing that the deponents had no firsthand knowledge of the facts sought and any information they had came from their review of privileged witness statements and the notes and summaries of counsel. The Court rejected as "merely a game of semantics" the deposing party's argument that it did not ask

the deponents what counsel told them, but only asked "why the employees were disciplined or what actions of the employees resulted in discipline." Information "learned solely from communication that emanated from counsel" was protected by the privilege.

5. Real Evidence And Chain Of Custody Not Protected

A client's transmission of real evidence to an attorney does not constitute a communication and is not protected under the attorney-client privilege. Revealing such evidence merely serves to implicate the client and does not disclose confidential communications. As a result, a client cannot shield real evidence merely by giving it to his attorney. *See* In re January 1976 Grand Jury, 534 F.2d 719, 728 (7th Cir. 1976) (bank robbery proceeds not privileged); In re Ryder, 381 F.2d 713, 714 (4th Cir. 1967) (concealing stolen money and sawed off shotgun resulted in suspension of attorney); State v. Bright, 676 So. 2d 189, 194 (La. Ct. App. 1996) (privilege did not prevent court from ordering lawyer to produce incriminating diary given to him by defendant).

While the privilege cannot shield physical evidence from production, some courts have found that the privilege will protect the identity of the client who produced the incriminating evidence. *See Fees, Identity and the "Last Link,"* § I.A.3, *supra*; *see also*:

Clutchette v. Rushen, 770 F.2d 1469, 1472-73 (9th Cir. 1985). Holding that attorney-client privilege does not extend to physical evidence. Though client's disclosure to attorney of location of certain receipts would itself be privileged, attorney could not conceal receipts after locating and physically removing them from their prior location.

State v. Green, 493 So. 2d 1178, 1182-83 (La. 1986). Defendant's attorney found the gun used in a shooting among defendant's possessions. Court held that attorney could not rely on the privilege to hide the gun since it was physical evidence and not protected. However, the attorney could not be forced to testify about the source of the gun (i.e., to establish the chain of custody).

People v. Nash, 341 N.W.2d 439, 449-50 (Mich. 1983). Testimony that revealed that incriminating items were obtained from the office of the defendant's attorney violated the privilege.

However, many courts hold that the chain of custody for real evidence cannot be broken by an attorney's privileged silence. In Commonwealth v. Ferri, 599 A.2d 208 (Pa. Super. Ct. 1991), appeal denied, 627 A.2d 730 (Pa. 1993), a client turned soiled clothing over to his attorney, thus placing the attorney in the chain of custody. At trial, the court required the attorney to testify about his custody of the clothing in order to make it admissible into evidence. *Id.* at 212; s*ee also* In re Grand Jury Matter No. 91-01386, 969 F.2d 995, 998-99 (11th Cir. 1992) (source of physical evidence is not protected).

6. Communications From An Attorney To A Client Are Protected.

The attorney-client privilege not only protects a client's disclosure to his attorney; it also shields the advice given to the client by the attorney. *See, e.g.*, REV. UNIF. R. EVID. 502 (1999); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS§ 69 cmt. i (2000). However, courts are in disagreement about the scope of protection given to an attorney's advice. *See, e.g.*, United States v. Amerada Hess Corp., 619 F.2d 980, 986 (3d Cir. 1980) (noting two approaches). Two approaches are discussed in this section.

a. The Narrow View: Only Advice Which Reveals Confidences Is Privileged

Some courts have adopted a narrow view that communications from an attorney to a client are privileged only to the extent their disclosure reveals a confidential communication from the client.

See:

> *United States v. Ramirez, 608 F.2d 1261, 1268 n.12 (9th Cir 1979). Observing that some courts limit application of the privilege to only those communications of counsel that would reveal a client's own confidential communications and indicating that the limitation was consistent with "modern" conceptions of the privilege.*
>
> *United States v. Naegele, 468 F. Supp. 2d 165, 169 (D.D.C. 2007). Attorney-client privilege protects communications from attorney to client that would reveal directly or indirectly the substance of the client's communications to the lawyer.*
>
> *Thurmond v. Compaq Computer Corp., 198 F.R.D. 475, 480 (E.D. Tex. 2000). Reviewing cases adopting narrow and broad interpretations, but concluding that only communications from counsel that would reveal client confidences are privileged.*
>
> *Walsh v. Northrop Grumman Corp., 165 F.R.D. 16, 18 (E.D.N.Y. 1996). Second Circuit "remains committed to the narrowest application of the privilege such that it protects only legal advice that discloses confidential information given to the lawyer by the client."*
>
> *Republican Party of N.C. v. Martin, 136 F.R.D. 421, 426-27 (E.D.N.C. 1991). Privilege does not apply to legal advice that does not arguably reveal a client's confidences. Thus, attorney memoranda or letters without factual application to a client's case were not protected.*
>
> *Gonzalez Crespo v. Wella Corp., 774 F. Supp. 688, 689 (D.P.R. 1991). Privilege protects communications from client to attorney and those from attorney to client that would tend to reveal client's confidences.*
>
> *Ohio-Sealy Mattress Mfg. Co. v. Kaplan, 90 F.R.D. 21, 28 (N.D. Ill. 1980). Noting split of authority and concluding that only communications from an attorney to a client that reveal a client's confidences are privileged.*
>
> *United States v. United Shoe Mach. Corp., 89 F. Supp. 357, 359 (D. Mass. 1950). Attorney communications are privileged to the extent they are based on confidential communications from the client.*
>
> *Yankee Atomic Elec. Co. v. United States, 54 Fed. Cl. 306, 313-14 (Fed. Cl. 2002), rev'd on other grounds, Sacramento Mun. Utility Dist. v. United States, 293 F. App'x 766 (Fed. Cir. 2008), and Yankee Atomic Elec. Co. v. United States, 536 F.3d 1268 (Fed. Cir. 2008). Only communications from attorneys that would reveal client confidences are protected.*

See also:

> *Brinton v. Dep't of State, 636 F.2d 600, 603-04 (D.C. Cir. 1980). Communications from attorney to client are privileged at least to the extent they are "related to the confidence of the client."*

*SEC v. Beacon Hill Asset Mgmt. LLC, 231 F.R.D. 134, 138 (S.D.N.Y. 2004), reconsideration denied, 2007 WL 4244232 (S.D.N.Y. Dec. 3, 2007). Privilege extends to communications from lawyer to client "**at least** to the extent that such advice may reflect conditional information conveyed by the client." (quoting Bank Brussels Lambert v. Credit Lyonnais (Suisse) S.A., 160 F.R.D. 437, 441 (S.D.N.Y 1995) (emphasis added).*

b. The Broader View: Content Irrelevant To Determination Of Whether Communication Is Privileged

Other courts have rejected the narrow interpretation of the privilege and protect virtually all communications from attorney to client. In In re LTV Securities Litigation, 89 F.R.D. 595 (N.D. Tex. 1981), the court recognized that there was a split of authority and rejected the narrow approach because it failed "to deal with the reality that lifting the cover from the advice will seldom leave covered the client's communication to his lawyer." *Id.* at 602. Instead, the court adopted a broader rule that protects any communication from an attorney to a client when made in the course of giving legal advice. *Id.*; *see also* UNIF. R. EVID. 502(b)(1) (1999).

The Restatement also rejects the narrow rule that the privilege only protects communications that reveal client confidences. RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 69 cmt. i (2000). Under the Restatement, a lawyer's advice to her client is privileged without regard to the source of the lawyer's information if the information meets the requirements of confidentiality and a legal purpose. For example, if a lawyer writes a letter to a client that gives tax advice, and the letter is based in part on information supplied by the client, in part on information gathered by the lawyer from third persons, and in part on the lawyer's legal research, under the broader approach of the Restatement, the privilege applies to the entire document even if the parts could be separated. *Id.* § 119 cmt. i, illus. 7. *See*:

United States v. Defazio, 899 F.2d 626, 635 (7th Cir. 1990). Communications from attorney to client are privileged if they constitute legal advice or tend directly or indirectly to reveal the substance of a client confidence.

United States v. Amerada Hess Corp., 619 F.2d 980, 986 (3d Cir. 1980). Attorney-client privilege applies to communications from attorney.

Vardon Golf Co., Inc. v. Karsten Mfg. Corp., 213 F.R.D. 528, 531 (N.D. Ill. 2003). Communications from an attorney are privileged if they contain legal advice or would reveal a client communication.

United States v. Mobil Corp., 149 F.R.D. 533, 536 (N.D. Tex. 1993). Communications from attorney to client are protected.

Burlington Indus. v. Exxon Corp., 65 F.R.D. 26, 37 (D. Md. 1974). Self-initiated attorney communications are protected.

Jack Winter, Inc. v. Koratron Co., 54 F.R.D. 44, 46 (N.D. Cal. 1971). Communications from attorney to client are protected.

Cencast Servs., L.P. v. United States, 91 Fed. Cl. 496, 503 (Fed. Cl. 2010). In rejecting the D.C. Circuit's narrow approach, the Court of Federal Claims stated: "Confidential communications

between agency personnel and agency attorneys may be privileged even if the underlying information is not confidential in nature."

Gillard v. AIG Ins. Co., ---A.3d---, 2011 WL 650552 (Pa. Feb. 23, 2011). Pennsylvania Supreme Court adopted broad standard for attorney-client privilege: "in Pennsylvania, the attorney-client privilege operates in a two-way fashion to protect confidential client-to-attorney or attorney-to-client communications made for the purpose of obtaining or providing professional legal advice."

Spectrum Sys. Int'l Corp. v. Chem. Bank, 581 N.E.2d 1055, 1060-61 (N.Y. 1991). Under New York law an attorney's communication to a client is protected without regard to whether it implicates information that originally came from the client.

c. Where Lawyer Acts Merely As A Conduit, Communications Are Not Protected

Although many communications from a lawyer to a client are protected by the privilege, there is an exception in instances where the lawyer acts merely as conduit for a third party's message to the client. Instances where the lawyer is acting only as a communicative link are not privileged, and either the lawyer or client can be required to disclose the communication. *See* Dawson v. New York Life Ins. Co., 901 F. Supp. 1362, 1366-67 (N.D. Ill. 1995) (cases where attorney is acting as a conduit for factual data do not implicate the privilege); Reliance Ins. Co. v. Keybank U.S.A., No. 1:01 CV 62, 2006 WL 543129, at *2-3 (N.D. Ohio Mar. 3, 2006) (attorneys' notes on expert's opinions taken during meetings with expert, which were later typed up for expert to use in preparation of his reports, were not privileged because attorneys were merely acting as "conduits" between the expert and secretary); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 69 cmt. i (2000); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5478 (Supp. 2009). In these cases, the purpose of the communication is not to obtain legal assistance and, therefore, the exchanges are not privileged. *See Privilege Applies Only to Communications Made for the Purpose of Securing Legal Advice*, § I.D, below. However, information conveyed to counsel for *possible* inclusion in a filing, report, or letter that will be sent to others and preliminary drafts of documents may still be considered privileged. *See, e.g.*, In re Grand Jury Subpoena Duces Tecum Dated Sept. 15, 1983, 731 F.2d 1032, 1037 (2d Cir. 1984); Roth v. Aon Corp., 254 F.R.D. 538 (N.D. Ill. 2009); Schenet v. Anderson, 678 F. Supp. 1280, 1282 (E.D. Mich. 1988).

B. ONLY COMMUNICATIONS BETWEEN PRIVILEGED PERSONS ARE PROTECTED

There are three categories of people who are considered privileged persons:

(1) the client or prospective client,

(2) the lawyer, and

(3) the agents of the client and lawyer.

RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 70 (2000); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 91 (5th ed. 1999). To be privileged, both the person sending and the person receiving the communication must fit within one of these three categories. JOHN W. STRONG, MCCORMICK ON EVIDENCE § 91 (6th ed. 2006); 8 JOHN H. WIGMORE, EVIDENCE § 2327 (Supp. 2009). If either the communicating or receiving party is not a privileged person then the communication is not protected. *See, e.g.*, United States v. Bernard, 877 F.2d 1463 (10th Cir. 1989). Thus, comments addressed to third parties do not come within the privilege. Similarly, the privilege does not apply to communications from third parties to a client, even if they are later communicated to the attorney by the client (however, these communications could become work product – *see Work Product Must be Prepared by or for a Party or by or for its Representative*, § IV.A.2, *infra*). In those cases where the client relates a communication to the attorney and it is impossible to separate the client's addition from the non-privileged person's comment then the entire communication probably would come within the privilege. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 70 cmt. b (2000).

There is some support for the proposition that a communication does not have to be made to or by an attorney to obtain protection under the attorney-client privilege. Some courts have held that a document created at the direction of counsel for the purpose of obtaining legal advice, even if never actually transmitted to an attorney, may be protected by the attorney-client privilege so long as the communication remains among privileged parties. *See* Williams v. Sprint/United Mgmt. Co., 238 F.R.D. 633, 638-40 (D. Kan. 2006); *see also* In re Rivastigmine Patent Litig., 237 F.R.D. 69, 80 (S.D.N.Y. 2006); SmithKline Beecham Corp. v. Apotex Corp., 232 F.R.D. 467, 477 (E.D. Pa. 2005); Kintera, Inc. v. Convio, Inc., 219 F.R.D. 503, 514 (S.D. Cal. 2003).

1. Defining The Client

a. In general

The client is generally defined as the intended and immediate beneficiary of the lawyer's services. To be considered a client for the purpose of invoking the attorney-client privilege two conditions must be met:

(1) the client must communicate with the attorney to obtain legal advice, and

(2) the client must interact with the attorney to advance the client's own interests.

See Wylie v. Marley Co., 891 F.2d 1463, 1471-72 (10th Cir. 1989); EEOC v. Johnson & Higgins, Inc., No. 93 Civ. 5481, 1998 WL 778369, at *5 (S.D.N.Y. Nov. 6, 1998) (EEOC attorneys could not assert that a group of retirees were their clients during a period of time in the case when the retirees opposed the claim filed by the EEOC).

Generally, a prospective client is considered to be a client for the purpose of establishing the attorney-client privilege. *See* Barton v. U.S. Dist. Ct., 410 F.3d 1104, 1111 (9th Cir. 2005) ("Prospective clients' communications with a view to obtaining legal services are plainly covered by the attorney-client privilege under California law, regardless of whether they have retained the lawyer, and regardless of whether they ever retain the lawyer."); In re Auclair, 961 F.2d 65, 69 (5th Cir. 1992) (communications with group of prospective clients with a common interest can be covered by the privilege); In re Grand Jury Proceedings Under Seal, 947 F.2d 1188, 1190 (4th Cir. 1991); Bevill, Bresler & Schulman Asset Mgmt. Corp., 805 F.2d 120, 124 n.1 (3rd Cir. 1986) (privilege applies to conversations with both retained and prospective counsel); Hilton-Rorar v. State & Fed. Commc'ns Inc., No. 5:09-CV-01004, 2010 WL 1486916, at *7 (N.D. Ohio April 13, 2010) ("When a potential client consults with an attorney, the consultation establishes a relationship akin to that of an attorney and existing client . . . .") (quoting Banner v. City of Flint & Carl Hamilton, 99 F. App'x 29, 36 (6th Cir. 2004)); Vodak v. City of Chi., No. 03 C 2463, 2004 WL 1381043, at *2-3 (N.D. Ill. May 10, 2004) (holding that communications with prospective class members were privileged and noting that "the existence of an attorney-client relationship is not dependent upon the payment of fees or upon the execution of a formal contract"); REV. UNIF. R. EVID. 502(a)(1) (1999); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 70 (2000); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 88 (6th ed. 2006); 3 JACK W. WEINSTEIN ET AL., WEINSTEIN'S FEDERAL EVIDENCE § 503 (Joseph M. McLaughlin, ed., Matthew Bender 2d ed. 2009). The privilege would thus attach to communications made during an initial consultation with a prospective client even if no representation resulted.

In class actions, class representatives are generally considered to be clients of the class counsel. Some courts have held that unnamed class members are not considered clients because they do not directly contact the lawyers for legal assistance. In that case, communications between class members who are not class representatives and class counsel may not be privileged. *See* EEOC v. Republic Servs. Inc., No. 2:04-CV-01352, 2007 WL 465446, at *2 (D. Nev. Feb. 8, 2007) (letter sent by class counsel to putative class members or prospective witnesses not protected by attorney-client privilege); Penk v. Or. State Bd. of Higher Educ., 99 F.R.D. 506, 507 (D. Or. 1982) (information collected confidentially by lawyer for class representatives from non-representative class members was not privileged). *But see* Barton v. Dist. Ct., 410 F.3d 1104, 1111 (9th Cir. 2005) (privilege attached to communications made by potential class members through a law firm website, notwithstanding disclaimer that potential clients were not "forming an attorney client relationship" with the firm); Vodak, 2004 WL 1381043, at *2-3 (holding that privilege attached to questionnaires filled out by potential class plaintiffs in a civil rights claim where potential class members "reasonably believed that they were consulting counsel in their

capacity as lawyers and they completed the questionnaire for the purpose of requesting legal representation"); EEOC v. Int'l Profit Assocs., 206 F.R.D. 215, 219 (N.D. Ill. 2002) (communications between prospective class members and EEOC counsel and their agents are protected from disclosure by the attorney-client privilege); Bauman v. Jacobs Suchard, Inc., 136 F.R.D. 460, 461 (N.D. Ill. 1990) (same); Connelly v. Dun & Bradstreet, Inc., 96 F.R.D. 339, 342 (D. Mass. 1982) (privilege applies to unnamed class member communications).

The fact that a fee is paid for legal services is irrelevant to the determination of privilege. RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 70 cmt. d (2000); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 88 (6th ed. 2006); *see also* United Nat'l Records, Inc. v. MCA, Inc., 106 F.R.D. 39, 40 (N.D. Ill. 1985); Westinghouse Elec. Corp. v. Kerr-Mcgee Corp., 580 F.2d 1311, 1317 (7th Cir. 1978); People v. O'Connor, 447 N.Y.S.2d 553, 556 (N.Y. App. Div. 1982). Thus, a person paying the legal fees for a third person is not a client unless the payor also sought legal advice from the lawyer. *See, e.g.*, In re Grand Jury Proceedings, Cherney, 898 F.2d 565, 567 (7th Cir. 1990); Ex parte Smith, 942 So. 2d 356, 360-61 (Ala. 2006) (directors had a personal attorney-client relationship with outside counsel even where corporation paid directors' legal bills); Priest v. Hennessy, 409 N.E.2d 983, 987 (N.Y. 1980). *But see* In re Grand Jury Proceedings, 841 F.2d 230, 231 n.2 (8th Cir. 1988) (privilege protects substance of confidential communications between a third party fee payer and a law firm).

b. Organizational Clients

Although the definition of a client is relatively straightforward for individuals, defining a "client" in an organizational setting is considerably more difficult. Because corporations may only communicate through their employees, it becomes important to determine who speaks for the corporation and is thus protected by the corporation's privilege as a client. *See* Judson Atkinson Candies, Inc. v. Latini-Hohberger Dhimantec, 529 F.3d 371, 389 n.4 (7th Cir. 2008) (noting that the attorney-client privilege applies to corporations, which must act through individuals, and finding that communications between a corporation and its attorneys remained protected when an individual who was both the sole shareholder and CEO was privy to those conversations); Interfaith Hous. Del., Inc. v. Town of Georgetown, 841 F. Supp. 1393, 1397 (D. Del. 1994) (noting tension between corporation as an entity and its ability to act solely through natural persons); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5484, at 376 (Supp. 2009). The analysis is further complicated because the group that is defined as the client for the purposes of creating the privilege is often more expansive than the group that is entitled to assert or waive the privilege. *See Assertion of the Attorney-Client Privilege and Depositions of Counsel*, § I.E.2, below.

(1) Defining The Organizational Client - Upjohn

Historically, courts applying the attorney-client privilege to corporations struggled to determine which corporate employees most closely resembled the traditional "client" in an attorney-client relationship. In doing so, courts often found that the interaction between high-level officers and directors and corporate counsel approximated a traditional attorney-client relationship and was thus deserving of protection. Radiant Burners, Inc. v. Am. Gas

Ass'n, 320 F.2d 314, 323-24 (7th Cir. 1963) (in determining which employees constituted the client for privilege purposes, the court applied a test called the "control group" test, which designated only upper-level management as the client of corporate counsel and thus protected only the communications of upper-echelon management). Courts reasoned that these managers not only sought legal advice for the organization but also caused the corporation to act on the advice that it received. However, for employees lower down on the corporation's organization chart, the relationship with organizational counsel tended to resemble a traditional client relationship much less. Moreover, conflicts between the interests of the employee and the organization frequently appeared.

The United States Supreme Court eventually rejected the "control group" test for federal cases in Upjohn Co. v. United States, 449 U.S. 383 (1981). Upjohn sent privilege analysis in a new direction, and created a less structured definition of the corporate client. *See* 8 RICHARD L. MARCUS, FEDERAL PRACTICE & PROCEDURE § 2017 (3d ed. 2010) (Upjohn "look[s] more to the motivation of the lawyer to seek out information" than the typical rationale for the privilege—encouraging clients to provide information). In that case, Upjohn disclosed to the SEC and IRS the results of an internal investigation conducted by both inside and outside counsel, which uncovered some questionable payments by Upjohn to foreign officials. Based on this report, the IRS began an investigation and subpoenaed the questionnaires underlying the disclosed report. When Upjohn claimed privilege, the IRS initiated suit to enforce the subpoena. The Supreme Court found that the notes of the internal investigators' interviews with Upjohn's middle and lower management employees, who were clearly outside of Upjohn's "control group," were privileged. *Id.* at 394-95.

The Upjohn Court "decline[d] to lay down a broad rule" to govern the extent of the privilege's reach, and in so doing rejected the control group test for determining the scope of the corporate attorney-client privilege. *Id.* at 386. In its place, the court set down five factors to guide courts in determining the validity of attorney-client privilege claims for communications between legal counsel and lower-echelon corporate employees:

> (1) the information is necessary to supply the basis for legal advice to the corporation or was ordered to be communicated by superior officers;
>
> (2) the information was not available from "control group" management;
>
> (3) the communications concerned matters within the scope of the employees' duties. *But see* Baxter Travenol Labs., Inc. v. Lemay, 89 F.R.D. 410, 412-14 (S.D. Ohio 1981) (communications with a former employee hired solely for the purposes of assisting in litigation as a litigation consultant were protected even though the communications did not concern matters within the scope of the employee's duties);
>
> (4) the employees were aware that they were being questioned in order for the corporation to secure legal advice; and

(5) the communications were considered confidential when made and kept confidential. *But see* Leucadia, Inc. v. Reliance Ins. Co., 101 F.R.D. 674, 678 (S.D.N.Y. 1983) (privilege upheld without showing that the communications were made in reliance on an expectation of confidentiality).

Upjohn, 499 U.S. at 394-95. When each of these elements is met, a lower-echelon employee is considered a client under the attorney-client privilege, and the employee's communications with corporate counsel are privileged. *Id.*; Bruce v. Christian, 113 F.R.D. 554, 560 (S.D.N.Y. 1986) (privilege extends to employees' communications on matters within the scope of their employment and when the employee is being questioned in confidence in order for employer to obtain legal advice); *see also*:

> *Tucker v. Fischbein, 237 F.3d 275, 288 (3d Cir. 2001). Citing Upjohn and holding that conversations between in-house counsel and employee-journalists were privileged where conversation was undertaken to provide legal advice regarding employer's potential libel exposure.*
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> *PaineWebber Group, Inc. v. Zinsmeyer Trusts P'ship, 187 F.3d 988, 991-92 (8th Cir. 1999). Following Upjohn and holding that attorney's conversations with employees during internal investigation were privileged.*
>
> *In re Bieter Co., 16 F.3d 929, 935-36 (8th Cir. 1994). Noting that Upjohn rejected the control group test but did not mandate a specific rule and applying a five-prong test in determining that communication with employees remained privileged.*
>
> *Faloney v. Wachovia Bank, N.A., 254 F.R.D. 204, 212-13 (E.D. Pa. 2008). An email from defendant's corporate litigation attorney addressed to two bank officials was protected by the attorney-client privilege where (1) the bank officials could provide factual information on defendant's interaction with payment processors and telemarketers; (2) counsel needed the information from the officials to respond to legal issues raised by government inquiry and possible litigation; (3) the information communicated was within the scope of the officials' employment; and (4) the officials knew that counsel needed the information to make recommendations regarding defendant's policies.*
>
> *Amco Ins. Co. v. Madera Quality Nut LLC, No. 1:04-cv-06456-SMS, 2006 WL 931437, at *8-9 (E.D. Cal. April 11, 2006). Communications between company employees to in-house counsel and counsel's agents were privileged communications as a part of an internal investigation; the dominant purpose of which was to obtain factual information in order to give legal advice.*
>
> *Lugosch v. Congel, 218 F.R.D. 41, 47 (N.D.N.Y. 2003). Following Upjohn and holding that "statements made by employees, of any station or level within a corporation or a sophisticated business structure, to an attorney or the attorney's agent which were done in confidence and outside the purview of others are protected."*

Some jurisdictions place extra emphasis on the first element of the Upjohn test by requiring that a senior authority direct the lower-level employee to make the confidential communication. *See* Indep. Petrochem. Corp. v. Aetna Cas. & Sur. Co., 654 F. Supp. 1334, 1364-65 (D.D.C. 1986), *aff'd in part, rev'd in part*, 944 F.2d 940 (D.C. Cir. 1991) (no privilege for volunteered communications of a district manager who was not in the control group and who was not directed by his superiors to communicate with company attorneys). Other courts, and the Restatement, reject this approach and consider disclosures to be

impliedly authorized if made in the interests of the corporation. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 73 cmt. h (2000).

The test developed in Upjohn makes no distinction with regard to an agent's position or degree of decision-making responsibility. Instead, the privilege turns on whether the employee imparted information to the lawyer or received assistance from the lawyer on behalf of the organization. Upjohn, 449 U.S. at 394-95.

While much of the case law involves the application of Upjohn to corporations, the same standards apply to other organizations such as unincorporated associations, partnerships, and other for-profit or not-for-profit organizations. *See generally* Kneeland v. Nat'l Collegiate Athletic Ass'n, 650 F. Supp. 1076, 1087 (W.D. Tex. 1986), rev'd on other grounds, 850 F.2d 224 (5th Cir. 1988) (privilege assumed to apply to unincorporated associations); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 123 (2000); *see also*:

> *In re Bieter Co., 16 F.3d 929, 935-40 (8th Cir. 1994). Following Upjohn and concluding that communications between partnership and consultant to partnership were privileged.*
>
> *Meoli v. Am. Med. Serv. of San Diego, 287 B.R. 808, 815-16 (S.D. Cal. 2003). Attorney-client privilege applied to communications between lawyer and limited partnership but privilege was waived.*
>
> *Nesse v. Shaw Pittman, 206 F.R.D. 325, 329-30 (D.D.C. 2002). Internal communications among lawyers of a law firm were deemed privileged pursuant to Upjohn where internal investigation was conducted regarding manner in which the firm withdrew from a matter.*
>
> *United States v. Am. Soc'y of Composers, Authors & Publishers, 129 F. Supp. 2d 327, 337-38 (S.D.N.Y. 2001). Noting traditional rule that attorney represents individual members of unincorporated association, but further observing that evolving ethical rules now recognize that the association as the client.*

State courts and federal courts sitting in exercise of diversity jurisdiction are not bound by the Upjohn decision and have adopted various tests for defining the organizational client. *See State Court Definitions of the Organizational Client*, § I.B.1.b(4), *infra.*

Although Upjohn is controlling in federal courts applying federal law, the current Restatement espouses a slightly different articulation of the privilege, adopting a pre-Upjohn test known as the "subject matter" test, which was first developed in Harper & Row Publishers, Inc. v. Decker, 423 F.2d 487, 491-92 (7th Cir. 1970), and modified in Diversified Indus., Inc. v. Meredith, 572 F.2d 596, 608-09 (8th Cir. 1977). *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 73 (2000). Under this "subject matter" test, the privilege extends to communications of any agent or employee of the corporation so long as the communication relates to a subject matter for which the organization is seeking legal representation. Upjohn deems the subject matter of the communication to be merely one factor to consider.

For a discussion of application of the attorney-client privilege to communications within law firms with attorneys acting as in-house counsel, *see Internal Communications with Law Firm In-House Counsel*, § I.I.4, *infra*.

(2) Representation Of Individual Employees By Organizational Counsel

When an employee is deemed a part of the organizational client, the organization enjoys the protection of the privilege for that employee's communications. Likewise, if the corporation believes that it is in its best interest to waive its attorney-client privilege for the employee's communications, the communications are subject to discovery, unless the employee possesses an individual claim of attorney-client privilege. In order to maximize the ability of the corporation to protect its privilege and to control its ability to waive privilege if it decides to do so at a later date, it is important – particularly in the context of an internal investigation – that corporate counsel clearly explain that: (1) counsel represents the corporation and not the employee; (2) the privilege belongs to the corporation and not to the employee; and (3) the employee should keep the communication confidential.

To assert an individual claim of privilege over a communication between an employee and organizational counsel, the employee must independently prove the existence of each of the traditional elements of a privilege claim. *See* United States v. Ruehle, 583 F.3d 600, 607 (9th Cir. 2009); United States v. Keplinger, 776 F.2d 678, 700 (7th Cir. 1985); *see also* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS§ 73 cmt. j (2000); Gregory I. Massing, Note, *The Fifth Amendment, the Attorney-Client Privilege, and the Prosecution of White-Collar Crime*, 75 VA. L. REV. 1179, 1196 (1989). In cases where the employee alleges that a personal attorney-client relationship exists with the organizational lawyer, the employee bears the burden of proving that the statements were made in the employee's individual capacity, and not in the employee's capacity as an employee of the organizational client. *See* Odmark v. Westside Bancorporation, Inc., 636 F. Supp. 552, 555-56 (W.D. Wash. 1986); In re Grand Jury Proceedings, 434 F. Supp. 648, 650 (E.D. Mich. 1977), *aff'd*, 570 F.2d 562 (6th Cir. 1978).

If counsel represents only the corporation and has informed the employee of that fact, the employee is not personally a client of the corporate attorney and no individual privilege arises to protect the employee. *See* United States v. Demauro, 581 F.2d 50, 55 (2d Cir. 1978) (employee unable to assert privilege when he could not prove that he believed counsel was representing him); United States v. Ferrell, No. CR07-0066MJP, 2007 WL 2220213 (W.D. Wash. Aug. 1, 2007) (government employee could not assert privilege where government attorney did not represent employee); United States v. Stein, 463 F. Supp. 2d 459, 465 (S.D.N.Y. 2006) (holding that partnership had authority to waive attorney-client privilege with respect to communications between partnership's counsel and one of the partners, even when communication could expose that partner to personal liability); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 73 cmt. j (2000). Moreover, counsel representing a corporation may not be under an affirmative obligation to advise a corporate employee of his right to retain personal counsel, even where the corporation's counsel plans to elicit statements that may criminally inculpate the employee. *See* United States v. Calhoon, 859 F. Supp. 1496, 1498 (M.D. Ga. 1994). As a result, the organization may be able to invoke the privilege for some communications while the employee cannot. For example, in United States v. Keplinger, 776 F.2d 678, 700 (7th Cir. 1985), several employees were questioned by their employer's counsel about laboratory safety studies. When the employees were later charged with making fraudulent statements and the employer

sought to use their statements against them, the court found that the employees never sought nor inquired about individual representation, and that their employer's attorneys had neither believed nor represented to the employees that they were acting as counsel to the employees. As a result, no personal attorney-client relationship existed between the employees and counsel, and the court held that the employees could not assert the attorney-client privilege to suppress their own statements. *Id.*; *see also* Commodity Futures Trading Comm'n v. Weintraub, 471 U.S. 343, 348-49 (1985); In re Bevill, Bresler & Schulman Asset Mgmt. Corp., 805 F.2d 120, 124-25 (3d Cir. 1986); SEC v. Nicita, No. 07CV0772 WQH (AJB), 2008 WL 170010, at *4 (S.D. Cal. Jan. 16, 2008) (respondents, former officers of a corporation being investigated by the SEC for alleged manipulation of earnings, could not assert attorney-client privilege to protect documents and testimony when the privilege belonged to the corporation and the corporation had waived it).

If the organization has a conflict of interest with the employee, the organization's lawyer may not purport to represent both. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 73 cmt. j (2000); *Ethical Considerations: Dual Representation*, § X.C.1, below. If the corporate attorney fails to make clear to an employee that the attorney is representing the corporation and not the employee, then the attorney may be disqualified from representing the corporation in later litigation against the employee. *See, e.g.*, Chase Manhattan Bank v. Higgerson, No. 17864/84, 1984 N.Y. Misc. LEXIS 3411 (N.Y. Sup. Ct. Oct. 11, 1984) (disqualifying counsel). However, an employee has the heavy burden of establishing that corporate counsel was providing dual representation to both the corporation and the individual. *See* United States v. Int'l Bhd. of Teamsters, 119 F.3d 210, 217 (2d Cir. 1997) (employee failed to prove dual representation even though entity's attorneys "did not do all that they could have done to clarify the conflicts of interest that . . . develop between organizations and their employees"). A subjective belief that the attorney was representing the individual employee is not enough to establish an attorney-client relationship. Cole v. Ruidoso Mun. Sch., 43 F.3d 1373, 1384-85 (10th Cir. 1994); MacKenzie-Childs LLC v. MacKenzie-Childs, 262 F.R.D. 241, 253-55 (W.D.N.Y. 2009) (employees who were the "sole shareholders and ultimate decisionmakers of a closely-held corporation" did not enter into a personal attorney-client relationship with corporate counsel because the employees never made it clear to counsel that they were seeking personal legal advice).

In In re Bevill Bresler & Schulman Asset Mgmt. Corp., 805 F.2d 120, 123 (3rd Cir. 1986), the court held that an employee seeking to prove that she was being represented individually by corporate counsel must show:

> (1) the employee approached corporate counsel for the purpose of seeking legal advice;
>
> (2) the employee made it clear that she was seeking advice in an individual capacity;
>
> (3) counsel sought to communicate with the employee in an individual capacity, mindful of possible conflicts;
>
> (4) the communications were confidential; and

(5) the communications did not concern the employee's official duties or general affairs of the company.

See also United States v. Graf, 610 F.3d 1148, 1159-61 (9th Cir. 2010) (adopting the Bevill test); In re Grand Jury Subpoena, 274 F.3d 563, 571-72 (1st Cir. 2001) (citing Bevill standard with approval); In re Grand Jury Subpoenas, 144 F.3d 653, 659 (10th Cir. 1998) (hospital officers sufficiently established that the Hospital's attorneys represented them individually by testifying that each officer sought the advice of the attorneys in his individual capacity and confidential communications occurred between them regarding personal matters); United States v. Int'l Bhd. of Teamsters, 119 F.3d 210, 217 (2d Cir. 1997) (employee failed sufficiently to establish that he was being represented individually by his employer's counsel because he neither sought nor received legal advice from his employer's counsel on personal matters).

Some courts have lessened the showing an employee must make to prove that organizational counsel is personally representing the employee. In these jurisdictions, if a lawyer fails to clarify that she is solely representing the organization, then the employee can assert the privilege if the employee reasonably believed that the lawyer represented the employee. United States v. Hart, No. Crim. A. 92-219, 1992 WL 348425, at *1-2 (E.D. La. Nov. 16, 1992) (employees reasonably believed that corporate counsel was representing them individually and therefore could invoke privilege); *see also* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 14 cmt. f (2000). *But see* United States v. Int'l Bhd. of Teamsters, 119 F.3d 210, 216 (2d Cir. 1997) (rejecting employee's assertion that the privilege should apply because he reasonably believed that employer's attorney was representing him in his individual capacity).

Compare:

> *In re Grand Jury Subpoena, 274 F.3d 563, 571 (1st Cir. 2001). Following In re Bevill, Bresler & Schulman Asset Mgmt. Corp., 805 F.2d 120, 124-25 (3d Cir. 1986), and concluding that privilege can potentially attach between corporate counsel and employees, but that privilege is limited to employees' personal rights.*
>
> *In re Subpoena Issued to Friedman, 286 B.R. 505, 508 (S.D.N.Y. 2002). Officers of debtor corporation may only assert privilege over communications with debtor's counsel where counsel represented officers in an individual capacity.*

With:

> *United States v. Munoz, 233 F.3d 1117, 1128 (9th Cir. 2000). Attorney-client relationship did not exist because Munoz offered no evidence that he consulted with attorney for personal legal advice.*
>
> *Kennedy v. Gulf Coast Cancer & Diagnostic Ctr. at Se., Inc., 326 S.W.3d 352 (Tex. App. 2010). Outside law firm's memo belonged to the corporation, not the corporation's former in-house counsel who requested it and who, in his personal capacity, was a client of the outside law firm. In the memo, the law firm wrote that it had been retained "only to provide advice to the Company" and employees "should obtain independent counsel."*

The decision in United States v. Ruehle, 583 F.3d 600 (9th Cir. 2009), is particularly instructive regarding both the importance of corporate counsel clarifying its role as

representing only the corporation, and the heavy burden that a corporate employee may face when attempting to assert individual privilege. In this case, Broadcom's outside counsel conducted an internal investigation regarding potential stock options backdating. As part of the investigation, counsel interviewed Broadcom's CFO, Ruehle. Broadcom disclosed the results of the investigation to its outside auditors, and later to the government. The SEC and the United States Attorney's Office commenced formal enforcement and grand jury investigations, resulting in a grand jury indictment of Ruehle. Ruehle moved to exclude evidence regarding statements he made during the internal investigation based on an individual attorney-client privilege over communications with Broadcom's outside counsel. Complicating the case were: (1) that Ruehle and counsel disputed whether counsel had given Ruehle a "corporate *Miranda* warning"; and (2) that corporate counsel was simultaneously representing Ruehle individually in a different matter.

The trial court focused on counsel's failure to adequately inform Ruehle that counsel was representing only the corporation and not Ruehle individually. United States v. Nicholas, 606 F. Supp.2d 1109 (S.D. Cal. 2009), rev'd in part by United States v. Ruehle, 583 F.3d 600 (9th Cir. 2009). Applying California law, the trial court held that Ruehle's communications with counsel were privileged and should be excluded from the criminal proceeding. The trial court also found that counsel had breached its ethical duties and referred the matter to the California State Bar for appropriate discipline. 606 F. Supp.2d at 1121.

The appellate court reversed with respect to Ruehle's assertion of privilege. Applying federal common law, the court held that, although there was a dispute regarding whether counsel had given Ruehle a "corporate *Miranda* warning," Ruehle could not assert privilege because Ruehle was aware, at the time he communicated with corporate counsel, that the corporation intended to disclose the results of its investigation to the company's outside auditors and to the government. As a result, Ruehle failed to demonstrate that his communications with counsel were "made in confidence." 583 F.3d at 609. The appellate court noted that Ruehle was a senior officer of a sophisticated, publicly traded company, and that Ruehle had been intimately involved in all aspects of the internal investigation, including the decision at the outset to disclose information to its auditors and the government. *Id.* at 610.

The appellate court described a "so-called Upjohn or corporate Miranda warning": "Such warnings make clear that the corporate lawyers do not represent the individual employee, that anything said by the employee to the lawyers will be protected by the company's attorney-client privilege subject to waiver of the privilege in the sole discretion of the company; and that the individual may wish to consult with his own attorney if he has any concerns about his own potential legal exposure." *Id.* at 604 n.3 (citing Upjohn v. United States, 449 U.S. 383, 393-96 (1981)).

The ethical implications of organizational counsel representing individual employees are further discussed in *Ethical Considerations: Dual Representation*, § X.C.1, *infra*.

(3) Former Employees Of Organizational Clients

A problem often arises when a former employee has communicated with an organization's attorney after his employment has ended and the organization attempts to invoke the privilege to protect these exchanges. The courts disagree over whether communications between former employees and organizational counsel are privileged in these cases.

Compare:

> *Upjohn Co. v. United States, 449 U.S. 383, 402-03 (1981) (J. Burger, concurring). A communication is privileged when a former employee speaks at the direction of management with a corporate attorney about conduct or proposed conduct within the scope of her employment.*
>
> *In re Allen, 106 F.3d 582, 606 (4th Cir. 1997). Privilege precluded inquiry into interview conducted by investigating attorney with former employee.*
>
> *Favala v. Cumberland Eng'g Co., 17 F.3d 987, 990 (7th Cir. 1994). The court held that a former employee could not be prevented from testifying but could not testify about communications with the company's attorney.*
>
> *Admiral Ins. Co. v. U.S. Dist. Ct. for Dist. of Ariz., 881 F.2d 1486, 1492-93 (9th Cir. 1989). Counsel interviewed two high-level managerial employees about pending securities litigation. After the interviews the two employees quit. The court found that the privilege extended to the former employees. Court noted that the employees knew at the time of the interviews that the communications were to secure legal advice for the corporation.*
>
> *In re Flonase Antitrust Litig., 723 F. Supp. 2d 761, 765 (E.D. Pa. 2010). Privilege applies to conversations between company counsel and former employee during deposition recess.*
>
> *Miramar Constr. Co. v. Home Depot Inc., 167 F. Supp. 2d 182, 185 (D.P.R. 2001). Privilege extended to former employee designated as a corporate litigation representative by the corporate client.*
>
> *Bank of New York v. Meridian BIAO Bank Tanz., Ltd., No. 95 Civ. 4856, 1996 WL 490710, at *3 (S.D.N.Y. Aug. 27, 1996). Privilege applies to former employees.*
>
> *Stabilus Div. of Fichtel & Sachs Indus. v. Haynsworth, Baldwin, Johnson & Greaves, Civ. A. No. 91-6184, 1992 WL 68563, at *2 (E.D. Pa. Mar. 31, 1992). "The attorney-client privilege in the corporate context extends to former employees where the purpose of a conversation between those employees and corporate counsel is to secure legal advice for the company."*
>
> *Command Transp., Inc. v. Y.S. Line (USA) Corp., 116 F.R.D. 94, 96-97 (D. Mass. 1987). Applying Massachusetts law, the court found that former employees could come within the privilege.*
>
> *In re Worldwide Wholesale Lumber, Inc., 392 B.R. 197, 202-03 (Bankr. D.S.C. 2008). Privilege applied to protect post-bankruptcy petition communications between former officer and director of debtor company and trustee's counsel when communications were for the purpose of investigation and rendering advice to trustee, who was the debtor's successor.*

With:

> *In re Grand Jury Subpoena, 415 F.3d 333, 339-40 (4th Cir. 2005). Holding that privilege did not apply to conversations between corporation's outside counsel and former employees. Counsel to the former employer told employees that they represented the employer and that, absent a conflict, they*

could also represent the employee. Former employees did not in fact enter into an attorney-client relationship with attorneys, however, and privilege therefore did not apply.

Freeport-McMoran Sulphur, LLC v. Mike Mullen Energy Equip. Res. Co., No. Civ. A. 03-1496, 2004 WL 1237450 (E.D. La. June 2, 2004). Holding that communications with a former employee, retained as a consultant, were not subject to the privilege.

United States v. Merck-Medco Managed Care, LLC, 340 F. Supp. 2d 554, 557-58 (E.D. Pa. 2004). Holding that former employee's communications with counsel during the term of her employment were privileged but that subsequent conversations were not privileged.

*Wade Williams Distrib., Inc. v. Am. Broad. Cos, Inc., No. 00 Civ. 5002(LMM), 2004 WL 1487702, at *1-2 (S.D.N.Y. June 30, 2004). Following Peralta v. Cendant Corp., 190 F.R.D. 38, 41-42 (D. Conn. 1999), below, and holding that employee could be deposed regarding communications with corporate counsel notwithstanding understanding of employee and counsel that counsel also represented employee.*

Infosys., Inc. v. Ceridian Corp, 197 F.R.D. 303, 306 (E.D. Mich. 2000). Except in very limited circumstances, "counsel's communications with a former employee of the client corporation generally should be treated no differently from communications with any other third-party fact witness." Those limited circumstances include situations in which a privileged communication occurred during the course of employment or "where the present day communication concerns a confidential matter that was uniquely within the knowledge of the former employee when he worked for the client corporation, such that counsel's communication with this former employee must be cloaked with the privilege in order for meaningful fact-gathering to occur."

*City of N.Y. v. Coastal Oil N.Y., Inc., No. 96 Civ. 8667 (RPP), 2000 WL 145748, at *2 (S.D.N.Y. Feb. 7, 2000). The privilege did not apply to communications between in-house counsel and a former employee during deposition preparation where in-house counsel was not conducting an investigation.*

Peralta v. Cendant Corp., 190 F.R.D. 38, 41-42 (D. Conn. 1999). Where former employee is unrepresented by former employer's counsel, privilege applies only to matters that former employee was aware of as a result of her employment. Information conveyed by counsel that goes beyond that is not protected by the attorney-client privilege, although the opinions and conclusions of counsel would be protected by the work product doctrine.

Barrett Indus. Trucks, Inc. v. Old Republic Ins. Co., 129 F.R.D. 515, 517 (N.D. Ill. 1990). Privilege did not apply because former employee's interest differed from ex-employer's interest. Analysis based in part on the more stringent control group test followed in Illinois.

Clark Equip. Co. v. Lift Parts Mfg. Co., Inc., No. 82 C 4585, 1985 WL 2917 (N.D. Ill. Sept. 30, 1985). The reasoning of Upjohn does not support extension of the attorney-client privilege to cover post-employment communications with former employees of a corporate client. Former employees do not share an identity of interest in the outcome of the litigation. Their willingness to provide information is unrelated to direction from former corporate superiors, and they have no duty to their former employers to provide information. "It is virtually impossible to distinguish the position of a former employee from any other third party who might have pertinent information about one or more corporate parties to a lawsuit."

Generally, a former employee must have an agency obligation at the time he communicates with the organizational attorney for the communication to be privileged. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 73 cmt. e (2000). Several courts have held that the post-employment communications of senior officers concerning a matter within the scope of the former officers' duties are privileged. *See, e.g.*, Admiral Ins.

Co., v. U.S. Dist. Ct. for Dist. of Ariz., 881 F.2d 1486, 1493 (9th Cir. 1989); In re Coordinated Pretrial Proceedings in Petroleum Prods. Antitrust Litig., 658 F.2d 1355, 1361 n.7 (9th Cir. 1981); Amarin Plastics, Inc. v. Md. Cup Corp., 116 F.R.D. 36, 41 (D. Mass. 1987); Porter v. Arco Metals Co., 642 F. Supp. 1116, 1118 (D. Mont. 1986) (court allowed opposing counsel to interview former employees unless they had managerial responsibilities for the matter in question). Although it will generally be the case, many courts do not require the privileged information to have been acquired during employment. *See* Chancellor v. Boeing Co., 678 F. Supp. 250, 253-54 (D. Kan. 1988) (ex-employee who had personal involvement in the actions involved in the suit cannot be interviewed).

Because former employees are no longer agents of the corporate entity, corporate documents in their possession are not held in a representational capacity. Such employees, in response to discovery requests for production of the documents, may assert their Fifth Amendment rights and refuse to produce such documents where "the act of production is, itself, (1) compelled, (2) testimonial, and (3) incriminating." *See* In re Three Grand Jury Subpoenas Duces Tecum, 191 F.3d 173, 178 (2d Cir. 1999). When former employees themselves seek to access or review privileged documents from the period of their employment that are held by the corporate entity, courts have been willing to allow them to do so in limited circumstances. *See* People v. Greenberg, 851 N.Y.S.2d 196, 199-202 (N.Y. App. Div. 2008) (holding, in an action against a corporation and two former officers and directors, that the officers and directors could inspect privileged legal memoranda relating to the transactions that were the basis for the Attorney General's suit in order to prepare their defenses). *See Privilege Within the Corporation*, § I.B.1.b(5), *infra*.

The issue of whether an attorney can ethically interview an opposing corporation's former employees is discussed in *Ethical Considerations: Former Employees*, § X.C.2, *infra*.

(4) State Court Definitions Of The Organizational Client

The Upjohn opinion applies solely to federal courts applying federal law. Nevertheless, many states have followed the United States Supreme Court's definition of the corporate client as announced in Upjohn. *See*:

> *Samaritan Found v. Goodfarb, 862 P.2d 870, 873-74 (Ariz. 1993). Not explicitly adopting Upjohn but holding that when determining the scope of the attorney-client privilege, Court should focus on the subject matter and nature of the communication rather than the rank of the speaker.*
>
> *Tabas v. Bowden, No. Civ. A. 6619, 1982 WL 17820, at *4 (Del. Ch. Feb. 16, 1982). Upjohn cited favorably.*
>
> *Wardleigh v. Second Judicial Dist. Ct. in & for County of Washoe, 891 P.2d 1180, 1185 (Nev. 1995). Approving the test announced in Upjohn but holding that homeowners in a homeowners' association were not the equivalent of employees in a corporation.*
>
> *Macey v. Rollins Envtl. Servs. (N.J.), Inc., 432 A.2d 960, 963-64 (N.J. Super. Ct. App. Div. 1981). Citing Upjohn favorably, the court interpreted the state codification of the attorney-client privilege broadly and held that it protected communications between corporate counsel and the corporation's officers and employees.*

Baisley v. Missisquoi Cemetary Ass'n, 708 A.2d 924, 931 (Vt. 1998). Agreeing with Upjohn that "the control-group test is too limited to implement fully the attorney-client privilege in the corporate or association setting," and considering the subject matter and modified subject matter tests, but failing to adopt a specific test.

State courts that have declined to follow Upjohn have established their own rules governing the application of the attorney-client privilege to corporations. Some states still follow the "control group" test. Under this test, only upper-level management is considered a client for purposes of the attorney-client privilege. *See, e.g.*, ME. R. EVID. 502(a)(2) (1998) ("A 'representative of the client' is one having authority to obtain professional legal services, or to act on advice rendered pursuant thereto, on behalf of the client."); HAW. R. EVID. 503(a)(2), HAW. REV. STAT. § 626-1 (West 2009) (same). Thus, comments by lower-echelon employees to corporate counsel are unprotected. This test has been criticized because it fails to recognize that the division of functions in corporations often separates decision-makers from those knowing relevant facts. *See* Upjohn v. United States, 449 U.S. 383, 390-91 (1981); Faloney v. Wachovia, 254 F.R.D. 204, 212-13 (E.D. Pa. 2008) (noting the policy behind applying a broad test to protecting communications between corporate employees and counsel and observing that, absent a broad test, "in-house counsel would be wary of engaging in a candid exchange to alter business decisions that may run afoul of the law"). Some states still apply the "control group" test, *see*:

Resurrection Healthcare & Factory Mut. Ins. Co. v. GE Health Care, No. 07 C 5980, 2009 WL 691286 (N.D. Ill. Mar. 16, 2009). Director of Clinical Services responsible for overseeing managing all bio-medical service contracts was not "involved in decision making at the highest levels," therefore not within protected control group.

Langdon v. Champion, 752 P.2d 999, 1002 (Alaska 1988). Noting that the commentary to Alaska Rule of Evidence 503(a) "was included in the Rules solely as a means by which to adopt the 'control group' test governing assertion of the attorney-client privilege by corporate clients."

Consolidation Coal Co. v. Bucyrus-Erie Co., 432 N.E.2d 250, 256-58 (Ill. 1982). The court rejected the Upjohn approach and adopted the "control group" test, which protects communications between counsel and corporate decisionmakers or those "who substantially influence corporate decisions." Id. at 257. As a practical matter, the only communications that will ordinarily be protected are those made by top management who have the ability to make a final decision.

Midwesco-Paschen Joint Venture for Viking Prods. v. Imo Indus. Inc., 638 N.E.2d 322, 325-26 (Ill. App. Ct. 1994). The court expanded the control group test of Consolidation Coal to include two tiers of corporate employees whose communications with corporate counsel are protected: (1) the decision makers (i.e., top management), and (2) employees who directly advise top management.

Other courts have adopted different tests. Some have adopted a "subject matter" approach, which extends the attorney-client privilege "to those communications between attorneys and all agents or employees of the organization who are authorized to act or speak for the organization in relation to the subject matter of the communication." Hubka v. Pennfield Twp., 494 N.W.2d 800, 802 (Mich. Ct. App. 1992), *rev'd in part on other grounds*, 504 N.W.2d 183 (Mich. 1993); *see also*:

In re Avantel, S.A., 343 F.3d 311, 318 (5th Cir. 2003). Noting that, by statutory adoption, Texas rejected the "control group" test in favor of the "subject matter" test in 1998.

United Investors Life Ins. Co. v. Nationwide Life Ins. Co., 233 F.R.D. 483, 487 (N.D. Miss. 2006). Applying Mississippi law to hold that communications by employee were protected when employee has "authority to obtain professional legal services, or to act on advice rendered pursuant thereto, on behalf of the client or [when] an employee of the client [has] information needed to enable the lawyer to render legal services to the client." This test may encompass a group of employees larger than the control group.

E. I. DuPont de Nemours & Co. v. Forma-Pack, Inc., 718 A.2d 1129, 1139-41 (Md. 1998). Court discussed the Upjohn test, the "subject matter" test, and a test recently articulated by the Florida Supreme Court, but declined to adopt "a particular set of criteria for the application of the privilege in the corporate context until we are required to do so."

Leer v. Chic., M., St. P. & P. Ry., 308 N.W.2d 305, 308-09 (Minn. 1981). Court noted various tests for determining the identity of a corporate client, and seemed to lean towards a test that examines the nature of the communication, but failed to adopt any of them. Court held that the statements of an employee regarding an accident witnessed by the employee were not protected under any of the tests.

Marriott Corp. v. Am. Acad. of Psychotherapists, Inc., 277 S.E.2d 785, 791-92 (Ga. Ct. App. 1981) The court adopted the "subject matter" test of Diversified Indus., Inc. v. Meredith, 572 F.2d 596 (8th Cir. 1977). Under that test, communications are privileged so long as the communication relates to a subject matter for which the organization is seeking legal representation.

Finally, some states have fashioned unique tests that combine elements from some or all of the other methods of determining which corporate employees' communications with attorneys may be privileged. *See*:

D.I. Chadbourne, Inc. v. Super. Court, 60 Cal. 2d 723, 736-38 (Cal. 1964). Adopting a test that examines privilege with respect to an inquiry driven by eleven principles of the attorney-client relationship.

Shew v. Freedom of Info. Comm'n, 691 A.2d 29, 34 (Conn. App. Ct. 1997). Using a four part test "[c]onsistent with the teachings of Upjohn" to determine whether communications from government employee to attorney for public agency privileged. Factors include: 1) attorney must be acting in professional capacity for the agency; 2) communications must be made by current employees; 3) communications must relate to legal advice sought by the agency; and 4) communications must be made in confidence.

Southern Bell Tel. & Tel. Co. v. Deason, 632 So.2d 1377, 1383 (Fla. 1994). Adopting a five-factor test that examines: 1) whether communication would have been made but for contemplation of legal services; 2) whether employee made communication of direction of corporate superior; 3) whether superior made request of employee as part of corporation's efforts to secure legal advice; 4) whether subject matter of communication is within scope of employee's duties; and 5) whether communication was disseminated beyond people who needed to know its contents

One authority categorizes the various states' tests, providing a helpful starting point for determining which test a particular state employs. *See generally* Brian E. Hamilton, *Conflicts, Disparity, and Indecision: The Unsettled Corporate Attorney-Client Privilege*, 1997 ANN. SURV. AM. L. 629 (1997). This article reports that as of 1997 eight states had explicitly adopted Upjohn (Alabama, Arizona, Arkansas, Colorado, Nevada, Oregon, Texas, and Vermont), eight states continued to apply the control group test (Alaska, Hawaii, Illinois, Maine, New Hampshire, North Dakota, Oklahoma, and South Dakota), and six follow a subject matter test (California, Florida, Kentucky, Louisiana, Mississippi, and Utah), while the highest courts of twenty-eight states had not definitively addressed the issue

(Connecticut, Delaware, Idaho, Indiana, Iowa, Kansas, Maryland, Missouri, Montana, Nebraska, New Jersey, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Virginia, West Virginia, Wyoming, Georgia, Massachusetts, Michigan, Minnesota, Washington, and Wisconsin). *See id.* at 633-640; *see also* John K. Villa, *The Client-Who Speaks for the Client?*, Corporate Counsel Guidelines § 1.3 n.26 (West 2009). However, one should exercise care not to over-simplify some of the more complex tests adopted by certain jurisdictions for the sake of fitting them into a particular category.

(5) Privilege Within The Corporation

There is some conflict among courts as to whether the attorney-client privilege can be asserted on behalf of the corporation against its own directors. In Moore Business Forms, Inc. v. Cordant Holdings Corp., Nos. 13911, 14595, 1996 WL 307444, at *4-6 (Del. Ch. June 4, 1996), Cordant attempted to assert the attorney-client privilege to prevent a director whom Moore had installed on the Cordant board from accessing information that was provided to other Cordant directors. The Court rejected Cordant's attempt to assert the privilege, holding that it would be "perverse" to allow a client (the Cordant board) to assert the privilege against itself (one of Cordant's own directors). *See also* People v. Greenberg, 50 A.D.3d 195 (N.Y. App. Div. 2008) (former CEO and former CFO entitled to inspect legal documents created during their employment when the documents related to the suit against them and their former employer). In contrast, in Hoiles v. Superior Court, 204 Cal. Rptr. 111, 116-17 (Cal. Ct. App. 1984), the court held that the plaintiff-director was not entitled to pierce the defendant-corporation's attorney-client privilege because the plaintiff was suing in his capacity as a shareholder and not as a director. *See also* Montgomery v. eTreppid Techs., L.L.C., 548 F. Supp. 2d 1175, 1187 (D. Nev. 2008) (former manager or officer suing in his personal capacity could not access defendant's attorney-client privileged communications); Barr v. Harrah's Entm't, Inc., No. Civ. 05-5056JEI, 2008 WL 906351, at *7 (D.N.J. Mar. 31, 2008) (noting that "a former officer or director serving as a class representative in a class action lawsuit asserting a breach of contract claim does not have the right to review privileged documents of the corporation solely based upon the officer or director's prior access to such documents during his tenure as a former officer or director with the corporation"); Dexia Credit Local v. Rogan, 231 F.R.D. 268, 276-79 (N.D. Ill. 2004) (corporation could assert privilege against former member of control group, notwithstanding member's authorship of documents at issue, because member had left the control group); Milroy v. Hanson, 875 F. Supp. 646, 648-49 (D. Neb. 1995) (no right of dissident director to pierce privilege asserted on behalf of corporation by majority of the board). Courts are split about whether the corporation may assert the attorney-client privilege against former employees who had access to the privileged material during their employment. Gilday v. Kenra, Ltd., No. 1:09-cv-00229-TWP-TAB, 2010 WL 3928593, at *3-4 (S.D. Ind. Oct. 4, 2010) (analyzing the court split and holding that the privilege belongs to the corporation, even when the contested documents are communications between the former employee and the corporation's outside counsel).

c. Government Agencies As Clients

Unlike private attorneys, attorneys for government agencies owe a duty to the public to ensure that laws are obeyed by their clients, governmental entities. Therefore, when the attorney-client privilege is asserted to prevent the production of communications between a government agency and the agency's attorney, courts have taken special policy considerations into account in determining whether the privilege applies. *See* In re Lindsey (Grand Jury Testimony), 158 F.3d 1263, 1272 (D.C. Cir. 1998); *see also* In re Witness Before Special Grand Jury 2000-2, 288 F.3d 289, 293-94 (7th Cir. 2002) (officeholders may not invoke the attorney-client privilege with regard to communications with government attorneys in the context of criminal grand jury proceedings).

There is a circuit court split on this issue. *See generally* United States v. Bravo-Fernandez, --- F.Supp.2d ---, 2010 WL 5260867, at *8 (D.P.R. Dec. 23, 2010) (noting the circuit split and analyzing cases from the Second, Seventh, Eighth, and D.C. Circuits).

For example, in Reed v. Baxter, 134 F.3d 351, 356-57 (6th Cir. 1998), the Sixth Circuit stated that "[t]he recognition of a governmental attorney-client privilege imposes the same costs as are imposed in the application of the corporate privilege, but with an added disadvantage. The governmental privilege stands squarely in conflict with the strong public interest in open and honest government." In Reed, the court held that communications that took place in a meeting between city council members and the city's attorney regarding the fire department's employee promotion practice were not protected by the attorney-client privilege because, in that context, the council members "were not clients at a meeting with their lawyer. Rather, they were elected officials investigating the reasons for executive behavior." *Id.* at 357.

In contrast to Reed, other courts have held that "the traditional rationale for the [attorney-client] privilege applies with special force in the government context. It is crucial that government officials, who are expected to uphold and execute the law and who may face criminal prosecution for failing to do so, be encouraged to seek out and receive fully informed legal advice." Brinckerhoff v. Town of Paradise, No. CIV. S-10-0023 MCE GGH, 2010 WL 4806966, at *4 (E.D. Cal. Nov. 18, 2010); *accord* In re Grand Jury Investigation, 399 F.3d 527, 534 (2d Cir. 2005). *See also* In re County of Erie, 473 F.3d 413, 419 (2d Cir. 2007) ("At least in civil litigation between a government agency and private litigants, the government's claim to the protections of the attorney-client privilege is on a par with the claim of an individual or a corporate entity.")

The public interest against application of a government attorney-client privilege is particularly compelling in cases that involve allegations of criminal wrongdoing by public officials. In In re Lindsey (Grand Jury Testimony), 158 F.3d 1263, 1272 (D.C. Cir. 1988), while defining "the particular contours of the government attorney-client privilege," the D.C. Circuit found that "[w]ith respect to investigations of federal criminal offenses, and especially offenses committed by those in government, government attorneys stand in a far different position from members of the private bar." In this case, the court considered whether a White House attorney may refuse to appear before a federal grand jury to answer questions about possible criminal conduct of government officials within the Office of the

President. *Id.* at 1274. The court rejected the White House attorney's assertion of the attorney-client privilege, concluding that the duty of government attorneys to ensure that laws be faithfully executed and the duty to report possible criminal violations pursuant to the Freedom of Information Act weighed against recognition of a governmental attorney-client privilege in a federal grand jury proceeding. *Id.*; *see also* In re Grand Jury Subpoena Duces Tecum, 112 F.3d 910, 921 (8th Cir. 1997) ("We believe the strong public interest in honest government and in exposing wrongdoing by public officials would be ill-served by recognition of a governmental attorney-client privilege applicable in criminal proceedings inquiring into the actions of public officials.").

Additionally, when government agencies are clients, issues arise regarding how much legal advice the agencies can share with each other without destroying the attorney-client privilege. *See* Modesto Irrigation Dist. v. Gutierrez, No. 1:06-CV-00453, 2007 WL 763370, at *14-21 (E.D. Cal. Mar. 9, 2007) (rejecting the government's theory that all government agencies can freely share legal advice without waiving the privilege because – under the "unitary executive theory" – the entire executive government functions as a single client).

Finally, like employees in corporations, employees of governmental entities and the attorneys who represent governmental entities should understand that communications between the employees and the attorneys may or may not be privileged. One federal court has noted that "although [government] employee communications with governmental legal counsel can be protected, the law is not clear on whether the individual employee can invoke the privilege, or if that right belongs only to the agency or government entity. . . . The case law on this issue is minimal, and neither the Supreme Court nor the Ninth Circuit has addressed the issue." United States v. Ferrell, No. CR07-006MJP, 2007 WL 2220213, at *3 (W.D. Wash. Aug. 1, 2007) (holding that the privilege belonged to the government and not to the individual employee).

2. Defining The Lawyer

The second category of privileged persons is comprised of lawyers. *See generally* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 72 cmt. e (2000); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5480 (Supp. 2009). Generally, courts have defined a "lawyer" for purposes of the attorney-client privilege as "a member of the bar of a court." *See* Allen v. W. Point-Pepperell, Inc., 848 F. Supp. 423, 427 (S.D.N.Y. 1994). However, most courts hold that the attorney need not be a member of the local bar in order to claim the privilege; so long as the attorney is admitted to practice in some state. *See* Paper Converting Mach. Co. v. FMC Corp., 215 F. Supp. 249, 251 (E.D. Wis. 1963); Ga.-Pac. Plywood Co. v. U.S. Plywood Corp., 18 F.R.D. 463, 465 (S.D.N.Y. 1956); *see also* Gucci America, Inc. v. Guess? Inc., No. 09 Civ 4373 (SAS), 2011 WL 9375 (S.D.N.Y. Jan. 3, 2011) (in-house counsel's inactive bar status does not destroy the privilege by itself). Moreover, many jurisdictions apply the "reasonable belief test," which states that for the purpose of establishing attorney-client privilege, a lawyer is anyone who a client reasonably believes to be authorized to practice law. *See, e.g.*, In re Grand Jury Subpoena Duces Tecum, 112 F.3d 910, 923 (8th Cir. 1997); Gucci, 2011 WL 9375 (applying reasonable belief test to corporation's representation by in-house attorney who was on inactive status with the state bar). *See also* Nat'l Labor Relations Bd. v. Jackson Hosp.

Corp., 257 F.R.D. 302 (D.D.C. 2009) (holding that communications between a complaining union and the NLRB were not protected by a "de facto" attorney-client privilege where NLRB brought charges based on complaints filed by union because NLRB did not demonstrate that union believed it was seeking advice and that union's belief that communications would be confidential was reasonable); *But see* United States v. Henry, No. 06-33-01, 2007 WL 419197, at *1 (E.D. Pa. Feb. 2, 2007) ("client's" conversations with jailhouse lawyer not privileged even where "client" believed cellmate was an attorney); United States v. Cook, No. CR05-424Z, 2007 WL 391559, at *3 (W.D. Wash. Jan. 23, 2007) (communications between "client" and law student not subject to attorney-client privilege when law student not yet licensed, even where law student, once licensed, continued to serve as attorney for same client); Fin. Techs. Int'l, Inc. v. Smith, No. 99 Civ. 9351 (GEL) (RLE), 2000 WL 1855131, at *6-7 (S.D.N.Y. Dec. 19, 2000) (refusing to apply reasonable belief test to corporate client).

a. In-House vs. Outside Counsel

Theoretically, for the purpose of asserting the attorney-client privilege, the determination of who is the attorney is straightforward, and the privilege treats in-house counsel and outside counsel equally.[1] *See*:

> *Shelton v. Am. Motors Corp., 805 F.2d 1323, 1326 n.3 (8th Cir. 1986). In-house counsel is treated no differently than outside counsel.*
>
> *In re Sealed Case, 737 F.2d 94, 99 (D.C. Cir. 1984). Status as in-house counsel does not dilute privilege, but does require a clear showing that communications with in-house counsel were in a professional legal capacity.*
>
> *Nata v. Hogan, 392 F.2d 686, 692 (10th Cir. 1968). Attorney-client privilege does not depend on the number of clients an attorney has; therefore, in-house counsel is treated no differently than outside counsel.*
>
> *AIU Ins. Co. v. TIG Ins. Co., No. 07 Civ. 7052 (SHS) (HBP), 2008 WL 4067437, at *6 (S.D.N.Y. Aug. 28, 2008). In-house counsel is treated the same as outside counsel, but if the in-house counsel also serves as business advisor to the corporation, only communications providing legal, not business, advice are protected by the attorney-client privilege.*
>
> *Deel v. Bank of Am., N.A., 227 F.R.D. 456, 458-460 (W.D. Va. 2005). Observing that the privilege "applies to individuals and corporations, and to in-house and outside counsel" and refusing to order production of documents where party "clearly sent these documents to its in-house and outside counsel to facilitate legal services."*

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[1] Notably, the European Union's highest court has held that, in the context of investigations conducted byt he European Commission, communications between a company and its in-house lawyers are *not* protected by the attorney-client privilege and may be reviewed by the European Commission, creating a clear divergence in the treatment of in-house versus outside counsel in the European community. *See* Case C-550/07 P, Akzo Nobel Chems. Ltd. v. European Comm'n, [2010] E.C.R. II-0000, 2010 ECJ EUR-Lex 807 (Lexis) (confirming holding in AM&S v. Comm'n [1982] E.C.R. 1575).

Premiere Digital Access, Inc. v. Cent. Tel. Co., 360 F. Supp. 2d 1168, 1174 (D. Nev. 2005). Rejecting plaintiff's contention that the attorney-client privilege does not apply to in-house counsel.

*U.S. ex rel. Robinson v. Northrop Grumman Corp., No. 89 C 6111, 2002 WL 31478259, at *4 (N.D. Ill. Nov. 5, 2002). Documents produced by outside auditor retained by in-house counsel for purposes of establishing potential liability remained privileged.*

Leibel v. Gen. Motors Corp., 250 Mich. App. 229, 238-39, 646 N.W.2d 179, 185 (Mich. Ct. App. 2002). Lifting applicability of privilege to work of in-house counsel "would seriously undermine the privilege in the corporate setting."

Rossi v. Blue Cross & Blue Shield of Greater N.Y., 540 N.E.2d 703, 705 (N.Y. 1989). In-house counsel is treated the same as outside counsel.

However, several courts have made it clear that they do treat in-house counsel differently when assessing the assertion of privilege. Because in-house counsel often plays multiple roles in the corporation, many courts apply heightened scrutiny in determining whether the elements necessary for the privilege have been established. Courts often require that in-house counsel make a "clear showing" that communications were made for a legal rather than a business purpose. *See, e.g.*, Rowe v. E.I. duPont de Nemours & Co., 2008 WL 4514092, at *7-8 (D.N.J. Sept. 30, 2008) (utilizing "predominantly legal" test and requiring showing that in-house counsel were engaged in "predominantly legal" communications before privilege would be applied); In re Seroquel Prods. Liab. Litig., 2008 WL 1995058, at *4, 8-9 (M.D. Fla. May 7, 2008) (applying the reasoning from In re Vioxx to find that, for a majority of the sought-after documents, defendants did not meet burden of showing that they contained communications with in-house counsel related to legal matters); In re Vioxx Prod. Liab. Litig., 501 F. Supp. 2d 789 (E.D. La. 2007) (difficult to apply attorney-client privilege to modern corporate counsel who have become involved in all facets of corporations, and requiring clear showing in-house counsel was acting in professional legal capacity); TVT Records v. Island Def Jam Music Group, 214 F.R.D. 143, 144 (S.D.N.Y. Mar. 04, 2003) (noting that privilege issues related to in-house counsel may be more difficult to determine given counsel's involvement in business, as well as legal, matters); *see also* Am. Nat'l Bank & Trust Co. v. Equitable Life Assur. Soc'y, 406 F.3d 867, 873 (7th Cir. 2005) (noting that applying the privilege to in-house counsel is a "difficult area" and concluding that sanctions were not appropriate where party asserting privilege did so over broadly but in good faith); In re Teleglobe Commc'ns Corp., 392 B.R. 561, 582-84 (Bankr. D. Del. Aug. 7, 2008) (noting the difficulty of determining when communications with in-house counsel constitute business or legal advice and finding that defendants' attempts to designate privileged documents was made in good faith and not deserving of sanctions). *See also Privilege Applies Only to Communications Made for the Purpose of Securing Legal Advice*, § I.D, *infra.*

See also:

Minebea Co. v. Papst, 228 F.R.D. 13, 21 (D.D.C. 2005). Ordering production of documents that party resisting production asserted had been provided to in-house counsel to secure his advice and concluding that the documents had been circulated to counsel, along with other members of senior management for business purposes and that there was no indication that any of these memoranda were prepared for a predominately legal purpose."

*Cellco P'ship v. Nextel Commc'n, Inc., No. M8-85 (RO), 2004 WL 1542259, at *1 (S.D.N.Y. July 9, 2004). Holding that communications between in-house attorney and marketing employees, which were further forwarded to client's advertising firm, were not privileged where in-house counsel was not acting as an attorney.*

*Breneisen v. Motorola, Inc., No. 02 C 50509, 2003 WL 21530440, at *3 (N.D. Ill. July 3, 2003). Communications made by and to corporate in-house counsel with respect to business matters, management decisions, or business advice are not protected by the attorney-client privilege. "Generally, there is a presumption that a lawyer in a legal department of the corporation is giving legal advice, and an opposite presumption for a lawyer who works on the business or management side. However, the lawyer's position in the corporation is not necessarily dispositive."*

*Ames v. Black Entm't Television, No. 9 Civ. 0226, 1998 WL 812051, at *8 (S.D.N.Y. Nov. 18, 1998). "We are mindful . . . That [the witness who was VP and general counsel] was a Company vice president, and had certain responsibilities outside the lawyer's sphere. The Company can shelter [the witness's] advice only upon a clear showing that [the witness] gave it in a professional legal capacity" (citation omitted).*

*United States v. Chevron Corp., No. C-94-1885 SBA, 1996 WL 264769, at *4 (N.D. Cal. Mar. 13, 1996). "Some courts have applied a presumption that all communications to* outside counsel *are primarily related to legal advice. See Diversified Indus., Inc. v. Meredith, 572 F.2d 596, 610 (8th Cir. 1977). In this context, the presumption is logical since outside counsel would not ordinarily be involved in the business decisions of a corporation. However, the Diversified presumption cannot be applied to in-house counsel because in-house counsel are frequently involved in the business decisions of a company. While an attorney's status as in-house counsel does not dilute the attorney-client privilege . . . a corporation must make a* clear showing *that in-house counsel's advice was given in a professional legal capacity."*

Kramer v. Raymond Corp, No. 90-5026, 1992 WL 122856, 1 (E.D. Pa. May 29, 1992). "The attorney-client privilege is construed narrowly. This is especially so when a corporate entity seeks to invoke the privilege to protect communications to in-house counsel. Because in-house counsel may play a dual role of legal advisor and business advisor, the privilege will apply only if the communication's primary purpose is to gain or provide legal assistance. . . . [T]he corporation 'must clearly demonstrate that the communication in question was made for the express purpose of securing legal not business advice" (citations omitted). See also Faloney v. Wachovia Bank, N.A., 254 F.R.D. 204, 209-10 *(E.D. Pa. 2008) (citing Kramer v. Raymond Corp.).*

In-house counsel can also be treated differently when determining whether the privilege has been waived. Generally, since the privilege belongs to the client, courts are unwilling to allow counsel to waive the privilege without implied, actual or apparent authority from the client. *See Authority to Waive Privilege*, § I.G.5, below. However, because in-house counsel are agents of the organization itself, some courts have found that in-house counsel is capable of waiving the privilege for the organization. *See* Velsicol Chem. Corp. v. Parsons, 561 F.2d 671, 674 (7th Cir. 1977); In re Grand Jury Subpoenas Dated Dec. 18, 1981, 561 F. Supp. 1247, 1254 n.3 (E.D.N.Y. 1982).

b. Specially Appointed Counsel

The definition of a lawyer generally includes specially-appointed counsel. However, only communications to and from specially-appointed counsel acting in a legal capacity are entitled to protection. In re Grand Jury Subpoena Duces Tecum Dated Sept. 15, 1983, 731 F.2d 1032, 1036-37 (2d Cir. 1984); In re Grand Jury Proceedings, 658 F.2d 782, 784 (10th Cir. 1981). Where a specially-appointed attorney serves solely as an investigator and

not as a legal advisor, the communications are not privileged. *See, e.g.*, SEC v. Canadian Javelin Ltd., 451 F. Supp. 594 (D.D.C. 1978), vacated, No. 76-2070, 1978 WL 1139 (D.D.C. 1978) (court held that no attorney-client relationship existed between the corporation and special independent counsel to company's compliance committee who had obligation to disclose non-compliance to the SEC); Osternick v. E.T. Barwick Indus., Inc., 82 F.R.D. 81 (N.D. Ga. 1979) (court compelled deposition of special counsel despite provision in consent decree providing that there would be no waiver of privilege regarding disclosures made by the company to special counsel). *See also* Henderson v. Nat'l R.R. Passenger Corp., 113 F.R.D. 502, 509 (N.D. Ill. 1986) (communications between employees and an attorney acting as an EEOC representative, who investigated claims and reported solely to the Amtrak legal department, were not privileged because the attorney did not work for Amtrak's benefit, and its employees "had no expectation of privacy"). *But see* In re LTV Securities Litigation, 89 F.R.D. 595 (N.D. Tex. 1981) (court refused to allow discovery of the contents of communications with a "special officer" who was appointed pursuant to a consent decree with the SEC).

For a discussion of the application of the attorney-client privilege in internal investigations, *see Internal Investigations*, § IX, *infra*; *see also Recommendations for Preserving the Attorney-Client Privilege*, § III, *infra.*

c. Accountants As Privileged Parties

At common law, there was no accountant-client privilege. United States v. Bisanti, 414 F.3d 168, 170 (1st Cir. 2005); *see also* Couch v. United States, 409 U.S. 322, 335 (1973) (noting the lack of such a privilege under federal law); Evergreen Trading, L.L.C. v. United States, 80 Fed. Cl. 122, 134 (Fed. Cl. 2007) (same). However, both the federal government and many states have enacted statutory accountant-client privileges of varying breadth.

In 1998, Congress adopted legislation that created a limited accountant-client privilege. The IRS Restructuring and Reform Act of 1998 purports, with some limitations, to extend the common-law attorney-client privilege to "federally authorized tax practitioner[s]" providing "tax advice" by amending the Internal Revenue Code § 7525. *See* I.R.C. § 7525 (West 2009). Several accounting firms have attempted to avail themselves of its protection in order to circumvent disclosure requirements related to clients involved in tax shelters but most courts have limited the applicability of the privilege in this context. For example, in United States v. BDO Seidman, 337 F.3d 802, 811 (7th Cir. 2003), *cert. denied sub nom.*, Roes v. United States, 540 U.S. 1178 (2004), the Seventh Circuit held that Section 7525 does not protect the identities of accountancy clients that have purchased tax shelters. The court reasoned that because client identities are not generally protected by the attorney-client privilege at common law, and because Section 7525 does not provide any broader protection, the client identities were not protected. Further, because federal law requires reporting of tax shelter clients, no expectation of privacy could attach, further limiting applicability of the privilege. *Id.* at 812; *see also*:

> *Valero Energy Corp. v. United States, 569 F.3d 626 (7th Cir. 2009). The tax shelter exception to the tax practitioner-client privilege applied not only to the promotion of pre-packaged tax-shelter products, but to an "individualized tax reduction plan." The exception applies whenever the government meets its burden of demonstrating that a tax practitioner "promoted" a plan or*

arrangement "with a significant – as opposed to ancillary – goal of avoiding or evading taxes." Order of production affirmed.

Scotty's Contracting & Stone, Inc. v. United States, 326 F.3d 785, 791 (6th Cir. 2003). Section 7525 does not purport to federalize state-established accountant-client privileges, and state-created privileges do not limit the IRS's authority to issue summons.

United States v. Frederick, 182 F.3d 496, 502 (7th Cir. 1999). "Dual-use" documents created during preparation of tax returns are not subject to attorney-client privilege and therefore are not subject to Section 7525.

United States v. KPMG LLP, 316 F. Supp. 2d 30, 35-38 (D.D.C. 2004). Following BDO Seidman and holding that purchasers of tax shelters have no expectation that their identities will remain private, particularly in light of the obligation, pursuant to IRC § 6112, to maintain a list of such identities.

Doe v. KPMG, L.L.P., 325 F. Supp. 2d 746, 752-59 (N.D. Tex. 2004). Following BDO Seidman and rejecting proposition that IRC § 7525 privilege protects the identities of purchasers of tax shelters.

United States v. Sidley Austin Brown & Wood LLP, No. 03 C 9355, 2004 WL 816448 (N.D. Ill. Apr. 15, 2004). Following BDO Seidman, but allowing purchasers to intervene permissively in order to assert objections, based other than on privilege, to request for production.

*United States v. Arthur Andersen, L.L.P., No. 02 C 6790, 2003 WL 21956404, at *6 (N.D. Ill. Aug. 15, 2003). Amending United States v. Arthur Andersen, L.L.P., 273 F. Supp. 2d 955(N.D. Ill. 2003) on reconsideration in light of BDO Seidman, and holding that identifies of tax shelter clients were not privileged.*

Doe v. Wachovia Corp., 268 F. Supp. 2d 627, 636-37 (W.D.N.C. 2003). Holding that Section 7525 did not apply to summons issued to bank requesting identification of client identifies because "the issuance of an administrative summons to a bank, as opposed to a taxpayer, does not appear to be a 'tax proceeding' before the IRS." Noting further that communications made in furtherance of creating a tax shelter and that involve a corporation are specifically excluded from the privilege under Section 7525(b).

*Long-Term Capital Holdings v. United States, No. 3:01 CV 1290, 2002 WL 31934139, at *7-8 (D. Conn. Oct. 30, 2002), reconsidered in part on other grounds, 2003 WL 1548770 (D. Conn. Feb. 14, 2003). Observing that 7525 does not apply to work product and does not protect communications made in furtherance of the preparation of a tax return.*

Countryside L.P. v. Comm'r, 132 T.C. No. 17, Tax Ct. Rep. (CCH) ¶ 57,846 (T.C. 2009). Notes taken by the taxpayer during meetings with its long-standing tax adviser, PricewaterhouseCoopers, were privileged because (1) the notes were not communicated to PwC, so they were not "communications" within the meaning of the statute, and(2) PwC had an on-going relationship with the taxpayer, rendered advice when asked for it, counseled within its area of expertise, and retained no stake as an advisor to the taxpayer, but instead was paid an hourly rate, and thus the conduct did not fall within the statutory definition of "promotion."

Evergreen Trading, L.L.C. v. United States, 80 Fed. Cl. 122, 129-31, 134-35 (Fed. Cl. 2007). Scope of the tax-practitioner client privilege depends on the scope of the attorney-client privilege. Attorney-client privilege does not apply when an attorney acts as a tax return preparer; documents used in preparing tax returns are not privileged. Furthermore, a party waives the attorney-client privilege that applies to an attorney's legal advice concerning the tax consequences of an action when it discloses or relies on that advice.

The effect of I.R.C. Section 7525 has not been substantial because it only attaches where an accountant, authorized to practice before the Internal Revenue Service, is involved in a civil matter before the Service or a federal court where the United States is a party, and then only applies to the same extent the common-law privilege would apply. Thus, it is only when an accountant is performing an attorney's work that the accountant-client privilege would apply. *See* United States v. Frederick, 182 F.3d 496, 502 (7th Cir. 1999) ("Nothing in the new statute suggests that these non-lawyer practitioners are entitled to privilege when they are doing other than lawyers' work; and so the statute would not change our analysis even if it were applicable to this case, which it is not, because it is applicable only to communications made on or after July 22, 1998, the date the statute was enacted."); Evergreen Trading L.L.C. v. United States, 80 Fed. Cl. 122, 130 (Fed. Cl. 2007) (recognizing Frederick); *see also Accountants as Privileged Agents*, § I.B.3.b, *infra*. Further, as enacted, I.R.C. Section 7525 excluded communications related to corporate tax shelters from its protection. In 2004, Congress amended the provision to exclude communications related to tax shelters generally from its effect.

Several states have enacted statutes creating an accountant-client privilege. For a list and text of these statutes, *see* DAVID M. GREENWALD, ROBERT R. STAUFFER, & ERIN R. SCHRANTZ, TESTIMONIAL PRIVILEGES, § 3:6 & App. 3-1 (Thomson West 3d ed. 2005) (update 2010). In federal actions based on diversity jurisdiction, these state law protections of accountant-client communications may protect information that would not be protected under federal common law. *See Choice of Law: Identifying the Applicable Law*, § X.A, *infra*.

3. Defining Privileged Agents

a. Privileged Agents In General

In addition to clients and lawyers, the definition of privileged persons includes agents of the client and the lawyer who assist in the representation. United States v. United Shoe Mach. Corp., 89 F. Supp. 357, 358 (D. Mass. 1950). Privileged agents include non-employees such as paralegals and investigators. The presence of these third party agents does not waive the privilege if their presence was to facilitate effective communication between lawyer and client or to further the representation in some other way. In re Grand Jury Investigation, 918 F.2d 374, 386 n.20 (3d Cir. 1990) (presence of agent does not abrogate privilege); PROPOSED FED. R. EVID. 503(b)(4), 56 F.R.D. 183, 235-36 (1973). Privileged agents are sometimes grouped into two categories: (1) communicating agents, and (2) representing agents. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 70 cmts. f, g (2000), 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5483 (Supp. 2009) (discussing communicating and source agents).

Both the lawyer and client typically will have communicating agents. These agents enable the lawyer and client to communicate effectively. 8 JOHN H. WIGMORE, EVIDENCE § 2317 (Supp. 2009). The most common examples of communicating agents are employees such as couriers and secretaries. *See, e.g.*, United States v. Bill Harvert Int'l Constr. Co., No. 95-1231 (RCL), 2007 WL 915235, at *2-3 (D.D.C. Mar. 27, 2007) (presence of client's

assistant did not waive privilege when assistant's job was to witness documents and ensure a record of their creation). The presence of the communicating agent must be reasonably necessary or the privilege is waived. JOHN W. STRONG, MCCORMICK ON EVIDENCE § 91 (6th ed. 2006); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE §§ 5485-86 (Supp. 2009); *see also* Kevlik v. Goldstein, 724 F.2d 844, 849 (1st Cir. 1984). Note, however, that while the presence of a non-professional agent does not destroy the privilege, and while those agents may communicate the advice of an attorney, the non-professional's own advice may not itself be privileged. *See* HPD Labs., Inc. v. Clorox Co., 202 F.R.D. 410, 416 (D.N.J. 2001) (observing that, while communications with paralegal are privileged to the extent they pass on an attorney's advice or were made under an attorney's supervision, communications originating with the paralegal are not themselves privileged).

Representing agents include confidential assistants of the lawyer such as a file clerks or paralegal assistants. These agents are necessary for the operation of the lawyer's business. *See* United States v. Kovel, 296 F.2d 918, 921-22 (2d Cir. 1961) (necessary secretaries, paralegals, legal assistants, stenographers or clerks are privileged agents); Hilton-Rorar v. State & Fed. Commc'ns Inc., No. 5:09-CV-01004, 2010 WL 1486916, at *4 (N.D. Ohio April 13, 2010) ("Law clerks, secretaries, paralegals, file clerks, telephone operators, messengers, clerks not yet admitted to the bar, among other aides, including consulting experts may qualify as an attorney's representative."); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 91 (6th ed. 2006); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5482 (Supp. 2009).

Representing agents can also include any subordinate or agent of the attorney if the attorney uses the agent to facilitate legal advice and supervises the agent's actions. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 70 cmt. g (2000). Pursuant to what has come to be called the "*Kovel* doctrine," a consulting expert retained by the attorney or client to assist the attorney in providing legal advice to the client qualifies as a privileged agent if consulted for the purpose of improving the attorney's comprehension of factual information or the client's comprehension of legal advice provided by the attorney. United States v. Kovel, 292 F.2d 918, 922 (2d Cir. 1961) (accountant hired by tax counsel to assist in interpreting client conversations was considered privileged agent); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 70 cmt. f, illus. 5 (2000). The *Kovel* doctrine has been adopted or applied by several Circuits. *See* Cavallaro v. United States, 284 F.3d 236, 247 (1st Cir. 2002); In re Grand Jury Proceedings, 220 F.3d 568, 571 (7th Cir. 2000); United States v. Bornstein, 977 F.2d 112, 116-17 (4th Cir. 1992); Fed. Trade Comm'n v. TRW, Inc., 628 F.2d 207, 212 (D.C. Cir. 1980); United States v. Alvarez, 519 F.2d 1036, 1045-46 (3rd Cir. 1975); United States v. Cote, 456 F.2d 142, 144 (8th Cir. 1972); United States v. Judson, 322 F.2d 460, 462-63 (9th Cir. 1963).

In order to be privileged, the communication with the agent must be made in confidence for the purpose of obtaining legal advice from the attorney; business advice, such as accounting services, will not be privileged. Kovel, 296 F.2d at 922. *See also* Cavallaro, 284 F.3d at 247-48 (no privilege where accountant not employed for purpose of assisting counsel to provide legal advice); United States v. Ackert, 169 F.3d 136, 139-40 (2d Cir. 1999) (no privilege where counsel communicated with accountant to obtain factual

information rather than to assist counsel in translating or interpreting information given to counsel by the client). Privileged communications may occur where an agent is necessary to "translate" or "interpret" complicated factual information for the attorney. Kovel, 296 F.2d at 922; Ackert, 169 F.3d at 139-40. *See also* Jenkins v. Bartlett, 487 F.3d 482, 490-91 (7th Cir. 2007) (presence of police liaison officer during meeting between police officer and his attorney did not destroy privilege where liaison officer interpreted information from attorney to client).

Citing language from *Kovel*, courts extend the privilege to agents where the agent is "necessary, or at least highly useful for the effective consultation between the client and the lawyer." Cavallaro, 284 F.3d at 247-48; Heriot v. Byrne, 257 F.R.D. 645, 666-67 (N.D. Ill. 2009). Some courts interpret this language as requiring that the agent be "nearly indispensable or serve some specialized purpose in facilitating the attorney-client communications." Cavallaro, 284 F.3d at 247-48. *See also* Dahl v. Bain Capital Partners, LLC, 714 F.Supp.2d 225, 229 (D. Mass. 2010) (communications between client's investment bankers and counsel not privileged where investment bankers acted in business capacity and were not necessary or indispensable for counsel to provide legal advice); Flo Pac, LLC v. NuTech, LLC, No. WDQ-09-510, 2010 WL 5125447, at *8-10 (D. Md. Dec. 9, 2010) (adopting a more stringent test: the third party presence must be "nearly indispensable" in facilitating attorney-client communications, not just convenient); RCC, Inc. v. Cecchi, No. 323447, 2010 WL 5180341 (Md. Cir. Ct. Nov. 2010) (surveying cases citing Kovel and finding that Kovel has been interpreted both narrowly ("necessary") as well as broadly ("add value")). *See*:

> *Jenkins v. Bartlett, 487 F.3d 482, 490-91 (7th Cir. 2007). Presence of a police liaison officer during a meeting between a police officer and his attorney did not destroy privilege because the liaison officer served a role akin to an outside expert who assists the attorney by interpreting information from the attorney to the client. In dicta, however, the Court noted that the presence of a union representative in other contexts may destroy privilege. Id. at 491 n.6.*
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> *In re Grand Jury Proceedings, 220 F.3d 568 (7th Cir. 2000). Court remanded case for further proceedings to determine whether accountants were hired by defense counsel to prepare tax returns or to assist counsel in providing legal advice. Material transmitted to an attorney or the attorney's agent for the purpose of using that information on a tax return is not privileged. On the other hand, information transmitted to an attorney or the attorney's agent is privileged if it was not intended for subsequent appearance on a tax return and was transmitted for the sole purpose of seeking legal advice. Documents used in both preparing tax returns and litigation are not privileged.*
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> *United States v. Adlman, 68 F.3d 1495, 1500 (2d Cir. 1995). Communications between in-house counsel and accountant held not privileged where purpose was to seek tax advice rather than legal advice.*
>
> *In re Grand Jury Proceedings Under Seal, 947 F.2d 1188, 1191 (4th Cir. 1991). Client took his accountant with him to a meeting with a prospective attorney. The court held that the accountant was a privileged agent since his function was to assist the client in obtaining effective legal services.*
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> *United States v. Schwimmer, 892 F.2d 237, 243 (2d Cir. 1989). Communications made to an accountant hired to assist the lawyer in a joint-defense are privileged if confidentiality is maintained.*
>
> *Green v. Beer, No. 06 Civ. 4156(KMW)(JCF), 2010 WL 3422723, at *4-5 (S.D.N.Y. Aug. 24, 2010). Communications between the plaintiff's counsel and (1) the plaintiff's financial advisors but not (2) the*

plaintiff's son waived the privilege. The plaintiff's financial advisors were not "nearly indispensable" and did not serve "some specialized purpose in facilitating the attorney-client communication." By contrast, because the plaintiffs did not know how to use email, the only way that they could receive timely communications with their counsel was if plaintiffs' son received the emails on their behalf.

Dahl v. Bain Capital Partners, LLC, 714 F. Supp. 2d 225, 228-29 (D. Mass 2010). Counsel's communication with JP Morgan were not privileged. Although JP Morgan reviewed legal documents, its role was to provide counsel with financial advice, not to interpret the documents.

La. Mun. Police Employees Ret. Sys. v. Sealed Air Corp., 253 F.R.D. 300 (D.N.J. 2008). Communications between defendant and defendant's investment bankers were not protected by attorney-client privilege because defendant failed to show that they were retained to provide or facilitate legal advice, as opposed to business and tax advice.

In re Application Pursuant to 28 U.S.C. § 1782, 249 F.R.D. 96, 100-01 (S.D.N.Y. 2008). Communications between an art broker and a buyer were not protected by attorney-client privilege because the art broker was not the exclusive agent of the buyer, as she was acting on the seller's behalf, and because consultation with the broker was "not necessary to facilitate attorney client communications" between the buyer and its attorneys.

*Cellco P'ship v. Certain Underwriters at Lloyd's London, Civil Action No. 05-3158(SRC), 2006 WL 1320067, at *2 (D.N.J. May, 12, 2006). Holding that "when the third party is a professional, such as an accountant, capable of rendering advice independent of the lawyer's advice to the client, the claimant must show that the third party served some specialized purpose facilitating the attorney-client communications and was essentially indispensable in that regard."*

*Stayinfront, Inc. v. Tobin, Civil Action No. 05-4563 (SRC), 2006 WL 3228033, at *3-4 (D.N.J. Nov. 3, 2006). Communications between "lay advisor" who appeared on behalf of client in New Zealand Employment Relations Authority, client and counsel regarding action pending in New Jersey district court were not privileged because advisor did not play a "vital role in facilitating communications," nor was he "necessary to the [pending] action."*

Lawrence E. Jaffe Pension Plan v. Household Int'l, Inc., 244 F.R.D. 412, 420 (N.D. Ill. 2006). Company's retention of accounting firm was necessary and indispensable to counsel's ability to render legal advice given the "complex quantitative analyses and extensive information-gathering that was beyond [counsel's] resources and abilities, but was uniquely within [accountant's] qualifications."

*Farahmand v. Jamshidi, No. Civ. A.04-542, 2005 WL 331601, at *3 (D.D.C. Feb. 11, 2005). Providing privileged document to plaintiff's son-in-law did not waive privilege where son-in-law added value by translating the document.*

*Ross v. UKI Ltd., No. 02 Civ. 9297 WHPJCF, 2003 WL 22319573, at *1-2 (S.D.N.Y. Oct. 9, 2003). Under New York law, disclosure of attorney-client communications to certain types of third party agents does not waive the privilege where a client had a "reasonable expectation of privacy under the circumstances," and disclosure to the agent was necessary for the client to obtain informed legal advice. This requires that "the involvement of the third party be nearly indispensable or serve some specialized purpose in facilitating the attorney-client communications." Court found that defendant failed to carry burden with respect to accountants and other third parties.*

Evergreen Trading, L.L.C. v. United States, 80 Fed. Cl. 122, 129-31, 142 (Fed. Cl. 2007). Attorney-client privilege did not attach to communications among plaintiff, plaintiff's counsel, and one of plaintiff's accountants under the Kovel doctrine where the communications predated an agreement naming the accountant as an agent of plaintiff's counsel.

3Com Corp. v. Diamond II Holdings, Inc., *C.A. No. 3933 – VCN, 2010 WL 2280734 (Del. Ch. May 31, 2010).* Delaware has a "broad[ ] rule" protecting attorney-client communications that include investment bankers, particularly for corporate transactions.

Lynch v. Hamrick, *No. 1051820, 2007 WL 1098574, at *2-4 (Ala. Apr. 13, 2007). Communications between lawyer and client made in front of client's daughter not privileged where daughter was not necessary to help client interpret legal advice, but only necessary to drive the client to the appointment.*

In the context of representing a corporate client, it is sometimes necessary for counsel to communicate with non-employees who are intimately familiar with or play a significant role in the corporation's business. Where it can be said that the non-employee is the "functional equivalent" of an employee, some courts will protect the communications. The leading case on this approach is In re Bieter Co., 16 F.3d 929, 938-39 (8th Cir. 1994). In *Bieter*, a partnership, Bieter, relied on an independent contractor, Klohs, to conduct the partnership's business. Klohs had daily interaction with one of the partnership's principals, and worked out of Bieter's offices, and he often attended meetings, either with the principal or alone, regarding Bieter's business transactions and the subsequent litigation. The court held that, as the "functional equivalent" of an employee, Klohs acted as the representative of the client, and his communications with Bieters' counsel were within the attorney-client privilege.

The court cited proposed Federal Rule of Evidence 503, which protects communications between the client "or his representative" and the client's lawyer or lawyer's representative. Finding that confining "representative" to employees would defeat the purpose of the United States Supreme Court's ruling in Upjohn Co. v. United States, 449 U.S. 383 (1981), the court held that "there is no principled basis to distinguish Kloh's role from that of an employee" where "he was in all relevant respects the functional equivalent of an employee." In re Bieter, 16 F.3d at 938.

The "functional equivalent" test has been applied by a number of courts:

United States v. Graf, *610 F.3d 1148, 1157-59 (9th Cir. 2010). The court adopted the Eighth Circuit's test in Bieter and found that an independent contractor was the "functional equivalent" of an employee and, therefore, the contractor's discussions with the company's counsel fell within the company's attorney-client privilege. The independent contractor "regularly communicated with [third parties] on behalf of [the company], marketed the company's insurance plans, managed its employees, and was the company's voice in its communications with counsel."*

Trustees of the Elec. Workers Local No. 26 Pension Trust Fund v. Trust Fund Advisors, Inc., *266 F.R.D. 1, 7-9 (D.D.C. 2010). Presence of non-employee consultants during a privileged board meeting did not waive the privilege. Plaintiff Pension Trust was administered by the Board of Trustees and had no employees. Instead, it used paid consultants to perform duties that otherwise would have been performed by paid employees. Therefore, the consultants were the functional equivalent of employees. They had significant managerial responsibility that typically would have been performed by high-level corporate managers.*

Jones v. Nissan N. Am., Inc., *No. 3:07-0645, 2008 WL 4366055, at *7 (M.D. Tenn. Sept. 17, 2008). Presence of a non-employee medical director in meeting with company's in-house and outside trial counsel did not waive privilege. Where non-employee medical director was custodian of company's medical records, including medical restrictions for plaintiff employee, medical director had a "significant relationship" to company's employment dispute with plaintiff.*

*Every Penny Counts, Inc. v. Am. Express Co., No. 8:07-cv-1255-T-26MAP, 2008 WL 2074407, at *2 (M.D. Fla. May 15, 2008). Individual who assisted plaintiff with patent claim drafting and marketing efforts was a de facto consultant such that an email from plaintiff's president to him and to plaintiff's attorney was privileged even before a formal written consulting agreement was signed.*

*Davis v. City of Seattle, No. C06-1659Z, 2007 WL 4166154, at *4 (W.D. Wash. Nov. 20, 2007). Attorney-client privilege applied to draft reports communicated to organization's counsel by an outside attorney investigator. Under the factors outlined in Bieter, the court found that the investigator was the functional equivalent of an employee, that the drafts reflected information developed within the scope of her duties, and that the drafts constituted communications with organization's counsel to provide counsel with information necessary to inform counsel's advice.*

SR Int'l Bus. Ins. Co. v. World Trade Ctr. Props. LLC, No. 01 Civ. 9291, 2002 WL 1334821 (S.D.N.Y. June 19, 2002). A limited number of cases have held that the corporate attorney-client privilege can extend to communications between the corporation's attorney and outside agents or consultants to the corporation whose role is the functional equivalent to that of a corporate employee. However, that principle does not apply to conversations between an insurance broker, which had its own counsel, and counsel for the broker's client.

In re Copper Market Antitrust Litig., 200 F.R.D. 213, 215 (SDNY 2001). Applying functional equivalent test to PR firm.

Alliance Const. Solutions, Inc. v. Department of Corrections, 54 P.2d 861 (Colo. 2002). Applying Bieter analysis, court held that independent contractor of government agency was the functional equivalent of an employee and, therefore, within the privilege.

But see:

Export-Import Bank of U.S. v. Asia Pulp & Paper Co., Ltd., 232 F.R.D. 103, 113 (S.D.N.Y. 2005). To determine whether a consultant should be considered the functional equivalent of an employee, courts look to: (1) whether the consultant had primary responsibility for a key corporate job; (2) whether there was a continuous and close working relationship between the consultant and the company's principals on matters critical to the company's position in litigation; and (3) whether the consultant is likely to possess information possessed by no one else at the company. Company's financial advisors failed to meet this test.

See also:

*Stafford Trading, Inc. v. Lovely, No. 05-C-4868, 2007 WL 611252, at *7 (N.D. Ill. Feb. 22, 2007). Discussing Bieter, and holding that independent contractor who typically provides financial services is a privileged agent when it communicated with corporate client's in-house and outside attorneys for client's purpose of obtaining legal advice during purchase of a corporation.*

*Safeguard Lighting Sys., Inc. v. N. Am. Specialty Ins. Co., No. Civ. A.03-4145, 2004 WL 3037947, at *1-2 (E.D. Pa. Dec. 30, 2004). Outside insurance adjuster, hired to review claims and report to insurer's outside counsel, was a privileged agent and communications with counsel were protected by the privilege.*

For an analysis of the application of the attorney-client privilege specifically related to a communications with financial consultants, *see also* John A. Harrington, Matt D. Basil, & Michaelene R. Martin, *Third-Party Communications*, 3 BLOOMBERG CORPORATE L.J. 113 (2008).

b. Accountants As Privileged Agents

Though generally not considered privileged parties, accountants are considered privileged agents where the accountant's role is to facilitate communication between the attorney and the client. This role is analogous to that of an interpreter: When the attorney and client "speak different languages," and the accountant's assistance will help the lawyer to understand the client's situation, the accountant is a privileged agent. *See* United States v. Kovel, 296 F.2d 918, 921 (2d Cir. 1961). While the court in Kovel stated that communications with an accountant could be privileged "whether hired by the lawyer or the client," *id.* at 922, it may be easier to assert privilege with respect to communications with an accountant hired by the attorney and designated as the attorney's agent rather than one hired by the client. *See* John K. Villa, *The Attorney-Counsel's Agents-Accountants, Investigators, or Experts*, Corporate Counsel Guidelines § 1:6 (West 2009). In order for the accountant to qualify as the attorney's agent, communications with the accountant must be for the purpose of facilitating the attorney's legal advice. *See* Kovel, 296 F.2d 922 (recognizing that communications with accountant for the purpose of rendering legal advice may be privileged while accountant's own advice would not be privileged); United States v. Adlman, 68 F.3d 1495, 1500 (2d Cir. 1995) (holding that accounting firm's memorandum regarding the tax consequences of reorganization was not privileged when evidence suggested that the corporation contacted the accounting firm for tax advice rather than in-house counsel contacting the accounting firm for assistance in rendering legal advice). Where a conversation with an agent is merely helpful to the client's defense, and does not help the attorney to understand the client's communication itself, the third-party's role is not that of a privileged agent. *See* United States v. Ackert, 169 F.3d 136, 139 (2d Cir. 1999); In re G-I Holdings, Inc., 218 F.R.D. 428, 436-37 (D.N.J. 2003); United States v. ChevronTexaco Corp., 241 F. Supp. 2d 1065, 1072 (N.D. Cal. 2002) (privilege does not apply where accountant is hired not as a "translator" but instead to give additional legal advice about complying with the tax code even when the accountant thereby assists the attorney in advising the client). *See also* La. Mun. Police Employees Ret. Sys. v. Sealed Air Corp., 253 F.R.D. 300 (D.N.J. Aug. 12, 2008) (communications with investment banker not protected). When a party hires an accountant to provide accounting advice, and only later hires an attorney to provide legal advice, it is particularly important for the party to show that the accountant later acted as an agent necessary to the lawyer in providing legal advice. *See* Cavallaro v. United States, 284 F.3d 236, 249 (1st Cir. 2002) (privilege did not apply where accountants were providing accounting services rather than facilitating communication of legal advice between counsel and client); Evergreen Trading, L.L.C. v. United States, 80 Fed. Cl. 122, 129-31, 142 (Fed. Cl. 2007) (communications with accountant predating an agency agreement between accountant and plaintiff's counsel not privileged).

Preparation of tax returns, for example, is an accounting function not meant to facilitate attorney-client communications. Communications with accountants for the purpose of filling out tax forms are not, therefore, privileged. *See* In re Grand Jury Proceedings, 220 F.3d 568, 571 (7th Cir. 2000) (holding that documents used both in preparation of tax returns and in litigation are not privileged); *see also* United States v. Frederick, 182 F.3d 496 (7th Cir. 1999); Evergreen Trading, 80 Fed. Cl. 122, 129-30 (Fed. Cl. 2007) (noting that preparation of tax returns is an accounting service, not a legal service, but stating that communications offering tax advice or discussing tax planning can qualify as "legal"

communications protected by the attorney-client privilege); *Accountants as Privileged Parties*, § I.B.2.c, above.

Often, companies may wish to disclose otherwise privileged information to their outside auditors as part of the auditing process. Accountants performing such audits are not acting as agents of counsel, and disclosures made in the course of annual audits create serious risks of waiver. *See Disclosures to Auditors*, § I.G.4.c, below; *see also* United States v. Arthur Young & Co., 465 U.S. 805, 816 (1984); United States v. El Paso Co., 682 F.2d 530, 540 (5th Cir. 1982) (disclosure of tax pool analysis and underlying documentation to outside accountants for tax audit purposes waives attorney-client privilege); Medinol, Ltd. v. Bos. Scientific Corp., 214 F.R.D. 113 (S.D.N.Y. 2002); Evergreen Trading, 80 Fed. Cl. 122, 130 (Fed. Cl. 2007) ("[I]t is generally recognized that where a party relies on or discloses the advice of counsel concerning the tax consequences of a transaction, it waives the attorney-client privilege not only as to the disclosed information, but also as to the details underlying that information); DAVID M. GREENWALD, EDWARD F. MALONE, ROBERT R. STAUFFER, TESTIMONIAL PRIVILEGES, § 3:5 (3d ed. 2005) (update 2009). *See also Waiver of Work Product Protection, Disclosure to Auditors*, § IV.E.3, *infra*.

c. Public Relations Consultants

Corporations often use public relations consultants to assist them with crisis management, and litigation defense teams often use public relations consultants to advance the overall goals of their defense strategy. The courts are split on the issue of whether communications between a corporation or defense counsel and public relations consultants will be deemed privileged.

Compare:

> *In re Chevron Corp., 749 F. Supp. 2d 170, 184 n.64 (S.D.N.Y. 2010). In dicta, court stated that it is unlikely that communications with media outlets (e.g., newspapers like the Wall Street Journal or magazines) could meet the In re Grand Jury Subpoenas test, infra.*
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> *In re Grand Jury Subpoenas, 265 F. Supp. 2d 321, 326-332 (S.D.N.Y. 2003). Distinguishing Calvin Klein, below, and holding that PR firm, retained by defense counsel, was a privileged agent under Kovel, above.*
>
> *In re Grand Jury Subpoenas Dated Mar. 24, 2003, 265 F. Supp. 2d 321 (S.D.N.Y 2003). Communications between a criminal target of a grand jury proceeding, his counsel and a public relations firm held protected by the attorney-client privilege. The court found that one cannot effectively counsel a client, seek to avoid or narrow charges brought against a client, or zealously seek acquittal or vindication without the assistance of a public relations consultant. Therefore, communications between the client, counsel and the public relations firm are privileged if the communications were directed at giving or obtaining legal advice.*

With:

> *In re N.Y. Renu with Moistureloc Prod. Liab. Litig., No. MDL 1785, CA 2:06-MN-77777-DCN, 2008 WL 2338552, at *7 (D.S.C. May 8, 2008). Under the Kovel doctrine, communications between client and public relations consultants were not protected by attorney-client privilege because the consultants provided public relations advice, not legal advice, and thus were not "necessary to the representation."*

*Haugh v. Schroder Inv. Mgmt., N.A., Inc., No. 02 Civ. 7955 DLC, 2003 WL 21998674, at *3-4 (S.D.N.Y. Aug. 25, 2003). In distinguishing In re Grand Jury Subpoenas Dated March 24, 2003, the court held that communications between a public relations consultant and plaintiff's counsel, who had engaged the consultant to work on the case, were not protected by the attorney-client privilege but rather were protected by the work product doctrine.*

Calvin Klein Trademark Trust v. Wachner, 198 F.R.D. 53, 54 (S.D.N.Y. 2000). Communications between client, counsel, and public relations consultant not privileged.

See also:

LG Elecs. U.S.A. v. Whirlpool Corp., 661 F. Supp.2d 958 (N.D. Ill. 2009). Court declined to apply privilege to communications between company and its third party advertising firm, rejecting company's argument that employees of the advertising firm were the "functional equivalent" of company employees.

Burke v. Lakin Law Firm, PC, No. 07-CV-0076, 2008 WL 117838 (S.D. Ill. Jan. 7, 2008). Communications with public relations firm hired at direction of counsel to minimize the effects of negative publicity stemming from litigation not protected by work product doctrine.

In re Copper Mkt. Antitrust Litig., 200 F.R.D. 213, 219 (S.D.N.Y. 2001). Disclosure of confidential information to third party PR firm did not waive privilege where PR firm was effectively operating as part of client's staff. Firm regularly consulted with client's counsel regarding public statements on client's behalf.

C. COMMUNICATIONS MUST BE INTENDED TO BE CONFIDENTIAL

1. Confidentiality In General

To remain privileged, a communication must be made in confidence and kept confidential. The test is (1) whether the communicator, at the time the communication was made, intended for the information to remain secret from non-privileged persons, and (2) whether the parties involved maintained the secrecy of the communication. *See* Bogle v. McClure, 332 F.3d 1347, 1358 (11th Cir. 2003); Haines v. Liggett Grp., Inc., 975 F.2d 81, 90 (3d Cir. 1992) (privilege protects verbal and written communications conveyed in confidence for purpose of legal advice); In re Sealed Case, 877 F.2d 976, 980 (D.C. Cir. 1989) (party must not be careless with confidentiality or the privilege will be waived); In re Grand Jury Proceedings, 727 F.2d 1352, 1356 (4th Cir. 1984) (party must intend to keep communication secret or privilege is waived). The client must not only have a subjective expectation of confidentiality, but that expectation must also be objectively reasonable. In re Asia Global Crossing, Ltd., 322 B.R. 247, 257 (Bankr. S.D.N.Y. 2005); Scott v. Beth Israel Med. Ctr. Inc., 847 N.Y.S.2d 436, 440-41 (N.Y. Sup. Ct. 2007) (hospital's "no personal use" policy, hospital's policy of monitoring computer use, and physician's knowledge of these policies lessened any expectation of confidentiality concerning emails between physician and attorney); Banks v. Mario Indus. of Va., Inc., 650 S.E.2d 687, 695-96 (Va. 2007) (manager's pre-resignation memo to his attorney not protected by privilege when written on his work computer because he had no reasonable expectation of privacy). *But see* Stengart v. Loving Care Agency, Inc., 201 N.J. 300 (N.J. 2010) (holding that emails sent by employee to her attorney on a company computer using a personal, password-protected, web-based email account were privileged where the company policy did not warn employees that emails sent

from personal accounts were not private; court also stated that a company policy that provided unambiguous notice that the employer could retrieve and read an employee's attorney-client communications, if accessed on a personal, password-protected email account using the company's computer system, would not be enforceable).

Confidentiality is not destroyed because a non-privileged person knows a communication was made or independently knows the contents of the communication. *See* In re Grand Jury Subpoena Duces Tecum, 731 F.2d 1032, 1037 (2d Cir. 1984) (disclosure of information contained in privileged communication is treated differently than disclosure of the communications themselves and may not waive the privilege); NCK Org., Ltd. v. Bregman, 542 F.2d 128, 133 (2d Cir. 1976) (noting in dictum that the privilege is not destroyed because the information in the privileged communication is known by an adversary). In fact, the contents of the communications need not themselves be secrets. In re Ampicillin Antitrust Litig., 81 F.R.D. 377, 388-90 (D.D.C. 1978). Similarly, the protection of the privilege is not lost even if the receiving person knew the information before the communication was made.

The key is whether the communicating person reasonably intended only the receiving attorney or privileged agent to learn of the communication's contents.

See:

> *United States v. Ruehle, 583 F.3d 600, 609 (9th Cir. 2009). CFO's communications with corporate counsel not "made in confidence" where purpose was to disclose information to company's outside auditors.*
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> *Reiserer v. United States, 479 F.3d 1160, 1165 (9th Cir. 2007). IRS issued subpoena to third party bank in order to obtain checks signed by clients of defendant tax attorney. Court held that checks were not confidential, even if they reveal clients' identities, because the clients know they have "set the check[s] afloat in a sea of strangers."*
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> *In re Grand Jury Subpoena, 204 F.3d 516, 522 (4th Cir. 2000). If a client authorizes an attorney to disclose the client's motives or purposes in retaining the attorney, those motives are no longer confidential, and the information is not protected.*
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> *United States v. (Under Seal), 748 F.2d 871, 875 (4th Cir. 1984). If client communicated information to attorney with the understanding it would be revealed to others, no confidentiality exists and the information is not protected by the privilege. In addition, the details underlying the communicated data will also not be privileged.*
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> *In re Grand Jury Subpoena Duces Tecum, 731 F.2d 1032, 1036 n.3 (2d Cir. 1984). Privilege will extend to draft memoranda containing confidential communications even though when put into a final version the information may be sent to third parties.*
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> *In re Grand Jury Proceedings, 727 F.2d 1352, 1356 (4th Cir. 1984). Privilege never attached to material because client gave information to the attorney intending that it be distributed to the public in a prospectus.*
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> *Roth v. Aon Corp., 254 F.R.D. 538 (N.D. Ill. Jan. 8, 2009). Draft portion of Form 10K sent to in-house counsel for legal advice was privileged even though intention was to file final Form 10K with SEC.*

In re New York Renu with Moistureloc Prod. Liab. Litig., No. CA2 2:06-MN-77777-DCN, 2008 WL 2338552, at *2-6 (D.S.C. May 8, 2008). Attorney-client privilege applies to information contained in drafts of documents to the extent that the information is not in the final document or otherwise disclosed to third persons. Defendant was allowed to redact portions of the draft of a PowerPoint presentation that did not appear in the final version submitted to the FDA.

SEC v. Bilzerian, No. Civ. A 89-1854, 2001 WL 1801157, at *1 (D.D.C. June 15, 2001). Proper standard is whether the client reasonably intended that the attorney would keep the communication confidential.

Apex Mun. Fund v. N-Group Sec., 841 F. Supp. 1423, 1428 (S.D. Tex. 1993). Privilege as to statements made to an attorney for the purpose of preparing a public offering document is waived only to the extent that information in them actually appears in public documents.

Smith v. Armour Pharm. Co., 838 F. Supp. 1573 (S.D. Fla. 1993). Applying Florida law, court found that the fact that a memorandum from in-house counsel discussing the inevitability of litigation was widely circulated did not by itself provide sufficient grounds to negate the privilege.

Gottlieb v. Wiles, 143 F.R.D. 241 (D. Colo. 1992). Interviews of corporate officers conducted by counsel were not privileged when the interviews were intended to be used as part of an investigative report and the interviewees were notified of this fact. Neither the interviewers or interviewees had expectation that the interview information would remain confidential.

Schenet v. Anderson, 678 F. Supp. 1280, 1283 (E.D. Mich. 1988). Client provided information to his attorney so it could be included in a document to be disclosed. Court found that the information which was not actually disclosed in the final document remained protected.

Kobluk v. Univ. of Minn., 574 N.W.2d 436, 444 (Minn. 1998). Draft of letter was protected because the draft was sent to attorney for the purpose of obtaining legal advice and the surrounding circumstances indicated that the draft was intended to be confidential.

But see:

United States v. Lawless, 709 F.2d 485 (7th Cir. 1983). Information communicated to an attorney in order to prepare a document to file with a government agency is not privileged even if information not made part of the filing.

United States v. Naegele, 468 F. Supp. 2d 165, 170 (D.D.C. 2007), *appeal dismissed*, 537 F. Supp. 2d 36 (D. D.C. 2008). Communications from client for the purpose of disclosure in bankruptcy filing are not privileged because no confidentiality exists in public filings. Additionally, even drafts of bankruptcy filings are not protected because the information is intended to be disclosed.

United States v. KPMP, LLP, 237 F. Supp. 2d 35, 39 (D.D.C. 2002). Privilege does not protect communications between a tax practitioner and a client conveyed for the preparation of a tax return.

Typically, disclosure in the presence of non-privileged persons destroys confidentiality and prevents the privilege from attaching. *See* United States v. Evans, 113 F.3d 1457, 1462-63 (7th Cir. 1997) (holding conversation between client and lawyer in front of client's friend present for emotional support not privileged); United States v. Bernard, 877 F.2d 1463, 1465 (10th Cir. 1989) (voluntary disclosure to third parties waives privilege); Sylgab Steel & Wire Corp. v. Imoco-Gateway Corp., 62 F.R.D. 454, 457-58 (N.D. Ill. 1974), *aff'd*, 534 F.2d 330 (7th Cir. 1976); Atwood v. Burlington Indus. Equity, Inc., 908 F. Supp. 319, 323 (M.D.N.C. 1995) (communications between attorney and client

in the presence of a union representative held not privileged); *cf.* Neighborhood Dev. Collaborative, 233 F.R.D. 436, 438-39 (D. Md. 2005) (holding that under Maryland law, client's use of financial consultant during meetings with attorney did not waive privilege, even if consultant's presence was not reasonably necessary); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 91 (6th ed. 2006).

2. Confidentiality Within Organizations

For organizational clients, the courts have permitted "need-to-know" agents to have access to privileged documents without destroying confidentiality and relinquishing the privilege. *See* FTC v. Glaxo Smith Kline, 294 F.3d 141, 147 (D.C. Cir. 2002); Coastal States Gas Corp. v. Dep't of Energy, 617 F.2d 854, 863 (D.C. Cir. 1980); Diversified Indus., Inc. v. Meredith, 572 F.2d 596, 602 (8th Cir. 1977); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 73 cmt. g (2000). The group of "need-to-know" agents is comprised of employees of the organization who reasonably need to know of the communication in order to act in the interest of the corporation. Coastal States Gas Corp. v. Dep't of Energy, 617 F.2d 854, 863 (D.C. Cir. 1980) (applying a "need-to-know" test to find that indiscriminate circulation of a memorandum constituted disclosure); Exxon Corp. v. Dep't of Conservation & Natural Res., 859 So.2d 1096, 1106 (Ala. 2002), *appeal after remand*, 986 So.2d 1093 (Ala. 2007) (no waiver where in-house counsel sent copy of privileged letter to several corporate employees who had a need to know counsel's interpretation of certain lease provisions); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5484, at 380 (Supp. 2009). In practice, "need-to-know" agents will consist primarily of persons with responsibility for accepting or rejecting the lawyer's advice or acting on the recommendations of the lawyer. All those employees who would be held personally liable either financially or criminally, or who would benefit from the information (such as partners), will also generally be considered "need-to-know" agents. RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 73 cmt. g (2000).

Under the "need-to-know" doctrine, sharing documents with lower-echelon employees who need to know the information does not show an indifference to confidentiality and does not waive the protection of the privilege. *See* Upjohn Co. v. United States, 449 U.S. 383, 391-95 (1981); 3 JACK W. WEINSTEIN ET AL., WEINSTEIN'S FEDERAL EVIDENCE ¶ 503(b)[04] (Joseph M. McLaughlin, ed., Matthew Bender 2d ed. 2009); *see also*:

> *Sterling Merch., Inc. v. Nestle, S.A., No. CIV061015SEC, 2008 WL 3200702, at *1-2 (D.P.R. Aug. 5, 2008). Communication of counsel's advice from one Nestle employee to another was privileged and protected from disclosure.*
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> *Adams v. United States, No. 030049EBLW, 2008 WL 2704553, at *2-5 (D. Idaho July 3, 2008). Deliberations for the purpose of obtaining legal advice among a core group were privileged when the core group consisted of a scientist, registration expert, crop protection expert, public affairs manager, and four attorneys.*
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> *In re New York Renu with Moistureloc Prod. Liab. Litig., No. CA2 2:06-MN-77777-DCN, 2008 WL 2338552, at *1-2 (D.S.C. May 8, 2008). Recipients of an email to corporate counsel and high-level personnel about a possible presentation to the FDA were those who had a "need to know" counsel's advice, and the document remained privileged.*

Muro v. Target Corp., 243 F.R.D. 301, 305-06 (N.D. Ill. 2007), rev'd in part on other grounds, 250 F.R.D. 350 (N.D. Ill. 2007). Attorney-client privilege can be waived "if the communication is shared with corporate employees who are not 'directly concerned' with or did not have 'primary responsibility' for the subject matter of the communication."

Williams v. Sprint/United Mgmt. Co., 238 F.R.D. 633, 641 (D. Kan. 2006), review denied by No. CIV 032200JWL, 2007 WL 2694029 (D. Kan. Sept. 11, 2007), and 2008 WL 4078778 (D. Kan. July 25, 2008). Although Tenth Circuit has not adopted the "need to know" test, ample evidence exists that such a test applies. Documents created at the order of counsel confidential when only Human Resource employees had access to them and documents were marked "for internal use only."

Wrench LLC v. Taco Bell Corp., 212 F.R.D. 514, 517-18 (W.D. Mich. 2002). Disclosure of legal advice to lower-level employee did not waive privilege where employee was responsible for specific subject matter of the communication.

*Verschoth v. Time Warner, Inc., No. 00 Civ. 1339AGSJCF, 2001 WL 286763, at *2 (S.D.N.Y. Mar. 22, 2001), adhered to as amended by 2001 WL 546630 (S.D.N.Y. May 22, 2001). While corporate executives may share legal advice with lower-level corporate employees without waiving the privilege, the privilege extends only to those employees with a "need to know," including those employees with general policymaking authority and those with specific authority for the subject matter of the legal advice.*

Gallo v. Eaton Corp., 122 F. Supp. 2d 293, 308 (D. Conn. 2000). For purposes of the employee's defamation claim under Connecticut law, former employer had a qualified privilege when it drafted and circulated employee's disciplinary letter only among those in the company who had a business need to know of reasons for employee's discipline.

In re Grand Jury Subpoenas Dated Dec. 18, 1981, 561 F. Supp. 1247, 1258-59 (E.D.N.Y. 1982). Disclosure allowed to low-level employee who had direct responsibility over the subject matter.

In re Worldwide Wholesale Lumber, Inc., 392 B.R. 197, 202-03 (Bankr. D.S.C. 2008). Upjohn's analysis of which employees fall within the scope of attorney-client privilege applies equally to former employees. Communications between debtor's former officer and director and trustee's counsel for the purposes of investigation and rendering legal advice to trustee, as debtor's successor, was privileged.

Zurich Am. Ins. Co. v. Super. Ct., 66 Cal. Rptr. 3d 833, 841-46 (Cal. Ct. App. 2007). Communications among non-lawyer employees regarding the legal strategy or advice of company's attorneys privileged where non-lawyer employees have a need to know counsel's advice.

Marriott Corp. v. Am. Acad. of Psychotherapists, Inc., 277 S.E.2d 785, 790-92 (Ga. Ct. App. 1981). Decided less than one month after Upjohn and without citing it, the court set forth rules concerning the corporate client. In its test, the court set limits on the privilege which required that the communication not be disseminated "beyond those persons who, because of the corporate structure, need to know its contents." Id. 791-92.

Archer Daniels Midland Co. v. Koppers Co., 485 N.E.2d 1301, 1303-04 (Ill. App. Ct. 1985). Court upheld "need to know" sharing under the control group test.

3. Email And Confidentiality

Email presents two challenges to the confidentiality of communications and the attorney-client privilege. First, like other forms of communication, internet email is susceptible to breaches of security in transmission. Second, the ease with which email is copied, transmitted to large numbers of people, and sometimes incorrectly transmitted due to operator error, presents challenges unique to the confidentiality of email communications. *See, e.g.*, Multiquip, Inc. v. Water Mgmt. Sys. LLC, No. CV 08-403-S-EJL-REB, 2009 WL 4261214, at *4-5 (D. Idaho Nov. 23, 2009) (email's auto-fill feature inadvertently caused privileged documents to be sent to opposing counsel); Muro v. Target Corp., 243 F.R.D. 301, 307-10 (N.D. Ill. 2007) (noting that emails sent to at least ten employees or to unidentified distribution lists "does not suggest confidentiality, and no privilege can be maintained for communications that were shared with a group of unidentified persons"), *rev'd in part on other grounds*, 250 F.R.D. 350 (N.D. Ill. 2007); United States v. Chevron Texaco Corp., 241 F. Supp. 2d 1065, 1075 n.6 (N.D. Cal. 2002) ("If an email with otherwise privileged attachments is sent to a third party, Chevron loses the privilege with respect to that email *and all of the attached emails*.") (emphasis in original).

Perhaps in response to these concerns, some early state bar decisions took the position that the use of email violated the attorney's duty of confidentiality. Later opinions have generally expressed more comfort with the use of email as the technology has become better understood. *See* ABA Comm. on Ethics & Prof'l Responsibility, Formal Op. 99-413, n.40 (1999) (noting such opinions). *Compare* Pa. Bar Ass'n Comm. on Legal Ethics & Prof'l Responsibility, Informal Op. 97-130 (1997) (rejecting the use of unencrypted email absent client's consent); Iowa Bar Ass'n Op. 1997-1 (1997) (sensitive material should not be transmitted over non-secure networks); N.C. State Bar Op. 215 (1995) (cautioning against the use of email); *with* D.C. Bar Op. 281 (1998) (finding the use of unencrypted email to be consistent with confidentiality); N.Y. State Bar Ass'n Comm. on Prof'l Ethics Op. 709 (1998) (same); D.C. Bar Op. 281 (1998); Ill. State Bar Ass'n Advisory Op. on Prof'l Conduct No. 96-10 (1997) (absent "extraordinary" sensitivity, use of email is consistent with the duty of confidentiality).

Though more easily susceptible to interception, email is generally considered to be no less secure than other forms of communication, such as facsimile, telephone, and mail transmission, which are already utilized with an expectation of privacy. *See* ABA Comm. on Ethics & Prof'l Responsibility, Formal Op. 99-413 (1999); *see also* United States v. Maxwell, 45 M.J. 406, 417-19 (C.A.A.F. 1996) ("The fact that an unauthorized 'hacker' might intercept an email message does not diminish the legitimate expectation of privacy in any way."). In reviewing various communications technologies, the ABA ethics committee compared email favorably to facsimile technology, noting the security each offers in transmission, but the ease with which documents could be misdirected due to operator error. The ABA observed that "[a]uthority specifically stating that the use of fax machines is consistent with the duty of confidentiality is absent, perhaps because . . . courts assume the conclusion to be self-evident." ABA Comm. on Ethics & Prof'l Responsibility, Formal Op. 99-413 (1999). The same is likely true of email, to which courts have extended privileged status without differentiation from other "documents." *See, e.g.*, In re Grand Jury Proceeding, 43 F.3d 966, 968 (5th Cir. 1994) (considering email messages along with other

documents); McCook Metals L.L.C. v. Alcoa, Inc., 192 F.R.D. 242, 255 (N.D. Ill. 2000) (holding email correspondence between attorneys to be protected under the attorney-client privilege).

Some states have enacted statutes that reject the notion that use of email could automatically constitute a waiver. CAL. EVID. CODE § 952 (West 2009) ("A communication between a client and his or her lawyer is not deemed lacking in confidentiality solely because the communication is transmitted by . . . electronic means between the client and his or her lawyer."); N.Y.C.P.L.R. LAW § 4548 (McKinney 2007) ("No communication privileged under this article shall lose its privileged character for the sole reason that it is communicated by electronic means or because persons necessary for the delivery or facilitation of such electronic communication may have access to the content of the communication.").

In the Fourth Amendment context, courts have held that the transmission of email occurs with a reasonable expectation of privacy, but once received by the intended party, such an expectation disappears. Thus, an email may be sent without an expectation of interception, but no such expectation as to the recipient's actions is appropriate. *See* United States v. Heckenkamp, 482 F.3d 1142 (9th Cir. 2007) (holding that although a person's reasonable expectation of privacy in electronic communication may diminish after a sender's information reaches a recipient, the mere connection to a network that has no monitoring policy does not extinguish the reasonable expectation of privacy); United States v. Charbonneau, 979 F. Supp. 1177, 1184-85 (S.D. Ohio 1997); United States v. Maxwell, 45 M.J. 406, 417-19 (C.A.A.F. 1996).

The prudent attorney should therefore feel comfortable in taking advantage of the relative security and ease of use of email technology, but bear in mind the risks associated both with accidental transmission to an unintended party and the ease with which the intended party may forward the email to unprivileged persons. This concern may be particularly acute for in-house counsel, who may regularly send email messages to large user or distribution groups that may include non-privileged employees.

Many attorneys have adopted the practice of placing a boiler-plate confidentiality notice on fax and email transmissions. Such notices may prove valuable in the case of documents erroneously transmitted where another attorney becomes the unintended recipient. Several courts have held that an attorney's inspection of obviously privileged documents may lead to varying degrees of exclusion at trial, and potentially to sanctions as well. *See* Am. Express v. Accu-Weather, Inc., No. 92-Civ-705, 1996 WL 346388, at *3 (S.D.N.Y. June 25, 1996) (where attorney received call indicating that soon to be delivered Federal Express package contained privileged information and that the package should be returned, subsequent review of package and failure to return were subject to sanction); Resolution Trust Corp. v. First Am. Bank, 868 F. Supp. 217, 221 (W.D. Mich. 1994) (lawyer receiving materials on their face subject to attorney-client privilege has a duty to return them without examining further; ordering destruction of document and all copies, but noting that Michigan state rules would allow their introduction for impeachment). Thus, to the extent that such boilerplate does put a receiving attorney on notice that he is in possession of privileged material, he may have an ethical obligation to cease review of the material and return it to the transmitting party. Moreover, a court may consider the absence of such language as evidence

that reasonable efforts to maintain confidentiality were not taken. *See* Muro v. Target Corp., 243 F.R.D. 301, 308-09 (N.D. Ill. 2007), *rev'd in part on other grounds*, 250 F.R.D. 350 (N.D. Ill. 2007); *see also* Clarke v. J.P. Morgan Chase & Co., No. 08 Civ. 02400, 2009 WL 970940 (S.D.N.Y. Apr. 10, 2009), (inadvertently-produced e-mail memorandum discussing reclassification of certain positions from "exempt" to "nonexempt" for overtime purposes, prepared in part by defendant's deputy general counsel, could not be clawed back because it did not on its face state that it was prepared by counsel, that it contained legal advice, or that recipients should treat the document as confidential, so recipient had no way of knowing that the memorandum reflected legal advice). Nevertheless, the inclusion of boilerplate language is not dispositive on the issue of whether the attorney-client privilege protects the email. Chrysler Corp. v. Sheidan, No. 227511, 2001 WL 773099, at *4 n.3 (Mich. Ct. App. July 10, 2001) (distinguishing Resolution Trust).

Where a party does not have a reasonable expectation of privacy in the use of electronic mail, transmission of otherwise protected material may result in a waiver. This problem may arise, for example, where an employee uses a corporate email system to communicate with his personal attorney. In In re Asia Global Crossing, Ltd., 322 B.R. 247, 257 (Bankr. S.D.N.Y. 2005), the court adopted a four-part test to determine if an employee had a legitimate expectation of privacy in using his employer's electronic mail system, and consequently whether the communications were at issue. The court observed:

> The same considerations have been adapted to measure the employee's expectation of privacy in his computer files and email. In general, a court should consider four factors: (1) does the corporation maintain a policy banning personal or other objectionable use, (2) does the company monitor the use of the employee's computer or email, (3) do third parties have a right of access to the computer or emails and (4) did the corporation notify the employee, or was the employee aware, of the use and monitoring policies?

(footnote omitted). The court was unable to determine whether the employees had such an expectation on the record presented. *Id.* at 263.

See:

> *United States v. Nagle, No. 1:09-CR-384, 2010 WL 3896200, at *3-5 (M.D. Pa. Sept. 30, 2010). Court applied In re Asia Global Crossing's four-factor test and held that a document prepared on the employee's work computer was confidential, even though the document was not password protected and others knew the employee's log-in password. First, the company did not prohibit employees from using their work computer for personal reasons. It monitored Internet and email usage but not the local hard drive. Second, others had not logged onto the computer without the employee's consent.*
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> *DeGeer v. Gillis, No. 09 C 6974, 2010 WL 3732132 (N.D. Ill. Sept. 17, 2010). An employee's personal emails to his lawyer remained privileged even though sent on company-issued computers. Earlier in the litigation, the company sought not to produce such communications and thus, demonstrated that it believed that its employee had not waived the attorney-client privilege.*
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> *Convertino v. U.S. Dep't of Justice, 674 F. Supp. 2d 97 (D.D.C. Dec. 10, 2009). Court held that emails sent by Assistant United States Attorney to his personal counsel on his work computer remained privileged, citing the following factors: The DOJ maintains a policy that does not ban personal use of*

company computers. Although the DOJ has access to personal emails sent through AUSAs' accounts, the AUSA involved was unaware that the DOJ would be regularly accessing and saving emails from his account, therefore the AUSA's expectation of confidentiality was reasonable.

Alamar Ranch LLC v. County of Boise, No. CV-09-004, 2009 WL 3669741 (D. Idaho Nov. 2, 2009). Employee's use of company's email account to correspond with her personal attorney waived the privilege where company put its employees on notice that emails were company property, would be monitored, stored, accessed and disclosed by the company, and should not be assumed to be confidential.

Mason v. ILS Techs., L.L.C., No. 3:04-CV-139-RJC-DCK, 2008 WL 731557 (W.D.N.C. Feb. 29, 2008). An employee's email communications with his attorney were privileged despite having been sent on a company computer. Although the employer argued that it had a policy that computers should be used only for business purposes and that the company reserved the right to review employee emails, the court found that the employer had not demonstrated that it had in fact effectively conveyed its restricted email policy to the employee, and the employee demonstrated he was unaware of this policy. The court refused to find waiver merely on the basis that the employee "should have known" about the email policy.

*Sims v. Lakeside Sch., No. C06-1412RSM, 2007 WL 2745367, at *1 (W.D. Wash. Sept. 20, 2007). Plaintiff-employee had no reasonable expectation of privacy in emails he sent using the email account provided and maintained by his employer, but emails sent to his attorney using his personal, password-protected, web-based email account were protected by attorney-client privilege although sent using his employer-owned computer and internet access.*

*Long v. Marubeni Am. Corp., No. 05Civ.639 (GEL)(KNF), 2006 WL 2998671, at *3-4 (S.D.N.Y. Oct. 19, 2006). Plaintiffs' voluntary, intentional and repeated use of work computers, with knowledge of company's electronic communications policy, to exchange protected communications with their attorney constituted waiver of the attorney-client privilege and work product doctrine.*

Curto v. Med. World Commc'ns, Inc., No. 03CV6327 (DRH)(MLO), 2006 WL 1318387, (E.D.N.Y. May 15, 2006). Plaintiff's use of her employer-owned laptop did not waive attorney-client privilege where the lack of enforcement by Defendant-employer of its computer usage policy created a "false sense of security" that "'lull[ed]' employees into believing that the policy would not be enforced."

Holmes v. Petrovich Dev. Co., 119 Cal. Rptr. 3d 878 (Cal. App. 2011). Where employee was aware of detailed company policy prohibiting personal use of computers, personal emails sent on company computer by employee to her personal attorney were not privileged.

People v. Jiang, 33 Cal. Rptr. 3d 184 (Cal. Ct. App. 2005). Documents typed on company-owned laptop by criminal defendant's wife for transmission to defendant's counsel were privileged where the documents were password protected and located in file labeled "Attorney."

Transocean Capital, Inc. v. Fortin, No. 05-0955-BLS2, 2006 WL 3246401 (Mass. Super. Ct. Oct. 20, 2006). In the absence of any evidence that Defendant had ever seen or known about the manual, or any evidence that Defendant knew that Plaintiff had any policy or practice of monitoring employees' computer use or prohibiting personal use of company email, there was no reason to find that Defendant waived attorney-client privilege.

*Nat'l Econ. Research Assocs., Inc. v. Evans, No. 04-2618-BLS2, 2006 WL 2440008, at *3-4 (Mass. Super. Ct. Aug. 3, 2006). Attorney-client privilege attached to emails sent by employee to his personal attorney from a private email account while using his work computer because employee did not know that employer monitored personal internet-based email communications, stored them on hard drives and retained "screen shots" of messages.*

Stengart v. Loving Care Agency, Inc., 201 N.J. 300 (N.J. 2010). Emails sent by employee to her attorney on a company computer using a personal, password-protected, web-based email account were privileged where the company policy did not warn employees that emails sent from personal accounts were not private. The court also stated that a company policy that provided unambiguous notice that the employer could retrieve and read an employee's attorney-client communications, if accessed on a personal, password-protected email account using the company's computer system, would not be enforceable).

Scott v. Beth Israel Med. Ctr, 847 N.Y.S.2d 436 (N.Y. Sup. Ct. 2007). Attorney-client privilege did not apply to emails doctor sent using his employer's email system where effect of employer's email use policy was "to have the employer looking over your shoulder each time you send an e-mail."

See also:

SEC v. Finazzo, 543 F. Supp. 2d 224, 227-29 (S.D.N.Y. 2008). Court denied former officer's motion to quash SEC subpoena where basis of subpoena was disclosure by company of former officer's purportedly privileged email to his personal attorney sent on his company computer that was discovered during company's internal investigation. The court declined to rule on whether employee's email and attachment was privileged, noting that the SEC sought nonprivileged information for the investigation, not for evidence at trial.

D. PRIVILEGE APPLIES ONLY TO COMMUNICATIONS MADE FOR THE PURPOSE OF SECURING LEGAL ADVICE

1. Legal Purpose

The final requirement to establish the privilege is that the protected communication was made for the purpose of securing legal advice or assistance. *See* Sandra T.E. v. S. Berwyn Sch. Dist. 100, 600 F.3d 612, 618 (7th Cir. 2010) (client must seek "legal advice"); In re Six Grand Jury Witnesses, 979 F.2d 939, 943 (2d Cir. 1992) (privilege protects communications made in confidence to lawyer to obtain legal counsel); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 72 cmt. c (2000). *See also* In re Lindsey (Grand Jury Testimony), 158 F.3d 1263, 1270 (D.C. Cir. 1998) (advice given by White House counsel to Office of the President "on political, strategic, or policy issues . . . would not be shielded from disclosure by the attorney-client privilege"). A lawyer's initial consultation with a prospective client seeking legal assistance generally satisfies this requirement. Grand Jury Proceedings Under Seal v. United States, 947 F.2d 1188, 1190 (4th Cir. 1991) ("Statements made while intending to employ a lawyer are privileged even though the lawyer is not employed."); United States v. Dennis, 843 F.2d 652, 656 (2d Cir. 1988); Calandra v. Sodexho, No. 3:06CV49WWE, 2007 WL 1245317 (D. Conn. Apr. 27, 2007) (a party's notes, prepared in an effort to retain an attorney and reviewed by the party in preparation for his deposition, were protected by the attorney-client privilege because they were prepared for the purpose of seeking legal advice and were kept confidential); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 70 cmt. c, § 72(1).

Courts rely on a variety of factors in determining whether a legal purpose underlies a communication, including:

(1) the extent to which the attorney performs legal and non-legal work for the client,

(2) the nature of the communication, and

(3) whether or not the attorney had previously provided legal assistance relating to the same matter.

See, e.g., RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 72 cmt. c (2000); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5478 (Supp. 2009). Communications made to or by attorneys for business or financial purposes are not privileged. Moreover, the privilege protects only communications that relate to the specific matter on which the attorney's services have been sought, not unrelated communications.

See:

United States v. Richey, 632 F.3d 559 (9th Cir. 2011). Communications between attorney and appraiser hired by counsel not privileged where purpose of communications was to prepare a valuation report for submission to the IRS, which was a business purpose, and not for the purpose of providing legal advice.

Haines v. Liggett Group, Inc., 975 F.2d 81 (3d Cir. 1992). Privilege protects confidential communications made to an attorney in a professional capacity.

United States v. Wilson, 798 F.2d 509, 513 (1st Cir. 1986). Lawyer functioned as a negotiator and messenger for a business deal rather than as a lawyer, and therefore the communications were not privileged.

Clover Staffing, LLC v. Johnson Controls World Servs., 238 F.R.D. 576, 581-82 (S.D. Tex. 2006). Attorney-client privilege did not apply to PowerPoint presentation that discussed litigation as only one option among many business options in pursuing a business-related dispute.

In re Grand Jury Subpoenas Dated Mar. 9, 2001, 179 F. Supp. 2d 270, 285 (S.D.N.Y. 2001). Attorney-client privilege did not apply to communications among attorneys who were working to obtain Presidential pardon for Marc Rich. The attorneys were acting as lobbyists rather than as attorneys.

Rivera v. Kmart Corp., 190 F.R.D. 298, 302-03 (D.P.R. 2000). In order for privilege to attach to communication between in-house counsel and corporate client, in-house counsel must have been acting as an attorney.

*Georgia-Pac. Corp. v. GAF Roofing Mfg. Corp., No. 93 Civ. 5125, 1996 WL 29392, at *4 (S.D.N.Y. Jan. 25, 1996). The attorney-client privilege did not apply to communications made between an in-house attorney and his corporate client while the attorney was acting as a contract negotiator because the attorney was acting in a business capacity rather than executing a traditional function of an attorney.*

In re Air Crash Disaster, 133 F.R.D. 515, 519 (N.D. Ill. 1990). No privilege applies if the role of the lawyer is minor or was intended merely to immunize documents from production.

E.I. DuPont de Nemours & Co. v. Forma-Pack, Inc., 718 A.2d 1129, 1141-42 (Md. 1998). Communications between corporation's in-house counsel and debt collection agency that were conducted for the purpose of collecting on a debt owed to the corporation were not privileged. The debt collection was a business function, and a corporation cannot obtain protection for such business communications by "routing" those communications through its legal department.

2. Cases Of Mixed Purpose

Often a problem of mixed purposes arises. For the privilege to apply in such cases, the communication between client and lawyer must be primarily for the purpose of providing legal assistance and not for another purpose. As long as the client's purpose was to gain some advantage from the lawyer's legal skills and training, the services will be considered legal in nature, despite the fact that the client may also get other benefits such as business advice. *See*:

> *In re County of Erie, 473 F.3d 413, 421-22 (2d Cir. 2007). Communication between government attorney and public officials (sheriffs) privileged even though communications gave an analysis of already-existing policies and proposed alternatives. Advice about compliance with legal obligations is legal in nature and not for a business purpose.*
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> *United States v. Chen, 99 F.3d 1495, 1501 (9th Cir. 1996). "The attorney-client privilege applies to communications between lawyers and their clients when the lawyers act in a counseling and planning role, as well as when lawyers represent their clients in litigation."*
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> *United States v. Bornstein, 977 F.2d 112, 116-17 (4th Cir. 1992). Preparation of tax returns does not ordinarily constitute legal advice within the privilege. However, accounting services that are ancillary to legal advice may be privileged, and preparation of tax returns can fall within this area. Court remanded case to determine whether the defendant benefited more from the attorney's services as an attorney or as an accountant-tax preparer.*
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> *Dunn v. State Farm Fire & Cas. Co., 927 F.2d 869, 875 (5th Cir. 1991). Insurer's attorneys conducted an investigation into the cause of a fire. Court found investigative tasks were related to the rendering of legal services and thus any communications involving the investigation were privileged.*
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> *Simon v. G.D. Searle & Co., 816 F.2d 397, 402-04 (8th Cir. 1987). Business documents were not privileged because they were provided to lawyer solely to keep her apprised of business matters.*
>
> *In re Sealed Case, 737 F.2d 94, 99 (D.C. Cir. 1984). Where in-house counsel was both lawyer and company vice president with other responsibilities outside lawyer's sphere, the company was required to make a clear showing that the communications with in-house counsel were in a legal rather than business capacity in order to invoke the privilege.*
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> *Preferred Care Partners Holding Corp. v. Humana, Inc., 258 F.R.D. 684, 689 (S.D. Fla. 2009). Under Florida law, "the privilege applies only if the primary or predominate purpose of the attorney-client consultations is to seek legal advice or assistance." "When the business simultaneously sends communications to both lawyers and non-lawyers, it usually cannot claim that the primary purpose of the communication was for legal advice or assistance because the communication served both business and legal purposes" (internal quotations omitted).*
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> *Bodega Invs., LLC v. United States, No. 08 Civ 4965, 2009 WL 1456642 (S.D.N.Y. May 14, 2009). Communications between client and its tax counsel regarding the establishment of a tax shelter were legal and not business communications, and, therefore, were privileged.*
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> *Roth v. Aon Corp., 254 F.R.D. 538 (N.D. Ill. 2009). Email from CFO to head of investor relations, deputy general counsel, and personnel in Controller's office requesting comments on a draft Form 10K was privileged: "The determination of what information should be disclosed for compliance is not merely a business operation, but a legal concern."*

*Argo Sys. FZE v. Liberty Ins. PTE Ltd., No. Civ. A. 04-00321-CGB, 2005 WL 1355060, at *3-4 (S.D. Ala. June 7, 2005). Where attorney acted as a claims-investigator and not as an attorney, the privilege did not apply to facts uncovered as part of the investigation.*

*Gen. Elec. Capital Corp. v. DirectTV, Inc., No. 3:97 CV 1901, 1998 WL 849389, at *6 (D. Conn. July 30, 1998). "When he acts as an advisor, the attorney must give predominantly legal advice to retain his client's privilege of non-disclosure, not solely, or even largely, business advice . . . in the case where a lawyer responds to a request not made primarily for the purpose of securing legal advice, no privilege attaches to any part of the document."*

*United States v. Chevron Corp., No. C-94-1885, 1996 WL 264769, at *3 (N.D. Cal. Mar. 13, 1996). A party seeking to withhold discovery based on the attorney-client privilege must prove that all communications it seeks to protect were made "primarily for the purpose of generating legal advice." "No privilege can attach to any communication as to which a business purpose would have served as a sufficient cause, i.e., any communication that would have been made because of a business purpose, even if there had been no perceived additional interest in securing legal advice. If the document was prepared for purposes of simultaneous review by legal and non-legal personnel, it cannot be said that the primary purpose of the document is to secure legal advice."*

Stender v. Lucky Stores, Inc., 803 F. Supp. 259, 331 (N.D. Cal. 1992). Privilege may be asserted for a meeting which was scheduled for a purpose other than facilitating the provision of professional legal services to the client.

Mass. Sch. of Law at Andover, Inc. v. Am. Bar Ass'n, 895 F. Supp. 88, 91 (E.D. Pa. 1995). The work of legal counsel should not be narrowly construed to include only trial related services.

Great Plains Mut. Ins. Co., Inc. v. Mut. Reins. Bureau, 150 F.R.D. 193, 197 (D. Kan. 1993). Documents created by counsel for the client, or by the client for counsel, are generally protected by the privilege so long as they discuss legal matters, or are created to assist the attorney in providing legal advice. Merely giving advice that can affect the success or failure of the business does not convert legal advice into business advice that is not covered by the privilege

While the communication must have a legal purpose, the attorney-client privilege is not lost merely because the communication contains some non-legal information.

See:

United States v. Frederick, 182 F.3d 496, 502 (7th Cir. 1999). "[A] dual purpose document – a document prepared for use in preparing tax returns and for use in litigation – is not privileged; otherwise, people in or contemplating litigation would be able to invoke, in effect, an accountant's privilege, provided that they used their lawyer to fill out their tax returns."

United States v. El Paso Co., 682 F.2d 530, 539 (5th Cir. 1982). Stating in dicta that "[t]he line between accounting work and legal work in the giving of tax advice is extremely difficult to draw. We have held that the preparation of tax returns is generally not legal advice within the scope of the privilege. . . . Nevertheless, we would be reluctant to hold that a lawyer's analysis of the soft spots in a tax return and his judgments on the outcome of litigation on it are not legal advice" (internal citations omitted).

United States v. Textron Inc., 507 F. Supp. 2d 138, 147 (D.R.I. 2007), vacated on other grounds, 577 F.3d 21 (2009). Tax accrual workpapers for corporation protected by attorney-client privilege despite containing accounting information because they also analyzed uncertain areas of the law and assessed the corporation's chances of winning ensuing litigation. However, privilege was waived by disclosure to company's auditors.

In re OM Sec. Litig., 226 F.R.D. 579, 587 (N.D. Ohio 2005). Concluding that, in cases of dual purpose, the attorney-client privilege is broader than the work product doctrine and that "documents prepared for the purpose of obtaining or rendering legal advice are protected even though the documents also reflect or include business issues."

Status Time Corp. v. Sharp Elec. Corp., 95 F.R.D. 27, 31 (S.D.N.Y. 1982). Communications of exclusively technical information to patent attorneys not privileged. Documents containing considerable amounts of technical information will be privileged if they are concerned primarily with a request for a provision of legal advice.

Costco Wholesale Corp. v. Super. Ct., 219 P.3d 736 (Cal. 2009). A letter written to employer's corporate counsel by outside counsel who investigated wage classifications of certain employees was entirely covered by attorney-client privilege, even if the letter contained factual information from interviews with employees that could have been performed by a non-attorney, where outside counsel was presented with a question requiring legal analysis and was asked to investigate the facts she needed to render a legal opinion.

Leibel v. Gen. Motors Corp., 646 N.W.2d 179, 185 (Mich. Ct. App. 2002). While in house counsel's memo contained certain factual statements, "the overriding basis for and content of the memorandum concerns legal advice for seatback safety and potential litigation."

The existence of the privilege and its protection of legal communications will not bring non-legal communications within the privilege. *See* Motley v. Marathon Oil Co., 71 F.3d 1547, 1551 (10th Cir. 1995) ("the mere fact that an attorney was involved in a communication does not automatically render the communication subject to the attorney-client privilege"); Mass. Sch. of Law at Andover, Inc. v. Am. Bar Ass'n, 895 F. Supp. 88, 91 (E.D. Pa. 1995); Thurmond v. Compaq Computer Corp., 198 F.R.D. 475, 483 (E.D. Tex. 2000). ("[C]ommon sense tells us that there is a difference between merely providing legal information and providing legal 'advice.' . . . [T]he attorneys were acting more as 'courier[s] of factual information,' rather than 'legal advisers.'"); Hardy v. N.Y. News, 114 F.R.D. 633, 643-44 (S.D.N.Y. 1987) ("[T]he business aspects of the decision are not protected simply because legal considerations are also involved."); Foseco Int'l Ltd. v. Fireline, Inc., 546 F. Supp. 22, 24 (N.D. Ohio 1982) ("Communications made in the routine course of business, however, such as transmittal letters or acknowledgment of receipt letters, which disclose no privileged matters and which are devoid of legal advice or requests for such advice are not protected."). Moreover, the attorney-client privilege does not reach facts within the client's knowledge, even if the client learned of those facts through communications with counsel.

When an attorney acts solely as a business advisor, negotiator, or scrivener, communications are not privileged because they do not have a legal purpose. *See* In re Lindsey, 148 F.3d 1100, 1106 (D.C. Cir. 1998) (communications not privileged when attorney acts as a policy advisor, media expert, business consultant, banker, referee or friend); In re Grand Jury Subpoena Duces Tecum, 731 F.2d 1032, 1037 (2d Cir. 1984) (communications that did not evidence legal advice, but merely business advice, were not privileged, as opposed to documents which did show that the client was seeking legal advice); United States v. El Paso Co., 682 F.2d 530, 539 (5th Cir. 1982) (preparation of tax returns); United States v. Davis, 636 F.2d 1028, 1042-43 (5th Cir. 1981) (business adviser role is not privileged); Marceau v. Int'l Bhd. of Elec. Workers Local 1269, 246 F.R.D. 610 (D. Ariz. 2007) (internal investigation report conducted by outside counsel, detailing manipulation of sales performance calculations to favor union agents, was undertaken for a business, not legal, purpose

and thus not covered by the attorney-client or work product privileges); United States v. Bartone, 400 F.2d 459, 461 (6th Cir. 1968) (ministerial or clerical services are not within the privilege); NXIVM Corp. v. O'Hara, 241 F.R.D. 109, 131-32 (N.D.N.Y. 2007) (when attorney acted solely as coordinator of media relations, communications between attorney and client not protected); Navigant Consulting, Inc. v. Wilkinson, 220 F.R.D. 467, 474-75 (N.D. Tex. 2004) ("Where an attorney is functioning in some other capacity – such as an accountant, investigator, or business advisor – there is no privilege."); Pfizer Inc. v. Ranbaxy Labs. Ltd., No. 03-209-JJF, 2004 WL 2323135, at *2 (D. Del. Oct. 7, 2004) (attorney client privilege not applicable where communications included only factual, not legal information); Burton v. R.J. Reynolds Tobacco Co., Inc., 170 F.R.D. 481, 488-89 (D. Kan. 1997) (public relations communications not protected); Ga.-Pac. Corp. v. GAF Roofing Mfg. Corp., 1996 WL 29392 at *4 (S.D.N.Y. 1996) (in-house counsel's contract negotiations not privileged); Rattner v. Netburn, No. 88 CIV.2080(GLG), 1989 WL 223059 (S.D. N.Y. 1989), *aff'd*, 1989 WL 231310 (S.D.N.Y. 1989) (counsel acting as press agent); N.C. Elec. Membership Corp. v. Carolina Power & Light Co., 110 F.R.D. 511, 517 (M.D.N.C. 1986) ("Business advice, such as financial advice or discussion concerning business negotiations, is not privileged). However, "factual investigations performed by attorneys *as attorneys* fall comfortably within the protection of the attorney-client privilege." Sandra T.E. v. S. Berwyn Sch. Dist. 100, 600 F.3d 612, 619-20 (7th Cir. 2010) (citing Upjohn and circuit courts) (emphasis in original). *See generally Internal Investigations*, § IX, *infra.*

Similarly, when a lawyer is merely providing factual information rather than legal advice, communications will not be protected. *See* Dawson v. N.Y. Life Ins. Co., 901 F. Supp. 1362, 1366 (N.D. Ill. 1995). Additionally, communications that are prompted by personal friendships or family relationships, as opposed to the desire for legal advice, are not protected. United States v. Tedder, 801 F.2d 1437 (4th Cir. 1986); In re Kinoy, 326 F. Supp. 400, 403 (S.D. N.Y. 1970).

If documents are prepared for simultaneous review by legal and non-legal personnel, the documents may not be deemed privileged, on the grounds that they were not prepared primarily for the purpose of providing legal advice.

See:

> *United States v. Frederick, 182 F.3d 496 (7th Cir. 1999). A document prepared for simultaneous use in tax return preparation and litigation is not privileged.*
>
> *In re Vioxx Prods. Liab. Litig., 501 F. Supp. 2d 789 (E.D. La. 2007). Where company routinely sent communications for simultaneous review by legal and non-legal personnel, company failed to demonstrate that communications were primarily for a legal purpose. "The structure of Merck's enterprise, with its legal department having such broad powers, and the manner in which it circulates documents, has consequences that Merck must live with relative to its burden of persuasion when privilege is asserted. When, for example, Merck simultaneously sends communications to both lawyers and non-lawyers, it usually cannot claim that the primary purpose of the communication was for legal advice or assistance because the communication served both business and legal purposes."*

Allied Irish Banks v. Bank of Am., N.A., 240 F.R.D. 96, 104 (S.D.N.Y. 2007). Under New York law, privilege did not protect memos of attorney's interviews or summary drafts of investigative findings because the attorney prepared them for the primary purpose of an investigative report, not for purpose of rendering legal advice.

In re Sulfuric Acid Antitrust Litig., 432 F. Supp. 2d 794, 796-97 (ND. Ill. 2006). Hypotheticals posed in antitrust compliance manuals created by employer's attorney for distribution to employees not privileged because manuals were instructional devices based on real life scenarios rather than requests for legal advice.

*Visa U.S.A., Inc. v. First Data Corp., No. C-02-1786SJW(EMC), 2004 WL 1878209, at *4, 7 (N.D. Cal. Aug. 23, 2004). Rejecting proposition that primary purpose of communication must be legal and adopting a broader standard (used for work product purposes by the Ninth Circuit) that provides that where a communication was made "because of" a legal purpose, the privilege applied. Nonetheless, the court held that the documents at issue were not privileged because they would have been created in substantially the same way solely for business purposes.*

In re Buspirone Antitrust Litig., 211 F.R.D. 249 (S.D.N.Y. 2002). *The fact that a request to counsel was sent simultaneously to non-legal personnel did not by itself dictate the conclusion that a document was not prepared for the purpose of obtaining legal advice.*

Neuder v. Battelle Pac. Nw. Nat'l Lab., 194 F.R.D. 289 (D.D.C. 2000). Although legal review of proposed termination was one purpose of meeting of personnel review committee, it was merely incidental to the primary business function of the meeting, which was to terminate the plaintiff's employment.

*United States v. Chevron Corp., No. C-94-1885, 1996 WL 264769, at *6-7 (N.D. Cal. Mar. 13, 1996). If a document was prepared for purposes of simultaneous review by legal and non-legal personnel, it cannot be said that the primary purpose of the document is to secure legal advice.*

*In re 3 Com Corp. Sec. Litig., No. C-89-20480, 1992 WL 456813, at *1-2 (N.D. Cal. Dec. 10, 1992). Draft press release documents that were sent to counsel for review were not privileged since attorney's comments related to factual information and not legal advice.*

Hardy v. N.Y. News, Inc., 114 F.R.D. 633, 643 (S.D.N.Y. 1987). Sole purpose of communication must be legal in order to be protected.

N.C. Elec. Membership Corp. v. Carolina Power & Light Co., 110 F.R.D. 511, 516-17 (M.D.N.C. 1986). Court ordered production of documents drafted by non-legal management and sent to in-house counsel because, among other things, the documents were simultaneously sent to both legal and non-legal personnel.

FTC v. TRW, Inc., 479 F. Supp. 160, 163 (D.D.C. 1979), aff'd, 628 F.2d 207 (D.C. Cir. 1980). Document that was prepared for legal and non-legal review was not considered to have been prepared primarily for purposes of obtaining legal advice.

First Fed. Sav. Bank of Hegewisch v. United States, 55 Fed. Cl. 263, 269 (Fed. Cl. 2003). Document created for dual purpose is not privileged.

Similarly, summary documents based on attorney-client communications, but which do not reveal any individual communications, may not be privileged if they were prepared for purposes other than securing legal advice. *See*:

Simon v. G.D. Searle & Co., 816 F.2d 397 (8th Cir. 1987). The "risk management" documents prepared from privileged case reserve information for general business purposes were not privileged, at least to the extent that they revealed aggregate claims information and not individual privileged communications.

In re Hillsborough Holdings Corp., 132 B.R. 478, 480 (Bankr. M.D. Fla. 1991). Privilege does not protect compilations of litigation data made by an attorney for business rather than legal purposes. Where counsel collected information on judgments against the company and insurance coverage, court held data were for the business purposes of accounting and insurance planning, and not for the purpose of seeking or providing legal advice.

The issue of mixed legal and business purposes arises frequently in the context of communications with in-house counsel. The fact that in-house counsel often play multiple roles in the corporation has caused many courts to apply heightened scrutiny in determining whether the elements of the attorney-client privilege have been established. While courts do not want to weaken the privilege, they are mindful that corporate clients could attempt to hide mountains of otherwise discoverable information behind a veil of secrecy by using in-house legal departments as conduits of otherwise non-privileged information. "The fact that the attorney is in-house counsel does not mean that the privilege is unavailable. . . . However, in-house counsel's law degree and office are not to be used to create a 'privileged sanctuary for corporate records.'" United States v. Davis, 131 F.R.D. 391, 401 (S.D.N.Y. 1990) (internal citations omitted). As a result, many courts impose a higher burden on in-house counsel to "clearly demonstrate" that advice was given in a legal capacity. *See:*

United States v. Adlman, 68 F.3d 1495, 1500 (2d Cir. 1995). In-house counsel who was also the company's Vice President for Taxes, resisted a summons served by the IRS for the production of a preliminary and final draft of a memorandum prepared by the company's auditors. The court rejected counsel's assertion of the attorney-client privilege because counsel failed to demonstrate that the auditor's work in this instance was to provide legal rather than business advice. The court found that there was no contemporaneous documentation, such as a separate retainer agreement, supporting the position that the auditor, in this task alone, was working under a different arrangement from that which governed the rest of its work with the company.

In re Vioxx Prods. Liab. Litig., 501 F. Supp. 2d 789 (E.D. La. 2007). Defendant drug company asserted two new theories regarding attorney client privilege. First, defendant argued the "Pervasive Regulation Theory"—that because drug companies are heavily regulated, all communications between in-house counsel and company employees carry legal problems and should be covered by privilege. Second, defendant asserted the "Reverse Engineering Theory"—that drafts of otherwise non-privileged documents should be privileged where an adverse party could "discern the content of legal advice that was subsequently offered [by in-house counsel]." The Court rejected both novel theories on the grounds that companies cannot be allowed to immunize all of their communications by passing them through the companies' legal departments.

Deel v. Bank of Am., N.A., 227 F.R.D. 456, 458, 460 (W.D. Va. 2005). Observing that the privilege "applies to individuals and corporations, and to in-house and outside counsel" and refusing to order production of documents where party "clearly sent these documents to its in-house and outside counsel to facilitate legal services."

United States v. Philip Morris Inc., 209 F.R.D. 13, 17 (D.D.C. 2002). Court allowed government to depose corporation's in-house attorneys regarding non-privileged information relating to "public relations," "corporate conduct and positions," marketing strategies, and tobacco research and development. The court noted that "deponents are employees to whom Defendants have knowingly assigned substantial non-legal, non-litigation responsibilities, including corporate business, managerial, public relations, advertising, scientific, and research and development responsibilities. Testimony on these subjects . . . is not subject to attorney-client or work-product privilege protections."

United States v. ChevronTexaco Corp., 241 F. Supp. 2d 1065, 1076 (N.D. Cal. 2002). "Because in-house counsel may operate in a purely or primarily business capacity in connection with many corporate endeavors, the presumption that attaches to communications with outside counsel does not extend to communications with in-house counsel." However, tax advice provided by in-house counsel who had both legal and business role was privileged. "Determining the tax consequences of a particular transaction is rooted virtually entirely in the law. The advisor must analyze the tax code; IRS rulings, decisions of the Tax Court, etc. Communications offering tax advice or discussing tax planning or the tax consequences of alternate business strategies are 'legal' communications."

Ames v. Black Entm't Television, No. 98 Civ. 0226, 1998 WL 812051 (S.D.N.Y. Nov. 18, 1998). In order to protect communications with in-house counsel, a company must meet the burden of "clearly showing" that in-house counsel "gave advice in her legal capacity, not in her capacity as a business advisor."

*United States v. Chevron Corp., No. C-94-1885, 1996 WL 264769, at *4 (N.D. Cal. Mar. 13, 1996). No presumption of privilege can be made with respect to documents generated by in-house counsel. "Some courts have applied a presumption that all communications to outside counsel are primarily related to legal advice." See Diversified Indus., Inc. v. Meredith, 572 F.2d 596, 610 (8th Cir. 1977). In this context, the presumption is logical since outside counsel would not ordinarily be involved in the business decisions of a corporation. However, the Diversified presumption cannot be applied to in-house counsel because in-house counsel are frequently involved in the business decisions of a company. While an attorney's status as in-house counsel does not dilute the attorney-client privilege (citing Upjohn), "a corporation must make a clear showing that in-house counsel's advice was given in a professional legal capacity."*

*Kramer v. Raymond Corp., No. 90-5026, 1992 WL 122856, at *1 (E.D. Pa. May 29, 1992). "The attorney-client privilege is construed narrowly. This is especially so when a corporate entity seeks to invoke the privilege to protect communications to in-house counsel. Because in-house counsel may play a dual role of legal advisor and business advisor, the privilege will apply only if the communication in question was made for the express purpose of securing legal not business advice."*

Teltron, Inc. v. Alexander, 132 F.R.D. 394, 396 (E.D. Pa. 1990). Teltron asserted the attorney-client privilege during the deposition of Siegel, who had been at various times Teltron 's outside counsel, Executive VP and in-house counsel, and President. The court overruled assertions of privilege on the ground that Teltron had failed to meet its burden of proving that deposition questions sought legal advice rather than business advice on the ordinary business activities of the company. "As a general rule, an attorney who serves a client in a business capacity may not assert the attorney-client privilege because of the lack of a confidential relationship." When a corporation seeks to protect communications made by an attorney who serves the corporation in a legal and business capacity, the corporation "must clearly demonstrate" that advice was given in a professional legal capacity. This is to prevent a corporation from shielding business transactions "simply by funneling their communications through a licensed attorney."

Indep. Petrochem. Corp. v. Aetna Cas. & Sur. Co., 672 F. Supp. 1, 5 (D.D.C. 1986). "It is far too expansive an interpretation [of Diversified] to say that any communication made by any employee to [in-house] counsel is prima facie done so for legal advice and therefore is privileged absent some other showing."

But see:

Boca Investerings P'ship v. United States, 31 F. Supp. 2d 9, 12 (D.D.C. 1998). A presumption exists "that a lawyer in the legal department or working for general counsel is most often giving legal advice, while the opposite presumption applies to a lawyer" who works in a management or business division of the company.

Ga.-Pac. Corp. v. GAF Roofing Mfg. Corp., *No. 93 Civ. 5125 (RPP), 1996 WL 29392, at *4 (S.D.N.Y. 1996). "[T]he need to apply [the privilege] cautiously and narrowly is heightened in the case of corporate staff counsel, lest the mere participation of an attorney be used to seal off disclosure."*

Strategem Dev. Corp. v. Heron Int'l N.V., *No. 90 Civ. 6328 (SWK), 1991 WL 274328 (S.D.N.Y. 1991). Tactical advice from outside counsel about terminating a contract is legal advice even if economic factors are considered, but that is not necessarily so in the case of in-house counsel: "This was not a situation where general counsel also served as a business executive exercising management as well as legal functions."*

Shell Oil Co. v. Par Four P'ship, *638 So.2d 1050 (Fla. Dist. Ct. App. 1994). Under Florida law, communications between corporate counsel and corporate employees on legal matters are presumptively privileged.*

Lobbying activity by lawyers presents a particular challenge. *See Lobbying*, § X.E, *infra*.

E. ASSERTING THE PRIVILEGE

1. Procedure For Asserting The Privilege

The proponent of the privilege must make a timely objection to the disclosure of a privileged communication. Failure to object may constitute a waiver of the privilege. *See* 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5507 (Supp. 2009). *See also*:

City of Rialto v. U.S. Dept. of Def., *492 F. Supp. 2d 1193, 1201-02 (C.D. Cal. 2007). When sole shareholder failed to assert attorney-client privilege on behalf of himself, but instead specifically invoked privilege only on behalf of the company, court held that shareholder's failure to object to discovery orders constituted waiver of privilege as to himself.*

Moloney v. United States, *204 F.R.D. 16, 18-19 (D. Mass. 2001). Though objections were made at deposition based on attorney-client privilege and work product protection, failure to object on basis of self-critical analysis and state law privileges waived objection on those grounds.*

Large v. Our Lady Of Mercy Med. Ctr., *No. 94 Civ. 5986, 1998 WL 65995, at *4 (S.D.N.Y. Feb. 17, 1998). Producing privileged communications to opponent without noting objection to the production in a privilege log or in correspondence with the judge constituted waiver.*

FDIC v. Ernst & Whinney, *137 F.R.D. 14, 19 (E.D. Tenn. 1991). Failure to object to the use of an inadvertently produced document constituted waiver.*

Baxter Travenol Labs., Inc. v. Abbott Labs., *117 F.R.D. 119, 120 (N.D. Ill. 1987). Failure to assert the privilege for several months when the party knew that inadvertently produced documents were in the hands of an opponent constituted waiver.*

It is generally recognized that the privilege belongs to the client and that the client has the sole power to waive it. *See* In re Seagate Tech., L.L.C., 497 F.3d 1360, 1372 (Fed. Cir. 2007); Douglas v. DynMcDermott Petroleum Operations, Co., 144 F.3d 364, 372 (5th Cir. 1998) (in-house counsel breached ethical duties by revealing client confidences during the course of an investigation into alleged Title VII violations). However, an attorney may assert the privilege on the client's behalf. Haines v. Liggett Grp., Inc., 975 F.2d 81, 90 (3d Cir.

1992). But the attorney cannot assert the privilege against the client's wishes. *See* Sandra T.E. v. S. Berwyn Sch. Dist. 100, 600 F.3d 612, 618 (7th Cir. 2010); Evan Law Grp. LLC v. Taylor, No. 09 C 4896, 2011 WL 72715, at *6 (N.D. Ill. Jan. 6, 2011) (lawyer may not assert the privilege for self-serving interests; rather, he may only assert the privilege to benefit the client).

The party asserting the privilege bears the burden of establishing that a communication is privileged. In re Excel Innovations, Inc., 502 F.3d 1086, 1099 (9th Cir. 2007) ("Ordinarily, the party asserting attorney-client privilege has the burden of establishing all of the elements of the privilege."); In re Grand Jury Subpoena, 415 F.3d 333, 338-39 (4th Cir. 2005) ("The burden is on the proponent of the attorney-client privilege to demonstrate its applicability."); United States v. Bisanti, 414 F.3d 168, 170 (1st Cir. 2005) (same); United States v. BDO Seidman, 337 F.3d 802, 811 (7th Cir. 2003) ("The mere assertion of a privilege is not enough; instead, a party that seeks to invoke the attorney-client privilege has the burden of establishing all of its essential elements."). Once the party asserting the existence of the privilege establishes a *prima facie* case that the privilege applies, the party seeking the production or other disclosure of the protected information bears the burden of establishing that an exception to the privilege applies. *See* Mass. Eye & Ear Infirmary v. QLT Phototherapeutics, Inc., 412 F.3d 215, 225 (1st Cir. 2005); Hawkins v. Stables, 148 F.3d 379, 383 (4th Cir. 1998) (proponent of the privilege must prove all elements of the privilege are met); von Bulow v. von Bulow, 811 F.2d 136, 144 (2d Cir. 1987) (proponent must prove all essential elements of the privilege); United States v. Nat'l Ass'n of Realtors, 242 F.R.D. 491, 493-94 (N.D. Ill. 2007) (same). Inadmissible evidence may be considered by the court while determining whether the preliminary facts of the privilege have been demonstrated by the proponent of the privilege. FED. R. EVID. 104(a); *see also* United States v. Zolin, 491 U.S. 554, 566-67 (1989) (allowing court to look at potentially privileged and therefore inadmissible documents to determine if privilege exists).

Blanket objections are not sufficient. *See* Holifield v. United States, 909 F.2d 201, 203 (7th Cir. 1990) (blanket objection that the documents requested by the government in a subpoena were protected by the attorney-client privilege did not invoke the privilege); Med. Assurance Co., Inc., v. Miller, No. 4:08-cv-29, 2010 WL 2710607, at *4-5 (N.D. Ind. July 7, 2010) (privilege "must be made and sustained on a question-by-question or document-by-document basis"); Navigant Consulting, Inc. v. Wilkinson, 220 F.R.D. 467, 473 (N.D. Tex. 2004) (blanket objection did not invoke the privilege); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5507 (Supp. 2009). For example, in Eureka Financial Corp. v. Hartford Accident & Indemnity Co., 136 F.R.D. 179, 186 (E.D. Cal. 1991), the court found that the defendant's blanket objection to the discovery of privileged communications warranted sanctions against the defendant's counsel. Similarly, in In re Air Crash at Taipei, Taiwan on October 31, 2000, 211 F.R.D. 374, 376 n.2 (C.D. Cal. 2002), the court determined that, notwithstanding its blanket assertion of privilege, defendant airline waived its ability to assert the privilege by failing to produce a privilege log.

Mere conclusory assertions or vague representations of facts that are the basis for the privilege claim are also insufficient to meet the burden of establishing the attorney-client privilege. *See* United States v. Constr. Prods. Research, Inc., 73 F.3d 464, 473-74 (2d Cir.

1996) (if a party invoking a privilege does not provide sufficient detail – through privilege log, affidavit or deposition testimony – to demonstrate fulfillment of all of the legal requirements for application of the privilege, the claim will be rejected); PYR Energy Corp. v. Samson Res. Co., No. 1:05-CV-530, 2007 WL 446025, at *1 (E.D. Tex. Feb. 7, 2007) (holding that party waived attorney-client privilege as to some documents where privilege log's descriptions were "so vague and oblique as to be meaningless"); Rosario v. Copacabana Night Club, Inc., No. 97 Civ. 2052, 1998 WL 273110, at *11 (S.D.N.Y. May 28, 1998) (plaintiff did not effectively assert the privilege by vaguely representing to the court that an attorney-client relationship may have existed at the time the communications in question were made); CSC Recovery Corp. v. Daido Steel Co., No. 94 Civ. 9214, 1997 WL 661122, at *2 (S.D.N.Y. Oct. 22, 1997) (conclusory allegations that elements of privilege are met is insufficient to invoke the privilege). *But see* United States v. British Am. Tobacco (Invs.) Ltd., 387 F.3d 884, 891-92 (D.C. Cir. 2004) (holding that a general objection as to the scope of a document request preserved the producing party's ability to subsequently assert an objection based on privilege where the party asserting the privilege failed to initially log a document as privileged but believed it to be within the objection to the scope of the request).

a. Privilege Logs

The use of privilege logs and affidavits of the authors and recipients of the documents containing privileged communications are common ways in which the privilege is invoked. *See* Carnes v. Crete Carrier Corp., 244 F.R.D. 694, 698 (N.D. Ga. 2007) ("The party asserting the attorney-client privilege . . . bears the burden to provide a factual basis for its assertions. This burden is met when the party produces a detailed privilege log . . . [and] an accompanying explanatory affidavit from counsel."); CSC Recovery Corp. v. Daido Steel Co., No. 94 Civ. 9214, 1997 WL 661122, at *11 (S.D.N.Y. Oct. 27, 1997) (privilege logs and affidavits were sufficient to assert the privilege). Some courts require that a privilege log contain basic information about each separate communication over which a party asserts a privilege. *See, e.g.*, Allendale Mut. Ins. Co. v. Bull Data Sys., Inc., 145 F.R.D. 84 (N.D. Ill. 1992).

The Federal Rules of Civil Procedure specifically provide guidance on the contents of a privilege log:

> [A party must] describe the nature of the documents, communications, or tangible things not produced or disclosed--and do so in a manner that, without revealing information itself privileged or protected, will enable other parties to assess the claim.

FED. R. CIV. P. 26(b)(5)(A)(ii); *see also* Wolk v. Green, No. C06-5025 BZ, 2007 WL 3203050, at *1-2 (N.D. Cal. 2007) ("[Federal] Rule 26(b)(5) is commonly satisfied by filing a privilege log. Blanket refusals or boilerplate objections are insufficient to assert the privilege . . . ."); Nev. Power Co. v. Monsanto Power Co., 151 F.R.D. 118, 121 (D. Nev. 1993). The Advisory Committee's Notes recognize that the amount and type of information required on a privilege log could be scaled back if voluminous materials are involved. FED. R. CIV. P. 26(b)(5) advisory committee's note. *See also* In re Papst Licensing, GmbH Patent

Litig., No. Civ. A. MDL 1298, 2001 WL 1135268, at *2 (E.D. La. Sept. 19, 2001). In general, the description should be sufficient "to permit the adversary to make an intelligent assessment as to the applicability of a privilege." SEC v. Beacon Hill Asset Mgmt. LLC, 231 F.R.D. 134, 145 (S.D.N.Y. 2004).

The case law reflects differing views about the detail to be included on a privilege log.

Compare:

> *Trustees of the Elec. Workers Local No. 26 Pension Trust Fund v. Trust Fund Advisors, Inc., 266 F.R.D. 1, 9 n.8 (D.D.C. 2010). The court distinguished the current case from Beacon Hill Asset Mgmt. The court refused to order the production of privileged documents. Inaccuracies or inadequacies in the privilege log alone is not enough to waive the privilege, especially when the mistakes were not due to bad faith.*
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> *In re Motor Fuel Temperature Sales Practices Litig., No. 07-MD-1840, 2009 WL 959491 (D. Kan. Apr. 3, 2009). Court denied defendant's motion for a protective order to relieve defendant of obligation of reviewing and logging of communications with counsel occurring after the commencement of the litigation. However, in order to minimize the burden of creating a detailed privilege log of these communications, pursuant to advisory note to Fed. R. Civ. P. 26, the court ordered that defendant would be allowed to log the documents "categorically" and not document by document.*
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> *PYR Energy Corp. v. Samson Res. Co., No. 1:05-CV-530, 2007 WL 446025, at *1-2 (E.D. Tex. Feb. 7, 2007). Privilege log was insufficient and was basis for sanctions when two weeks late and incomplete as to who received or created documents.*
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> *St. Joe Co. v. Liberty Mut. Ins. Co., No. 3:05-cv-1266-J-25MCR, 2006 WL 3391208, at *5 (M.D. Fla. Nov. 22, 2006). Defendant's privilege log of withheld communications between counsel and defendant's employees inadequate to protect privilege where log failed to specify or allege the communications had not been disclosed to those beyond corporate control group, to provide adequate subject matter descriptions, and failed to identify positions or authors and recipients of some of the documents, but allowing defendants to amend log with affidavits, deposition testimony, or other evidence necessary to establish elements of attorney-client privilege over documents.*
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> *Am. Sav. Bank, FSB v. UBS Painewebber, Inc., No. M8-85, 2002 WL 31833223, at *1-2 (S.D.N.Y. Dec. 16, 2002). Noting that local rules require identification of documents on privilege log by type of document, date of creation, and identification of subject matter and that assertion of privilege requires production of privilege log notwithstanding burden of detailing each privileged document.*
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> *In re Diet Drugs (Phentermine, Fenfluramine, Dexfenfluramine) Prods. Liab. Litig., No. 1203, 2000 WL 1545028, at *3 (E.D. Pa. Oct. 12, 2000). Privilege log listing date, author, and "skeletal" subject matter description was insufficient to establish deliberative process privilege in response to FOIA request.*
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> *In re Gen. Instrument Corp. Sec. Litig., 190 F.R.D. 527, 532 (N.D. Ill. 2000). "Case law, and Fed. R. Civ. P. 26(b)(5) should have made it clear to defendant, at some point over the last three years, that its privilege log was woefully deficient. When the plaintiff pointed out obvious flaws in the log, however, the defendant stridently refused to provide required information. It is apparent from review of the privilege log that defendants are under the mistaken impression either that plaintiffs must prove documents are not privileged, or that it is the court's burden to establish the applicability of the privilege as to defendant's documents."*

*Bristol-Myers Squibb Co. v. Rhone-Poulenc Rorer, Inc., No. 95 Civ. 8833, 1998 WL 474206, at *2 (S.D.N.Y. Aug. 12, 1998). "The Court . . . deplores the presentation of a privilege log arranged neither chronologically nor by subject matter, suggesting that the discovery documents, or the log, may have been arranged as a litigation tactic to inconvenience opposing counsel, which, in this case, has the added result of making the Court's review more difficult and more time-consuming."*

Torres v. Kuzniasz, 936 F. Supp. 1201, 1208 (D.N.J. 1996). Party claiming privilege must specify the date of the documents, the author, the intended recipient, the names of all people given copies of the document, the subject of the document and the privilege or privileges asserted.

Bowne Inc. v. AmBase Corp., 150 F.R.D. 465, 474 (S.D.N.Y. 1993). Typically a log will identify the parties to the withheld communication and "sufficient detail to permit a judgment as to whether the document is at least potentially protected from disclosure." The Bowne court recognized that additional required information will typically be supplied by affidavit or deposition (such as the relationship of the listed parties to the litigation, the preservation of confidentiality, and the reason for disclosure to a party). The court concluded that a log which listed for each document the date, author, address, other recipients, the type of document (i.e., memo or letter), the type of protection claimed, and a very skeletal description of the subjects was insufficient.

Allendale Mut. Ins. Co. v. Bull Data Sys., Inc., 145 F.R.D. 84 (N.D. Ill. 1992). "For each document, the log should identify the date, the author and all recipients, along with their capacities. The log should also describe the document's subject matter, purpose for its production, and a specific explanation of why the document is privileged or immune from discovery. These categories, especially this last category, must be sufficiently detailed to allow the court to determine whether the discovery opponent has discharged its burden. . . . Accordingly, descriptions such as 'letter re claim,' 'analysis of claim' or 'report in anticipation of litigation' – with which we have grown all too familiar – will be insufficient. This may be burdensome, but it will provide a more accurate evaluation of a discovery opponent's claims and takes into consideration the fact that there are no presumptions operating in the discovery opponent's favor."

With:

Muro v. Target Corp., 250 F.R.D. 350, 362-63 (N.D. Ill. 2007). Rule 26(b)(5)(A) does not require logging each email in an email string individually. The rule "requires only that a party provide sufficient information for an opposing party to evaluate the applicability of privilege, 'without revealing information itself privileged.'"

*United States v. Magnesium Corp. of Am., No. 2:01-CV-00040, 2006 WL 1699608, at *5 (D. Utah June 14, 2006). Detailed privileged log was not necessary when the documents to be logged would number in the thousands and when "it seem[ed] clear that most of the documents at issue would be protected from disclosure by the work product privilege, the attorney-client privilege, or the joint defense privilege."*

*A.I.A. Holdings, S.A. v. Lehman Bros., Inc., No. 97 Civ. 4978, 2002 WL 31385824, at *4 (S.D.N.Y. Oct. 21, 2002) (No. 97 Civ. 4978(LMM)(HB). Criticizing view in Bowne, cited above, requiring party asserting the privilege to offer evidence sufficient to establish privilege as to each item listed on log. Rather, assertion of privilege can be supplemented as to challenged documents only.*

*In re Papst Licensing, GmbH Patent Litig., No. Civ. A. MDL 1298, 2001 WL 1135268, at *2 (E.D. La. Sept. 19, 2001). Observing that ordinarily privilege logs require detailed disclosure but noting that courts may allow departures from that requirement and concluding that because listed communications between attorney and client were within core of the privilege, detailed descriptions would be unnecessary.*

*SEC v. Thrasher, No. 92 Civ. 6987 1996 WL 125661, at *1-2 (S.D.N.Y. Mar. 20, 1996). Finding that defendant was not obligated to provide a detailed privilege log for his communications with counsel after noting that a document-by-document listing would be unduly burdensome and that the documents sought were likely protected by the work product or attorney-client privilege.*

Durkin v. Shields (In re Imperial Corp. of Am.), 174 F.R.D. 475, 478-79 (S.D. Cal. 1997). Plaintiffs were not required to produce a document-by-document privilege log but could instead prepare a privilege log on a categorical basis when the litigation involved approximately 50 parties, 20 law firms, and at least hundreds of thousands of documents. The court noted that "[t]o force the creation of a document-by-document privilege log of documents of that magnitude is unreasonable and overly burdensome."

Some courts have provided specific requirements for privilege logs in local rules. *See, e.g.*, Ruran v. Beth El Temple, Inc., 226 F.R.D. 165, 168-69 (D. Conn. 2005); SEC v. Beacon Hill Asset Mgmt. LLC, 231 F.R.D. 134, 141 (S.D.N.Y. 2004). Failure to meet the requirements of such local rules may result in a waiver of the privilege. *See* Dorf & Stanton Commc'ns, Inc. v. Molson Breweries, 100 F.3d 919, 923 (Fed. Cir. 1996) (holding that party waived privilege when it failed to meet requirements of valid local rule and failed to use its best efforts to cure discovery violations); 105 Street Assocs., LLC v. Greenwich Ins. Co., No. 05 Civ. 9938(VM)(DF), 2006 WL 3230292, at *3-4 (S.D.N.Y. Nov. 7, 2006) (noting that judges in that district hold that an "unjustified failure to list privileged documents on the required log of withheld documents in a timely and proper manner" in accordance with Local Rule 26.2 "operates as a waiver of any applicable privilege"). *But see* Dorf & Stanton, 100 F.3d at 928 ("Even if there were inadequate initial compliance with the local rule, if the inadequacy was remedied and absent prejudice the consequence is not automatic loss of the privilege."); Rambus, Inc. v. Infineon Techs. AG, 220 F.R.D. 264, 274 (E.D. Va. 2004) (holding that where party seeking production failed to meet and confer with counsel asserting privilege there was no waiver even where initial privilege log failed to meet requirements of local rule).

Failure to provide sufficient detail in privilege logs may have severe consequences, including waiver of the privilege. For example, in In re General Instrument Corp. Securities Litigation, 190 F.R.D. 527, 532 (N.D. Ill. 2000), the court ordered the defendant to produce 396 documents that the defendant claimed were privileged. The court's decision to compel the production of those documents was based on the fact that the defendant's privilege log contained "sketchy, cryptic, often mysterious descriptions of subject matter" that were insufficient to fulfill the defendant's burden of establishing the elements of the privilege for each document. *Id.*; *see also* In re Chevron Corp., No. 10 MC 00002, ---F. Supp. 2d---, 2010 WL 4922312 (S.D.N.Y. Nov. 30, 2010) (an attorney's failure to provide a privilege log prior to the return date of a subpoena, an intentional strategic delay, resulted in waiver of any privilege because, while FRCP 26(b)(5) does not explicitly state when a privilege log must be provided, FRCP 45, which applies to subpoenas, requires that a person objecting to a subpoena must serve either written objections or move to quash within the earlier of the time fixed for compliance or fourteen days after service and, if withholding subpoenaed material on grounds of privilege, must provide a privilege log); Felham Enters. (Cayman) Ltd. v. Certain Underwriters at Lloyds, No. Civ. A. 02-3588 C/W 0, 2004 WL 2360159, at *3 (E.D. La. Oct. 19, 2004) (finding a waiver where defendant failed to produce a timely privilege log and the log it ultimately produced failed to sufficiently describe withheld

documents); B.F.G. of Ill., Inc. v. Ameritech Corp., No. 99 C 4604, 2001 WL 1414468, at *2, 5-8 (N.D. Ill. Nov. 13, 2001) (court ordered hundreds of documents produced and imposed sanctions where party failed to provide adequate privilege log and, based on *in camera* review, improperly asserted privilege); ConAgra, Inc. v. Arkwright Mut. Ins. Co., 32 F. Supp. 2d 1015, 1018 (N.D. Ill. 1999) (directing the defendant to produce 54 documents withheld and 10 additional documents initially produced in redacted form because the defendant failed to include sufficient descriptions of the documents in its privilege log to establish the privilege).

A party is required to claim privilege for documents withheld in a timely manner. *See* In re DG Acquisition Corp., 151 F.3d 75, 84 (2d Cir. 1998) (party responding to subpoena must assert privilege within 14 days); Marx v. Kelly, Hart & Hallman, P.C., 929 F.2d 8, 12 (1st Cir. 1991); Horace Mann Ins. Co. v. Nationwide Mut. Ins. Co., 240 F.R.D. 44, 48 (D. Conn. 2007) (party must assert privilege within 14 days, then submit privilege log within "reasonable time"; four-month delay in submitting log was not reasonable). While some courts will permit parties to submit privilege logs sometimes months after documents are produced, leaving it to the parties to work out the when the logs should be exchanged, other courts may demand that the logs be disclosed at the time of the initial production or shortly thereafter. *See* First Savs. Bank, F.S.B. v. First Bank Sys., Inc., 902 F. Supp. 1356, 1360 (D. Kan. 1995), rev'd on other grounds, 101 F.3d 645 (10th Cir. 1996) (Rule 26 "contemplates that the required notice and information is due upon a party withholding the claimed privileged material. Consequently . . . the producing party must provide the [privilege log] at the time it is otherwise required to produce the documents."). Importantly, a party is responsible for logging *all* documents in its possession, custody, or control, which may include documents held by its current and former counsel. *See* CSI Inv. Partners II, L.P. v. Cendant Corp., No. 00 Civ. 1422 (DAB) (DFE), 2006 WL 617983, at *6 (S.D.N.Y. Mar. 13, 2006) (directing defendants to use their best efforts to cause all present and former counsel to produce documents and/or itemized privilege logs).

In the absence of an agreement or court order to the contrary, a party may be required to log documents exchanged with counsel during the litigation. In In re Motor Fuel Temperature Sales Practices Litigation, No. 07-MD-1840, 2009 WL 959491 (D. Kan. Apr. 3, 2009), defendants sought a protective order regarding tens of thousands of post-litigation communications with their attorneys, arguing it would be a waste of money and of little benefit to plaintiffs to review and log them. Plaintiffs objected, arguing that such an order would allow defendants to withhold responsive communications with counsel that were not privileged, for example, communications with in-house counsel acting in a business capacity or where counsel was merely copied on non-privileged communications. The court denied the protective order and ordered defendant to review post-litigation communications. To minimize the burden, the court ordered that defendant would be allowed to log privileged documents "categorically" and not document by document.

Although failure to list documents on a privilege log may result in waiver of the privilege, such waiver is not necessarily automatic, at least where the document at issue is subject to another objection. In United States v. Philip Morris Inc., 347 F.3d 951, 954 (D.C. Cir. 2003), the government moved to compel production of a document not listed on the defendant's privilege log. The lower court held that, notwithstanding any other

applicable objections made by the defendant, the defendant waived the privilege. The D.C. Circuit reversed, holding that it was error not to consider the defendant's objections to production (other than those based on the attorney-client privilege) prior to finding a waiver. *Id*. The appellate court held that "if a broad discovery request includes an allegedly privileged document, and if there is an objection to the scope of the request, the court should first decide whether the objection covers the document." *Id*. Thus, the court held that only after an objection (other than one based on privilege) is resolved must a party list documents falling within the objection (assuming the objection is allowed). *Id.* In a subsequent proceeding, United States v. British American Tobacco (Investments) Ltd., 387 F.3d 884, 891-92 (D.C. Cir. 2004), the D.C. Circuit again reviewed the defendant's objections and failure to log the responsive document. Although the court concluded that none of the defendant's objections applied, it nonetheless again reversed the lower court and held that, because the defendant had a reasonable expectation that its objection applied, waiver of the attorney-client privilege was an excessive sanction. *Id.* It therefore again reversed and directed the lower court to allow the defendant to log the document at issue and further allow the government to challenge the defendant's assertion of privilege. *Id.*

Privilege logs must be prepared for the litigation at hand. In Ross v. Abercrombie & Fitch Co., No. 2:05-cv-0819, 2009 WL 779328 (S.D. Ohio Mar. 19, 2009), the court held that defendant's assertions of privilege over documents withheld in an earlier, factually related SEC investigation would be judged not by the privilege log created in the earlier SEC proceeding, but by the log prepared for the litigation before the court. Plaintiff moved to compel production of documents previously withheld from the SEC, citing alleged inadequacies in the privilege log provided to the SEC. The court denied the motion, holding that it would be a waste of judicial resources to review a privilege log from a prior, separate proceeding and that privilege determinations would be made based on the log provided by defendant in the case before the court, which defendant had not yet completed.

Describing emails and other electronically stored information ("ESI") on a privilege log presents particular challenges. In Rhoads Industries, Inc. v. Building Materials Corp. of America, 254 F.R.D. 238 (E.D. Pa. 2008), the court provided guidance on how to log emails on a privilege log in a manner that meets the requirements of Fed. R. Civ. Pro. 26(b)(5). The court explained that an email "string" or "chain" is actually comprised of several different individual communications. A relatively simple example would be an initial email between a third party vendor and a company employee ("initial email"), that is forwarded to the company's CEO ("email string #1"), which the CEO then forwards to outside counsel seeking legal advice ("email string #2"). The question is, how should these emails be presented on a privilege log? The court in Rhoads explained that a separate privilege determination must be made for each of the three communications. The court explained that the entirety of "string #2" could be privileged, analogizing it to a situation in which a client sends a letter to counsel seeking legal advice in which the client quotes an earlier conversation or document verbatim. The court's ruling regarding how to log emails was less than clear. Where a party has produced the initial email and string #1, the court apparently would not require the log description for string #2 to list those underlying emails. However, if a party claims that the initial email and string #1 become privileged because they were sent to counsel, then each must be logged. *See also* Muro v. Target Corp., 250 F.R.D. 350, 363 (N.D. Ill. 2007) (log need not separately itemize each individual email in an email string);

United States v. ChevronTexaco Corp., 241 F. Supp. 2d 1065, 1074 (N.D. Cal. 2002) (holding that email chains should be logged as a single entry because "[a]ddressing each e-mail separately does not accurately reflect what was communicated with that e-mail because each (chronologically) successive e-mail apparently attached those that preceded it"). *But see* In re Universal Serv. Fund Tel. Billing Practices Litig., 232 F.R.D. 669, 674 (D. Kan. 2005) ("[T]he court strongly encourages counsel, in the preparation of future privilege logs, to list each email within a strand as a separate entry. Otherwise, the client may suffer a waiver of attorney-client privilege or work product protection . . . ."); St. Andrews Park, Inc. v. U.S. Dep't of Army Corps of Eng'rs, 299 F. Supp. 2d 1264, 1271-72 (S.D. Fla. 2003) (holding that the government's privilege log, which did not individually list emails in email chains, identify the author and recipient and their roles for each email, and identify any non-privileged portions of the emails, was insufficient).

A second challenge presented by logging ESI is how to adequately disclose attachments to emails. In SEC v. Beacon Hill Asset Management L.L.C., 231 F.R.D. 134 (S.D.N.Y. 2004), the court found that defendant waived privilege with respect to attachments to privileged emails where the defendant did not satisfy its burden of demonstrating that each attachment was privileged.

A recent law review article co-authored by Judge John M. Facciola and Jonathan M. Redgrave provides a detailed discussion of problems encountered with reviewing voluminous electronic information for privilege and logging withheld information. Hon. John M. Facciola and Jonathan M. Redgrave, *Asserting and Challenging Privilege Claims in Modern Litigation: The Facciola-Redgrave Framework*, 4 FED. CTS. L. REV. 44 (2009). The authors provide detailed suggestions for ways in which parties may use the meet and confer process, the 2006 amendments of the Federal Rules of Civil Procedure, and Federal Rule 502 to avoid unnecessary and costly review and logging, and propose a streamlined method for resolving legitimate disputes.

There are several practical recommendations that can be drawn from this section. First, it is important to determine what, if any, local rules or rules specific to a particular court may apply to privilege logs. Second, reaching an agreement among the parties at an early stage of litigation regarding how they will log documents, including ESI, may prevent disputes later regarding the adequacy of the parties' privilege logs. Third, to the extent that the parties agree to a privilege log protocol, they should seek the court's approval and assistance by incorporating the protocol into a court order, such as a Rule 16 scheduling order, or a protective order.

b. Electronic Mail and Other Electronic Data: Cost Shifting

As anyone who has litigated a complex case knows, one of the largest cost drivers is the cost associated with producing ESI, and reviewing it for privilege. *See., e.g.*, Zubulake v. UBS Warburg L.L.C., 217 F.R.D. 309, 317-20 (S.D.N.Y. 2003); Rowe Entm't, Inc. v. William Morris Agency, Inc., 205 F.R.D. 421, 429 (S.D.N.Y. 2002); *see also* Manual for Complex Litigation § 11.446 (4th ed. 2011). ESI is only the latest form of discovery, which has exacerbated the excessive cost of litigation, threatening to price litigants out of court.

See Mancia v. Mayflower Textile Servs. Co., 253 F.R.D. 354, 359 (D. Md. 2008) (citing Am. Coll. of Trial Lawyers & Inst. for the Advancement of the Am. Legal Sys., *Interim Report on the Joint Project of the American College of Trial Lawyers Task Force on Discovery and the Institute for the Advancement of the American Legal System 3* (2008)) ("Although the civil justice system is not broken, it is in serious need of repair. The survey shows that the system is not working; it takes too long and costs too much. Deserving cases are not brought because the cost of pursuing them fails a rational cost-benefit test, while meritless cases, especially smaller cases, are being settled rather than being tried because it costs too much to litigate them."); Gregory P. Joseph, *Trial Balloon: Federal Litigation-Where Did It Go Off Track?*, LITIG., Summer 2008, at 62 (observing that discovery costs, particularly related to ESI discovery, is partly responsible for making federal litigation procedurally more complex, risky to prosecute, and very expensive," causing litigants to avoid litigating in federal court); The Sedona Conference, *The Sedona Conference Cooperation Proclamation* 1 (2008), http://www.thesedonaconference.org/content/tsc_cooperation_proclamation/proclamation.pdf (last visited Feb. 26, 2011) ("The costs associated with adversarial conduct in pre-trial discovery have become a serious burden to the American judicial system. This burden rises significantly in discovery of electronically stored information ("ESI"). In addition to rising monetary costs, courts have seen escalating motion practice, overreaching, obstruction, and extensive, but unproductive discovery disputes – in some cases precluding adjudication on the merits altogether . . . ."). *See also* FED. R. CIV. P. 26(b)(5) advisory committee's note to 2006 amendments ("The Committee has repeatedly been advised that the risk of privilege waiver, and the work necessary to avoid it, can increase substantially because of the volume of electronically stored information.").

The 2006 Amendments to the Federal Rules of Civil Procedure and recently enacted Federal Rule of Evidence 502 are the culmination of an effort started in 2000 to implement rules that enable litigants to rein in the cost of discovery generally, and electronic discovery specifically. Prior to 2006, the Federal Rules generally placed the burden of paying for compliance with a discovery request on the respondent, and early courts were not sympathetic to the beleaguered keeper of electronic records. *See* In re Brand Name Prescription Drugs Antitrust Litig., Nos. 94 C 897, MDL 997, 1995 WL 360526, at *2 (N.D. Ill. June 15, 1995); Daewoo Elecs. Co. v. United States, 650 F. Supp. 1003, 1006 (Ct. Int'l Trade 1986) ("The normal and reasonable translation of electronic data into a form usable by the discovering party should be the ordinary and foreseeable burden of a respondent in the absence of a showing of extraordinary hardship.").

However, prior to the 2006 Amendments, some courts were willing to shift the substantial burden, at least partially, to the party seeking electronic discovery. For example, the court in Rowe set forth a seven-factor test in determining when cost-shifting is appropriate:

> (1) the specificity of the discovery requests; (2) the likelihood of discovering critical information; (3) the availability of such information from other sources; (4) the purposes for which the responding party maintains the requested data (5) the relative benefit to the parties of obtaining the information; (6) the total cost associated with production;

> (7) the relative ability of each party to control costs and its incentive to do so; and (8) the resources available to each party.

Rowe, 205 F.R.D. at 429. Subsequently, in Zubulake v. UBS Warburg LLC, 217 F.R.D. 309, 321-22 (S.D.N.Y. 2003), the court set forth a similar test for cost-shifting. This test includes an analysis of:

> (1) the extent to which the request is specifically tailored to discover relevant information; (2) the availability of such information from other sources; (3) the total cost of production, compared to the amount in controversy; (4) the total cost of production, compared to the resources available to each party; (5) the relative ability of each party to control costs and its incentive to do so; (6) the importance of the issues at stake in the litigation; and (7) the relative benefits to the parties of obtaining the information.

The Zubulake court modified the Rowe test to account for the requirement in Rule 26 that courts look to the "amount in controversy or the importance of the issues at stake in the litigation" in requiring production. *See also* Hagemeyer N. Am., Inc. v. Gateway Data Scis. Corp., 222 F.R.D. 594, 599-601 (E.D. Wis. 2004) (adopting the Zubulake test).

In December 2006, the Federal Rules of Civil Procedure were amended to explicitly address common issues associated with electronic discovery. *See* FED. R. CIV. P. 16, 26, 34 (amended Dec. 1, 2006). Rule 26(f) requires parties to meet and confer to discuss "any issues about disclosure or discovery of electronically stored information . . . ." FED. R. CIV. P. 26(f)(3)(c). The amended Federal Rules also address the actual production of ESI. First, Rule 26 creates a two-tiered system for the production of information: the producing party must produce ESI that is "reasonably accessible," but "need not provide discovery of electronically stored information from sources the party identifies as not reasonably accessible because of undue burden or cost." *See* FED. R. CIV. P. 26(b)(2)(B). A party seeking ESI that is "not reasonably accessible" may still be able to obtain the production of the information upon a showing of "good cause." *See id.* "The definition of 'undue burden' is an issue of local substantive law," so cases like Rowe and Zubulake may still be relevant under the amendments. *See* Joseph Gallagher, *E-Ethics: The Ethical Dimension of the Electronic Discovery Amendments to the Federal Rules of Civil Procedure*, 20 GEO. J. LEGAL ETHICS 613, 619 (2007).

With respect to dealing with the costs of privilege reviews of ESI (as opposed to the costs of production), the Federal Rules of Civil Procedure "allow the parties to define their own processes for dealing with privilege issues . . . ." Joseph Gallagher, *E-Ethics: The Ethical Dimension of the Electronic Discovery Amendments to the Federal Rules of Civil Procedure*, 20 GEO. J. LEGAL ETHICS 613, 622 (2007) (citing JUDICIAL CONFERENCE COMMITTEE OF THE UNITED STATES, REPORT OF THE JUDICIAL CONFERENCE COMMITTEE ON RULES OF PRACTICE AND PROCEDURE 23, at C-54 (2005). Rule 16 permits parties to include electronic discovery and privilege waiver agreements as part of their scheduling orders. *See* FED. R. CIV. P. 16. Under Rule 16, parties and judges may be able to implement "clawback" agreements, "quick-peek" agreements, and a variety of other creative methods to address

privilege issues. *See* Kindall C. James, *Electronic Discovery: Substantially Increasing the Risk of Inadvertent Disclosure and the Costs of Privilege Review – Do the Proposed Amendments to the Federal Rules of Civil Procedure Help?* 52 LOY. L. REV. 839, 850-52 (2006) (defining and discussing clawback and quick-peek agreements).

For creative cost- and burden-shifting agreements and decisions, *see*:

Rajala v. McGuire Woods, LLP, No. 08-2638-CM-DJW, 2010 WL 2949582 (D. Kan. July 22, 2010). Where the parties could not agree on a clawback provision, the court entered one in for them. The court held that it had the authority to do this under FRCP 26(c). Furthermore, the court decided that this is the kind of case that would benefit from a clawback provision: (1) discovery will include an extensive amount of ESI; (2) McGuire Woods is a large law firm and thus, there is a potential that it will disclose other clients's privilege communications and materials; and (3) there have already been numerous discovery motions in the case.

Hagemeyer N. Am., Inc. v. Gateway Data Scis. Corp., 222 F.R.D. 594, 599-601 (E.D. Wis. 2004). Allowing defendant to restore only a sample of requested backup tapes, then addressing whether the burden of producing all of the backup tapes would be proportionate to the probable benefit to the plaintiff.

Wiginton v. CB Richard Ellis, Inc.,229 F.R.D. 568 (N.D. Ill. 2004). Following Rowe and Zubulake and allocating to the plaintiff seeking production 75 percent of the cost of restoring backup tapes, searching data, and transferring it to an electronic data viewer, where expense of production was enormous and only limited numbers of emails would be responsive.

Convolve, Inc. v. Compaq Computer Corp., 223 F.R.D. 162, 169-70 (S.D.N.Y. 2004). Denying Convolve's request for access to Compaq's hard drives where Compaq's production of documents had "for the most part conformed" to the court's orders.

Medtronic Sofamor Danek, Inc. v. Michelson, 229 F.R.D. 550 (W.D. Tenn. 2003). Ordering the production of a sample of 993 back-up tapes with a 61-terabyte data volume where the parties agreed the tapes probably contained relevant data and requiring the requesting party to assume 40 percent of the cost of producing the sample data and the entire cost of additional requested data.

*Murphy Oil USA, Inc. v. Fluor Daniel, Inc., 2002 WL 246439, at *3-9 (E.D. La. Feb. 19, 2002). Following Rowe and shifting cost of reconstituting backup data to the requesting party, but refusing to shift the responding parties' cost of conducting a privilege review of these documents.*

In re Commercial Fin. Servs., Inc., 247 B.R. 828, 838, 847-56 (Bankr. N.D. Okla. 2000). Entering a protective order in which debtor could allow inspection of documents subject to confidentiality agreements and holding that such an arrangement would not affect a waiver of the attorney-client privilege or work product doctrine. Debtor had over 8,000 bankers' boxes of documents and 8,500 magnetic tapes of information that it could not review for privilege. The court observed that "[i]n the absence of a protective order, CFS is justifiably unwilling to determine whether to waive privileges in any particular documents until all have been reviewed. Such a review would result in a significant delay in the administration of the estate and would be extremely costly to the estate." The Court concluded that CFS would not be disclosing documents for tactical advantage, but concluded that if, in the future, it did, such action would create a waiver.

Although Rules 16 and 26 encourage parties to adopt cost-saving protocols, such as non-waiver agreements, prior to the adoption of FRE 502, there was no assurance that a non-waiver agreement between the parties, or even a court order finding no waiver would be binding in other cases involving different litigation adversaries. *See, e.g.*, Hopson v. Mayor & City Council of Baltimore, 232 F.R.D. 228 (D. Md. 2005) (stating that even if non-waiver

agreements are enforceable between the parties, "it is questionable whether they are effective against third-parties."); David M. Greenwald, Robert R. Stauffer, and Erin R. Schrantz, *New Federal Rule of Evidence 502: A Tool for Minimizing the Cost of Discovery*, Bloomberg Law Reports (Litigation), Vol. 3, No. 4, Jan. 26, 2009.

Federal Rule of Evidence 502 ("FRE 502"), signed into law September 19, 2008, completes the work begun with the 2006 amendments by providing a mechanism for enforcing parties' non-waiver agreements and court rulings regarding waiver on other proceedings and other parties. The purpose of FRE 502 is to "respond to widespread complaint[s] that litigation costs necessary to protect against waiver of attorney-client privilege or work product have become prohibitive." Fed. R. Evid. 502 advisory committee's note. In crafting the Rule, the "Advisory Committee noted that the existing law on the effect of inadvertent disclosures and on the scope of waiver is far from consistent" and that agreements between parties were "unlikely to decrease the costs of discovery due to the ineffectiveness of such agreements as to persons not party to them." Letter from Lee H. Rosenthal, Chair, Committee on Rules of Practice and Procedure, to Honorable Patrick J. Leahy, Chairman, Committee on the Judiciary, and Senator Arlen Specter, Ranking Member, Committee on the Judiciary, at 3 (Sept. 26, 2007), http://www.uscourts.gov/uscourts/RulesAndPolicies/rules/Hill_Letter_re_EV_502.pdf (last visited Feb. 26, 2011). The Advisory Committee also recognized that the increased use of email and electronic media has exacerbated the waiver problem, and that although "most documents produced during discovery have little value, lawyers must nevertheless conduct exhaustive reviews to prevent the inadvertent disclosure of privileged material." S. REP. NO. 110-264, pt. 1, at 2 (2008). Prior to adoption, Proposed FRE 502 had strong support from Congress, major legal organizations, and courts. *See id.*; *see also* Victor Stanley Inc. v. Creative Pipe, Inc., 250 F.R.D. 251, 259 n.5 (D. Md. 2008) ("Federal Evidence Rule 502 would solve the problems Hopson discussed and protect against privilege waiver . . . if the parties entered into a non-waiver agreement that meets the requirement of the proposed rule . . . .").

FRE 502 solves the discovery problems recognized in Hopson by allowing parties to enter into non-waiver agreements that will bind third parties. Under FRE 502(d), when a confidentiality order governing the consequences of disclosure of privileged information in a case is entered in a federal proceeding, the agreement is enforceable against non-parties in any other federal or state proceeding. FED. R. EVID. 502(d). The agreement must be entered as a court order to be enforceable against non-litigants, FRE 502(e), and the terms of the order, not the agreement, ultimately control. FED. R. EVID. 502(d) advisory committee's note. This means a court order that does not actually memorialize the parties' agreement will control, and parties must be careful to ensure the court's order accurately reflects their bargain. *See id.*

FRE 502 is meant to be flexible. The committee notes contemplate that parties may seek a court order providing for the return of documents without waiver irrespective of the care taken by the disclosing party. Fed. R. Evid. 502(d) advisory committee's note. The goal is to provide parties with predictable protection against waiver, so they may plan in advance to limit the costs of production. *Id.*; *see also* Containment Tech. Grp. v. Am. Soc'y of Health Sys. Pharmacists, No. 1:07-cv-997-DFH-TAB, 2008 WL 4545310, at *4 (S.D. Ind. Oct. 10, 2008) (stating new Federal Rule 502 "represents a specific response to the costs involved in

extensive document review necessitated by electronic discovery."). FRE 502 applies to all proceedings commenced after its enactment, and to all pending proceedings insofar as it is just and practicable. Pub. L. No. 110-322, § (1)(g)(c), 122 Stat. 3537, 3538 (2008). *See also* Rhoads Indus. Inc. v. Bldg. Materials Corp. of Am., Civil Action No. 07-4756, 2008 WL 4916026, at *2 (E.D. Pa. Nov. 14, 2008) (applying FRE 502 because it sets a well defined standard for inadvertent waiver).

The best practice for minimizing discovery costs related to ESI is to conduct an early case assessment, seek to reach agreement with the opposing party regarding discovery that is proportional to the amount in controversy, and seek the assistance of the court in adopting discovery protocols, including phased discovery that will enable efficient development of the case toward trial. As Judge Paul Grimm explained in detail in Mancia v. Mayflower Textile Services Co., FED. R. CIV. P. 26(g) has long-required that litigants engage in pretrial discovery in a reasonable manner that avoids excessive discovery or discovery that is propounded for the purpose of harassment, delay, or imposing a needless increase in the cost of litigation. 253 F.R.D. 354, 357-58 (D. Md. 2008). As Judge Grimm highlights in his opinion, The Sedona Conference's *Cooperation Proclamation* is a step toward developing a process by which parties may minimize the onerous costs of discovery without weakening the adversary system of dispute resolution. *Id.* at 361, 363. *See also* Tamburo v. Dworkin, No. 04 C 3317, 2010 WL 4867346 (N.D. Ill. Nov. 17, 2010) (Rule 26(b)(2)(C)(iii) provides courts significant flexibility to ensure that the scope and duration of discovery is reasonably proportional to the value of the requested information, the needs of the case, and the parties' resources. The court directed the parties to meet and confer to prepare a phased discovery schedule, and to familiarize themselves with the Seventh Circuit's Electronic Discovery Pilot Program's Principles Relating to the Discovery of Electronically Stored Information, and the Sedona Conference Cooperation Proclamation.); Hon. John M. Facciola & Jonathan M. Redgrave, *Asserting and Challenging Privilege Claims in Modern Litigation: The Facciola-Redgrave Framework*, 4 FED. CTS. L. REV. 44 (2009).

c. *In Camera* Review.

Preliminary questions pertaining to the existence of the privilege are to be decided by the court. FED. R. EVID. 104(a). At common law, a judge could not require disclosure of communications in order to make a determination of their privileged status. *See* 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5507 (Supp. 2009); *see also* CALIF. EVID. CODE § 915 (West 2011). However, in almost every case, federal courts have supported the power of the judge to order disclosure of documents for the court's review in order to assess a claim of privilege. *See*:

> *United States v. Zolin, 491 U.S. 554, 568-69 (1989). "This Court has approved the practice of requiring parties who seek to avoid disclosure of documents to make the documents available for in camera inspection" (internal citations omitted).*
>
> *Am. Nat'l Bank & Trust Co. v. Equitable Life Assurance Soc'y, 406 F.3d 867, 878-80 (7th Cir. 2005). Detailing an extensive discovery fight that ended in a magistrate's review of a sample of disputed documents listed on a privilege log. After the magistrate concluded that the number of unprivileged documents in the sample implied bad faith, he ordered production of all documents on the log. The Circuit Court reversed, holding that there was no finding of bad faith and indicating that in camera inspection of all documents on the log would have been more appropriate.*

Holifield v. United States, 909 F.2d 201, 204 (7th Cir. 1990). Holding that "[o]nly when the district court has been exposed to the contested documents and the specific facts which support a finding of privilege under the attorney-client relationship for each document can it make a principled determination as to whether the attorney-client privilege in fact applies."

In re Bevill, Bresler & Schulman Asset Mgmt. Corp., 805 F.2d 120, 125 n.2 (3d Cir. 1986). Upholding use of in camera inspection to prove privileged nature of documents.

In re Berkley & Co., 629 F.2d 548, 555 n.9 (8th Cir. 1980). Utilizing in camera inspection to determine if documents were privileged.

*In re Ditropan XL Antitrust Litig., No. MDL 06-1761, 2007 WL 3256208, at *1 (N.D. Cal. Nov. 5, 2007). "The evidentiary showing necessary to trigger in camera review [of allegedly privileged documents] need not be a stringent one."*

Nedlog Co. v. ARA Servs., Inc., 131 F.R.D. 116, 117 (N.D. Ill. 1989). The court found that Zolin legitimizes the practice of requiring the submission of documents for in camera inspection.

See also:

National Labor Relations Board v. Interlake Foods LLC, ---F.3d---, 2011 WL 595562 (4th Cir. Feb. 22, 2011). Court held that, although an administrative law judge may make rulings on privilege issues, only an Article III judge may enforce such orders. Here, the ALJ ordered company to produce documents for in camera review by the ALJ, the company refused to comply, and the NLRB filed an application with the district court to compel compliance with the subpoena and order the company to submit documents to the ALJ for in camera review. The district court held that only an Article III court may determine whether subpoenaed documents are protected by privilege. On appeal, the Fourth Circuit clarified the role of an ALJ: While an ALJ may rule on issues of privilege, only an Article III court may enforce an administrative order. In making its privilege determination, the court must evaluate the claims of privilege and, if necessary, conduct its own in camera review. The court may not delegate the task of conducting an in camera review to the ALJ.

*Pension Comm. of the Univ. of Montreal v. Banc of Am. Sec., L.L.C., No. 05 Civ. 9016, 2009 WL 2921302, at *1 (S.D.N.Y. Sept. 8, 2009). Defendants filed a motion for sanctions alleging discovery misconduct. Plaintiffs filed their opposition, which included heavily redacted versions of the declarations of five attorneys and fifteen exhibits, asserting attorney-client privilege over the redacted material. The court drew a distinction between a situation in which a party submits documents in camera to determine if they are privileged and the situation at hand where the documents are submitted in camera to substantively establish a discovery violation. The court ordered production of the documents, stating: "Here, an in camera submission is not justified where the Declarations and Exhibits speak to the core of the parties' dispute."*

Some courts have held that it is within a district court's power to order the production of documents for *in camera* review *sua sponte*. *See*, *e.g.*, Renner v. Chase Manhattan Bank, No. 98 Civ. 926(CSH), 2001 WL 1819215 (S.D.N.Y. July 13, 2001) (ordering *sua sponte* that defendants submit to the Court for *in camera* inspection all documents withheld on the basis of attorney client privilege); Fed. Election Comm'n v. Christian Coal., 178 F.R.D. 456, 462-63 (E.D. Va. 1998) (party's due process rights were not violated by magistrate judge's *in camera* review of purportedly privileged documents). Courts also have the discretion to reject a party's request for *in camera* review, particularly where it finds that review is unnecessary and a waste of judicial resources. *See* Abbott Labs. v. Andrx Pharm., Inc., 241 F.R.D. 480, 489 (N.D. Ill. 2007) (court may refuse to conduct *in camera* review after

considering factors, including volume of materials to be reviewed); Guy v. United Healthcare Corp., 154 F.R.D. 172, 176 (S.D. Ohio 1993); *but see* Subpoena Duces Tecum Served Upon Attorney Potts, 796 N.E.2d 915 (Ohio 2003) (when a criminal defendant asserts that a subpoena seeks materials protected by the attorney-client privilege, a court must first review the disputed materials *in camera* before ruling on the assertion of privilege). A court may refuse to conduct in camera review if the party asserting the privilege has not met its burden. *See* Johnson v. Couturier, Nos. CIV S-05-2046, S-08-2732, 2009 WL 649791 (E.D. Cal. Mar. 10, 2009) (refusing to conduct *in camera* review of documents withheld by defendant where plaintiff made a *prima facie* showing that the attorney-client privilege did not apply and defendant provided no evidence in response; merely asserting the privilege and requesting *in camera* review is not sufficient when the opposing party has shown that an exception to the privilege applies); Bowne of N.Y.C., Inc. v. AmBase Corp., 150 F.R.D. 465, 475 (S.D.N.Y. 1993) (holding that review is not to be routinely undertaken, particularly in a case involving a substantial volume of documents, as a substitute for a party's submission of an adequate record in support of its privilege claims).

While *in camera* inspection may be used by a federal court to determine whether the privilege applies to certain documents, submitting documents to the court for *in camera* inspection may not be sufficient in and of itself to establish the attorney-client privilege. *See* Claude P. Bamberger Int'l, Inc. v. Rhom & Haas Co., No. Civ. 96-1041(WGB), 1997 WL 33762249, at *3 (D.N.J. Aug. 12, 1997) (holding that "submission of the memorandum for an *in camera* review is not a substitute for the proper privilege log"); Navigant Consulting, Inc. v. Wilkinson, 220 F.R.D. 467, 473-74 (N.D. Tex. 2004). Because *in camera* inspection consumes the court's time, parties should exercise care to ensure that *in camera* inspection is necessary to establish the privilege without revealing privileged information to an adversary. Unnecessary requests for *in camera* inspection will likely frustrate the court and have negative results. *See, e.g.*, Victor Stanley, Inc. v. Creative Pipe, Inc., 250 F.R.D. 251, 266 (D. Md. May 29, 2008) ("It should go without saying that the court should never be required to undertake in camera review unless the parties have first properly asserted privilege/protection, then provided sufficient factual information to justify the privilege/protection claimed for each document, and, finally, met and conferred in a good faith effort to resolve any disputes without court intervention."); Conopco v. Wein, No. 05 Civ. 09899, 2007 WL 1859757, at *2-3 (S.D.N.Y. June 28, 2007) (refusing to undertake *in camera* review or order production of thousands of documents where requesting attorney was making "much ado about nothing" and the documents were "voluminous"); B.F.G. of Ill., Inc. v. Ameritech Corp., No. 99 C 4604, 2001 WL 1414468, at *7 (N.D. Ill. Nov. 8, 2001) ("Unless in-house counsel and litigation counsel are scrupulous in their assertion of privilege, the courts will be asked to review all documents in which an in-house attorney's involvement is the basis for assertion of privilege or work product. That would impose an unbearable burden . . . . Thus, where the court finds that a party used in-house counsel to apply a veneer of privilege to non-privileged business communications, the court should impose costs on that party."); In re Uranium Antitrust Litig., 552 F. Supp. 517, 518 (N.D. Ill. 1982) (directing parties to produce approximately 40,000 documents and denying request for *in camera* inspection of those documents where parties made only blanket assertions of privilege and noted in their briefs to the court that individual inspection of the documents by their senior attorneys for purposes of determining whether they were privileged would be too time-consuming).

d. Maintaining the Privilege After Government Seizure of Documents or Other Monitoring of Communications

In certain circumstances, the government may seize files that are potentially subject to the attorney-client privilege, whether from a law office or otherwise. Where such a seizure is made pursuant to a valid warrant, courts have generally approved the government's practice of conducting an initial review of the documents with a "privilege team" of attorneys not involved in the investigation. *See* United States v. Derman, 211 F.3d 175, 176, 181-82 (1st Cir. 2000) (superseded by statute on other grounds); United States v. Grant, No. 04 CR 207BSJ, 2004 WL 1171258, at *2 (S.D.N.Y. May 25, 2004); *see also* In re Guantanamo Detainee Cases, 344 F. Supp. 2d 174, 186-87 (D.D.C. 2004) (approving the use of government privilege teams to review legal mail between counsel and government detainees at the Guantanamo detention facility); United States v. Esawi, No. 02 CR 038, 2003 WL 260678, at *4 (N.D. Ill. Feb. 3, 2003) (allowing Attorney General to order searches of mail between prisoner and prisoner's attorney when there is risk of serious bodily injury to persons or risk of substantial damage to property).

In using a privilege team to review documents, the government must be careful to assure that the party asserting a privilege has an opportunity to fairly assert the claim before members of a trial team have access to potentially privileged documents. *See* United States v. Kaplan, No. 02 CR. 883(DAB), 2003 WL 22880914, at *4-12 (S.D.N.Y. Dec. 5, 2003). *See also* United States v. Ary, 518 F.3d 775, 783-85 (10th Cir. 2008) (defendant's motion to suppress privileged documents seized by government was properly denied when over a year passed before defendant's counsel went to U.S. Attorney's office to review the files in question). The use of such teams is subject to abuse and may be particularly inappropriate where the seized documents involve an attorney's representation of a client in a criminal proceeding. United States v. Jackson, No. 07-0035(RWR), 2007 WL 3230140, at *5-6 (D.D.C. Oct. 30, 2007) (applying four-factor test and granting criminal defendant's request for a special master to review files rather than a government "taint team"). United States v. Stewart, No. 02 CR 396 JGK, 2002 WL 1300059, at *6-7 (S.D.N.Y. June 11, 2002) (appointing a special master to review files, rather than a privilege team as requested by the government, and reviewing cases in which ethical firewalls of privilege teams became problematic). *But see* Hicks v. Bush, 452 F. Supp. 2d 88, 102-04 (D.D.C. 2006) (stating that Filter Team screening communications between Guantanamo prisoners and their attorneys created large ethical and logistical concerns; however, because no other practical alternative existed, Filter Team would be used).

In In re Grand Jury Subpoenas 04-124-03 & 04-124-05, 454 F.3d 511, 522-23 (6th Cir. 2006), the Sixth Circuit held that where the government subpoenas documents from a third party in connection with a grand jury proceeding, the target of the investigation may screen the documents for privilege prior to their production to the government. In that case, the government subpoenaed Venture Holdings for documents related to the now-bankrupt entity's former controlling partner, Larry Winget. *Id.* at 513. Winget intervened and petitioned the court for permission to review the documents for privilege before they were produced to the government. *Id.* In rejecting the government's argument that a "taint team" be allowed to conduct the review, the Sixth Circuit found that the need for secrecy

surrounding grand jury proceedings and investigation of criminal conduct did not outweigh an individual's privilege protections. *Id.* at 523-24.

Because of the dangers associated with government abuse, and the appearance of impropriety, *see, e.g.*, Kaplan, 2003 WL 22880914, at *10-12; Stewart, 2002 WL 1300059, at *6-7, the better practice in such cases may be for the party asserting the privilege to submit a privilege log of documents subject to the privilege prior to the government's review. *See* United States v. Segal, 313 F. Supp. 2d 774, 779-80 (N.D. Ill. 2004).

e. Imposition Of Sanctions For Failure To Comply With Discovery Rules

Courts have wide discretion in forming discovery sanctions, which may include the imposition of costs associated with bringing a motion to compel, a waiver of the privilege, the reversal of evidentiary presumptions, the barring of testimony, or resolution of issues against the party improperly asserting the privilege. Residential Funding Corp. v. DeGeorge Fin. Corp., 306 F.3d 99, 107 (2d Cir. 2002) (noting wide discretion vested in district court to impose discovery sanctions); Mancia v. Mayflower Textile Servs. Co., 253 F.R.D. 354, 357 (D. Md. 2008) ("If a lawyer or party makes a Rule 26(g) certification that violates the rule, without substantial justification, the court (on motion, or *sua sponte*) must impose an appropriate sanction, which may include an order to pay reasonable expenses and attorney's fees, caused by the violation."). In extreme cases, a court may order dismissal of an entire case or enter a directed verdict in favor of a plaintiff where the defendant fails to comply with discovery obligations. *See* Ridge Chrysler Jeep, L.L.C. v. DaimlerChrysler Fin. Servs., 516 F.3d 623, 625-26 (7th Cir. 2008) (affirming dismissal and stating "[n]either a statute nor the Constitution requires an elevated burden for dismissal as a sanction, when the burden in the underlying suit is the preponderance of the evidence"); Maynard v. Nygren, 332 F.3d 462, 468 (7th Cir. 2003) (holding that on finding of willfulness, bad faith or fault in refusing to comply with discovery obligations, court may order dismissal of claim); Henry v. Onsa, No. 05-2406 HHK/DAR, 2008 WL 552627, at *3 (D.D.C. Feb. 27, 2008) (dismissal was warranted and lesser sanctions would be insufficient when defendants failed to provide any discovery information). *But see* ClearValue, Inc. v. Pearl River Polymers, Inc., 560 F.3d 1291, 1307 (Fed. Cir. 2009) (following Fifth Circuit precedent that a district court must impose the least severe sanction that will achieve the deterrent value of Federal Rule of Civil Procedure 37 and reversing non-monetary sanctions, including dismissal, entered as sanction for discovery abuse but upholding the majority of monetary sanctions).

Compare:

> *Am. Nat'l Bank & Trust Co. v. Equitable Life Assurance Soc'y, 406 F.3d 867, 878-80 (7th Cir. 2005). Reversing magistrate's order requiring production of all documents on privilege log after identifying various non-privileged but logged documents, and holding that there was no finding of bad faith justifying such a sanction.*
>
> *Heartland Bank v. Heartland Home Fin., Inc., 335 F.3d 810, 816-17 (8th Cir. 2003). Reversing district court order barring witness and suggesting less draconian sanctions such as fees or exclusion of evidence on certain topics.*

Rude v. Dancing Crab at Wash. Harbour, L.P., 245 F.R.D. 18, 23 (D.D.C. 2007). Holding that default judgment was inappropriate sanction when producing party initially did not turn over all relevant evidence, but supplemented it soon thereafter.

*Koehler v. Bank of Berm., Ltd., No. M18-302, 931745, 2003 WL 289640, at *10-14 (S.D.N.Y. Feb. 11, 2003). Where bank repeatedly failed to meet discovery requirements and produced an inadequate privilege log, court declined to grant dispositive relief on personal jurisdiction issue to Koehler, but, recognizing prejudice caused by delay, reversed burden of proof and required bank to demonstrate that it was not subject to court's jurisdiction.*

*EEOC v. Safeway Store, Inc., No. C-00-3155 TEH(EMC), 2002 WL 31947153, at *2-3 (N.D. Cal. Sept. 16, 2002). Observing that party's delay in producing privilege log could result in waiver as to privilege, but declining to find waiver where opposing party was not taken off guard by delay and did not suffer litigation prejudice; but granting fees as sanction.*

*B.F.G. of Ill., Inc. v. Ameritech Corp., No. 99 C 4604, 2001 WL 1414468, at *5 (N.D. Ill., Nov 13, 2001). Observing that Ameritech's failure to produce an adequate privilege log could justify waiver of privilege as to all documents logged, but reviewing over 500 listed documents individually and ordering production only of non-privileged documents.*

With:

In re Teleglobe Commc'ns Corp., 493 F.3d 345, 386 (3d Cir. 2007). Holding that trial court can prevent party from asserting privilege as sanction for discovery abuse and remanding to determine if party's violation was willful or in bad faith.

Novelty, Inc. v. Mountain View Mktg., Inc., 265 F.R.D. 370, 381-82 (S.D. Ind. 2009). After series of discovery abuses, court found that plaintiff's refusal to comply with the court's order to provide a privilege log "reflects its willingfulness, bad faith, and 'fault,'" and pursuant to FRCP 37, held that plaintiff's conduct warranted the "severe sanction" of waiver of all privileges.

In re Sept. 11th Liab. Ins. Coverage Cases, 243 F.R.D. 114, 129-32 (S.D.N.Y. 2007). Court imposed sanctions of $750,000 under Rule 11 and $500,000 under Rule 37 when insurer intentionally erased electronic documents that had been ordered for production and attorney allowed paper version to languish in his files.

Heath v. F/V Zolotoi, 221 F.R.D. 545, 552-53 (W.D. Wash. 2004). Entering a directed verdict against plaintiff who failed to produced various witness statements and willfully failed to list those statements on any privilege log.

Amway Corp. v. Proctor & Gamble Co., No. 1:98-CV-726, 2001 WL 1818698 (W.D. Mich. Apr. 3, 2001). Court ordered critical fact "admitted" as sanction against Proctor & Gamble for "erect[ing] an unjustified shield of privilege to obscure its ulterior motive" in filing its action.

*Carfagno v. Jackson Nat'l Life Ins., No. 5:99CV118, 2001 WL 34059032, at *2 (W.D. Mich. Feb 13, 2001). Holding that "egregious" delay in responding to discovery and deficient privilege log justified finding of waiver of privilege.*

*Weber v. Paduano, No. 02 Civ. 3392 (GEL), 2003 WL 161340, at *13 (S.D.N.Y. Jan 22, 2003). Declining to undertake in camera review of voluminous documents and ordering production of all documents listed on log for lack of sufficient information to demonstrate privilege.*

In re Marshall, 253 B.R. 550, 558 (Bankr. C.D. Cal. 2000), vacated on other grounds, 392 F.3d 1118 (9th Cir. 2004). Striking witness's testimony after repeated failure to produce documents, even after imposition of monetary fines, and after production of "grossly" deficient privilege log.

Stengart v. Loving Care Agency, Inc., 990 A.2d 650 (N.J. 2010). Defendant hired a computer forensic expert to recover all files stored on plaintiff's laptop, which included copies of the emails exchanged with her attorney that were automatically saved to the laptop's hard drive in the form of temporary Internet files. At least two of defendant's outside attorneys reviewed the emails, but did not advise opposing counsel about the emails until months later, when they responded to plaintiff's interrogatories. The court held that defendant's counsel's review of the privileged emails and use of the contents of at least one email violated New Jersey Rule of Professional Conduct 4.4(b), which provides that a "lawyer who receives a document and has reasonable cause to believe that the document was inadvertently sent shall not read the document or, if he or she has begun to do so, shall stop reading the document, promptly notify the sender, and return the document to the sender." The court remanded the case to the trial court to determine the appropriate sanction.

Discovery sanctions can also be imposed where the recipient of discovery responses fails to meet its ethical and procedural responsibilities. Ethical rules in many jurisdictions place attorneys under a professional obligation, upon identifying the privileged nature of documents, to cease review of the documents and inform the privilege holder. *See, e.g.*, COLO. RULES OF PROF'L CONDUCT R. 4.4(c) (West 2011) ("Unless otherwise permitted by court order, a lawyer who receives a document relating to the representation of the lawyer's client and who, before reviewing the document, receives notice from the sender that the document was inadvertently sent, shall not examine the document and shall abide by the sender's instructions as to its disposition."); N.J. RULES OF PROF'L RESPONSIBILITY R. 4.4(b) (2011) ("A lawyer who receives a document and has reasonable cause to believe that the document was inadvertently sent shall not read the document or, if he or she has begun to do so, shall stop reading the document, promptly notify the sender, and return the document to the sender.").

In October 2005, the American Bar Association ("ABA") changed its guidance for attorneys who receive privileged documents inadvertently produced by opposing counsel. ABA Comm. on Ethics & Prof'l Responsibility, Formal Op. 05-437 (2005). Previously, the ABA had instructed that attorneys "must refrain from viewing such materials" except "to the extent necessary to determine the manner in which to proceed" and "should completely refrain from using the materials until a court makes a determination as to their proper disposition." ABA Comm. on Ethics & Prof'l Responsibility, Formal Op. 92-368 (1992) (discussing the inadvertent disclosure of confidential materials). In 2006, the ABA explained that this advice "was influenced by principles involving the protection of confidentiality, the inviolability of the attorney-client privilege, the law governing bailments and missent property, and general considerations of common sense, reciprocity, and professional courtesy," which the ABA now recognized were "beyond the scope of the Rules." ABA Comm. on Ethics & Prof'l Responsibility, Formal Op. 06-440 (2006). The new guidance recognizes that the plain language of Rule 4.4(b) of the ABA Model Rules of Professional Conduct "requires only that a lawyer who receives a document relating to the representation of the lawyer's client and who knows or reasonably should know that the document was inadvertently sent shall promptly notify the sender. The Rule does not require refraining from reviewing the materials or abiding by instructions of the sender." *Id.* The 2006 opinion notes that "the Rules do not exhaust the moral and ethical considerations that should inform a lawyer," and "the considerations that influenced the Committee in Formal Opinion 92-368, which carried over to Formal Opinion 94-382, are part of the broader perspective that may guide a lawyer's conduct in the situations addressed in those opinions." *Id*; *see also* DEL.

LAWYERS' RULES OF PROF'L CONDUCT R. 4.4 cmt. 2 (2008) ("Whether the lawyer is required to take additional steps, such as returning the original document, is a matter of law beyond the scope of these Rules . . . ."); FLA. RULES OF PROF'L CONDUCT R. 4-4.4 (West 2008) (same); WASH. RULES OF PROF'L CONDUCT R. 4.4 cmt. 2 (2006) (same).

Whether the applicable rule is the limited obligation to notify opposing counsel or a stricter approach that forbids viewing or using the document, an attorney who receives privileged information inadvertently produced by opposing counsel should tread carefully. Several courts have been willing to impose sanctions—sometimes as severe as the dismissal of claims—for improper conduct in such situations. *See, e.g.*, Maldonado v. N.J. ex rel. Admin. Office of Courts, 225 F.R.D. 120, 138 (D.N.J. 2004) ("New Jersey Rules of Professional Conduct also subscribe to the 'cease, notify, and return' steps as appropriate ethical conduct."); Arnold v. Cargill Inc., No. 01-2086 (DWF/AJB), 2004 WL 2203410, at *10 (D. Minn. Sept. 24, 2004); George v. Indus. Maint. Corp., 305 F. Supp. 2d 537, 539 (D.V.I. 2002); Richards v. Jain, 168 F. Supp. 2d 1195, 1200-01 (W.D. Wash. 2001); Weeks v. Samsung Heavy Indus., Ltd., No. 93 C 4899, 1996 WL 288511, at *3 (N.D. Ill. May 30, 1996); Rico v. Mitsubishi Motors Corp., 68 Cal. Rptr. 3d 758 (Cal. 2007) (plaintiffs' counsel and expert disqualified where plaintiffs' attorney violated ethical obligation to refrain from examining inadvertently produced privileged material, and immediately notify the sender of the receipt of the privileged material); Stephen Slesinger, Inc. v. Walt Disney Co., No. BC 022365, 2004 WL 612818, at *1-5 (Cal. Super. Ct. Mar. 29, 2004) (dismissing claims).

f. Obtaining Appellate Review Of A Court's Decision Rejecting A Claim Of Privilege In Federal Courts

Discovery orders directing a party to the litigation to disclose communications protected by the attorney-client privilege are not final orders immediately appealable pursuant to 28 U.S.C. § 1291. However, in some instances, particularly where a discovery order is directed at someone other than the holder of the privilege, discovery orders directing non-parties to disclose privileged communications may be appealed immediately. *See* Perlman v. United States, 247 U.S. 7, 12-15 (1918). The justification for this exception lies in the lack of incentive of the directed party to risk contempt in protecting another's claim to the privilege. *See* United States v. Krane, 625 F.3d 568, 572-73 (9th Cir. 2010) (holding that the *Perlman* doctrine survives *Mohawk* because "*Perlman* and *Mohawk* are not in tension," and finding that appeal would be the only opportunity for the third party to seek review of the district court's order adverse to its claims of privilege); Sandra T.E. v. S. Berwyn Sch. Dist. 100, No. 08-3344, 600 F.3d 612, 617-18 (7th Cir. 2010) (reiterating that under Seventh Circuit precedent a nonparty subject to a discovery order rejecting a privilege claim may obtain immediate review of a discovery order because he has no remedy at the end of the litigation, but noting that it was unclear whether that reasoning survived after Mohawk Industries); John B. v. Goetz, 531 F.3d 448, 458 (6th Cir. 2008) (noting that Perlman applies to the holder of the privilege but this does not include the state as a custodian of records); In re Air Crash at Belle Harbor, N.Y. on Nov. 12, 2001, 490 F.3d 99, 106 (2d Cir. 2007) (reiterating that Perlman applies only when holder of the privilege appeals order regarding a subpoena directed at someone else and does not apply when appealing party has the power to comply or not comply with the subpoena); In re Flat Glass Antitrust Litig., 288 F.3d 83, 90 n.9 (3d Cir. 2002) (distinguishing Perlman); FDIC v. Ogden Corp., 202 F.3d 454, 459-60

(1st Cir. 2000) ("a substantial privilege claim that cannot effectively be tested by the privilege-holder through a contemptuous refusal ordinarily will qualify for immediate review if the claim otherwise would be lost"); *but see* Wilson v. O'Brien, 621 F.3d 641 (7th Cir. 2010) (where a student attorney was deposed about an interview he conducted of another individual who took responsibility for plaintiff's criminal acts, and during the deposition the student attorney refused to answer certain questions on grounds of privilege but then answered those questions in a hearing with the district court, the Seventh Circuit noted that the *Mohawk* decision "calls Perlman and its successors into question" and held that the appeal was moot because "[i]nterlocutory review permits a decision before the cat is out of the bag" and the student attorney had already disclosed the information).

The United States Supreme Court has held that disclosure orders directed to parties to litigation that are adverse to the attorney-client privilege do not qualify for immediate appeal under the collateral order doctrine. Mohawk Indus., Inc. v. Carpenter, 130 S. Ct. 599, 609 (2009). The Court reasoned that "[a]ppellate courts can remedy the improper disclosure of privileged material in the same way they remedy a host of other erroneous evidentiary rulings: by vacating an adverse judgment and remanding for a new trial in which the protected material and its fruits are excluded from evidence." *Id.* at 607. Mohawk resolved a circuit split and abrogated the decisions of several circuits that previously held that orders requiring the disclosure of privileged communications may be appealed as collateral orders. *See* In re Napster, Inc. Copyright Litig., 479 F.3d 1078, 1088-89 (9th Cir. 2007); United States v. Philip Morris Inc., 314 F.3d 612, 620-21 (D.C. Cir. 2003); In re Ford Motor Co., 110 F.3d 954, 957 (3d Cir. 1997).

For parties who wish to maintain the confidentiality of a privileged communication, there may be other options: the Mohawk Court noted that a party may ask the district court to certify the issue for interlocutory appeal, may seek a writ of mandamus, or may withhold the material and appeal a resulting order of contempt, at least where the order of contempt is criminal in nature. *Id.* at 607-08.

(1) Appeal From Contempt Citation

In Mohawk Industries, Inc. v. Carpenter, the United States Supreme Court indicated that a party may obtain immediate appellate review of an adverse attorney-client privilege ruling by disobeying a disclosure order and incurring a contempt citation. 130 S. Ct. 599, 608 (2009). However, the Court suggested that civil contempt may not be sufficient: "The party can then appeal directly from that ruling, at least when the contempt citation can be characterized as a criminal punishment." *Id.* In United States v. Myers, the Fourth Circuit discussed Mohawk and held that it could not immediately review a civil contempt order for disobeying a discovery order. 593 F.3d 338 (4th Cir. 2010).

Prior to Mohawk, some courts did not distinguish between civil and criminal contempt when allowing immediate review. *See, e.g.*, In Re Keeper of Records (XYZ Corp.), 348 F.3d 16, 21 (1st Cir. 2003); United States v. Almani, 169 F.3d 1189 (9th Cir. 1999). However, many courts limited immediate appeal to criminal contempt orders. *See, e.g.*, Byrd v. Reno, 180 F.3d 298, 301 (D.C. Cir. 1999) (holding that despite the confusion in case law on the issue, the Supreme Court has not overruled precedent by holding that a party

may obtain review of civil contempt); In re Asbestos Litig., 22 F.3d 755, 764-65 (7th Cir. 1994) (holding that an order for civil contempt enforcing a discovery order is not appealable because it is not a final decision for the purposes of 28 U.S.C. § 1291); *see also* 15B CHARLES ALAN WRIGHT ET AL., FEDERAL PRACTICE & PROCEDURE § 3914.23 n.46 (Supp. 2009).

Non-parties, however, may appeal both civil and criminal contempt orders. Cacique, Inc. v. Robert Reiser & Co., 169 F.3d 619 (9th Cir. 1999) ("A contempt order and imposition of sanctions on a non-party for failure to obey a discovery order or subpoena is a final order for purposes of 28 U.S.C. § 1291."); Petersen v. Douglas Cnty. Bank & Trust Co., 967 F.2d 1186, 1188 (8th Cir. 1992) ("An order finding a nonparty witness in contempt of court is appealable even if final judgment has not been entered in the underlying action."); 15B CHARLES ALAN WRIGHT ET AL., FEDERAL PRACTICE & PROCEDURE § 3914.23 (2d ed. 1992 & Supp. 2009).

(2) Mandamus

Immediate appellate review may be obtained by filing a petition for a writ of mandamus in the appellate court. "Mandamus provides the most direct route around the rule that generally bars final judgment appeals from discovery orders." 15B CHARLES ALAN WRIGHT, ET AL., FEDERAL PRACTICE & PROCEDURE § 3914.23 (2d ed. Supp. 2009). While a writ of mandamus is an extraordinary remedy, some circuit courts have found that the potential irreversible harm that a party may incur if it is directed in error to turn over a privileged communication justifies the issuance of the writ. *See, e.g.*, Hernandez v. Tanninen, 604 F.3d 1095, 1101 (9th Cir. 2010) (granting a writ of mandamus where it found that the trial court erred by holding there was a blanket waiver of privilege between a plaintiff and his former attorney when "The finding of a blanket waiver of both privileges [attorney-client and work product] could result in matters far and beyond the scope of the waiver being disclosed, including case strategy, the strengths and weaknesses of [plaintiff's] claims, and all communications between [plaintiff's former attorney and plaintiff]. . . . The breadth of the waiver finding, untethered to the subject-matter disclosed, constitutes a particularly injurious privilege ruling."); In re United States, 590 F.3d 1305 (Fed. Cir. 2009), *cert. granted*, 79 U.S.L.W. 3210 (U.S. Jan. 7, 2011) (No. 10-382), *and argued* (Apr. 20, 2011) (in a matter of first impression, granting a writ of mandamus to determine whether the fiduciary exception to the attorney-client privilege applies in tribal trust cases); In re County of Erie, No. 07-5702-op, 2008 WL 4554920, at *3 (2d Cir. Oct. 14, 2008) (reiterating the long standing rule that "the potential invasion of a privilege appropriately calls forth a writ of mandamus"); Carpenter v. Mohawk Indus., Inc., 541 F.3d 1048, 1053 (11th Cir. 2008) (holding a writ of mandamus was the proper method to review a discovery order on the basis of attorney-client privilege); In re Avantel, S.A., 343 F.3d 311 (5th Cir. 2003) (mandamus appropriate where district court errs in discovery order that would not be reviewable on appeal); In re Spalding Sports Worldwide, Inc., 203 F.3d 800, 804 (Fed. Cir. 2000) (issuing writ of mandamus vacating district court order directing the disclosure of patent invention record that was protected by the attorney-client privilege); Rhone-Poulenc Rorer Inc. v. Home Indem. Co., 32 F.3d 851, 866 (3d Cir. 1994) (issuing writ of mandamus to vacate district court's order finding that plaintiff waived the attorney-client privilege); Chase Manhattan Bank, N.A. v. Turner & Newall, P.L.C., 964 F.2d 159, 163 (2d Cir. 1992) (issuing

mandamus to vacate order directing defendant to disclose privileged communications without the district court first determining the merits of the defendant's claim of privilege); In re Bieter Co., 16 F.3d 929, 931 (8th Cir. 1994) (issuing writ to vacate order compelling disclosure of privileged communications).

In Chase Manhattan Bank, 964 F.2d at 166, the court enumerated three factors as prerequisites for mandamus review of discovery orders directing the disclosure of privileged communications: "(i) an issue of importance and of first impression is raised; (ii) the privilege will be lost in the particular case if review must await a final judgment; and (iii) immediate resolution will avoid the development of discovery practices or doctrine undermining the privilege." *Id.* at 163; *see also*, In re Bieter Co., 16 F.3d 929, 931 (8th Cir. 1994) (adopting same three criteria); In re Burlington Northern, Inc., 822 F.2d 518, 534 (5th Cir. 1987) (mandamus review appropriate where documents at issue went to heart of controversy, erroneous disclosure of documents could have been irreparable, and district court's order turned on legal questions appropriate for appellate review). *But see* In re Dow Corning Corp., 261 F.3d 280, 285 (2d. Cir. 2001) (noting that mandamus was rarely granted in Second Circuit and declining to grant relief from erroneous district court order compelling disclosure of privileged communication where exceptions to the privilege might apply but were not addressed below); In re Occidental Petroleum Corp., 217 F.3d 293, 295-96 (5th Cir. 2000) (distinguishing Burlington Northern, cited above, on the basis that that decision involved a clear error of law, called for an important and far-reaching solution, and the order at issue applied to an extraordinary number of documents).

(3) Permissive Interlocutory Appeal

28 U.S.C. § 1292(b) provides that a federal Court of Appeals has discretion to consider an immediate appeal from an interlocutory order if the district court certifies in writing that the "order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation." There are few published opinions in which Section 1292(b) was used successfully by a party seeking appellate review of an order rejection an assertion of the privilege. *See, e.g.*, Sokaogon Gaming Enters., Corp. v. Tushie-Montgomery Assocs., Inc., 86 F.3d 656, 658-59 (7th Cir. 1996) (accepting jurisdiction pursuant to Section 1292(b)); Tennenbaum v. Deloitte & Touche, 77 F.3d 337, 339 (9th Cir. 1996) (same); In re Boileau, 736 F.2d 503, 504 (9th Cir. 1984) (accepting jurisdiction pursuant to Section 1292 (b) to review order issued by bankruptcy court compelling debtor to produce privileged documents).

(4) Standard Of Review

The circuits are split as to the appropriate standard of review for determining whether district courts properly analyzed discovery issues. *See* Winbond Elecs. Corp. v. Int'l Trade Comm'n, 262 F.3d 1363, 1370 (Fed. Cir. 2001) (noting division). The Fourth, Sixth and Ninth Circuits have reviewed discovery decisions de novo. *See, e.g.*, Chaudhry v. Gallerizzo, 174 F.3d 394, 402 (4th Cir. 1999) (discovery disputes reviewed de novo as mixed questions of fact and law); United States v. Dakota, 197 F.3d 821, 825 (6th Cir. 1999) (de novo review of determination regarding waiver of privilege); United States v. Mendelsohn, 896 F.2d

1183, 1188 (9th Cir.1990) (same). The Federal, Second, Third, Fifth and Tenth circuits have applied an abuse of discretion standard in similar cases. *See, e.g.*, In re Grand Jury Proceedings, 219 F.3d 175, 182 (2d Cir. 2000) (abuse of discretion standard applied to reviewing waiver determination); In re Grand Jury (Impounded), 138 F.3d 978, 980-81 (3d Cir. 1998) (same); United States v. Neal, 27 F.3d 1035, 1048 (5th Cir.1994) ("The application of the attorney-client privilege is a question of fact, to be determined in the light of the purpose of the privilege and guided by judicial precedents."); Frontier Ref. Inc. v. Gorman-Rupp Co., 136 F.3d 695, 699 (10th Cir. 1998) (abuse of discretion standard applied to discovery orders generally). Where, however, the application of the privilege turns on an issue of law (for example, the application of the "control group" versus "subject matter" tests for corporate application of the privilege), courts in the second category may also review lower court determinations on a de novo basis. *See* In re Avantel, S.A., 343 F.3d 311, 318 (5th Cir. 2003); Neal, 27 F.3d at 1048.

2. Assertion of the Attorney-Client Privilege and Depositions of Counsel

Protecting litigation or in-house counsel from depositions implicates both the attorney-client privilege and (possibly to a greater extent) the work product doctrine. Notwithstanding that the practice of compelling counsel to testify has long been discouraged, at least one court has noted that deposing opposing counsel is an increasingly common litigation tactic and a negative development in the expansion of what is regarded as acceptable discovery practice. *See* Shelton v. Am. Motors Corp., 805 F.2d 1323, 1327 (8th Cir. 1987). Recognizing that depositions of counsel, whether in-house counsel or trial counsel, constitute potentially dilatory tactics that may chill legal representation, courts have imposed special rules restricting this practice, which are dealt with in *Special Circumstances – Rule 30(B)(6) Depositions and Depositions of Counsel*, § VIII.B, *infra*.

3. Assertion of the Privilege by Organizations: Employees and Successor Corporations

Generally, courts consider the power to assert an organization's privilege to rest in the controlling management of the organization. *See* JOHN W. STRONG, MCCORMICK ON EVIDENCE § 93 (6th ed. 2006). Management can only assert the privilege on behalf of the organization, not to protect the interests of individual officers or managers. *See* Commodity Futures Trading Comm'n v. Weintraub, 471 U.S. 343 (1985); United States v. Chen, 99 F.3d 1495, 1502 (9th Cir. 1996); Chronicle Publ'g Co. v. Hantzis, 732 F. Supp. 270, 272-73 (D. Mass. 1990); In re Grand Jury Proceedings, 434 F. Supp. 648 (E.D. Mich. 1977), *aff'd*, 570 F.2d 562 (6th Cir. 1978).

However, where the employees have established an independent attorney-client relationship with the corporation's counsel, they may assert or waive the privilege as to conversations made in the course of that relationship. Typically, an individual asserting the privilege must meet a five-prong test:

> First, they must show they approached [counsel] for the purpose of seeking legal advice. Second, they must demonstrate that when they

> approached [counsel] they made it clear that they were seeking legal advice in their individual rather than in their representative capacities. Third, they must demonstrate that the [counsel] saw fit to communicate with them in their individual capacities, knowing that a possible conflict could arise. Fourth, they must prove that their conversations with [counsel] were confidential. And, fifth, they must show that the substance of their conversations with [counsel] did not concern matters within the company or the general affairs of the company.

In re Bevill, Bresler & Schulman Asset Mgmt. Corp., 805 F.2d 120, 123-25 (3d Cir. 1986); *see also* United States v. Graf, 610 F.3d 1148, 1161 (9th Cir. 2010) (adopting Bevill approach); In re Grand Jury Subpoena, 274 F.3d 563, 571 (1st Cir. 2001) (following Bevill); Intervenor v. United States (In re Grand Jury Subpoenas), 144 F.3d 653, 659 (10th Cir. 1998) (same); United States v. Int'l Bhd. of Teamsters, 119 F.3d 210, 215 (2d Cir. 1997) (same).

An employee or officer cannot assert the corporation's privilege if the corporation waives it. *See* In re Grand Jury Proceedings, 469 F.3d 24, 26 (1st Cir. 2006) (CEO, acting in his individual capacity, did not have standing to assert attorney-client privilege); In re Bevill, Bresler & Schulman Asset Mgmt. Corp., 805 F.2d 120, 124-25 (3d Cir. 1986); In re Hechinger Inv. Co., 285 B.R. 601, 606 (D. Del. 2002) (former officers and employees could not assert corporation's privilege). Likewise, an officer or employee cannot waive the corporation's privilege if the corporation asserts it. *See* In re Grand Jury Proceedings, 219 F.3d 175, 184 (2d Cir. 2000) (waiver of corporate attorney-client privilege by corporate officer's testimony does not necessarily waive corporate privilege where officer was not communicating corporation's intent to waive); United States v. Segal, 313 F. Supp. 2d 774, 782 (N.D. Ill. 2004) (holding that communications disclosed by former employee pursuant to an immunity agreement remained privileged as to employer); Alexander v. FBI, 198 F.R.D. 306, 315-16 (D.D.C. 2000); State ex rel. Lause v. Adolf, 710 S.W.2d 362 (Mo. Ct. App. 1986) (fact that officer asserted advice of counsel defense did not waive corporation's privilege). Only employees with authority to waive the privilege may waive it on behalf of the corporation. *See* Bus. Integrated Serv., Inc. v. AT & T Corp., 251 F.R.D. 121, 124 (S.D.N.Y. 2008) (the power to waive the corporate attorney-client privilege rests with management and is normally exercised through officers and directors); Wrench LLC v. Taco Bell Corp., 212 F.R.D. 514, 517 (W.D. Mich. 2002) (lower-level employee lacked authority to waive privilege).

When legal control of an organization passes to new management, the authority to assert or waive the attorney-client privilege flows with corporate control to the new management. *See* Commodity Futures Trading Comm'n v. Weintraub, 471 U.S. 343, 349 (1985) (bankruptcy trustee had the power to waive the corporation's privilege for pre-bankruptcy communications; moreover, "new managers installed as a result of takeover, merger, loss of confidence of shareholders, or simply normal successor may waive the attorney-client privilege [of the corporation]"). Generally, a transfer of assets is not enough to establish control. *See* MacKenzie-Childs LLC v. MacKenzie-Childs, 262 F.R.D. 241, 248 (W.D.N.Y. 2009) (asset transfer must be accompanied by (1) control of the business and (2) "management of the acquiring corporation continues the business of the selling corporation") (citing numerous cases).

Thus, when a corporation enters bankruptcy, the trustee in bankruptcy is empowered to assert or waive the attorney-client privilege. *See* Commodity Futures Trading Comm'n, 471 U.S. at 358. *Cf.* In re Bounds, 443 B.R. 729, 734-35 (Bankr. W.D. Tex. 2010) (distinguishing the Supreme Court's holding in Commodity Futures Trading Commission as not applicable to personal bankruptcy cases). Following a bankruptcy, the authority to assert the attorney-client privilege resides in the entity holding all or substantially all of the debtor's assets, at least where the acquiror continues the business of the debtor. *See* Am. Int'l Specialty Lines Ins. Co. v. NWI-I, Inc., 240 F.R.D. 401, 405-07 (N.D. Ill. 2007) (when newly formed corporation bought substantially all of bankrupt corporation's assets and continued the business under new management, right to waive bankrupt corporation's privileges transferred to buying corporation); In re Am. Metrocomm Corp., 274 B.R. 641, 654-55 (Bankr. D. Del. 2002) (privilege controlled by debtor-in-possession); In re Crescent Beach Inn, 37 B.R 894, 896 (Bankr. D. Me. 1984); *see also* City of Rialto v. U.S. Dep't of Def., 492 F. Supp. 2d 1193, 1201 (C.D. Cal. 2007) (right to assert dissolved corporation's privileges passed to sole shareholder when shareholder acquired substantially all of dissolved corporation's assets); In re Harwood P-G, Inc., 403 B.R. 445 (Bankr. W.D. Tex. 2009) (litigation trustee became holder of privilege of both the debtors and the creditors' committee and could assert those privileges in subsequent litigation brought by the trustee). Similarly, a receiver inherits the position of the client and can decide whether to waive or assert the privilege. *See* SEC v. Elfindepan, S.A., 169 F. Supp. 2d 420, 430-31 (M.D.N.C. 2001). Bankruptcy trustees also control the privilege in reorganizations of partnerships. *See* United States v. Campbell, 73 F.3d 44, 47-48 (5th Cir. 1996). *But see* Suntrust Bank v. Blue Water Fiber, L.P., 210 F.R.D. 196, 198-99 & n.3 (E.D. Mich. Aug. 31, 2002) (noting but not deciding the "interesting and novel question" of whether successor to limited partnership could waive privilege with respect to conversations with former partners, where successor was adverse to partners in litigation).

Following a merger, the surviving corporation succeeds to the privileges of the pre-merger corporation. *See* Rayman v. Am. Charter Fed. Sav. & Loan Ass'n, 148 F.R.D. 647, 652 (D. Neb. 1993); Chronicle Pub. Co. v. Hantzis, 732 F. Supp. 270 (D. Mass. 1990); O'Leary v. Purcell Co., 108 F.R.D. 641, 644 (M.D.N.C. 1985); *see also* Parus Holdings, Inc. v. Banner & Witcoff, Ltd., No. 08 C 1535, 585 F. Supp. 2d 995 (N.D. Ill. Oct. 9, 2008) (holding that attorney-client privilege may be transferred to an acquiring company even though the acquirer purchased only a business line of the seller and not the entire company). Similarly, where a corporation purchases another corporation's subsidiary, the purchasing parent controls the privilege of the subsidiary. *See* Bass Pub. Ltd. Co. v. Promus Cos., 868 F. Supp. 615, 619-20 (S.D.N.Y. 1994); Medcom Holding Co. v. Baxter Travenol Labs., Inc., 689 F. Supp. 841, 844 (N.D. Ill. 1988).

Litigation between parent corporations and their subsidiaries creates unique problems with respect to in the assertion of the attorney-client privilege. *See* In re Teleglobe Communications Corp., 493 F.3d 345, 368-69 (3d Cir. 2007). Some courts have held that the privilege may not be waived over a former parent's objection, at least where the parent and subsidiary have a joint defense agreement related to the subject matter over which the privilege is asserted. *See* In re Grand Jury Proceedings, 902 F.2d 244, 248-49 (4th Cir. 1990).

The Third Circuit's decision in Teleglobe addresses a number of issues relating to the privilege among a parent and its subsidiaries. The court's analysis provides a detailed roadmap for corporate counsel in connection with a number of thorny joint-client, common-interest, and community-of-interest privilege issues. In late 2000, BCE directed its wholly owned subsidiary, Teleglobe, to borrow $2.4 billion, but in early April 2001 ceased funding Teleglobe, leaving the company without the means to repay its substantial debt. Teleglobe and several of its subsidiaries filed for bankruptcy and brought an adversary proceeding against BCE. Pre-bankruptcy, Teleglobe had consulted with BCE's in-house attorneys on various matters. In the adversary proceeding, Teleglobe sought discovery of BCE's counsel's files, and BCE asserted privilege. The Special Master ordered that all documents disclosed to in-house counsel, even documents produced by outside counsel hired only to represent BCE, be produced, and the district court affirmed. The appellate court reversed in part and remanded the case, holding that the district court may only compel BCE to produce disputed documents pursuant to the adverse-litigation exception to the co-client privilege if it finds that BCE and the Debtors were jointly represented by the same attorneys on a matter of common interest that is the subject-matter of those documents. The court provided the following guidance:

> (1) When in-house counsel represents both the parent and a subsidiary, the privilege is governed by the joint defense/co-client doctrine, not the common interest doctrine. When co-clients become adversaries, the majority rule is that all communications made in the course of the joint representation are discoverable. The court predicted that the Delaware courts would apply the adverse litigation exception to render joint-privileged documents discoverable in all situations, even where one co-client is wholly owned by the other.
>
> (2) Despite imprecise application by other courts, the community-of-interest/common interest privilege applies only to communications between attorneys who separately represent different clients, but who share a common legal interest in the shared communication. It does not apply where clients are jointly represented by a shared attorney.
>
> (3) Courts often find that information sharing within a corporate family does not waive the attorney-client privilege, but they diverge on how they reach this result. The court warned that if the rationale is that a corporate family constitutes one client, or that there is a community of interest, a former subsidiary could access all of its former parent's privileged communications in litigation in which they are adverse. The better rationale is that members of a corporate family are joint clients, and only communications involving specific representations are at risk.
>
> (4) When the interests of a parent and subsidiary begin to become adverse, any joint representation on the adverse matter should end, both to prevent the subsidiary from being able to invade the parent's privilege in any litigation that ensues, and to protect the interests of the subsidiary. This does not mean, however, that the parent's in-house counsel must cease representing the subsidiary on all other matters, because spin-off transactions can be in the works for months

> or even years, and continuing to share representation on other matters is both proper and efficient.

The court summarized its guidance for in-house counsel: "By taking care not to begin joint representations except when necessary, to limit the scope of joint representations, and seasonably to separate counsel on matters in which subsidiaries are adverse to the parent, in-house counsel can maintain sufficient control over the parent's privileged communications." 493 F.3d at 374.

Corporations and in-house counsel must be mindful that joint representation of a parent and subsidiary could cause privilege waiver issues if the subsidiary is ever sold. *See, e.g.*, 625 Milwaukee, L.L.C., v. Switch & Data Facilities Co., No. 06-C-0727, 2008 WL 582564, at *3-5 (E.D. Wis. Feb. 29, 2008) (former subsidiary can discover privileged documents from its former parent where outside counsel had represented both prior to sale, and subsidiary had no officers of its own and was controlled solely by the parent corporation); Polycast Tech. Corp. v. Uniroyal Inc., 125 F.R.D. 47, 49-50 (S.D.N.Y. 1989) (district court ordered production of notes taken by subsidiary's officer during meeting with parent's in-house counsel because the subsidiary had been purchased by a new corporation, who then waived the attorney-client privilege with respect to those notes); Medcom Holding, 689 F. Supp. at 842 (similar holding on similar facts).

Determining who controls the attorney-client privilege when a company transfers less than all of its assets can be difficult. The transfer of limited assets may not carry with it a transfer of the privilege. *See* Zenith Elecs. Corp. v. WH-TV Broad. Corp., No. 01 C 4366, 2003 WL 21911066 (N.D. Ill. Aug. 7, 2003) (Zenith's sale of assets to General Instrument ("GI"), including documents that were privileged while in Zenith's possession, did not transfer the attorney-client privilege to GI.). The transfer of a substantial portion of a company's assets, however, particularly where it carries with it practical control of a business line, will result in a transfer of authority over the privilege. *See* Gilday v. Kenra, Ltd., No. 1:09-cv-00229-TWP-TAB, 2010 WL 3928593, at *2 (S.D. Ind. Oct. 4, 2010) (transfer of "substantially all" of a corporation's assets transfers control of the corporation, including authority to assert the attorney-privilege); Am. Int'l Specialty Lines Ins. Co. v. NWI-I, Inc., 240 F.R.D. 401, 406-07 (N.D. Ill. 2007) (finding it significant that the acquiring entity not only acquired certain assets, but also continued to operate the enterprise it purchased); Soverain Software LLC v. Gap, Inc., 340 F. Supp. 2d 760, 763 (E.D. Tex. 2004) ("If the practical consequences of the transaction result in the transfer of control of the business and the continuation of the business under new management, the authority to assert or waive the attorney-client privilege will follow as well."); s*ee also* Parus Holdings, Inc. v. Banner & Witcoff, Ltd., No. 08 C 1535, 2008 WL 4601033, at *6-7 (N.D. Ill. 2008) (attorney-client privilege transferred to the acquiring corporation when the acquiring corporation purchased and continued to operate an entire corporate division, including taking on all division assets, managers and employees).

In one interesting case involving the intersection of privilege and probate law, a limited partnership obtained the various recording and other business interests of Bing Crosby following his death. At the time of this death, Crosby held these assets individually. The limited partnership subsequently brought suit against various recording companies,

which sought the production of various documents previously belonging to Crosby. In HLC Properties Ltd. v. Superior Court, 4 Cal. Rptr. 3d 898, 900 (Cal. App. Ct. 2003), the court held that the limited partnership could assert the privilege as the "entity that is the legal successor of a deceased individual's ongoing business organization." The Supreme Court of California reversed, however, holding that, under California law, the privilege terminates after a person's estate is "finally distributed and his personal representative is discharged," notwithstanding HLC's purchase of Crosby's business interests. HLC Props., Ltd. v. Super. Ct., 35 Cal. 4th 54, 66-67 (Cal. 2005).

At least one court has upheld the validity of a confidentiality agreement that contractually limited the purchasing corporation's right to access certain privileged materials relating to the merger transaction itself. *See* Tekni-Plex, Inc. v. Meyner & Landis, 674 N.E.2d 663, 671-72 (N.Y. 1996). Similarly, the Delaware Chancery Court, in an unpublished opinion applying New York law, upheld the validity of provisions of an asset purchase agreement that purported to transfer attorney-client privilege in conjunction with the sale of particular assets. Postorivo v. AG Paintball Holdings, Inc., Nos. 2991-VCP, 3111-VCP, 2008 WL 343856, at *6-7 (Del. Ch. Feb. 7, 2008). The court acknowledged it was deviating from the sole precedent, American International Specialty Lines Ins. Co. v. NWI-I, Inc., 240 F.R.D. 401, 407 (N.D. Ill. 2007), which rejected the allocation of privilege based on a division of assets. However, the court determined that dividing the privilege was more practical under the circumstances, and found it significant that the asset transfer took place pursuant to an asset purchase agreement and the assets were not conveyed to multiple successors. Postorivo, 2008 WL 343856, at *7.

4. Inferences Drawn From Assertion of Privilege

At common law, no inference could be drawn against a client asserting the attorney-client privilege. *See* 26A CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE AND PROCEDURE § 5753 (Supp. 2009) (noting "no comment" rule). Recognizing that allowing an opponent to comment on a claim of privilege would seriously undermine the value of the privilege, the Supreme Court in Griffin v. California, 380 U.S. 609, 614 (1965), precluded prosecutors from commenting on an accused assertion of the Fifth Amendment privilege against self incrimination. Other courts have applied a similar rule to assertions of the attorney-client privilege in civil cases. *See* In re Tudor Assocs., Ltd., II, 20 F.3d 115, 120 (4th Cir. 1994); Parker v. Prudential Ins. Co. of Am., 900 F.2d 772, 775 (4th Cir. 1990); In re Gibson, No. 04-11822, 2007 WL 505746, at *3 (Bankr. S.D. Ala. Feb. 14, 2007) (holding that court could not draw negative inference from invocation of privilege, but noting that client must waive privilege if raising a defense that she relied on advice of counsel).

F. DURATION OF THE PRIVILEGE

In general, once the attorney-client privilege is created it can be invoked at any time unless it has been waived or is subject to an exception. *See* United States v. United Shoe Mach. Corp., 89 F. Supp. 357, 358 (D. Mass. 1950). The Supreme Court reaffirmed the general rule that the privilege continues even after the termination of the attorney-client relationship and the death of the client. Swidler & Berlin v. United States, 524 U.S. 399, 405-06 (1998) (holding that the privilege continued after the death of a client even where the privileged communications were relevant to a criminal proceeding); *see also* 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5498 (Supp. 2009); *but see* HLC Props., Ltd. v. Super. Ct., 35 Cal. 4th 54, 66-67 (Cal. 2005) (holding that, under California law, privilege terminates after natural person's estate is "finally distributed and his personal representative is discharged"); People v. Vespucci, 745 N.Y.S.2d 391, 395-97 (N.Y. Cnty. Ct. 2002) (recognizing that Swidler & Berlin controls in federal court but that some diversity of opinion exists in state law). After the client's death, the administrator or representative of the estate gains the power to assert or waive the deceased's privilege against third parties. *See* State v. Doe, 803 N.E.2d 777, 780 (Ohio 2004) (holding that decedent's former wife was statutorily empowered to waive the privilege and holding decedent's attorney in contempt for failure to do so following her waiver); *see also* 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5498 (Supp. 2009). *But see* Burkert v. Equitable Life Assurance Soc'y of Am., 287 F.3d 293, 295-96 (3d Cir. 2002) (beneficiaries of insurance policy could not assert attorney-client privilege on behalf of deceased against insurer). However, many courts refuse to enforce the privilege in will contests. *See* Remien v. Remien, No. 94 C 2407, 1996 WL 411387, at *3 (N.D. Ill. July 19, 1996); Stevens v. Thurston, 289 A.2d 398 (N.H. 1972); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 94 (6th ed. 2006).

For organizations, the general rule is that when the organization ceases to have legal existence such that no one can act in its behalf, the privilege terminates. *See* TAS Distrib. Co. v. Cummins, Inc., No. 07-1141, 2009 WL 3255297 (C.D. Ill. Oct. 7, 2009) (attorney-client privilege does not extend beyond death of corporation); Lewis v. United States, 2004 WL 3203121 (W.D. Tenn. Dec. 7, 2004) (same); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 123 cmt. k (2000); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5499 (Supp. 2009). *See also* Lopes v. Vieira, No. CV-F-1243, 2010 WL 430810 (E.D. Cal. Feb. 1, 2010) (former attorney of corporate entity that although formally still active and in good standing with Secretary of State had effectively ceased to function, did not have authority to assert entity's attorney-client privilege).

The United States District Court for the Western District of Pennsylvania addressed the issue of what happens to the corporation's privilege where the corporation ceases to function, but is still a legal entity. In Gilliland v. Geramita, No. 2:05-CV-01059, 2006 WL 2642525, at *1 (W.D. Pa. Sept. 14, 2006), counsel for the defendant corporation in a securities suit attempted to assert the attorney-client privilege on behalf of the corporation, which – although technically still a valid legal entity – was no longer in operation and had no current directors or officers. Because there were no current officers or directors to assert the privilege on behalf of the corporation, and the former management team was not authorized

to assert the privilege, there was no person with authority to "properly invoke the privilege." *Id.* at *3-4. Thus, the documents at issue could not be considered privileged. *Id.* ("The better rule, in the Court's view, is that there should be a presumption that the attorney-client privilege is no longer viable after the corporate entity ceases to function, unless a party seeking to establish the privilege demonstrates authority and good cause."); *see also* Lewis v. United States, No. 02-2958 B/AN, 2004 WL 3203121 (W.D. Tenn. Dec. 7, 2004) (attorney-client privilege does not extend beyond the death of a corporation). *But see* Overton v. Todman & Co., 249 F.R.D. 147, 148 (S.D.N.Y. 2008) (distinguishing Gilliland for a corporation no longer actively in business when it was still listed as "active" with the State Department and former officers asserted privilege in court affidavits).

G. WAIVING THE ATTORNEY-CLIENT PRIVILEGE

Even if all the prerequisites for establishing a claim of attorney-client privilege are met, a party can be found to have waived the protection afforded by the privilege. Whenever a client discloses confidential communications to third parties, including government agencies, the disclosure may constitute a waiver both as to the communication that has been disclosed, and other communications relating to the same subject. *See The Extent of Waiver*, § I.G.6, below. In addition, a corporation may be found to have waived the privilege if it has used privileged communications in a manner inconsistent with maintaining their confidentiality.

1. Burden of Proof

Although it is well established that the party asserting the privilege bears the burden of proving that the privilege in fact applies, s*ee Procedure for Asserting the Privilege*, § I.E.1, *supra*, there is some disagreement among courts regarding how to allocate the burden to establish whether waiver has occurred.

Most courts have held that the absence of waiver is an element of the attorney-client privilege and the proponent bears the burden of showing the communication has been kept confidential. *See, e.g.*, In re Keeper of Records (Grand Jury Subpoena Addressed to XYZ Corp.), 348 F.3d 16, 22 (1st Cir. 2003) ("But the party who invokes the privilege bears the burden of establishing that it applies to the communications at issue and that it has not been waived."); In re VISX, Inc., 18 Fed. Appx. 821, 823 (Fed. Cir. 2001) ("The privilege holder . . . has the burden of convincing the district court that it has not waived the privilege."); United States v. Jones, 696 F.2d 1069, 1072 (4th Cir. 1982) ("The proponent must establish not only that an attorney-client relationship existed, but also that the particular communications at issue are privileged and that the privilege was not waived."); Weil v. Inv./Indicators, Research & Mgmt., Inc., 647 F.2d 18, 25 (9th Cir. 1981) ("As with all evidentiary privileges, the burden of proving that the attorney-client privilege applies rests not with the party contesting the privilege, but with the party asserting it. One of the elements that the asserting party must prove is that it has not waived the privilege."); In re Horowitz, 482 F.2d 72, 82 (2d Cir. 1973) (holding that proponent of privilege had not met burden of showing that documents were kept in a manner consistent with intent to remain confidentiality); *see also* United States v. Miller, 660 F.2d 563, 570-71 (5th Cir. Unit B Nov. 1981) (holding that proponent did not meet burden of showing that disclosure did not

constitute waiver), *reh'g denied and opinion modified by*, 675 F.2d 711 (5th Cir. Unit B 1982), *and opinion vacated on other grounds by*, 685 F.2d 123 (5th Cir. Unit B 1982); United States v. Bump, 605 F.2d 548, 551 (10th Cir. 1979) (holding that because the proponent "makes no showing that the lawyer's disclosures were without his consent," proponent had not met burden to prove the privilege applied); HSH Nordbank AG N.Y. Branch v. Swerdlow, 259 F.R.D. 64, 70 (S.D.N.Y. 2009) (under New York law, "the party asserting the privilege also bears the burden of demonstrating that it has not been waived"); Heriot v. Byrne, 257 F.R.D. 645, 658 (N.D. Ill. 2009) (holding that the burden of proving waiver by inadvertent disclosure was on the party asserting the privilege); Fox v. Massey-Ferguson, Inc., 172 F.R.D. 653, 671 (E.D. Mich. 1995) ("When a producing party claims inadvertent disclosure, it has the burden of proving that the disclosure was truly inadvertent."); Walton v. Mid-Atl. Spine Specialists, P.C., 694 S.E.2d 545, 549 (Va. 2010) (under Virginia law, the proponent of the privilege has to establish that it was not waived).

A few courts have held that, to the contrary, the opponent of the privilege bears the burden of showing waiver. *See, e.g.*, Sampson v. Sch. Dist. of Lancaster, 262 F.R.D. 469, 478 (E.D. Pa. 2008) ("As the party challenging the privileged communication, Plaintiff bears the burden of showing that Defendants waived the privilege."); Texaco, Inc. v. Louisiana Land & Exploration Co., 805 F. Supp. 385, 387 (M.D. La. 1992) ("Once a claim of privilege has been established, then the burden of proof shifts to the party seeking discovery to prove any applicable exception to the privilege.").

Other courts have concluded that the issue of burden is more nuanced. In Shumaker, Loop & Kendrick, LLP v. Zaremba, 403 B.R. 480, 484 (N.D. Ohio 2009), the court closely examined the case law regarding the burden of proving waiver and applied a burden shifting framework:

> When a claim of privilege through express waiver is raised, burdens shall be distributed as follows: (1) the proponent of the privilege has the burden of demonstrating, by a preponderance of the evidence, that the elements of privilege have been satisfied; (2) the opponent of the privilege must present sufficient evidence upon which a reasonable person may find that the privilege has been waived; (3) if the opponent meets its burden, the proponent of the privilege must disprove each demonstrated claim of waiver by a preponderance of the evidence.

Accord Genentech, Inc. v. Insmed Inc., 442 F. Supp. 2d 838, 840 n.2 (N.D. Cal. 2006); First Fed. Sav. Bank of Hegewisch v. United States, 55 Fed. Cl. 263, 267 (2003) (holding that initial burden to establish privilege is on the party asserting the privilege, then the burden shifts to the party opposing the privilege to establish a *prima facie* case of waiver, and then it shifts back to the party asserting the privilege to rebut the *prima facie* case).

2. The Terminology Of Waiver

Once it has been determined that there has been a waiver, it is necessary to determine the scope of the protection that has been lost. The various types of waiver have been described (and will be referred to in this outline) as follows:

	Waiver for All Documents on Same Subject Matter	**Waiver Only For Documents That Are Disclosed**
Waiver for All Persons	Full Waiver	Partial Waiver
Waiver Only for Some Persons	Selective Waiver	Partial Selective Waiver

The terms full and partial waiver refer to the scope of the materials that are left unprotected when a waiver has occurred. Full waiver normally results from the disclosure of privileged materials to a non-privileged person. A finding of full waiver typically allows the party seeking discovery of an otherwise privileged document to discover any unrevealed portions of the communication and any related communications on the same subject matter that the court considers to be necessary for the party seeking discovery to obtain a complete understanding of the disclosed communication. A partial waiver removes privilege protection only for the disclosed communication itself and not for all related communications. Full and partial waiver are discussed in *The Extent of Waiver,* § I.G.6, *infra*.

Selective waiver refers to the decision by the holder of the privilege to waive the privilege for some persons while preserving it against the rest of the world. Selective waiver is discussed below in § I.G.7, *Disclosure to the Government, infra*, and § II, *Extensions of the Attorney-Client Privilege Based on Common Interest, infra*.

The intersection of the two types of waiver, herein called partial selective waiver, and the extent of waiver when information is disclosed to government agencies are discussed in § I.G.7, *infra*.

It should be noted that courts have not been consistent in their terminology. Many courts have used the term "limited waiver" to refer to selective waiver. However, other courts have used "limited waiver" to denote partial waiver. In this summary, the term limited waiver is not used, and instead the terms partial and selective waiver are utilized throughout. *See* Westinghouse Elec. Corp. v. Republic of Phil., 951 F.2d 1414, 1423 n.7 (3d Cir. 1991) (noting the "limited waiver" mix-up and adopting the terms partial and selective waiver); *see also* Note, *Developments – Privileged Communications*, 98 HARV. L. REV. 1450 (1985).

3. Consent, Disclaimer And Defective Assertion

A client can relinquish the protection of the privilege in several ways. The easiest way to abandon the privilege is through consent. Consent acts as a waiver of the privilege and leaves the underlying communications unprotected. *See generally* In re von Bulow, 828 F.2d 94, 10091 (2d Cir. 1987) (client's consent to publish privileged information in book about case resulted in waiver); Long-Term Capital Holdings v. United States, No. 3:01 CV 1290 (JBA), 2002 WL 31934139, at *2 (D. Conn. Oct. 30, 2002); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 93 (6th ed. 2006); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5507 (1986). However, a party must possess the authority to waive the privilege for such a waiver to be effective. *See* United States v. Chen, 99 F.3d 1495, 1502 (9th Cir. 1996) (former employees lack ability to waive corporation's attorney-client privilege); *see also Assertion of the Privilege by Organizations: Employees and Successor Corporations*, § I.E.3, *supra.*

Occasionally, a client waives the privilege voluntarily and later attempts to reassert it. In such cases, the client will generally be estopped from relying on the privilege if an adversary has detrimentally relied on the disclaimer or the interests of justice and fairness otherwise require waiver. *See generally* United States v. Blackburn, 446 F.2d 1089, 1091 (5th Cir. 1971) (defendant not permitted to reassert a privilege that he had already waived); 8 JOHN H. WIGMORE, EVIDENCE § 2327 (J. McNaughton rev. 1961); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5507 (1986). *See also* Reitz v. City of Mt. Juliet, 680 F. Supp. 2d 888, 894-95 (M.D. Tenn. 2010) ("Once the privilege is waived, waiver is complete and final.") (internal citations omitted); Marchand v. Town of Hamilton, No. 09-10433-LTS, 2010 WL 1257847, at *5 (D. Mass. March 26, 2010) ("knowing and considered limited waiver" not unwaived).

Waiver can also occur when the client fails to assert the privilege effectively. For example, a client's failure to object during the presentation of evidence at a hearing or deposition may waive the privilege. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 78 cmt. e (2000); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 93, at 343 (6th ed. 2006); *Asserting the Privilege*, § I.E, *supra*. Any failure of the client to guard the privilege jealously generally constitutes a waiver. *See Intentional Disregard of Confidentiality*, § I.G.4.a, *infra.*

In the corporate context, a question may arise regarding who has the authority to waive the privilege when the corporation's management, through counsel, makes it clear that the corporation does not intend to waive its privileges. In In re Grand Jury Proceedings, 219 F.3d 175 (2d Cir. 2000), the Second Circuit considered as a matter of first impression two issues: (1) whether a corporate officer can impliedly waive the corporation's attorney-client and work product privileges in his grand jury testimony, even though the corporation has explicitly refused such a waiver; and if the answer is yes, (2) what factors a district court should consider in deciding whether a waiver has occurred. The case arose out of an ongoing grand jury investigation into allegedly illegal sales of firearms and other contraband by Doe Corp. In response to the grand jury's subpoena in which it formally requested Doe Corp. to waive its attorney-client and work product privileges, Doe Corp. decided not to waive its privileges and so notified the government. *Id.* at 180. The grand jury subsequently

subpoenaed four Doe Corp. employees, including its CEO and its chief in-house counsel. *Id.* Although the CEO invoked the attorney-client privilege on several occasions during his testimony, he made eight references to counsel's advice, including a number of specific statements about counsel's recommendations. The government contended that Doe Corp. lost its privileges primarily as a result of the grand jury testimony of the CEO and counsel. *Id.* The trial court agreed and granted the government's motion to compel. *Id.* at 181-82.

The Second Circuit vacated the trial court's order and remanded for further review based on the detailed discussion in its opinion. Citing In re von Bulow, 828 F.2d 94, 103 (2d Cir. 1987), and United States v. Bilzerian, 926 F.2d 1285, 1292 (2d Cir. 1991), the court acknowledged that implied waiver may be found where a privilege holder "asserts a claim that in fairness requires examination of protected communications." In re Grand Jury Proceedings, 219 F.3d at 182. Fairness considerations arise when a party attempts to use the privilege both as "a shield and a sword." *Id.* Ordinarily, the authority to assert and waive the corporation's privileges rests with the corporation's management and is exercised by its officers and directors. *Id.* at 183-84 (citation omitted). Unlike prior cases, however, in the case before the court the corporation clearly asserted its privilege, and did not deliberately disclose any privileged material, but its CEO, in contravention of the corporation's instructions, arguably waived that privilege in his grand jury testimony. *Id.* at 184.

The court rejected the parties' competing requests for a *per se* rule that a corporate officer can or cannot waive a privilege asserted by the corporation. In re Grand Jury Proceedings, 219 F.3d at 185. Instead, it held that an implied waiver should be analyzed case-by-case based on "fairness principles." *Id.* Skeptical on the facts before it that the CEO's testimony had waived Doe Corp.'s privileges, the court instructed the trial court to consider on remand, among other things, the following issues: (1) the CEO was subpoenaed on his individual capacity and not as a corporate representative; (2) the CEO's interest in exculpating his own conduct may have overridden his fidelity to the corporation; (3) the CEO was not counseled and had no legal training; (4) Doe Corp. did not disclose privileged material to the government and did not take any affirmative steps to inject privileged materials into the litigation; and (5) the apparent lack of prejudice to the government. *Id.* at 189-90. "These circumstances viewed in isolation suggest to us it would be unfair to find, on the basis of witness's testimony, that Doe Corp. had waived its entitlement to preserve the confidentiality of its communications with its attorneys." *Id.* at 190.

In the event that the trial court found waiver on remand, the court indicated that only partial waiver may be appropriate: "as the animating principle behind waiver is fairness to the parties, if the court finds that the privilege was waived, then the waiver should be tailored to remedy the prejudice to the government." In re Grand Jury Proceedings, 219 F.3d at 188. Because the testimony was given before a grand jury, an "extrajudicial" context, limited waiver may be appropriate. *Id.* at 189. *See also* Pensicola Firefighters' Relief & Pension Fund Bd. of Dirs. v. Merrill Lynch, Pierce, Fenner & Smith, Inc., No. 3:09cv53/MCR/MD, 2010 WL 4683935, at *5, 7 (statements made by employee to company clients regarding internal investigation did not waive privilege where there was no evidence employee had authority to waive the privilege, his statements were self-serving, and employee had not attempted to use disclosure to obtain litigation advantage as no litigation was imminent at the time). Limited waiver may also be appropriate because the testimony was given early in the

grand jury proceedings, at a time when the government may have had other witnesses and evidence, thus limiting the prejudice to the government. *Id.*; *see also* United States v. Agnello, 135 F. Supp. 2d 380, 384-85 (E.D.N.Y. 2001) (distinguishing In re Grand Jury Proceedings on the basis that the corporation at issue was the alter ego of the party waiving the privilege and the waiver had not been compelled).

4. Disclosure To Third Parties

a. Intentional Disregard Of Confidentiality

To be privileged, a communication must be made in confidence. *See Communications Must Be Intended To Be Confidential*, § I.C, above. To stay privileged, the communication must remain confidential. As a general rule, disclosure of privileged communications to a person outside the attorney-client relationship manifests indifference to confidentiality and waives the protection of the privilege. *See* Maday v. Pub. Libraries of Saginaw, 480 F.3d 815 (6th Cir. 2007) (disclosure to a social worker waives privilege); Lenz v. Universal Music Corp., No. C 07-03783 JF (PVT), 2010 WL 4286329 (N.D. Cal. Oct. 22, 2010) (plaintiff waived the privilege by disclosing her legal strategies and motivation for pursuing the action on her blog and through emails and Gmail Chat conversations); In re Omeprazole Patent Litig., 227 F.R.D. 227, 230-31 (S.D.N.Y. 2005) (holding that testifying expert was outside the privileged zone and disclosure to expert waived the privilege); In re Air Crash Disaster, 133 F.R.D. 515, 518 (N.D. Ill. 1990); First Wis. Mortg. Trust v. First Wis. Corp., 86 F.R.D. 160, 171 (E.D. Wis. 1980) (disclosures to other persons in the privileged relationship, such as a privileged agent, do not cause waiver); Dalen v. Ozite Corp., 594 N.E.2d 1365, 1370 (Ill. App. Ct. 1992) (disclosure inconsistent with confidentiality waives privilege). Disclosure to an attorney, where the attorney is not acting in a legal capacity, also causes a waiver. *See* United States v. Frederick, 182 F.3d 496, 500-01 (7th Cir. 1999), cert. denied, 528 U.S. 1154, 120 S. Ct. 1197 (2000); *see also* Lopes v. Viera, 719 F. Supp. 2d 1199 (E.D. Cal. 2010) (discussing the Frederick approach favorably).

See:

> *GFI, Inc. v. Franklin Corp., 265 F.3d 1268, 1273 (Fed. Cir. 2001). Attorney's testimony as to client's state of mind put attorney communications at issue and waived privilege as to the issues covered.*
>
> *Nguyen v. Excel Corp., 197 F.3d 200, 207 (5th Cir. 1999). Selective disclosure of privileged information to third party not rendering legal services waives attorney-client privilege.*
>
> *Reed v. Baxter, 134 F.3d 351, 357-58 (6th Cir. 1998). Disclosure to attorney in the presence of a third party negates confidentiality and constitutes waiver.*
>
> *United States v. Evans, 113 F.3d 1457, 1462 (7th Cir. 1997). The attorney-client privilege does not apply to statements made between a client and his attorney in the presence of a third party who is not an agent of either the client or attorney.*
>
> *United States v. Melvin, 650 F.2d 641, 645 (5th Cir. 1981). Disclosures made in the presence of third parties removes confidentiality and results in waiver.*

*Soc'y of Prof'l Eng'g Emps. in Aerospace, IFPTE Local 2001 v. Boeing Co., Nos. 05-1251-MLB, 07-1043-MLB, 2010 WL 1141269, at *3-6 (D. Kan. Mar. 22, 2010). Company's disclosure of pre-transaction privileged documents to acquirer of business unit waived the attorney-client privilege. In order to facilitate the sale of the business unit, the company provided email services to 8,000 former company employees until the acquirer created its own email system. Although the company faced a dilemma regarding how to handle pre-transaction email accounts, and made an "educated business decision" not to screen them for privileged material due to cost, the court was unwilling to recognize a "business decision" exception to the general rule that disclosure of privileged material to a third party waives the privilege.*

Trestman v. Axis Surplus Ins. Co., Nos. 06-11400 and 07-1305, 2008 WL 1930540 (E.D. La. Apr. 29, 2008). Defendant insurance company waived privilege as to an opinion letter from its attorney by partially disclosing the substance of its contents in a letter to plaintiff explaining defendant's decision to deny coverage, as well as by pleading the defenses that defendant's actions were "reasonable in light of the circumstances" and that defendant "adjusted the plaintiff's claim in good faith."

*Consol. Health Plans, Inc. v. Principal Performance Grp., Inc., No. CIV.A. 02-1230, 2003 WL 1193663, at *3-4 (E.D. La. Mar. 14, 2003). Disclosure of attorney-client communications during deposition effected waiver of the privilege as to the issues covered by testimony.*

*Ross v. UKI Ltd., No. 02 Civ. 9297 WHPJCF, 2003 WL 22319573, at *1 (S.D.N.Y. Oct. 9, 2003). Disclosure to client's agent may not waive the privilege if client has a subjectively reasonable expectation of confidentiality and disclosure was necessary to obtain informed legal advice.*

*Piedmont Resolution L.L.C. v. Johnston, Rivlin & Foley, No. Civ. A. 96-1605, 1997 WL 16071, at *2 (D.D.C. Jan. 13, 1997). Any voluntary disclosure of confidential communication to a third party is inconsistent with confidentiality and thus waives the privilege.*

Stirum v. Whalen, 811 F. Supp. 78, 82 (N.D.N.Y. 1993). Privilege cannot be used to prevent disclosure of communications that were conveyed between client and attorney in the presence of third parties or later released to third parties.

Jonathan Corp. v. Prime Computer, Inc., 114 F.R.D. 693, 697 (E.D. Va. 1987). The recipient of a memo from in-house counsel waives the privilege by disclosing it to an adversary.

Byrnes v. Jetnet Corp., 111 F.R.D. 68, 72 (M.D.N.C. 1986). A corporate client waives the privilege when it restates the substance of the privileged communications in an unprivileged internal communication.

Chubb Integrated Sys., Ltd. v. Nat'l Bank, 103 F.R.D. 52, 63 (D.D.C. 1984). Disclosure of attorney-client communications to an adversary waived the privilege when the adversary learned the gist of the privileged communication. In this case, the privilege was waived even though the adversary was involved in litigation unrelated to the communication.

But see:

Roth v. Aon Corp., 254 F.R.D. 538, 541 (N.D. Ill. 2009). "[M]ost courts have found that even when a final product is disclosed to the public, the underlying privilege attached to drafts of the final product remains intact."

Collaboration Props., Inc. v. Polycom, Inc., 224 F.R.D. 473, 479 (N.D. Cal. 2004). Exchange of privileged documents as part of a meet-and-confer discovery conference did not affect a waiver of the attorney-client privilege.

*Akamai Techs., Inc. v. Digital Island, Inc., No. C-00-3508 CW(JCS), 2002 WL 1285126, at *9 (N.D. Cal. May 30, 2002). Provision of attorney's memo summarizing legal issues related to claim as part of settlement discussions, and pursuant to agreement that its use would be limited to such discussions, did not waive privilege.*

In these cases, the determinative factor is not the client's subjective intention to waive the privilege. 8 JOHN H. WIGMORE, EVIDENCE § 2327 (J. McNaughton rev. 1961) ("A privileged person would seldom be found to waive, if his intention not to abandon could alone control the situation. There is always also the objective consideration that when his conduct touches a certain point of disclosure, fairness requires that his privilege shall cease whether he intended that result or not. He cannot be allowed, after disclosing as much as he pleases, to withhold the remainder."); *see also* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 79 cmt. f (2000); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 93 (6th ed. 2006); 3 JACK W. WEINSTEIN ET AL., WEINSTEIN'S FEDERAL EVIDENCE § 511.04 (Joseph M. McLaughlin, ed., Matthew Bender 2d ed. 2009); *accord* Weil v. Inv./Indicators, Research & Mgmt., Inc., 647 F.2d 18, 24 (9th Cir. 1981) (subjective intent is but one factor to consider). Instead, the court will inquire whether the client's acts were: (1) voluntary, and (2) substantially in disregard of confidentiality. Only voluntary acts can effectuate waiver. Thus, if the court finds that the client acted under duress or deception, then the privilege will not be waived. Shields v. Sturm, Ruger & Co., 864 F.2d 379, 382 (5th Cir. 1989) (disclosure compelled by court does not waive privilege with respect to third parties); Cobell v. Norton, 213 F.R.D. 69, 76 (D.D.C. 2003) (no waiver where Department of the Interior turned privileged documents over to court-appointed monitor pursuant to court order); SEC v. Forma, 117 F.R.D. 516, 523 (S.D.N.Y. 1987) (deception by government makes disclosure involuntary and prevents waiver); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 79 cmt. e (2000). The primary determination is whether the party has safeguarded the confidential nature of the communications. To make this finding, the court determines whether the client's acts and the circumstances of the case objectively demonstrate the proper respect for confidentiality.

See:

U.S. ex. rel. Schweizer v. Oce, N.V., 577 F. Supp. 2d 169, 174-76 (D.D.C. 2008). Relators who filed confidential disclosure statement and exhibits with their sealed complaint, when statute only required relators to file complaint with the court, voluntarily waived privilege.

*Cargill Inc. v. Budine, No. CVF07349LJOSMS, 2008 WL 2856642, at *4 (E.D. Cal. July 21, 2008). Defendants displayed an implied subjective intent to disclose when they voluntarily testified without asserting privilege about attorney's recommendations in an initial consultation attended by all parties.*

Bowles v. Nat'l Ass'n of Home Builders, 224 F.R.D. 246, 254-55 (D.D.C. 2004). Disclosure of documents in settlement negotiations established subject matter waiver of privilege when the defendant waited fifteen months to claim the privilege and attempt to recover the documents. Such lax treatment of the allegedly privileged material does not reflect the "zealous" protection required under the law.

In re Copper Mkt. Antitrust Litig., 200 F.R.D. 213, 219 (S.D.N.Y. 2001). Disclosure of confidential information to third-party PR firm did not waive privilege where PR firm was effectively operating as part of client's staff. Firm regularly consulted with client's counsel regarding public statements on client's behalf.

Prudential Ins. Co. v. Turner & Newall, PLC, 137 F.R.D. 178, 181-82 (D. Mass. 1991). The plaintiff waived privilege and work product protection for documents in a third party's possession when the plaintiff reviewed its files and determined they contained privileged documents, but did not take steps to insure against the third party's disclosure of the document.

Waste Mgmt., Inc. v. Int'l Surplus Lines Ins. Co., 596 N.E.2d 726, 730 (Ill. App. Ct. 1992). The fact that an internal letter had no indications that it should be kept confidential and had been accessible to the community in a public court file demonstrated waiver of privilege.

The extent to which privileged contents are revealed will also affect the waiver determination. To cause waiver, the non-privileged listener or receiver must learn a significant portion of the privileged communication. Chubb Integrated Sys., Ltd. v. Nat'l Bank, 103 F.R.D. 52, 63 (D.D.C. 1984) (disclosure of attorney-client communications waives the privilege when the listener learns the gist of the privileged communication); In re M&L Bus. Mach. Co., 161 B.R. 689, 693 (Bankr. D. Colo. 1993) (privilege is lost if the substance of the confidential communication is disclosed to a third party). Thus, referring in general terms to a prior conversation with an attorney does not usually abrogate the privilege. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 79 cmt. e (2000); *see also*:

United States v. O'Malley, 786 F.2d 786, 793-94 (7th Cir. 1986). Privilege attaches to communication of information rather than the information itself. "[A] client does not waive his attorney-client privilege merely by disclosing a subject which he had discussed with his attorney. . . . In order to waive the privilege, the client must disclose the communication with the attorney itself."

Sullivan v. Warminster Twp, ---F.Supp.2d---, 2011 WL 780543 (E.D. Pa. March 4, 2011). Police chief's limited statement during a press conference that outside counsel's investigation revealed no misconduct and that police department had "gotten a clean bill of health on everything" waived privilege only with respect to specific counsel communications with client, not with respect to entire investigation.

Allstate Ins. Co. v. Levesque, 263 F.R.D. 663, 666-67 (M.D. Fla. 2010). Under Florida law, a client's general and limited statements about the nature of his communications with his lawyer are not substantive disclosures that waive the privilege. At a deposition, when asked how he received particular information, the client said from his lawyer but gave no further details.

*EEOC v. Johnson & Higgins, Inc., No. 93 CIV. 5481 (LBS), 1998 WL 778369, at *10 (S.D.N.Y. Nov. 6, 1998). Disclosure of existence of draft affidavit during deposition waived privilege as to particular draft but, because substance of attorney-client communications were not disclosed, did not affect subject matter waiver of related conversations between attorney and client.*

Arkwright Mut. Ins. Co. v. Nat'l Union Fire Ins. Co., No. 90 Civ. 7811, 1994 WL 392280 (S.D.N.Y. July 28, 1994), reargued, 1994 WL 510048 (S.D.N.Y. Sept. 16, 1994). A party does not waive the privilege merely by disclosing the substance of an attorney's advice. The party must make a more detailed revelation of the advice or attempt to use the partial disclosure to the prejudice of the opposing side.

Rauh v. Coyne, 744 F. Supp. 1181 (D.D.C. 1990). Disclosure of a brief description of an internal investigation report does not waive the privilege for the report itself.

b. Disclosure Within A Corporation

As a result of the United States Supreme Court's ruling in Upjohn, federal common law protects communications between counsel and lower-level employees when the communication may assist counsel to provide legal advice to the corporation. But once the corporation has obtained legal advice from its attorney, can it disclose that privileged communication to lower level employees without waiving the privilege? Some courts allow disclosure to lower level employees, but only on a "need to know" basis. *See Confidentiality Within Organizations*, § I.C.2, *supra*.

One issue that frequently arises in the context of corporate internal investigations is whether an audit committee or special litigation committee and their counsel may communicate their investigation findings and related investigatory materials to the company's board of directors without waiving otherwise applicable privileges. An audit committee or special litigation committee may establish an attorney-client privilege with counsel engaged by the committee. *See, e.g.*, In re BCE W., L.P., No. M-8-85, 2000 WL 1239117, at *2 (S.D.N.Y. Aug. 31, 2000) ("It is counterintuitive to think that while the Board permitted the Special Committee to retain its own counsel, the Special Committee would not have the benefit of the attorney-client privilege inherent in that relationship or that the Board of Directors or management, instead of the Special Committee, would have control of such privilege."); Ryan v. Gifford, Civil Action No. 2213-CC, 2007 WL 4259557, at *3 (Del. Ch. Nov. 30, 2007) ("There appears no dispute that, absent waiver or good cause, the attorney-client privilege protects communications between [outside counsel] and its client, the Special Committee."). The few courts that have addressed the issue disagree regarding whether disclosure of the audit committee's investigation findings to the company's Board of Directors waives the privilege.

Compare:

> *In re BCE West, L.P., No. M-8-85, 2000 WL 1239117, at *2 (S.D.N.Y. Aug. 31, 2000). Communications with the Board "were part of the transaction process" and did not destroy the special committee's privilege.*
>
> *Picard Chem., Inc. Profit Sharing Plan v. Perrigo Co., 951 F. Supp. 679, 689 (W.D. Mich. 1996). Disclosure of special litigation committee's report to the Board did not waive privilege.*

With:

> *SEC v. Roberts, 254 F.R.D. 371, 378 n.4 (N.D. Cal. 2008). Communications between counsel for the Special Committee and the company's Board of Directors were not privileged. "The court notes that not only is the Board not [the Special Committee counsel's] client such that the attorney-client privilege does not attach, the Board also does not have a common interest with the Special Committee since it was the Special Committee's mandate to ascertain whether members of the Board may have engaged in wrongdoing."*
>
> *Ryan v. Gifford, Civil Action No. 2213-CC, 2007 WL 4259557 (Del. Ch. Nov. 30, 2007); Ryan v. Gifford, Civil Action No. 2213-CC, 2008 WL 43699 (Del. Ch. Jan. 2, 2008). In response to shareholder derivative action, company formed Special Committee, comprised of on independent director, which engaged outside counsel, who conducted an investigation with the assistance of forensic accountants, reviewed more than 300,000 documents, and conducted more than 30 interviews,*

but did not prepare a written report. Counsel made an oral presentation to a meeting of the Board of Directors attended by members of the Board who were defendants in the derivative action, and the Board member's individual attorneys. Thereafter, the company publicly disclosed certain aspects of the report, privately disclosed additional details to NASDAQ, relied on the investigation in defense to a motion for summary judgment, and then attempted to withdraw reliance on the investigation. On several grounds, including the Garner doctrine, the court held that privilege over the investigation report was waived. Among other things, the court found that the presence during counsel's presentation of defendant Board members, who were acting in a personal rather than fiduciary capacity, waived the privilege.

See also:

Thaddeus J. Malik, David M. Greenwald, Mercedes M. Davis, *Special Committees and Protecting Privilege*, The Corporate Counselor, Vol. 22, No. 10, March 2008.

c. Disclosure To Auditors

In general, an auditor is considered a non-privileged party under federal law. Couch v. United States, 409 U.S. 322 (1973). Thus, under federal law, disclosure of privileged information to auditors will waive the attorney-client privilege. *See*:

Chevron Corp. v. Pennzoil Co., 974 F.2d 1156, 1162 (9th Cir. 1992). Disclosure of tax counsel's privileged memoranda to auditors waived privilege with respect to documents actually disclosed.

United States v. El Paso Co., 682 F.2d 530, 540 (5th Cir. 1982). Disclosure of tax pool analysis and underlying documentation to outside accountants for tax audit purposes waives attorney-client privilege.

In re John Doe Corp., 675 F.2d 482, 488-89 (2d Cir. 1982). Conversations between attorney and the corporation's accountant for the purpose of a financial statement audit waived the privilege with respect to the contents of the conversation.

In re Honeywell Int'l, Inc. Sec. Litig., 230 F.R.D. 293 (S.D.N.Y. 2003). Attorney-client privilege does not extend to communications between a company and its accountants or auditors. Disclosure to company's auditor waives the attorney-client privilege.

U.S. ex rel. Robinson v. Northrop Grumman Corp., No. 89 C 6111, 2003 WL 21439871 (N.D. Ill. June 20, 2003). Where company had engaged an independent auditor to conduct two reviews, one that was privileged and one that was not, the company failed to satisfy its burden of demonstrating that the attorney-client privilege protected certain interview memoranda that were generated during the privileged review, because the company had not offered proof that those memoranda were not subsequently used for the purposes of the non-privileged review.

Medinol, Ltd. v. Boston Scientific Corp., 214 F.R.D. 113 (S.D.N.Y. 2002). Disclosure to outside auditors waives work product protection because interests of independent auditors are not aligned with corporation.

Eglin Fed. Credit Union v. Cantor Fitzgerald Sec. Corp., 91 F.R.D. 414, 418-19 (N.D. Ga. 1981). Attorney-client privilege waived with respect to board minutes that had been made available to accountants for audit purposes.

First Fed. Savs. Bank v. United States, 55 Fed. Cl. 263, 269-70 (Fed. Cl. 2003). Although disclosure of unredacted corporate board minutes which contained privileged documents to accounting firm during its performance of special accounting procedures did not waive the attorney-client privilege,

because those procedures were to assist law firm in providing savings and loan with legal advice regarding defalcation by corporate officer, subsequent disclosure of those same unredacted board minutes during annual audit waived the privilege as to those board minutes, because the disclosure did not have a legal purpose.

Where, however, counsel retains an auditor to assist in providing legal advice, the auditor acts as a privileged agent. *See* U.S. ex rel. Robinson v. Northrop Grumman Corp., No. 89 C 6111, 2002 WL 31478259 (N.D. Ill. Nov. 5, 2002); Wagoner v. Pfizer, Inc., No. 07-1229-JTM, 2008 WL 821952 (D. Kan. Mar. 26, 2008) (holding that notes and summaries of interviews of defendant's employees prepared by a member of defendant's internal audit group at the direction of defendant's in-house counsel were privileged even though there was no evidence that any attorney ever received or was an intended recipient of the notes, because a non-attorney gathering information at the direction of counsel falls within the privilege); *see also Defining Privileged Agents*, § I.B.3, *supra*.

It is important to note that several states provide varying degrees of protection for communications between auditors/accountants and their clients. Where the applicable rule will be state rather than federal law, these communications may remain privileged. *See generally* DAVID M. GREENWALD, EDWARD F. MALONE, AND ROBERT R. STAUFFER, TESTIMONIAL PRIVILEGES (Thomson West 3d ed. 2005) (update 2009) at § 3:6 and ff; *see, e.g.*, Sherman v. Ryan, 911 N.E.2d 378, 400-02 (Ill. App. Ct. 2009) (holding that attorney-client and work product privileges not waived despite disclosure to outside auditors and financial advisors, considering Illinois statute establishing accountant-client privilege). It should also be noted that the work product doctrine may apply to materials disclosed to auditors although the attorney-client privilege is waived by the disclosure. *See Disclosure to Auditors*, § IV.E.3, *infra*.

5. Authority To Waive Privilege

The attorney-client privilege belongs to the client and it is the client's right to waive. In re Asia Global Crossing, Ltd., 322 B.R. 247, 255 (Bankr. S.D.N.Y. 2005). In addition to the client, an authorized agent has the power to waive the privilege for the client. *See* Interfaith Hous. Del., Inc. v. Town of Georgetown, 841 F. Supp. 1393 (D. Del. 1994) (an agent can only waive a corporation's privilege if the agent is acting within the scope of her authority). A lawyer is generally considered to possess the implied authority to disclose confidential client communications in the course of representing the client. RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 79 cmt. c (2000); 8 JOHN H. WIGMORE, EVIDENCE § 2325, at 632 (J. McNaughton rev. 1961); *see also* United States v. Martin, 773 F.2d 579, 583-84 (4th Cir. 1985); Velsicol Chem. Corp. v. Parsons, 561 F.2d 671, 674-75 (7th Cir. 1977). As a result, a lawyer's disclosure of a communication in the course of conducting the case generally waives the privilege if the lawyer has the apparent or actual authority to disclose such information. *See* Kevlik v. Goldstein, 724 F.2d 844, 850 (1st Cir. 1984); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 93 (6th ed. 2006); 8 JOHN H. WIGMORE, EVIDENCE § 2325 (J. McNaughton rev. 1961). *See also* In re Sealed Case, 977 F.2d 976, 980 (D.C. Cir. 1987) (inadvertent production by attorney waived privilege). *But see* Harold Sampson Children's Trust v. Linda Gale Sampson 1979 Trust, 679 N.W.2d 794, 800 (Wis. 2004); (where attorney did not hold the privilege and the client did not direct

the disclosure, attorney's error did not result in waiver); Hobley v. Burge, 226 F.R.D. 312, 314 (N.D. Ill. 2005), *vacated on different grounds*, 433 F.3d 946 (7th Cir. 2006).

A lawyer cannot maintain the privilege after it has been waived by the client. However, if an attorney discloses documents in discovery because she failed to recognize the privileged nature of the documents, the privilege may not be waived.

For organizational clients, the authority to waive the attorney-client privilege rests with the corporation's management and is normally exercised by its officers and directors. Commodity Futures Trading Comm'n v. Weintraub, 471 U.S. 343, 348 (1985); *see also* United States v. Chen, 99 F.3d 1495, 1502 (9th Cir. 1996) (communication between former employee and government did not waive privilege because former employee never had authority to waive); Brinckerhoff v. Town of Paradise, No. CIV. S-10-0023 MCE GGH, 2010 WL 4806966, at *5 (E.D. Cal. Nov. 18, 2010) (dissident directors, former employees, and employees outside the control group cannot waive the privilege); Galli v. Pittsburg Unified Sch. Dist., No. C 09-3775 JSW (JL), 2010 WL 4315768, at *4-5 (N.D. Cal. Oct. 26, 2010) (holding that only the school district's board may waive the privilege, not an individual board member or ex-employee) (citing Chen). Managers must exercise the privilege in a manner that is consistent with their fiduciary duties to act in the best interests of the corporation and not for themselves as individuals. Weintraub, 471 U.S. at 348-49.

Whether a specific manager or employee has the authority to waive the privilege depends on whether the employee has been delegated express or implied authority to waive the privilege. Bus. Integration Servs. v. AT&T, 251 F.R.D. 121, 125-27 (S.D.N.Y. 2008), *aff'd*, No. 06 Civ. 1863(JGK), 2008 WL 5159781 (S.D.N.Y. Dec. 9, 2008) (a non-executive manager lacked authority to waive the attorney-client privilege); Denney v. Jenkens & Gilchrist, 362 F. Supp. 2d 407, 414-15 (S.D.N.Y. 2004) (a partner authorized to represent the partnership with respect to tax shelters had sufficient authority to waive the attorney-client privilege over an internal opinion discussing such shelters); *see also* Pensacola Firefighters' Relief & Pension Fund Bd. of Dirs. v. Merrill Lynch, Pierce, Fenner & Smith, Inc., No. 3:09cv53/MCR/MD, 2010 WL 4683935, at *5-6 (N.D. Fla. Nov. 10, 2010) (an employee's job title alone does not establish an employee's authority to waive the privilege).

In-house counsel has been found to possess the implied authority to waive the organization's privilege. *See* Velsicol Chem. Corp. v. Parsons, 561 F.2d 671, 674 (7th Cir. 1977); In re Grand Jury Subpoenas Dated Dec. 18, 1981, 561 F. Supp. 1247, 1254 n.3 (E.D.N.Y. 1982). Although courts hold that employees, other than officers and attorneys, generally lack the authority to waive the attorney-client privilege, a corporation must act quickly to assert the privilege and mitigate any unauthorized disclosure by such employees, or risk ratifying the otherwise ineffective waiver. Bus. Integration Servs. v. AT&T, 251 F.R.D. 121, 125-27 (S.D.N.Y. 2008), *aff'd*, No. 06 Civ. 1863(JGK), 2008 WL 5159781 (S.D.N.Y. Dec. 9, 2008) (although a non-executive manager lacked the authority to waive the attorney-client privilege, the court found that the corporation's in-house counsel ratified the waiver when he did not assert the privilege or take action to protect the communication after he became aware of the disclosure).

At least one court has held that a corporation may unilaterally waive the attorney-client privilege and work product protection with respect to any communications made by a corporate officer in his corporate capacity, notwithstanding the existence of an individual attorney-client relationship between him and the corporation's counsel. In re Grand Jury Subpoena, 274 F.3d 563, 573 (1st Cir. 2001); *see also* United States v Stein, 463 F. Supp. 2d 459 (S.D.N.Y. 2006) (holding that a partnership had the authority to waive the attorney-client privilege with respect to communications between partnership counsel and one of its partners).

When control of a corporation passes to new management, the authority to assert and waive the corporation's attorney-client privilege passes as well. Commodity Futures Trading Comm'n v. Weintraub, 471 U.S. 343, 349 (1985); In re Grand Jury Subpoenas 89-3 & 89-4, 902 F.2d 244 (4th Cir. 1990); United States v. Schwimmer, 892 F.2d 237, 243 (2d Cir. 1989); Meoli v. Am. Med. Serv., 287 B.R. 808, 815-17 (S.D. Cal. 2003). Thus, a manager's power to waive the corporation's attorney-client privilege terminates when the manager loses his job. Weintraub, 471 U.S. at 349 (displaced personnel have no further control over the privilege); In re Hechinger Inv. Co., 285 B.R. 601, 610 (D. Del. 2002) (same); Allen v. Burns Fry, Ltd., No. 83 C 2915, 1987 WL 12199 (N.D. Ill. June 4, 1987); *see also* Criswell v. City of O'Fallon, No. 4:06CV01565 ERW, 2008 WL 250199 (E.D. Mo. Jan. 29, 2008) (defendant (city) could assert attorney-client privilege regarding privileged conversations the plaintiff, a former employee of the city, had with two city attorneys while employed by the city). Former officers cannot assert protection over communications for which the corporation has waived the privilege. In re Grand Jury Subpoena, 274 F.3d 563, 573-74 (1st Cir. 2001); *see also Assertion of the Privilege by Organizations: Employees and Successor Corporations*, § I.E.3, *supra.*

6. The Extent Of Waiver

The traditional view was that disclosure or use of communications covered by the attorney-client privilege resulted in a waiver of all related communications regarding the same subject matter. *See, e.g.*, In re Consol. Litig. Concerning Int'l Harvester's Disposition of Wis. Steel, 666 F. Supp. 1148 (N.D. Ill. 1987).

> *In re Grand Jury Proceedings, 219 F.3d 175, 182-83 (2d Cir. 2000). A party may not selectively disclose privileged communications in support of a claim and then rely on the privilege to shield the remaining communication from the opposing party.*
>
> *In re Grand Jury Proceedings, 78 F.3d 251, 254-256 (6th Cir. 1996). Selective disclosure to government investigators of attorney's advice related to several elements of a marketing plan waived privilege as to all information related to those elements, but not to the entire marketing plan.*
>
> *In re Sealed Case, 877 F.2d 976, 981 (D.C. Cir. 1989). Inadvertent disclosure constituted a waiver not just for the document disclosed but also to all communications relating to the same subject matter.*
>
> *United States v. Jones, 696 F.2d 1069 (4th Cir. 1982). Voluntary disclosures to a third party waive the privilege not only for the specific communication disclosed but also for all communications relating to the same subject.*

In re Omnicron Group Sec. Litig., 226 F.R.D. 579, 590-93 (N.D. Ohio 2005). Scope of waiver is based on individual facts; court is guided by fairness concerns. Where disclosure was substantial, intentional and deliberate, fairness favored disclosure of all documents on the subject matter discussed in the partial disclosure.

Murray v. Gemplus Int'l, S.A., 217 F.R.D. 362 (E.D. Pa. 2003). Disclosure during discovery of six internal in-house counsel communications waived the privilege not just to those specific communications, but also to the subject-matter addressed in the communications. As a result, defendant was ordered to disclose all otherwise privileged documents relating to contract negotiations spanning an eleven month period.

Verizon Cal. Inc. v. Ronald A. Katz Tech. Licensing, L.P., 266 F. Supp. 2d 1144, 1148-49 (C.D. Cal. 2003). In infringement action, attorney's waiver of attorney-client privilege waives privilege as to all communications involving that subject matter.

*Motorola, Inc. v. Vosi Techs, Inc., No. 01 C 4182, 2002 WL 1917256, at *1-2 (N.D. Ill. Aug. 19, 2002). Waiver of privilege as to communications related to patent validity waived privilege as to all communications related to the patent in general.*

Fujisawa Pharm. Co. v. Kapoor, 162 F.R.D. 539 (N.D. Ill. 1995). Identification of attorney as a potential witness by his client waived attorney-client privilege as to the subject matter of the attorney's expected testimony. Court, interpreting "subject matter" broadly, held that the privilege had been waived with respect to any information that may have influenced attorney's knowledge regarding his expected testimony, including information gathered by his law firm.

Union Pac. Res. Co. v. Natural Gas Pipeline Co. of Am., No. 90 C 5378, 1993 WL 278526 (N.D. Ill. July 20, 1993). Full waiver results in loss of protection for communications revealed and past communications on the same matter. However, prospective communications remain protected.

Helman v. Murry's Steaks, Inc., 728 F. Supp. 1099, 1103 (D. Del. 1990). Contested communications were not privileged since they related to the same subject previously disclosed by the client's other attorney.

Nye v. Sage Prods., Inc., 98 F.R.D. 452, 453 (N.D. Ill. 1982). Production of a party's communications with a previous attorney waived the privilege for communications with a current attorney on the same subject.

In re Commercial Fin. Servs., Inc., 247 B.R. 828, 845-56 (Bankr. N.D. Okla. 2000). Subject matter waiver requires disclosure of all documents or information relating to the same subject matter as the material disclosed.

a. Federal Rule of Evidence 502

Federal Rule of Evidence 502, signed into law on September 19, 2008, is a substantial departure from the traditional approach to waiver with respect to disclosure of privileged material in federal proceedings or to a federal office or agency. *See* David M. Greenwald, Robert R. Stauffer, and Erin R. Schrantz, *New Federal Rule of Evidence 502: A Tool for Minimizing the Cost of Discovery*, BLOOMBERG L. REP. (LITIGATION), Vol. 3, No. 4, Jan. 26, 2009. Adopted by Congress pursuant to the Commerce Clause, FRE 502 governs not just federal proceedings, but also state court proceedings, as discussed below. FRE 502 in its entirety provides:

The following provisions apply, in the circumstances set out, to disclosure of a communication or information covered by the attorney-client privilege or work-product protection.

(a) Disclosure made in a federal proceeding or to a federal office or agency; scope of a waiver. – When the disclosure is made in a federal proceeding or to a federal office or agency and waives the attorney-client privilege or work-product protection, the waiver extends to an undisclosed communication or information in a federal or state proceeding only if: (1) the waiver is intentional; (2) the disclosed and undisclosed communications or information concern the same subject matter; and (3) they ought in fairness to be considered together.

(b) Inadvertent disclosure. – When made in a federal proceeding or to a federal office or agency, the disclosure does not operate as a waiver in a federal or state proceeding if: (1) the disclosure is inadvertent; (2) the holder of the privilege or protection took reasonable steps to prevent disclosure; and (3) the holder promptly took reasonable steps to rectify the error, including (if applicable) following FED. R. CIV. P. 26(b)(5)(B).

(c) Disclosure made in a state proceeding. When the disclosure is made in a state proceeding and is not the subject of a state-court order concerning waiver, the disclosure does not operate as a waiver in a federal proceeding if the disclosure: (1) would not be a waiver under this rule if it had been made in a federal proceeding; or (2) is not a waiver under the law of the state where the disclosure occurred.

(d) Controlling effect of a court order. A federal court may order that the privilege or protection is not waived by disclosure connected with the litigation pending before the court. The order binds all persons and entities in all federal or state proceedings, whether or not they were parties to the litigation.

(e) Controlling effect of a party agreement. An agreement on the effect of disclosure in a federal proceeding is binding on the parties to the agreement, but not on other parties unless it is incorporated into a court order.

(f) Controlling effect of this rule. Notwithstanding Rules 101 and 1101, this rule applies to state proceedings in the circumstances set out in the rule. And notwithstanding Rule 501, this rule applies even if state law provides the rule of decision.

(g) Definitions. In this rule: (1) "attorney-client privilege" means the protection that applicable law provides for confidential attorney-client communications; and (2) "work-product protection" means the protection

> that applicable law provides for tangible material (or its intangible equivalent) prepared in anticipation of litigation or for trial.

FRE 502 reflects an attempt by Congress to enable litigants to minimize the extraordinary cost of civil discovery in federal proceedings without risking broad waiver of privilege in either federal or state proceedings. FRE 502 does this in two ways. First, FRE 502 limits subject matter waiver to voluntary disclosures and eliminates subject matter waiver for inadvertent disclosures. *See* FED. R. EVID. 502(a). Second, FRE 502 enables federal courts to adopt protective orders and confidentiality agreements, including non-waiver provisions, that will be binding in other federal and state proceedings. *See* FED. R. EVID. 502(d), (e).

Although FRE 502 represents a substantial change in the way that waiver will be applied, FRE 502 is limited in several ways, as discussed in more detail below. First, FRE 502 addresses "disclosure" not "use" of privileged information. Second, FRE 502 relates to disclosures in a Federal proceeding not to disclosures made prior to a Federal proceeding. Third, FRE 502 does not change the law regarding whether a voluntary disclosure results in waiver, only the scope of that waiver. Fourth, FRE 502 does not address the scope of waiver in state courts with respect to disclosures made in state court proceedings.

FRE 502 applies to proceedings commenced after September 19, 2008, and may be applied by the courts to matters commenced before that date "insofar as is just and practicable, in all proceedings pending" when enacted. Pub. L. 110-332, § 1(c), 122 Stat. 3537 (2008). *See* Rhoads Indus., Inc. v. Bldg. Materials Corp. of Am., 254 F.R.D. 216 (E.D. Pa. 2008) (applying FRE 502 to matter commenced prior to rule's enactment); Laethem Equip. Co. v. Deere & Co., No. 05-cv-10113, 2008 WL 4997932 (E.D. Mich. Nov. 21, 2008) (same).

(1) FRE 502(a): Limited Subject Matter Waiver

FRE 502(a) provides that when disclosure in a federal proceeding or to a federal office or agency waives the attorney-client privilege or work product protection, that waiver will extend to undisclosed communications or information in a federal or state proceeding only if: (1) the waiver was intentional; (2) the disclosed and undisclosed information concern the same subject matter; and (3) "they ought in fairness to be considered together." FED. R. EVID. 502(a). The Judicial Conference Committee Notes to FRE 502 ("Explanatory Notes") provide:

> Subdivision (a). The rule provides that a voluntary disclosure in a federal proceeding or to a federal office or agency, if a waiver, generally results in a waiver only of the communication or information disclosed; a subject matter waiver (of either privilege or work product) is reserved for those unusual situations in which fairness requires a further disclosure of related, protected information, in order to prevent a selective and misleading presentation of evidence to the disadvantage of the adversary. Thus, subject matter waiver is limited to situations in which a party

> intentionally puts protected information into the litigation in a selective, misleading and unfair manner. It follows that an inadvertent disclosure of protected information can never result in a subject matter waiver. (emphasis added.)

Subject matter waiver occurs only if disclosed and non-disclosed information "ought in fairness to be considered together." Although FRE 502 does not define "fairness," the Explanatory Notes state: "[A] party that makes a selective, misleading presentation that is unfair to the adversary opens itself to a more complete and accurate presentation."

(2) FRE 502(b): Inadvertent Waiver

Rule 502(b) establishes the "middle" test for determining inadvertent waiver. *See* § I.G.8, *Inadvertent Disclosure*, *infra*.

(3) FRE 502(c): Disclosures Made in a State Proceeding

If a disclosure occurs in a state proceeding "and is not the subject of a state-court order concerning waiver," FRE 502(c) provides that there is no waiver in a subsequent federal proceeding if the disclosure: (1) would not be a waiver under federal law; or (2) would not be a waiver under the law of the state "where the disclosure occurred." FED. R. EVID. 502(c). The Explanatory Notes explain: "The Committee determined that the proper solution for the federal court is to apply the law that is most protective of privilege and work product." However, "[t]he rule does not address the enforceability of a state court confidentiality order in a federal proceeding, as that question is covered both by statutory law and principles of federalism and comity." FED. R. EVID. 502(c) advisory committee's note (citing 28 U.S.C. § 1738). "Thus, a state court order finding no waiver in connection with a disclosure made in a state court proceeding is enforceable under existing law in subsequent federal proceedings." *Id.*

(4) FRE 502(d) and (e): Court Orders and Party Agreements

The 2006 amendments to the Federal Rules of Civil Procedure provided a number of tools that parties could use to minimize the cost of privilege review. For example, Rule 16(b) provides a framework for the parties to address privilege issues in a Scheduling Order, which may provide reasonable time limits that enable parties to conduct phased discovery, and non-waiver/"claw back" or "quick peek" provisions. A "claw back" provision generally allows a party who inadvertently produces privileged material to recover the material from their opponent without waiver of the attorney-client privilege or work product protection. A "quick peek" arrangement allows a party to disclose materials to an opponent prior to any privilege review, and to conduct a subsequent privilege review of any materials designated by the opponent for copying. Prior to the adoption of FRE 502, although these arrangements were enforceable as to the parties to a specific federal proceeding, there was no certainty that a confidentiality agreement, protective order, or even a ruling by the court that there had been no waiver would be followed by other courts involving different parties. *See* Hopson v. Mayor & City of Balt., 232 F.R.D. 228 (D. Md. 2005).

FRE 502(d) solves this problem by providing that a federal court "may order that the privilege or protection is not waived by disclosure connected with the litigation pending before the court – in which event the disclosure is also not a waiver in any other Federal or State Proceeding." FED. R. EVID. 502(d). *See* SEC v. Bank of Am. Corp., No. 09 Civ. 06829, 2009 WL 3297493 (S.D.N.Y. Oct. 14, 2009) (entering order pursuant to Federal Rule of Civil Procedure 502(d) to limit waiver to documents actually disclosed to government and adopting parties' definition of subject matter of the disclosed documents); Whitaker Chalk Swindle & Sawyer, LLP v. Dart Oil & Gas Corp., No. 4:08-CV-684-Y, 2009 WL 464989 (N.D. Tex. Feb. 23, 2009) (issuing order pursuant to FRE 502(d) to protect disclosures in suit over attorney fees from waiving privilege in ongoing state court proceedings). FRE 502(e) provides that party agreements regarding the "effect of disclosure in a federal proceeding" will be binding on other parties and in other proceedings if "incorporated into a court order." FED. R. EVID. 502(e). *See* FED. R. EVID. 502(e) advisory committee's note ("The rule makes clear that if parties want protection against non-parties from a finding of waiver by disclosure, the agreement must be made part of a court order.").

Courts, both before and after the enactment of FRE 502, have been willing to enforce the terms of parties' agreements regarding waiver. *See* Rainer v. Union Carbide Corp., 402 F.3d 608, 625 (6th Cir. 2005), opinion amended on reh'g. (Mar. 25, 2005) (enforcing Agreed Protective Order and finding no waiver); Beyond Sys., Inc. v. Kraft Foods, Inc., No. PJM-08-409, 2010 WL 1568480, at *2 (D. Md. Apr. 19, 2010) (privilege waived where defendant inadvertently produced a privileged spreadsheet but did not demand the spreadsheet's return until one month after discovering it was produced, more than the 21 days stipulated in the parties' claw back provision); Coffeyville Resources and Refining & Mktg. v. Liberty Surplus Ins. Corp., 261 F.R.D. 586 (D. Kan. Sept. 16, 2009) (court refused plaintiff's request to review *in camera* documents inadvertently produced by defendant where protective order provided for a "prompt return" of inadvertently produced documents upon request of the producing party); Employers Ins. Co. of Wausau v. Skinner, 2008 WL 4283346, at *7 (E.D.N.Y. 2008) (parties' confidentiality agreement prevented waiver of privilege); Minebea Co., Ltd. v. Papst, 370 F. Supp. 2d 297 (D. D.C. 2005) ("Simply put, the language of the Protective Order trumps the case law."). *See also* Soc'y of Prof Eng'g Employees in Aerospace, IFPTE Local 2001 v. Boeing Co., Nos. 05-1251-MLB, 07-1043-MLB, 2010 WL 1141269, at *5 (D. Kan. Mar. 22, 2010) (claw back agreement not controlling with respect to disclosures pre-dating the litigation).

Even absent an agreement by the parties, courts may impose claw back agreements where they deem it appropriate. *See, e.g.*, FED. R. EVID. 502(d) advisory committee's note ("[A] confidentiality order is enforceable whether or not it memorializes an agreement among the parties to the litigation. Party agreement should not be a condition of enforceability of a federal court's order."); Rajala v. McGuire Woods, LLP, No. 08-2638, 2010 WL 2949582, at *4, 6-7 (D. Kan. July 22, 2010) (imposing a "claw back" agreement pursuant to FRE 502(d) and (e) where the parties could not agree on the form of a protective order but defendant had demonstrated that a claw back provision was appropriate given that plaintiff sought broad discovery, including voluminous ESI, from defendant).

b. "Disclosure" vs. "Use"

FRE 502 addresses "disclosure" of privileged information, but it does not address "use" of privileged information. Although disclosure of a privileged document may not result in subject matter waiver, a producing party's use of that document may. One commentator has recommended that protective orders specifically provide that, once a producing party uses its own privileged materials, pre-FRE 502 subject matter waiver analysis should be applied, resulting in broad waiver with respect to related privileged material. *See* Gregory P. Joseph, *The Impact of Rule 502(d) on Protective Orders*, http://www.josephnyc.com/articles/viewarticle.php?/59 (last visited Feb. 25, 2011). FRE 502 also does not address "implied waiver," such as reliance on the advice of counsel, which may result in "at issue" waiver. *See* FED. R. EVID. 502 Explanatory Note ("The rule governs only certain waivers by disclosure. Other common-law waiver doctrines may result in a finding of waiver even where there is no disclosure of privileged information. This rule is not intended to displace or modify federal common law concerning waiver of privilege or work product where no disclosure has been made.").

c. Pre-Litigation Disclosures

FRE 502(a) and FRE 502(b) address disclosures made "in a federal proceeding." FRE 502(d) addresses court orders regarding the effect of disclosures "connected with the litigation pending before the court." At least two courts have held that FRE 502, therefore, does not apply to disclosures which pre-date the litigation at issue. WiLan, Inc. v. LG Elec., Inc., No. C-10-80254 JF(PSG), 2011 WL 500072 (N.D. Cal. Feb. 8, 2011) (disclosures of privileged documents prior to pendency of a federal proceeding are not governed by FRE 502); Alpert v. Riley, 267 F.R.D. 202, 210 (S.D. Tex. 2010) (disclosure that occurred prior to litigation before the court not governed by FRE 502, but instead by common law). However, extra-judicial disclosures made "in connection with" litigation before the court may be governed by FRE 502. Multiquip, Inc. v. Water Mgmt. Syst. LLC, 2009 WL 4261214, at *3 fn. 3 (D. Idaho Nov. 23, 2009) (applying FRE 502(b) to email inadvertently sent to third party during course of litigation).

Note, FRE 502(a) addresses disclosures made "in a federal proceeding *or* to a federal office or agency." Therefore, pre-litigation disclosures to a federal office or agency are governed by FRE 502(a).

d. Partial Disclosure

In many cases a party has not blatantly repeated a confidential conversation, but has merely revealed a portion of the communicated information. The courts have struggled to determine when a disclosure has revealed so much detail that the privilege is effectively waived. *See, e.g.*, In re Int'l Harvester's Disposition of Wis. Steel, Nos. 81 C 7076, 82 C 6895, & 85 C 3521, 1987 WL 20408 (N.D. Ill. Nov. 20, 1987) (explaining that after a certain point of disclosure the opponent is entitled to see essentially the full file on the subject so that a full and fair evaluation of the disclosed information can be made). When the evidence shows that the client abandoned the protection of confidentiality, even a partial disclosure of a privileged communication will constitute full waiver. (*See* § I.G.2, above, for a discussion

of the terminology of waiver including full and partial waiver.) However, where a client has revealed only a factually isolated portion of a communication, particularly in an extrajudicial statement, then a partial waiver may result and related communications remain privileged. *See*:

> *In re Keeper of the Records, 348 F.3d 16, 23-24 (1st Cir. 2003). Waivers by implication can extend beyond the matter actually revealed. If one party puts information at issue for its own benefit, it would be unfair not to disclose related information. However, the extrajudicial disclosure of attorney-client communications, not later used for an adversarial advantage, does not waive the privilege on all related communications.*
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> *John Doe Co. v. United States, 350 F.3d 299, 301-06 (2d Cir. 2003). Disclosure to opposing counsel did not waive privilege because the disclosure did not put the matter "at issue" in the judicial proceedings. Moreover, defendant did not disclose the information publicly, therefore he did not have any prospect of gaining an advantage in the "court of public opinion."*
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> *In re von Bulow, 828 F.2d 94 (2d Cir. 1987). Where a client acquiesced in his attorney's publication of a book containing privileged information, the court held that only a partial waiver occurred. A client can impliedly waive the privilege and must take affirmative action to prevent disclosure once the disclosure is known to be imminent. However, extrajudicial disclosures that are not used to an adversary's disadvantage result in only partial disclosure and do not waive the privilege as to undisclosed portions.*
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> *Sullivan v. Warminster Twp., ---F.Supp.2d---, 2011 WL 780543 (E.D. Pa. March 4, 2011). Police Chief's limited statement during a press conference that outside counsel's investigation revealed no misconduct and that police department had "gotten a clean bill of health on everything" waived privilege only with respect to specific communications with counsel, not with respect to the entire investigation. The court held that partial waivers made outside of a judicial proceeding do not implicitly waive the privilege as to all communications on the same subject matter.*
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> *Pensacola Firefighters' Relief & Pension Fund Bd. of Dirs. v. Merrill Lynch, Pierce, Fenner & Smith, Inc., No. 3:09cv53/MCR/MD, 2010 WL 4683935, at *3-7 (N.D. Fla. Nov. 10, 2010). Employee did not waive the company's privilege when he revealed his impressions of an internal investigation. The employee did not explicitly reference attorney-generated reports or have personal knowledge of what was in the reports.*
>
> *SEC v. Beacon Hill Asset Mgmt. LLC, 231 F.R.D. 134, 141-43 (S.D.N.Y. 2004). Disclosure in a book waived the privilege as to the matters therein, but not to matters which were unpublished. The unpublished matters were not at issue in the litigation and thus fairness did not require disclosure.*
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> *Aspex Eyewear, Inc. v. E'Lite Optik, Inc., No. CIV.A.3:98-CV-2996-D, 2002 WL 1592606, at *2 (N.D. Tex. Jul 17, 2002) Distribution of letter from litigation counsel to customers concluding that patent held by defendant-client did not infringe plaintiff's patent did not effect waiver of attorney-client privilege.*
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> *Vicinanzo v. Brunschwig & Fils, Inc., 739 F. Supp. 891 (S.D.N.Y. 1990). An insurance company did not fully waive the privilege for its insurance premium structure when it revealed documents that summarized counsel's opinion of the structure in conclusory and unrevealing terms. Use of such terms indicated an intention by the company to maintain confidentiality.*
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> *Yankee Atomic Elec. Co. v. United States, 54 Fed. Cl. 306 (Fed. Cl. 2002), rev'd on other grounds, Sacramento Mun. Util. Dist. v. United States, 293 F. App'x 766 (Fed. Cir. Aug. 7, 2008), and Yankee Atomic Elec. Co. v. United States, 536 F.3d 1268 (Fed. Cir. 2008). "Extrajudicial" disclosure of privileged communications did not effect subject matter waiver where no litigation prejudice would occur.*

The extent of waiver is determined by analyzing whether the unrevealed portion of the communication is so related to the part that has been revealed that further disclosure would not significantly impinge on the client's interest in confidentiality (*i.e.*, the client has revealed so much that he has no further reasonable expectation of confidentiality). In making this determination, the court will consider, among other factors, the temporal proximity of the portions, the presence or absence of other persons at disclosure, and the subjects covered in each portion. *See*:

> *In re Target Tech. Co., 208 F. App'x 825, 826-27 (Fed. Cir. 2006). Extrajudicial disclosure of sales letter that revealed attorney's conclusions concerning patentability and infringement, but not details of the privileged communication, constituted waiver of attorney-client privilege, but was limited to subject matter of the sales letter only.*
>
> *In re von Bulow, 828 F.2d 94 (2d Cir. 1987). Disclosure of privileged material did not waive privilege beyond matters actually revealed.*
>
> *Weil v. Inv./Indicators, Research & Mgmt., Inc., 647 F.2d 18, 24 (9th Cir. 1981). Disclosure of documents provided to an outside auditor results in waiver only to communications about that matter, not to related matters within the same general topic.*
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> *Long-Term Capital Holdings v. United States, No. 3:01 CV 1290 (JBA), 2002 WL 31934139, at *2 (D. Conn. Oct. 30, 2002). Extrajudicial disclosure of attorney-client communication held not to constitute a subject matter waiver where advice was not put at issue by privilege holder in litigation.*
>
> *Dale v. Frankel, 206 F. Supp. 2d 315, 317-19 (D. Conn. 2001). Finding waiver where production of privileged documents was both "deliberate and selective."*
>
> *Harding v. Dana Transp., Inc., 914 F. Supp. 1084, 1092 (D.N.J. 1996). Partial waiver applied where party gave third party "only a superficial glance at certain information, attempting to maintain the secrecy of the remainder."*
>
> *Rauh v. Coyne, 744 F. Supp. 1181 (D.D.C. 1990). Disclosure of a brief description of an internal investigation report does not waive the privilege for the report itself.*
>
> *AMCA Int'l Corp. v. Phipard, 107 F.R.D. 39 (D. Mass. 1985). Disclosing a memo about the interpretation of some contracts waived the privilege for all communications concerning the letter, but not to all communications concerning the interpretation of the contract.*

Nevertheless, in some cases, fairness requires that even a partial waiver result in disclosure beyond the materials actually revealed. *See, e.g.*, Westinghouse Elec. Corp. v. Republic of Philippines, 951 F.2d 1414, 1426 n.12 (3d Cir. 1991). In the interest of fairness, full subject matter waiver will result from a partial disclosure in two instances: testimonial revelation and self-serving disclosure.

Testimonial Revelation: When a person testifies before a fact-finder (*e.g.*, a jury), partial disclosure of privileged communications almost always results in full disclosure. This is necessary to prevent the fact-finder from being confused, misled, or being presented with an incomplete evidentiary picture. *See, e.g.*, Hollins v. Powell, 773 F.2d 191 (8th Cir. 1985) (waiver is implied when a client testifies about a portion of a privileged communication); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 79 cmt. f (2000). Note: Federal Rule of Evidence 502 does not address "use" of privileged information.

Self-Serving Disclosure: Disclosures that are self-serving will result in full disclosure. In these cases, fairness requires disclosure of the remainder of the communication to present a balanced account. Federal Rule of Evidence 502 is in accord with these earlier cases. *See*:

> *In re Sealed Case, 676 F.2d 793, 808-09 (D.C. Cir. 1982). When party reveals part of a privileged communication to gain an advantage in litigation, the party waives the privilege for all other communications on the same subject matter.*
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> *Kirschner v. Klemons, No. 99CIV4828RCCDFE, 2001 WL 1346008, at *2-4 (S.D.N.Y. Oct. 31, 2001), order superseded on other grounds, 2001 WL 36140906 (S.D.N.Y. Nov 13, 2001). Intentional and self-serving disclosure effected a subject-matter waiver.*
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> *Golden Valley Microwave Foods, Inc. v. Weaver Popcorn Co., 132 F.R.D. 204, 208 (N.D. Ind. 1990). Inadvertent production of privileged communications results in waiver only for the disclosed document unless the disclosure was self serving.*
>
> *Carte Blanche (Sing.) PTE, Ltd. v. Diners Club Int'l, Inc., 130 F.R.D. 28, 33 (S.D.N.Y. 1990). Where party reveals portion of document the privilege is waived for the rest of the document so as to make the disclosure complete.*
>
> *Blue Lake Forest Prods. v. United States, 75 Fed. Cl. 779 (Fed. Cl. 2007). Where the government included a privileged document in the Administrative Record, it effectively waived the right to all privileged documents concerning the same subject matter as the disclosed document.*

But see:

> *U.S. ex rel. Fago v. M&T Mortg. Corp., 238 F.R.D.3, 9-10 (D.D.C. 2006). Defendant's presentation to government of summary report of its internal investigations did not result in broad subject matter waiver over internal reports and other materials referenced in presentation because defendant did not intend to use government agency's non-action to its advantage in instant litigation and thus there was no need for the relator to discover the related work product.*

7. Disclosure To The Government

When litigants voluntarily disclose documents or communications to government agencies, the documents and communications may lose the protection of the privilege and be subject to discovery by other parties, including private litigants. Corporations have argued that voluntary disclosures to government agencies should be considered a selective waiver of privileges solely for the benefit of the public agency's review, and should not be considered as a waiver for purposes of private civil litigation (many cases use the term limited waiver rather than selective waiver – for a discussion of terminology *see* § I.G.2, above). Only a small minority of courts have adopted the selective waiver doctrine. The seminal case supporting the selective waiver doctrine is Diversified Indus., Inc. v. Meredith, 572 F.2d 596 (8th Cir. 1977) (en banc). However, the majority of courts have rejected the selective waiver doctrine, and have held that selective disclosure of privileged material to a government agency waives the privilege as to all third party litigants. *See, e.g.*, In re Qwest Commc'ns Int'l, Inc., 450 F.3d 1179 (10th Cir. 2006). For a detailed discussion of the selective waiver doctrine and the risks associated with disclosure of privileged material to government agencies, *see* § I.H, *Disclosure to the Government, infra*.

8. Inadvertent Disclosure

Sometimes a party inadvertently discloses privileged communications, particularly in cases where large numbers of documents are produced. Historically, the courts differed as to whether these disclosures waived the attorney-client privilege. Prior to the adoption of Federal Rule of Evidence 502 in September 2008, courts generally followed one of three distinct approaches to attorney-client privilege waiver based on inadvertent disclosures: (1) the strict approach, (2) the "middle" approach, and (3) the lenient approach. Gray v. Bicknell, 86 F.3d 1472, 1483 (8th Cir. 1996). Under the strict approach, adopted by the court in In re Sealed Case, 877 F.2d 976 (D.C. Cir. 1989), any document produced, either intentionally or otherwise, lost its privileged status. Gray, 86 F.3d at 1483; *see also* In re Grand Jury, 475 F.3d 1299 (D.C. Cir. 2007) (reaffirming In re Sealed Case). The strict test was criticized because it had the potential to chill communications between clients and attorneys. Gray, 86 F.3d at 1483.

Under the lenient approach, attorney-client privilege had to be knowingly waived; a determination of inadvertence ended the inquiry. Gray, 86 F.3d at 1483. This approach fostered open communications between client and attorney, but created no incentive to maintain tight control over privileged material. *Id.*

The majority of courts applied the middle approach, using a case by case analysis to determine the reasonableness of the precautions taken to protect against disclosure and the actions taken to recover the communication. The middle approach struck a balance between protecting attorney-client privilege and allowing, in certain situations, the unintended release of privileged documents to waive that privilege. Gray, 86 F.3d at 1484. The Restatement lists several of the factors frequently used by courts to analyze inadvertent waiver pursuant to the middle approach:

> (1) the relative importance of the communication (the more sensitive the communication, the greater the necessary protective measures);
>
> (2) the efficacy of precautions taken and of additional precautions that might have been taken;
>
> (3) whether there were externally imposed pressures of time or in the volume of required disclosure;
>
> (4) whether disclosure was by act of the client or lawyer or by a third person; and
>
> (5) the degree of disclosure to non-privileged persons.

RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 79 cmt. h (2000); *see also* Alldread v. City of Grenada, 988 F.2d 1425 (5th Cir. 1993) (five-factor reasonableness test for inadvertent production); Herndon v. U.S. Bancorp Asset Mgmt. Inc., No. 4:05CV01446 ERW, 2007 WL 781788 (E.D. Mo. Mar. 13, 2007); Snap-On Inc. v. Hunter Eng'g Co., 29 F. Supp. 2d 965, 971-72 (E.D. Wis. 1998); Ciba-Geigy Corp. v. Sandoz Ltd., 916 F. Supp. 404, 411 (D.N.J. 1995). Courts may describe these factors differently, but typically there is no

"meaningful difference." HSH Nordbank AG N.Y. Branch v. Swerdlow, 259 F.R.D. 64, 74 (S.D.N.Y. 2009).

Compare (cases finding no waiver):

> *Judson Atkinson Candies, Inc. v. Latini-Hohberger-Dhimantec, 529 F.3d 371, 388-89 (7th Cir. 2008). The appellate court upheld the district court's finding that production of a privileged memorandum was inadvertent where 30 to 40 boxes of documents were produced on the same date and counsel took steps to rectify the error immediately upon learning of the disclosure.*
>
> *Transamerica Computer Co. v. IBM Corp., 573 F.2d 646, 647-51 (9th Cir. 1978). Failure to screen out all privileged documents could be excused on the ground that the production was compelled rather than voluntary due to the large number of documents produced on a tight schedule.*
>
> *IBM v. United States, 471 F.2d 507, 509-11 (2d Cir. 1972), on reh'g, 480 F.2d 293 (2d Cir. 1973). No waiver occurred when the party asserting the privilege was ordered by the court to produce an extraordinary number of documents on an expedited basis and all reasonable precautions had been taken.*
>
> *Kalra v. HSBC Bank USA, N.A., No. CV065890(JFB)(ETB), 2008 WL 1902223, at *3-7 (E.D.N.Y. Apr. 28, 2008). Defendant's accidental inclusion of three privileged emails in production to plaintiff was found not to constitute waiver when defendant's document review procedures contained reasonable precautions to prevent inadvertent disclosure, when defendant called plaintiff the same day she discovered the inadvertent production, when the number of inadvertently disclosed documents was small compared to the size of the production, and when it was not unfair to find that privilege attached.*
>
> *Koch Foods of Ala., L.L.C. v. Gen. Elec. Capital Corp., 531 F. Supp. 2d 1318, 1324-25 (M.D. Ala. 2008). The court applied a totality-of-the-circumstances analysis to inadvertent waiver, affirming a magistrate's finding that plaintiff did not waive privilege when it unintentionally produced one privileged piece of paper to defendant out of a total 3,758 pages of documents.*
>
> *Metso Minerals Inc. v. Powerscreen Int'l Distrib. Ltd., No. CV061446(ADS)(ETB), 2007 WL 2667992, at *3-8 (E.D.N.Y. Sept. 6, 2007). Plaintiff's accidental production of 181 privileged documents to defendant was considered inadvertent and did not waive privilege when plaintiff's procedure for reviewing and producing documents was not unreasonable, when plaintiff notified defendant two days after discovery of accidental production, when the size of the disclosure was not large compared to the total document production in the case as a whole and the disclosure resulted from a single error, and when it was not unfair to find that privilege attached.*
>
> *Howell v. Joffe, 483 F. Supp. 2d 659 (N.D. Ill. 2007). No waiver occurred when counsel accidentally allowed conversation with client to be recorded on opposing counsel's voicemail, because it was an innocent mistake and the privilege was asserted as soon as counsel was notified of the recording's existence.*
>
> *Lifewise Master Funding v. Telebank, 206 F.R.D. 298, 304-05 (D. Utah 2002). Ordering the return of certain privileged documents that were inadvertently produced, where these documents had been identified as privileged but were accidentally produced, but ordering that the privilege had been waived as to additional "intermingled" documents that had not been identified as privileged but were produced as non-privileged documents.*
>
> *U.S. ex rel. Bagley v. TRW, Inc., 204 F.R.D. 170, 175-76 (C.D. Cal. 2001). Inadvertent production of document did not constitute waiver under facts and circumstances test where adequate screening was in place and 200,000 pages of documents were produced.*

McCafferty's, Inc. v. Bank of Glen Burnie, 179 F.R.D. 163, 169 (D. Md. 1998). Party did not waive the privilege by tearing up a document containing privileged communications and placing it into a trash can. Although additional precautions such as shredding could have been taken, tearing the document into 16 pieces and placing it in a private trash can were reasonable measures to maintain the confidentiality of the document.

Aramony v. United Way of Am., 969 F. Supp. 226, 238 (S.D.N.Y. 1997). Inadvertent production of 99 pages of privileged documents that were included in a total of 65,500 pages of documents produced did not constitute waiver of the attorney-client privilege. The court analyzed the care taken by the party asserting the privilege in light of the following factors: "the reasonableness of the precautions taken to prevent inadvertent disclosure; the time taken to rectify the error; the scope of the discovery; the extent of the disclosure; overriding issues of fairness." Id. at 235.

*Lloyds Bank PLC v. Republic of Ecuador, No. 96 Civ. 1789 DC, 1997 WL 96591, at *3-4 (S.D.N.Y Mar. 5, 1997). Inadvertent production of fifty privileged documents, comprising 227 pages, did not waive the privilege where reasonable measures were taken and counsel acted quickly to correct the error. "As a general matter . . . 'inadvertent production will not waive the privilege unless the conduct of the producing party or its counsel evinced such extreme carelessness as to suggest that it was not concerned with the protection of the asserted privilege'" (citation omitted).*

Berg Elecs., Inc. v. Molex, Inc., 875 F. Supp. 261, 263 (D. Del. 1995). Privileged documents in voluminous production were tabbed with post-its, but certain privileged documents were produced when tabs fell off documents. Court ruled privilege not waived because attorney had taken reasonable steps to protect confidentiality, and a more stringent rule would punish client for attorney's carelessness.

With (cases finding waiver):

Alpert v. Riley, 267 F.R.D. 202, 210-13 (S.D. Tex. 2010). Privilege waived where former partner placed password protected privileged information on his partner's computer, and then failed to take steps to retrieve the privileged information after he learned that the information was no longer password protected. Applying common law analysis under the "middle" approach, as FRE 502 was inapplicable to pre-litigation disclosures, the court held that the partner had failed to take reasonable steps to avoid disclosure and to remedy the inadvertent disclosure when he learned of it.

Victor Stanley, Inc. v. Creative Pipe, Inc., 250 F.R.D. 251, 258-59 (D. Md. 2008). Defendants waived privilege under both the strict and intermediate approach to inadvertent waiver with respect to 165 privileged electronic documents voluntarily disclosed to plaintiffs after using an inadequate keyword search and an insufficient manual review of nontext-searchable documents to separate privileged documents from non-privileged documents.

Bensel v. Air Line Pilots Ass'n, 248 F.R.D. 177, 179-81 (D.N.J. 2008). Applying a five-factor test, the court found that plaintiffs waived attorney-client privilege with respect to the class representative's communications with counsel. Plaintiffs did not show that they undertook reasonable precautions to avoid disclosure of privileged documents where plaintiffs disclosed approximately 155 pages of privileged material out of a total production of 6,000 pages, plaintiffs made full and complete disclosure of the documents to defendant, and plaintiffs waited nearly a year after their initial discovery of the disclosure to file a motion for a protective order.

Continental Cas. Co. v. Under Armour, Inc., 537 F.Supp.2d 761 (D. Md. 2008). Applying middle approach, court found insurer waived both attorney-client privilege and work product protection where claims adjuster, on four separate occasions, posted privileged documents to a website that was accessible to an independent broker who provided the documents to the insured.

*Wunderlich-Malec Sys., Inc. v. Eisenmann Corp., No. 05 C 4343, 2007 WL 3086006, at *5 (N.D. Ill. Oct. 18, 2007). Applying a totality of the circumstances test, the court found waiver where plaintiff's attorneys provided only conclusory and self-serving affidavit that he "diligently reviewed" all documents for privilege. "[I]n light of the high duty all jurisdictions impose on lawyers to maintain the confidences of their clients, . . . any procedure which fails in two consecutive reviews to reveal documents that have already been identified as privileged is unreasonable."*

Engineered Prods. Co. v. Donaldson Co., Inc., 313 F. Supp. 2d 951, 1020-22 (N.D. Iowa 2004). A party's disclosure of attorney-client communications at a deposition, while represented by counsel, cannot be considered inadvertent under the middle (or even lenient) inadvertent disclosure test.

Urban Box Office Network, Inc. v. Interfase Managers, L.P., No. 01 Civ. 8854(LTS)(THK), 2004 WL 2375819 (S.D.N.Y. Oct. 24, 2004). Court found that disclosure was not inadvertent where the defendants made a tactical choice to disclose documents instead of fighting a discovery battle they expected to lose.

Murray v. Gemplus Int'l, S.A., 217 F.R.D. 362, 366 (E.D. Pa. 2003). Since defendant failed to take any action to recover privileged documents for eleven weeks after discovering the inadvertent disclosure, the court held that the defendant wanted the plaintiff to see the documents and could not now claim privilege. This theory was supported by the fact that the "privileged" documents were highly beneficial to the defendant's case.

Scott v. Glickman, 199 F.R.D. 174, 177-78 (E.D.N.C. 2001). Finding waiver, but holding that disclosure must be intentional to effect a waiver and that the reasonableness of precautions used to prevent disclosure is the most important factor in determining whether waiver occurs.

Amgen, Inc. v. Hoechst Marion Roussel, Inc., 190 F.R.D. 287, 292-93 (D. Mass. 2000). Where four boxes of privileged documents were segregated in separate boxes on a separate shelf from 200,000 pages, mistakenly picked up by a copy vendor, copied along with non-privileged documents, and produced to opposing counsel, the court found that inadvertent production constituted a waiver.

Under the "middle" approach, a producing party had to take prompt and reasonable steps to recover a privileged document after an inadvertent disclosure was discovered. *See* Permian Corp. v. United States, 665 F.2d 1214, 1220-21 (D.C. Cir. 1981); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 93 (6th ed. 2006).

FRE 502(b) adopts the middle approach for inadvertent disclosure:

> **(b) Inadvertent disclosure.** When made in a federal proceeding or to a federal office or agency, the disclosure does not operate as a waiver in a federal or state proceeding if:
>
> (1) the disclosure is inadvertent;
>
> (2) the holder of the privilege or protection took reasonable steps to prevent disclosure, and
>
> (3) the holder promptly took reasonable steps to rectify the error, including (if applicable) following FED. R. CIV. P. 26(b)(5)(B).

FRE 502 applies to all proceedings commencing after September 19, 2008, and "insofar as is just and practicable" for matters commenced before that date. Act of Sept. 19, 2008, Pub. L. No. 110-322 § 1(c) (122 Stat. 3538). FRE 502 overrules approaches previously applied in federal courts that are inconsistent with the plain language of the rule. *See, e.g.*, Amobi v. D.C. Dep't of Corr., 262 F.R.D. 45, 52 (D.D.C. 2009) (noting that FRE 502 "overrides the long-standing strict construction of waiver" in the D.C. Circuit).

FRE 502(b)(1) requires that a disclosure be "inadvertent." Although courts often combine the analysis of inadvertence with whether reasonable steps were taken to avoid disclosure because the effort taken to prevent disclosure is evidence that a party did not intend to disclose privileged material, a finding of inadvertence may be considered as an independent threshold question. Where a party intentionally discloses a privileged document but later re-thinks the wisdom of the disclosure, the initial disclosure is not inadvertent. *See, e.g.*, Francisco v. Verizon South, Inc., ---F.Supp.2d---, 2010 WL 4909554 (W.D. Va. Nov. 24, 2010) (production of notes after careful analysis, partial redaction, and designation as confidential not "inadvertent" despite producing party's subsequent discovery that notes reflected communications with party's general counsel); Silverstein v. Fed. Bureau of Prisons, No. 07-cv-02471, 2009 WL 4949959 (D. Colo. Dec. 14, 2009) (rejecting government's assertion that production of privileged memorandum was inadvertent and finding that government had intentionally produced privileged memorandum to obtain litigation advantage and only on the eve of a Rule 30(b)(6) deposition sought to retrieve the memorandum and deny plaintiff discovery regarding the document). *See also* Amobi v. D.C. Dep't of Corr., 262 F.R.D. 45, 53 (D.D.C. 2009) (adopting simple test for inadvertence: was the disclosure unintended?).

FRE 502 does not provide guidance on what constitutes "reasonable steps to prevent disclosure," the second part of the test. The Explanatory Notes indicate that the rule is "flexible enough to accommodate" the multiple factors considered by courts under the "middle" approach. *See* FED. R. EVID. 502(b) advisory committee's note (citing, as examples, Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co., 104 F.R.D. 103, 105 (S.D.N.Y. 1985); Hartford Fire Ins. Co. v. Garvey, 109 F.R.D. 323, 332 (N.D. Cal. 1985)). "The rule does not specifically codify that test, because it is really a set of non-determinative guidelines that vary from case to case." *Id.*

Courts interpreting FRE 502(b)(2) have considered the same factors applied by pre-FRE 502 decisions under the "middle of the road" approach.

See:

> *Mt. Hawley Ins. Co. v. Felman Prod., Inc., 271 F.R.D. 125, 133-34 (S.D. W. Va. 2010). Considering the Victor Stanley five-factor test in applying FRE 502(b).*
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> *Edelen v. Campbell Soup Co., 265 F.R.D. 676, 698 (N.D. Ga. 2010). Privilege not inadvertently waived where (1) only four out of 2000 pages disclosed were privileged;(2) documents were checked by three attorneys before production; and (3) counsel immediately sought their return.*
>
> *Conceptus, Inc. v. Hologic, Inc., No. C-09-02280, 2010 WL 3911943 (N.D. Cal. Oct. 5, 2010). Privilege waived where privileged document was produced in prior litigation and a second time in the case before the court. The producing party did not present evidence regarding what steps were taken*

to avoid disclosure in the first case, and producing party admitted that they did not review the prior production before producing it again in the instant litigation.

HSH Nordbank AG N.Y. Branch v. Swerdlow, 259 F.R.D. 64, 74-75 (S.D.N.Y. 2009). Nine documents inadvertently produced after millions of pages of documents were reviewed was "minuscule" and thus, there was no waiver of privilege.

*Multiquip, Inc. v. Water Mgmt. Sys. LLC, No. CV 08-403-S-EJL-REB, 2009 WL 4261214, at *4-5 (D. Idaho Nov. 23, 2009). No waiver when the defendant accidentally forwarded his attorney's email to the opposing side. The mistake was inadvertent because the email program's autofill feature filled-in the wrong name, which had not occurred in hundreds of previous emails.*

Heriot v. Byrne, 257 F.R.D. 645 (N.D. Ill. 2009). Applying multi-factor test from cases predating FRE 502, including the total number of documents reviewed, and the procedures used to review the documents prior to production.

Coburn Group, LLC v. Whitecap Advisors LLC, 640 F. Supp. 2d 1032, 1038 (N.D. Ill. 2009). Review by experienced paralegals, who were given specific direction and supervision by lead counsel, was not unreasonable.

The advisory committee notes to FRE 502 specifically address the use of technology to identify potentially privileged material: "Depending on the circumstances, a party that uses advanced analytical software applications and linguistic tools in screening for privilege and work product may be found to have taken 'reasonable steps' to prevent inadvertent disclosure." FED. R. EVID. 502(b) advisory committee's note. However, merely using software applications or keyword searches may not be sufficient to demonstrate "reasonable steps" if they are not applied appropriately or tested for quality prior to production. *See* Mt. Hawley Ins. Co. v. Felman Prod, Inc., 271 F.R.D. 125, 127-78 (S.D. W. Va. 2010) (among other factors, plaintiff's failure to test reliability of key word searches by appropriate sampling demonstrated lack of reasonable steps to avoid waiver); Victor Stanley, Inc. v. Creative Pipe, Inc., 250 F.R.D. 251, 256-57 (D. Md. 2008) (in a pre-FRE 502 case, where keyword search failed to identify 165 privileged documents, due in part to the producing party's failure to convert non-text searchable ESI into text searchable documents prior to keyword search and failure to conduct pre-production quality assurance testing, producing party did not take "reasonable steps" prior to production. "[W]hile it is universally acknowledged that keyword searches are useful tools for search and retrieval of ESI, all keyword searches are not created equal; and there is a growing body of literature that highlights the risks associated with conducting an unreliable or inadequate keyword search or relying exclusively on such searches for privilege review."); Rhoads Indus., Inc. v. Bldg. Materials Corp. of Am., 254 F.R.D. 216 (E.D. Pa. 2008) (applying FRE 502, court found producing party had not taken "reasonable steps" pre-production where keyword search failed to identify 800 privileged documents, as a result of several failures, including a failure to search for names of outside counsel, searching only address lines and not the body of emails, and failing to conduct careful quality assurance testing prior to production; nevertheless, court found no waiver based on overriding interests of justice).

FRE 502(b) departs somewhat from earlier approaches to what constitutes "prompt reasonable steps to rectify the error." The Explanatory Notes provide that FRE 502(b) "does not require the producing party to engage in a post-production review to determine whether any protected communication or information has been produced by mistake." FED. R. EVID.

502(b) advisory committee's note. *See* Gilday v. Kenra, Ltd., No. 1:09-cv-00229-TWP-TAB, 2010 WL 3928593, at *5 (S.D. Ind. Oct. 4, 2010) (no obligation to double or triple check privilege log). Instead the rule requires the producing party "to follow up on any obvious indications that a protected communication or information has been produced inadvertently." FED. R. EVID. 502(b) advisory committee's note. *See* Heriot v. Byrne, 257 F.R.D. 645, 660-62 (N.D. Ill. 2009) (finding no waiver, even though party claiming privilege had conducted no post-production review, where party had acted promptly to assert privilege upon realizing mistake); Coburn Group, LLC v. Whitecap Advisors LLC, 640 F. Supp. 2d 1032, 1038 (N.D. Ill. 2009) (FRE 502(b)(3) does not require post-production review but only prompt action to rectify an inadvertent disclosure after party has learned of error, here use by opponent of an inadvertently produced document as a deposition exhibit).

FRE 502 also provides the means by which non-waiver agreements between the parties can be enforced in other federal and state proceedings. FED. R. EVID. 502(d), (e). The framework for such agreements was incorporated in the amendments to the Federal Rules of Civil Procedure Rule that went into effect on December 1, 2006. Rule 16(b) provides that a court's pretrial scheduling order may include "any agreements the parties reach for asserting claims of privilege or of protection as trial preparation material after production," and Rule 26(f) requires parties to confer regarding "any issues relating to claims of privilege or of protection as trial-preparation material, including—if the parties agree on a procedure to assert such claims after production—whether to ask the court to include their agreement in an order." The Committee Notes to the 2006 Amendments explain:

> [Parties] may agree that the responding party will provide certain requested materials for initial examination without waiving any privilege or protection— sometimes known as a "quick peek." The requesting party then designates the documents it wishes to have actually produced. This designation is the Rule 34 request. The responding party then responds in the usual course, screening only those documents actually requested for formal production and asserting privilege claims as provided in Rule 26(b)(5)(A). On other occasions, parties enter agreements—sometimes called "clawback agreements"—that production without intent to waive privilege or protection should not be a waiver so long as the responding party identifies the documents mistakenly produced, and that the documents should be returned under those circumstances. Other voluntary arrangements may be appropriate depending on the circumstances of each litigation. In most circumstances, a party who receives information under such an arrangement cannot assert that production of the information waived a claim of privilege or of protection as trial-preparation material.

FED. R. CIV. P. 26(f) advisory committee's note.

Courts have shown a willingness to enforce "claw back" agreements when entered by the court as part of a protective order. *See FRE 502(d) and (e)*: *Court Orders and Party Agreements*, § I.G.6.b, *supra*.

Rule 26(b)(5)(B) provides a procedure for asserting attorney-client privilege or attorney work product protection after inadvertent production has occurred:

> [T]he party making the claim may notify any party that received the information of the claim and the basis for it. After being notified, a party must promptly return, sequester, or destroy the specified information and any copies it has and may not use or disclose the information until the claim is resolved. A receiving party may promptly present the information to the court under seal for a determination of the claim. If the receiving party disclosed the information before being notified, it must take reasonable steps to retrieve it. The producing party must preserve the information until the claim is resolved.

FED. R. CIV. P. 26(b)(5). *See, e.g.*, Cars R Us Sales & Rentals, Inc. v. Ford Motor Co., No. 08 C 50270, 2009 WL 1703123 (N.D. Ill. June 18, 2009) (court admonished counsel for failing to follow FED. R. CIV. P. 26(b)(5)(B) when defendant's counsel filed a privileged document inadvertently produced by plaintiff; court noted that it could disqualify counsel for violation of the rule, but declined to do so in this case). *Cf.* Mt. Hawley Ins. Co. v. Felman Prod., Inc., 271 F.R.D. 125, 128 (S.D. W. Va. 2010) (interpreting FRCP 26 as "impos[ing] no duty on a party receiving privileged information to do anything unless and until it is notified of the [privilege] claim"). The Committee Note to the 2006 Amendments adds that the rule "does not address whether the privilege or protection that is asserted after production was waived by the production." FED. R. CIV. P. 26(b)(5) advisory committee's note. FRE 502(b) controls this analysis for any federal proceeding to which FRE 502 applies. FED. R. EVID. 502(d), (e).

To the extent that FRE 502 applies, inadvertent waiver will not result in broad subject matter waiver. FED. R. EVID. 502(a) advisory committee's note ("Thus, subject matter waiver is limited to situations in which a party intentionally puts protected information into the litigation in a selective, misleading manner. It follows that an inadvertent disclosure of protected information can never result in a subject matter waiver.").

Lawyers who receive privileged material that was inadvertently disclosed by their opponent should consult applicable ethics guidelines to determine what steps are appropriate. Some jurisdictions require that a lawyer receiving inadvertently produced material not review it and immediately notify the sender. See, e.g., Rico v. Mitsubishi Corp., 171 P.3d 1092, 1099 (Cal. 2007) ("'When a lawyer who receives materials that obviously appear to be subject to an attorney-client privilege or otherwise clearly appear to be confidential and privileged and where it is reasonably apparent that the materials were provided or made available through inadvertence, the lawyer receiving such materials should refrain from examining the materials any more than is essential to ascertain if the materials are privileged, and shall immediately notify the sender . . . . The parties may then proceed to resolve the situation by agreement or may resort to the court for guidance . . . .'") (quoting State Comp. Ins. Fund v. WPS, Inc., 82 Cal. Rptr. 2d 799, 807 (Cal. Ct. App. 1999); D.C. RULES OF PROF'L CONDUCT R. 4.4(b) ("A lawyer who receives a writing relating to the representation of a client and knows, before examining the writing, that it has been inadvertently sent, shall not examine the writing, but

shall notify the sending party and abide by the instructions of the sending party regarding the return or destruction of the writing.").

The ABA and some jurisdictions put fewer restrictions and obligations on the receiving lawyer. The ABA Standing Committee on Ethics and Professional Responsibility withdrew Formal Opinion 92-368 (1992) in the Committee's Formal Opinion 05-437 (2005). Formal Op. 05-437 provides: "A lawyer who receives a document from opposing parties or their lawyers and knows or reasonably should know that the document was inadvertently sent should promptly notify the sender in order to permit the sender to take protective measures." The Committee noted Rule 4.4(b) of the ABA Model Rules of Professional Conduct "does not require the receiving lawyer either to refrain from examining the materials or to abide by the instructions of the sending lawyer. Comment [2] to Rule 4.4 explains: '[W]hether the lawyer is required to take additional steps, such as returning the original document, is a matter of law beyond the scope of these Rules, as is the question of whether the privileged status of a document has been waived.'" *See also* COLO. RULES OF PROF'L CONDUCT R. 4.4(c) (2008) (lawyer shall not examine document if previously receives notice from sender, and shall abide by sender's instructions); Mt. Hawley Ins. Co. v. Felman Prod., Inc., 271 F.R.D. 125, 130-31 (S.D. W. Va. 2010) (if otherwise privileged material is sent and it is *not* the result of the sender's inadvertence, then Model Rule of Professional Conduct 4.4(b) does not apply and the receiving lawyer does not have to notify the sender); Fiber Materials, Inc. v. Subilia, 974 A.2d 918 (Me. 2009) (criticizing conduct of in-house attorney who discovered email between company's former president and his personal attorney on former president's company laptop computer and allowed the document to be filed with the company's complaint knowing that there was a potential privilege issue).

9. Involuntary Disclosure

Traditional attorney-client privilege analysis required absolute confidentiality in attorney-client communications. *See* 8 JOHN H. WIGMORE, EVIDENCE §§ 2325-26 (Supp. 2009). Thus, the client assumed the risk that some third party would obtain the otherwise privileged information, whether by surreptitiously overhearing the conversation, or by later theft. *See* In re Grand Jury Proceedings Involving Berkley & Co., 466 F. Supp. 863, 869 (D. Minn. 1979).

The modern trend has been to maintain the privilege where reasonable precautions have been taken against eavesdropping or theft. *See id.* (directing the government to turn over to the court for *in camera* review of privileged status documents stolen from a corporation and turned over to the government by a disgruntled former employee); *see also* In re Dayco Corp. Derivative Sec. Litig., 102 F.R.D. 468, 470 (S.D. Ohio 1984) (diary subject to attorney-client and work product privilege remained privileged after publication of excerpts in a newspaper where no indication existed that the diary was voluntarily supplied to the paper); Walton v. Mid-Atl. Spine Specialists, P.C., 694 S.E.2d 545, 551 (Va. 2010) ("involuntary means that another person accomplished the disclosure through criminal activity or bad faith," not the holder's subjective intention).

Where the party asserting a waiver of the privilege has itself engaged in improper conduct resulting in inadvertent production, courts have been particularly protective of the

subject of such conduct. For example, in Stephen Slesinger, Inc. v. Walt Disney Co., No. BC 022365, 2004 WL 612818, at *1-12 (Cal. Super. Ct. Mar. 29, 2004), the plaintiff hired a private investigator to obtain documents from the defendant over a multi-year period. The private investigator apparently obtained documents from Disney trash bins on Disney property and, in some cases, off desktops at Disney. The plaintiff or its private investigator further altered certain of these documents to remove headers or other indicia of attorney-client privilege. The plaintiff maintained that it had obtained all of its documents from a single Disney dumpster, but the court rejected this claim in light of the time-span and variety of documents involved and the credibility of the plaintiff's witnesses. In light of the plaintiffs illegal and abusive discovery behavior, the court not only declined to find a waiver on the defendant's part, but directed a verdict against the plaintiff as a discovery sanction. *Id.* at *13.

Where, however, insufficient precautions have been taken to maintain confidentiality, discovery by a third person may still result in waiver. For example, where privileged documents are placed in a trash can and thereafter recovered by a third party, some courts will find a waiver to have occurred. *See* Suburban Sew 'N Sweep, Inc. v. Swiss-Bernina, Inc., 91 F.R.D. 254, 260 (N.D. Ill. 1981) (noting the "modern trend" toward finding a lack of waiver in "eavesdropper" cases, but concluding that "if the client or attorney fear such disclosure, it may be prevented by destroying the documents or rendering them unintelligible before placing them in a trash dumpster").

Under the "involuntary disclosure" doctrine, articulated in proposed, but not enacted, Rule of Evidence 512, "evidence of a statement or other disclosure of privileged matter is not admissible against the holder of the privilege if the disclosure was (a) compelled erroneously or (b) made without opportunity to claim the privilege." Hopson v. Mayor & City Council of Baltimore, 232 F.R.D. 228, 241 (D. Md. 2005) (quoting Proposed Rule of Evidence 512, 56 F.R.D. 183, 259). Although not enacted, courts have applied the Rule 512 standard where a party was compelled to disclose privileged material.

See:

> *Hollins v. Powell, 773 F.2d 191, 196 (8th Cir. 1985). No waiver where, following the court's denial of the city's motion to quash, city objected to deposition questions of a city attorney on privilege grounds, pursuant to court order allowed the attorney to answer, but subsequently asserted the privilege at trial.*
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> *In re Vargas, 723 F.2d 1461, 1466 (10th Cir. 1983). In dicta, court stated, "because an attorney cannot waive the attorney-client privilege without the client's consent, production of privileged documents by an attorney under court order does not necessarily constitute a waiver of the privilege."*
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> *Leonen v. Johns-Manville, 135 F.R.D. 94, 99 (D.N.J. 1990). No waiver where defendant objected but produced documents pursuant to a court order.*
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> *Regents of Univ. of Cal. v. Super. Ct., 81 Cal. Rptr. 3d 186 (Cal. Ct. App. 2008). Applying California law, the court held that disclosure of privileged information to federal agencies investigating defendants for criminal wrongdoing was involuntary, and did not waive privilege in subsequent litigation.*

10. "At Issue" Claims And Defenses

The attorney-client privilege may be deemed waived when the privileged communication is put at issue in litigation. This occurs when the client affirmatively puts privileged communications at issue, for example, by alleging that she relied on the advice of counsel, misunderstood an agreement, or diligently investigated a claim. *See, e.g*., United States v. Mendelsohn, 896 F.2d 1183, 1188-89 (9th Cir. 1990) (party waived privilege by asserting reliance on counsel's advice that conduct was legal); Musa-Muaremi v. Florists' Transworld Delivery, Inc., 270 F.R.D. 312, 317-19 (N.D. Ill. 2010) (in a employee discrimination case, employer waived privilege by asserting that it had conducted an adequate investigation (a/k/a the Faragher/Ellerth defense)); Reitz v. City of Mt. Juliet, 680 F. Supp. 2d 888, 892-93 (M.D. Tenn. 2010) (asserting the Faragher-Ellerth defense waives the attorney-client privilege for documents underlying the final investigative report); Walker v. Cnty. of Contra Costa, 227 F.R.D. 529, 533-34 (N.D. Cal. 2005) (employer waived privilege by asserting reasonable investigation as affirmative defense); Peterson v. Wallace Computer Servs., Inc., 984 F. Supp. 821, 825 (D. Vt. 1997); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 80(1)(b) (2000*); see also Employment Discrimination Cases: "At Issue" Waiver, § IX.C.2, and Patents: Waiver of Privilege and the Good Faith Reliance on Advice of Counsel Defense to Willful Infringement*, § XI.B, *infra*. Raising defenses to a criminal or civil action that the client's legal assistance was ineffective, negligent or wrongful would also waive the privilege. See United States v. Pinson, 584 F.3d 972, 977-78 (10th Cir. 2009) (listing cases from several circuits and finding unanimous federal authority that a claim of ineffective assistance of counsel waives the privilege); Bittaker v. Woodford, 331 F.3d 715, 719-21 (9th Cir. 2003) (asserting ineffective assistance of counsel regarding prior habeas petition waived privilege only with respect to issues related to habeas petition); In re Cont'l Ill. Sec. Litig., 732 F.2d 1302, 1315 n.20 (7th Cir. 1984); Tasby v. United States, 504 F.2d 332, 336 (8th Cir. 1974); United States v. Woodall, 438 F.2d 1317, 1324-25 (5th Cir. 1970) (en banc).

Similarly, where a client asserts a claim for malpractice against an attorney, the party waives the privilege with respect to the advice at issue. *See* Aurora Loan Servs., Inc. v. Posner, Posner & Assocs., P.C, 499 F. Supp. 2d 475, 478 (S.D.N.Y. 2007) (plaintiff waived attorney-client privilege when it alleged damages on the basis of lost interest related to failure of defendant to prosecute plaintiff's claims); Nat'l Excess Ins. Co. v. Civerolo, Hansen & Wolf, P.A., 139 F.R.D. 398, 400 (D.N.M. 1991) (affirming magistrate judge's order to plaintiff-client in legal malpractice action to produce privileged documents); Byers v. Burleson, 100 F.R.D. 436, 440 (D.D.C. 1983) (finding plaintiff in malpractice action waived the privilege because the information defendant attorney sought was necessary to resolve an issue the plaintiff interjected into the case); In re Marriage of Bielawski, 764 N.E.2d 1254, 1263-64 (Ill. App. 1st Dist. 2002) (holding that privilege was waived in later action to rescind marital settlement agreement where wife sued former attorney for malpractice related to the same); *but see* Jackson v. Greger, 854 N.E.2d 487, 491 (Ohio 2006) (in malpractice action against plaintiff's criminal attorney, privilege over attorney-client communications and related work product documentation of plaintiff's appellate counsel was not waived by plaintiff's discussion with appellate counsel regarding the possible negligent representation by her criminal attorney).

Merely denying allegations in defending a lawsuit does not cause "at issue" waiver. N. River Ins. Co. v. Philadelphia Reins. Corp., 797 F. Supp. 363 (D.N.J. 1992). Where an opponent injects attorney-client communications into the case, the privilege has not been waived. Parker v. Prudential Ins., 900 F.2d 772, 776 & n.3 (4th Cir. 1990).

While courts generally agree that a party must make an affirmative act to inject privileged information into a proceeding to put the privileged information "at issue," they disagree regarding the specific test for waiver. A frequently cited test was adopted by the court in Hearn v. Rhey, 68 F.R.D. 574 (E.D. Wash. 1975), which established a relatively low "relevance" test. In order to result in "at issue" waiver under the Hearn approach: (1) a party asserting privilege must take an affirmative act that (2) makes the protected information relevant to the case, and (3) application of the privilege would deny the opposing party access to information vital to defending against the affirmative assertion.

Other courts have applied a narrower "relying on" standard. For example, in In re Erie County, 546 F.3d 222 (2d Cir. 2008), the Second Circuit Court of Appeals rejected the Hearn approach as too broad and not sufficiently protective of the privilege, and held that "at issue" waiver will occur only where there is some showing that the party asserting the privilege is relying on privileged communications for a claim or defense or as an element of a claim or defense. Making counsel's advice "relevant" is not sufficient under this narrower standard. For cases applying the Hearn "relevance" test, *see*:

> *Anchondo v. Anderson, Crenshaw & Assocs., L.L.C., 256 F.R.D. 661, 669-72 (D.N.M. 2009). Defendant in action under Fair Debt Collection Practices Act put attorney-client communications at issue by raising defense of bona fide error based on a legal error.*
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> *Union County, Iowa v. Piper Jaffray & Co., Inc., 248 F.R.D. 217, 220-23 (S.D. Iowa 2008). By filing suit claiming breach of fiduciary duty against financial consultant, plaintiff put at issue communications with plaintiff's lawyers relevant to whether plaintiff reasonably relied on advice of defendant.*
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> *Williams v. Sprint/United Mgmt. Co., 464 F. Supp. 2d 1100 (D. Kan. 2006). Defendant's assertion of good-faith compliance with the Age Discrimination in Employment Act on the basis of its internal anti-discrimination policies and the training that its employees received concerning those policies did not waive the attorney-client privilege; the mere fact that the internal guidelines required coordination of disparate impact analysis with the legal department was insufficient to trigger a waiver.*
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> *Roehrs, M.D. v. Minn. Life Ins. Co., 228 F.R.D. 642, 646-47 (D. Ariz. 2005). Defendant waived privilege with regard to communications between insurance adjusters and in-house counsel when the defendant affirmatively relied on those communications to show good faith on behalf of the adjusters in denying the plaintiff's claims.*

For cases applying the narrower "relying on" test, *see*:

> *Rhone-Poulenc Rorer, Inc. v. Home Indem. Co., 32 F.3d 851, 863-64 (3d Cir. 1994). Plaintiff did not waive attorney-client privilege merely by filing suit where plaintiff's state of mind was an issue in the litigation. Although attorney-client communications might have been relevant to the question, plaintiff did not rely on the contents of any communications.*

Trustees of the Elec. Workers Local No. 26 Pension Trust Fund v. Trust Fund Advisors, Inc., 266 F.R.D. 1, 11-13 (D.D.C. 2010). The court adopted In re Erie County and criticized Hearn, predicting that the D.C. Circuit would do the same.

*Nesselrotte v. Allegany Energy Inc., No 06-01390, 2008 WL 2858401, at *6-7 (W.D. Pa. July 22, 2008). The defendant corporation did not waive the attorney-client privilege by asserting a defense of poor job performance to a former in-house counsel's employment discrimination claim. In reaching its conclusion the court noted that the corporation did not disclose or describe any attorney-client information in its answer or motion for summary judgment.*

Atlantic Inv. Mgmt., LLC v. Millennium Fund I, Ltd., 212 F.R.D. 395, 398-99 (N.D. Ill. 2002). Attorney-client privilege was waived where plaintiffs "selectively disclosed communications with their attorneys . . . in order to prove their claims—or to preempt an anticipated defense."

Harter v. Univ. of Indianapolis, 5 F. Supp. 2d 657, 664–65 (S.D. Ind. 1998). Plaintiff, asserting a claim against his former employer under the Americans with Disabilities Act (ADA), did not waive the attorney-client privilege by alleging that his former employer failed to make reasonable accommodations for his disability through good-faith negotiations with the plaintiff's attorney. While the plaintiff's claim placed his purported effort of making good-faith negotiations at issue, the plaintiff did not depend on privileged communications to make out his ADA claim.

a. Reliance On Advice Of Counsel

A client who claims that he acted pursuant to the advice of a lawyer cannot use the privilege to immunize that advice from scrutiny. *See* Chevron Corp. v. Pennzoil Co., 974 F.2d 1156, 1162-63 (9th Cir. 1992); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 79 cmt. c (2000). Such a defense places the lawyer's advice at issue and waives the privilege for all materials concerning the same subject matter. *See* JOHN W. STRONG, MCCORMICK ON EVIDENCE § 93 (6th ed. 2006); *see also*:

In re Grand Jury Proceedings Oct. 12, 1995, 78 F.3d 251, 254-55 (6th Cir. 1996). The owner and president of a laboratory disclosed to government investigators that they had consulted Medicare attorney regarding certain charging practices reflected in the laboratory's marketing plan, and that they had relied on the attorney's advice. Court held that the laboratory had waived the attorney-client privilege with respect to the specific aspect of the marketing plan discussed with investigators, but not with respect to other aspects of the marketing plan discussed with the attorney.

Glenmede Trust Co. v. Thompson, 56 F.3d 476, 486-87 (3d Cir. 1995). Plaintiff shareholders were entitled to law firm's file concerning services provided to defendant corporation. Court concluded that defendant had waived the privilege for these materials by alleging that it had relied on the law firm's advice about tax regulations.

Chevron Corp. v. Pennzoil Co., 974 F.2d 1156, 1162-63 (9th Cir. 1992). Pennzoil claimed it had reasonably relied on counsel for its position that purchase of stock in Chevron would receive favorable tax treatment. Court stated that no attorney-client privilege existed for documents relating to counsel's position since the party cannot shield documents that could possibly refute the defense.

United States v. Bilzerian, 926 F.2d 1285, 1292-94 (2d Cir. 1991). The court refused to permit party to testify that he believed in good faith based on advice of counsel that his actions were legal without being subject to cross-examination about the basis for this belief and the actual communications he had with his attorney.

Conkling v. Turner, 883 F.2d 431 (5th Cir. 1989). Plaintiff claimed that he did not know of the falsity of some information until his attorney notified him. Court found that attorney was subject to deposition because these privileged communications had been placed in issue by plaintiff.

Brigham and Women's Hospital Inc. v. Teva Pharm. USA, Inc., 707 F. Supp. 2d 463 (D. Del. 2010). Plaintiff's assertion of advice of counsel as a defense to a claim of inequitable conduct during prosecution of patent applications resulted in subject matter waiver.

In re Human Tissue Prods. Liab. Litig., 255 F.R.D. 151, 160 (D.N.J. 2008). Defendants waived privilege as to communications with attorneys hired to conduct background check. Defendants put communications at issue by claiming that they acted in good faith in dealing with company selling stolen human tissue since background check revealed no relevant wrongdoing by company's principal.

Sedillos v. Bd. of Educ. of Sch. Dist. No. 1, 313 F. Supp. 2d 1091, 1094 (D. Colo. 2004). By relying on the advice of counsel to defend his actions, the defendant waived the attorney-client privilege with regard to all communication on the subject matter of that advice.

Sharper Image Corp. v. Honeywell Int'l Inc., 222 F.R.D. 621, 638-40 (N.D. Cal. 2004). Defendant's reliance on advice of counsel regarding patent infringement waived the privilege with regard to communications on infringement issues. Waiver applied to relevant communications pre- and post-complaint in the instant action. However, the waiver did not extend to the defendant's communications with counsel regarding two pending patent applications.

McLaughlin v. Lunde Truck Sales, Inc., 714 F. Supp. 916 (N.D. Ill. 1989). Court found that a defense of good faith reliance on the advice of Department of Labor acted as waiver of the attorney-client privilege. Party cannot ask for an inference of good faith then use the privilege to shield information that could show there was no good faith reliance.

Hartz Mountain Indus., Inc. v. Comm'r, 93 T.C. 521, 525 (T.C. 1989). In a dispute over whether a settlement was an ordinary or capital loss, plaintiff filed an affidavit which set forth its internal position concerning the intent behind the settlement. Court found that this placed in issue factual matters surrounding confidential communications and thus waived the attorney-client privilege.

But see:

In re Grand Jury Subpoena Duces Tecum, 798 F.2d 32, 34 (2d Cir. 1986). Holding that "the assertion that the corporation was acting upon the advice of counsel does not establish, without more . . . that the attorney-client privilege was waived."

CFIP Master Fund v. Citibank, 738 F. Supp. 2d 450, 474 n.27 (S.D.N.Y. 2010). Trustee's statement that it had conferred with counsel as evidence of good faith did not waive privilege where party specifically chose not to assert advice of counsel defense. "The focus of [the trustee's] 'good faith' defense is on the nature of the inquiry that [it] undertook, not the substance of the legal advice that was eventually provided."

McGuire v. Am. Family Mut. Ins. Co., No. 08-1072-JTM, 2009 WL 1044945 (D. Kan. Apr. 20, 2009). Where defendants had intentionally used attorney-client communications in support of advice of counsel defense, court granted limited protective order that compelled in-house counsel to give deposition but strictly limited the scope of the deposition.

Sanofi-Synthelabo v. Apotex Inc., 363 F. Supp. 2d 592, 595 (S.D.N.Y. 2005). Fleeting and uncertain comment in deposition regarding advice of counsel did not waive privilege because opponent was not placed at any disadvantage by comment which called for no impeachment.

*Akamai Techs., Inc. v. Digital Island, Inc., No. C-00-3508 CW(JCS), 2002 WL 1285126, at *9 (N.D. Cal. May 30, 2002). Provision of attorney's memo summarizing legal issues related to claim as part of settlement discussions, and pursuant to agreement that its use would be limited to such discussions, did not waive privilege.*

Standard Chartered Bank PLC v. Ayala Int'l Holdings (U.S.), Inc., 111 F.R.D. 76 (S.D.N.Y. 1986). Privilege is waived when communications are themselves an issue in the litigation only where: (1) the very subject of privileged communications is critically relevant to the issue to be litigated, (2) there is a good faith basis for believing such essential privileged communications exist, and (3) there is no other source of direct proof on the issue.

See also:

In re Grand Jury Subpoena, 341 F.3d 331, 336-37 (4th Cir. 2003). A client may waive the attorney-client privilege through his answers to FBI agents' questions during a non-custodial interview. When agents asked witness why he had answered "no" to a question on an INS "green card" application, the man answered that he had done so on the advice of his attorney. The court held that this answer waived the privilege and enabled the government to question the attorney before a grand jury about otherwise privileged communications.

b. Lack Of Understanding

In some cases, a client may place communications with her attorney at issue by asserting a defense of lack of understanding of the terms or extent of an agreement. In Synalloy Corp. v. Gray, 142 F.R.D. 266 (D. Del. 1992), the parties signed an agreement that extinguished all "pending claims" between them. The defendant claimed this agreement extinguished liability for a short swing profit claim. The plaintiff argued that under its understanding of the agreement the profit claim was not covered, and it would never have agreed to extinguish such a claim. The court held that the misunderstanding injected a new issue of inducement through fraudulent misrepresentation, and therefore the communications of the attorney would be required to determine reliance and lack of understanding. Thus, the court held that plaintiff waived the privilege by introducing this new issue to the litigation. *Id.*; *see also* Sax v. Sax, 136 F.R.D. 542 (D. Mass. 1991) (asserting lack of mutual understanding of memorandum agreement waived attorney-client privilege); Pitney-Bowes, Inc. v. Mestre, 86 F.R.D. 444, 447 (S.D. Fla. 1980) (same); Stovall v. United States, 85 Fed. Cl. 810 (Fed. Cl. 2009) (government's intention to use communications with counsel as parol evidence in a breach of contract case waived privilege by putting communications at issue).

A party may waive the attorney-client privilege regarding legal advice received in a transaction by asserting a claim that requires proof of reasonable reliance on another party's representation. Union County, Iowa v. Piper Jaffray & Co., 248 F.R.D. 217 (S.D. Iowa 2008); *see also* Synalloy, 142 F.R.D. at 269-70 (D. Del. 1992) (waiver resulted because a counterclaim for fraudulent misrepresentation put at issue whether the defendant's reliance was reasonable). In Union County, Iowa v. Piper Jaffray & Co., the plaintiff, a county government, waived its privilege by placing at issue the reasonableness of its reliance on its financial advisor in connection with a bond offering. The plaintiff sued its bond advisor for breach of fiduciary duty, breach of contract, negligent misrepresentation, negligence, and fraud after the bond insure went bankrupt. Adopting a test that balanced the importance of the attorney-client relationship against the interests of fundamental fairness, the court held the plaintiff placed at issue any intervening or superseding causes, such as tax or legal

advice, because several of the claims required the county to demonstrate that it reasonably relied on defendant's advice. 248 F.R.D. at 222-23.

c. Diligence And Fraudulent Concealment

The activities and communications of attorneys may also be placed in issue to prove or disprove an attorney's diligence. In New York v. Cedar Park Concrete Corp., 130 F.R.D. 16, 18-19 (S.D.N.Y. 1990), the state claimed that defendant's fraudulent concealment prevented detection of his acts and thus tolled the statute of limitations. The court determined that the state's correspondence, memoranda and attorney work papers were necessary to refute the defense of concealment. The court therefore found the privilege waived and ordered production of the papers relevant to the concealment period. *See also*:

> *Byers v. Burleson, 100 F.R.D. 436, 440 (D.D.C. 1983). Plaintiff asserted that the statute of limitations was tolled since his opponent had fraudulently concealed his activities. Court held that this waived the privilege for all communications relating to plaintiff's knowledge that a claim had arisen.*
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> *3M Co. v. Engle III, Judge Perry County Ct., 328 S.W.3d 184 (Sup. Ct. Ky 2010). Plaintiffs waived privilege by alleging that they satisfied one year statute of limitations because they first learned of the bases of their claims from their lawyers within one year of filing their complaint.*

d. Extent Of "At Issue" Waiver

In cases where a client has waived the privilege by placing privileged communications in issue, the scope of the resulting waiver extends to all of the communications bearing on that subject matter that the court deems necessary to litigate the issue fairly. However, waiver only affects those communications that address the issue raised by the client, and not related issues. *See* Pray v. N.Y. City Ballet Co., No. 96 Civ. 5723 RLC, 1998 WL 558796 (S.D.N.Y. Feb. 13, 1998) (privilege waived where defendant asserted as an affirmative defense to a sexual harassment claim that it took reasonable steps to remedy plaintiff's complaints by conducting an internal investigation, but only with respect to communications concerning the steps taken to carry out the investigation and not with respect to the advice given to the defendant by its attorneys before and after the internal investigation); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 79 cmt. b (2000); *see also*:

> *Bittaker v. Woodford, 331 F.3d 715, 719-21 (9th Cir. 2003). By asserting ineffective assistance of counsel related to prior habeas petition, criminal litigant effected implied waiver of attorney-client privilege, but only as to issues related to habeas petition, and only to the extent necessary to allow the state to fairly litigate matters put at issue.*
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> *In re Grand Jury Proceedings Oct. 12, 1995, 78 F.3d 251, 254-55 (6th Cir. 1996). The owner and president of a laboratory disclosed to government investigators that they had consulted Medicare attorney regarding certain charging practices reflected in the laboratory's marketing plan, and that they had relied on the attorney's advice. Court held that the laboratory had waived the attorney-client privilege with respect to the specific aspect of the marketing plan discussed with investigators, but not with respect to other aspects of the marketing plan discussed with the attorney.*
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> *Mayfair House Ass'n v. QBE Ins. Corp., No. 09-80359-CIV, 2010 WL 472827 (S.D. Fla. Feb. 5, 2010). In bad faith insurance litigation, plaintiff insured could obtain both its own claim file and other insureds' claim files "which relate to and illuminate the manner in which the company handles claims*

of its other policyholders in the general course of its business." Insurer could still assert privilege for documents created after the date of resolution in the underlying disputed claims.

Asberry v. Corinthian Media, Inc., No. 09 Civ. 1013, 2009 WL 3073360 (S.D.N.Y. Sept. 18, 2009). Defendant's assertion of reasonable investigation as affirmative defense to wrongful termination action waived privilege over communications with counsel prior to termination, but not post-termination.

McGuire v. Am. Family Mut. Ins. Co., No. 08-1072, 2009 WL 1044945 (D. Kan. Apr. 20, 2009). Defendant's assertion of reasonable investigation as affirmative defense to wrongful termination action waived privilege over communications with counsel prior to termination, but not post-termination.

Honda Lease Trust v. Middlesex Mut. Assurance Co., No. 3:05CV1426(RNC), 2007 WL 2889468 (D. Conn. Sept. 28, 2007). Plaintiff did not waive attorney-client privilege with subsequent counsel by suing former counsel.

McKenna v. Nestle Purina Petcare Co., No. 2:05-cv-0976, 2007 WL 433291 (S.D. Ohio Feb. 5, 2007). Employer's assertion of "adequate investigation" defense waived privilege to internal investigation materials.

Nowak v. Lexington Ins. Co., 464 F. Supp. 2d 1241 (S.D. Fla. 2006). No attorney-client privilege between the insurer-defendant and the insured-plaintiff applied in bad faith action against insurer. Insurer may not use the privilege as a "shield" to prevent the discovery of documents with respect to matters that occurred prior to the resolution of the claim in favor of the insured.

AT&T Access Charge Litig., 451 F. Supp. 2d 651 (D.N.J. 2006). Defendant's affirmative defense based on reliance on prior FCC decisions did not constitute at-issue waiver of the attorney-client privilege where defendant stated that it would not rely on advice of counsel as a defense to plaintiff's claims.

Panter v. Marshall Field & Co., 80 F.R.D. 718, 720-21 (N.D. Ill. 1978). Waiver extends to all communications concerning the transaction for which advice was sought.

11. Witness Use Of Documents

a. Refreshing Recollection Of Ordinary Witnesses

The attorney-client privilege may also be waived by using privileged documents for the purpose of refreshing the recollection of a witness. Rule 612 of the Federal Rules of Evidence provides that "if a witness uses a writing to refresh memory for the purposes of testifying . . . an adverse party is entitled to have the writing produced at the hearing, to inspect it, to cross-examine the witness thereon, and to introduce in evidence those portions which relate to the testimony of the witness." Under Federal Rule of Evidence 612, if the witness uses the communication to refresh or aid his testimony while he is actually testifying, then the privilege is waived and the court must order disclosure. FED. R. EVID. 612(1). However, if the witness merely used the communication to refresh his recollection prior to testifying, the court has discretion to order disclosure in the interests of justice. FED. R. EVID. 612(2). Courts and commentators have created different guidelines for the exercise of this discretion. *See, e.g.*, In re Rivastigmine Patent Lit., 486 F. Supp. 2d 241, 243 (S.D.N.Y. 2007) (discussing the approaches courts have adopted); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 130 cmt. e (2000) (waiver should be found only in the uncommon

circumstance when the document serves as a script for the witness' testimony in place of his own memory); 4 JACK W. WEINSTEIN ET AL., WEINSTEIN'S FEDERAL EVIDENCE § 612.06[2] (Joseph M. McLaughlin, ed., Matthew Bender 2d ed. 2009) (waiver should be found only when witness has consulted a writing embodying his own communication and his testimony discloses a significant part of the communication); *see also*:

> *In re Rivastigmine Patent Litig., 486 F. Supp. 2d 241 (S.D.N.Y. 2007). The court applied a two-part functional analysis test: (1) a threshold showing that the documents had sufficient impact on the witness's testimony to trigger the application of Rule 612, and (2) balancing whether "production is necessary for fair cross-examination," or "the examining party is simply engaged in a fishing expedition." After in camera review the court ruled that the material was unlikely to have influenced the witness' testimony.*
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> *Calandra v. Sodexho, No. 3:06CV49WWE, 2007 WL 1245317 (D. Conn. Apr. 27, 2007). Adopting the In re Rivastigmine functional analysis test to find that no waiver occurred where plaintiff used notes he had prepared in an effort to retain an attorney in order to refresh his recollection in preparation for his deposition. Plaintiff had personal knowledge of the facts summarized in the notes, and in fact went into greater detail in the deposition than the notes provided.*
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> *Farm Credit Bank v. Huether, 454 N.W.2d 710, 718 (N.D. 1990). Waiver extends to a document specifically referred to while testifying but not to other documents in the same file.*
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> *Baker v. CNA Ins. Co., 123 F.R.D. 322, 327 (D. Mont. 1988). Use of privileged documents to refresh recollection prior to deposition does not constitute waiver unless the testimony disclosed the substance of a significant portion of the communication.*
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> *Leybold-Heraeus Techs., Inc. v. Midwest Instrument Co., 118 F.R.D. 609, 614 (E.D. Wis. 1987). Deponent who uses privileged document to refresh his recollection before testifying waives the attorney-client privilege for the document.*
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> *James Julian, Inc. v. Raytheon Co., 93 F.R.D. 138, 146 (D. Del. 1982). Plaintiff waived both attorney-client and work product privileges for an attorney-assembled binder of non-privileged documents by using the binder to prepare witnesses for their depositions.*
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> *R.J. Hereley & Son Co. v. Stotler & Co., 87 F.R.D. 358, 359 (N.D. Ill. 1980). Attorney-client privilege waived by a deponent's use of a privileged document to refresh his recollection before testifying.*
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> *Wheeling-Pittsburgh Steel Corp. v. Underwriters Labs., Inc., 81 F.R.D. 8, 8-11 (N.D. Ill. 1978). Court ordered production of correspondence with attorney that witness used to refresh recollection prior to deposition.*

Courts are reluctant to order disclosure when a witness has merely looked at a document prior to testifying. *See*:

> *Leucadia, Inc. v. Reliance Ins. Co., 101 F.R.D. 674, 679 (S.D.N.Y. 1983). The court noted that the legislative history of the amendments to Federal Rule of Evidence 612 indicates that Congress did not intend to bar the assertion of the attorney-client privilege for writings used by a witness to refresh his memory. Court, therefore, held that the mere fact that a deposition witness "looked at" a document protected by the attorney-client privilege in preparation for a deposition is inadequate to destroy the privilege.*
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> *Jos. Schlitz Brewing Co. v. Muller & Phipps (Haw.) Ltd., 85 F.R.D. 118, 199-20 (W.D. Mo. 1980). Correspondence file of attorney-witness was not discoverable even though he "looked at" it prior to his deposition.*

But see:

> *Thomas v. Euro RSCG Life, 264 F.R.D. 120, 121-22 (S.D.N.Y. 2010). At a deposition, plaintiff admitted that shortly before the deposition, she reviewed notes that recounted conversations she had with her employer's in-house counsel. Because the plaintiff looked at the notes before the deposition, FRE 612(2) indicates that it is at the court's discretion to find waiver. The court held that plaintiff's review waived privilege because the notes "evince[d] no work-product concerns" and the subject matter of the notes were likely to play a substantial role in the case.*
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> *In re Scrap Metal Antitrust Litig., No. 1:02 CV 0844, 2006 WL 2850453, at *7 (N.D. Ohio Sept. 30, 2006). Outline used by counsel to prepare defendant's key witness after witness previous testimony revealed numerous inconsistencies with prior deposition testimony was not subject to work product protection because of the detailed nature of the outline (described as a "script" by the court) and the "articulate and detailed recollections" subsequently provided during defendant's examination of the witness.*
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> *Audiotext Commc'ns Network, Inc. v. US Telecom, Inc., 164 F.R.D. 250, 254 (D. Kan. 1996). Notebook of privileged documents that witness "flipped through" the night before his deposition had an impact on witness' testimony because the witness testified that he was "astonished" that he had forgotten some of the items that were in the notebook.*
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> *Bank Hapoalim, B.M. v. Am. Home Assurance Co., No. 92 Civ. 3561, 1994 WL 119575 (S.D.N.Y. Apr. 6, 1994). Despite the fact that a witness testified he only "looked at" documents prior to deposition, the fact that he spent several hours reviewing them, was able to identify specific documents that he had reviewed, and displayed knowledge of the information contained in the documents showed that the documents impacted his testimony and should be produced.*

In general, only a partial waiver results when a witness has used a document to refresh his recollection. The privilege is not waived for all other documents that relate to the document used to refresh recollection. Marshall v. U.S. Postal Serv., 88 F.R.D. 348, 380-81 (D.D.C. 1980) (privilege waived only as to documents used to refresh recollection, but not as to all communications on same subject). Federal Rule 612 permits the court to inspect the communications *in camera* and excise portions unrelated to the subject matter of the testimony. *See The Extent of Waiver*, § I.G.6, *supra.*

b. Use Of Documents By Experts

Prior to the 2010 amendments to Federal Rule of Civil Procedure 26, there was a significant risk that any documents provided to a testifying expert witness would be discoverable pursuant to the expert discovery provisions of Rule 26, even if they were privileged. The overwhelming majority of courts that addressed the issue held that privileged materials considered by a testifying expert were discoverable under Rule 26. *See* Synthes Spine v. Walden, 232 F.R.D. 460, 463 (E.D. Pa. 2005) (collecting cases and requiring disclosure of privileged material); *see also* Galvin v. Pepe, No. 09-cv-104-PB, 2010 WL 3092640, at *6-7 (D.N.H. Aug. 5, 2010) (citing Synthes Spine). The only court of appeals to have considered the question held that attorney-client privileged communications disclosed to an expert witness were discoverable whether or not the expert relied on them in preparing the expert report. *See* In re Pioneer Hi-Bred Int'l, Inc., 238 F.3d 1370, 1375-76 (Fed. Cir. 2001). In In re Pioneer, the court reasoned that "any disclosure to a testifying expert in connection with his testimony assumes that privileged or protected material will be made public." *Id.* at 1375.

See:

> *Dyson Tech. Ltd. v. Maytag Corp., 241 F.R.D. 247 (D. Del. 2007). A party's designation of its employee as a testifying expert waived the work product protection and attorney-client privilege with respect to the materials used in forming the employee/expert's opinions. The court also rejected the argument that disclosure required by Fed. R. Civ. P. 26 did not apply because the employee was not "retained" or "specially employed" for his expert testimony.*
>
> *In re Omeprazole Patent Litig, 227 F.R.D. 227, 231 (S.D.N.Y. 2005). The court held that a party waived its attorney-client privilege by disclosing to its expert the reasons for deleting certain sections of his expert reports.*
>
> *Herrick Co. v. Vetta Sports, No. 94 Civ. 0905 (RPP), 1998 WL 637468, at *1 (S.D.N.Y. Sept. 17, 1998), rev'd in part on other grounds, 360 F.3d 329 (2d Cir. 2004). "[A] party waives the attorney-client and work-product privileges whenever it puts an attorney's opinion into issue, by calling the attorney as an expert witness or otherwise." Party waived privilege by designating its ethics consultant as its testifying legal ethics expert during the course of litigation. Id. at *3. The court ordered the production of all documents relating to the advice rendered by the expert to the party on the general subject matter of the expert's report filed with the court. Id. at *4.*
>
> *In re E.I. du Pont de Nemours & Co. -- Benlate (R) Litig., 918 F. Supp. 1524 (M.D. Ga. 1995), rev'd on other grounds, 99 F.3d 363, 368 (11th Cir. 1996). An expert's reliance on summary data waives any privilege that might protect the more detailed underlying data.*
>
> *People v. Ledesma, 140 P.3d 657 (Cal. 2006). In an appeal from a death penalty sentence, the defendant-appellant asserted that the lower court's admission of the testimony of a psychiatrist regarding statements made to him by defendant violated the attorney-client and psychotherapist-patient privileges. The court commented: "An expert witness may be cross-examined as to 'the matter upon which his or her opinion is based and the reasons for his or her opinion.' (Evid. Code, § 721, subd. (a).) The scope of cross-examination permitted under section 721 is broad . . . 'Once the defendant calls an expert to the stand, the expert loses his status as a consulting agent of the attorney, and neither the attorney-client privilege nor the work-product doctrine applies to matters relied on or considered in the formation of his opinion.'" Id. at 695 (quoting People v. Milner, 45 Cal.3d 227, 241 (1988)).*
>
> *Shadow Traffic Network v. Super. Ct., 29 Cal. Rptr. 2d 693 (Cal. Ct. App. 1994). Court held that designation of an expert as a witness manifests the client's consent to disclosure of the privileged information formerly provided to the expert, and the privilege is therefore waived.*
>
> *Coyle v. Estate of Simon, 588 A.2d 1293 (N.J. Super. Ct. App. Div. 1991). In medical malpractice case, copies of portions of the plaintiffs' written statements to their attorney were given to their expert. Court determined that the attorney-client privilege was waived after an in camera review showed that some of the statements were relevant to the expert's opinions.*

But see:

> *Tikkun v. City of New York, 265 F.R.D. 152 (S.D.N.Y. 2010). Testifying expert did not have to disclose the underlying data for his opinion because it was protected by the attorney-client privilege. The court held that it is "not inequitable to respect the [expert's] assertion of privilege" because the attorney-client communications were just one basis for his opinion; the plaintiff did not provide the expert with the data; and the data was created years before the litigation began by organizations with no role in the litigation.*

The 2010 amendments to Rule 26 made significant changes to the rules governing discovery of expert witnesses, severely limiting discovery of communications between

counsel and experts and of experts' draft reports. The amendments to Rule 26 went into effect on December 1, 2010, and apply to cases pending on that date if "just and practicable." *See* Order (U.S. April 28, 2010) transmitting to Congress proposed 2010 rule amendments.

As amended, Rule 26(b)(4)(B)-(C) provides:

> (4) **Trial Preparation: Experts**
>
> * * *
>
> (B) *Trial-Preparation Protection for Draft Reports or Disclosures*.
>
> Rule 26(b)(3)(A) and (B) protect drafts of any report or disclosure required under Rule 26(a)(2), regardless of the form in which the draft is recorded.
>
> (C) *Trial-Preparation Protection for Communications Between a Party's Attorney and Expert Witnesses.*
>
> Rules 26(b)(3)(A) and (B) protect communications between the party's attorney and any witness required to provide a report under Rules 26(a)(2)(B), regardless of the form of the communication, except to the extent that the communications:
>
> (i) relate to compensation for the experts study or testimony;
>
> (ii) identify facts or data that the parties attorney provided and that the expert considered in forming the opinions to be expressed; or
>
> (iii) identify assumptions that the party's attorney provided and that the expert relied on in forming the opinions to be expressed.

The advisory notes to the amendments to Rule 26 explain that the amendment is designed to prevent the needless expense and chilling of the attorney-expert relationship caused where discovery of their communications and experts' draft reports is allowed:

> The Committee has been told repeatedly that routine discovery into attorney-expert communications and draft reports has had undesirable effects. Costs have risen. Attorneys may employ two sets of experts – one for purposes of consultation and another to testify at trial – because disclosure of their collaborative interactions with expert consultants would reveal their most sensitive and confidential case analysis. At the same time, attorneys feel compelled to adopt a guarded attitude toward their interaction with testifying experts that impedes effective communication,

> and experts adopt strategies that protect against discovery but also interfere with their work.

Advisory Committee notes to FED.R.CIV.P. 26 (2010). Rule 26(a)(2)(B)(ii) was specifically intended "to alter the outcome in cases that have relied on the 1993 formulation in requiring disclosure of all attorney-expert communications and draft reports. The amendments to Rule 26(b)(4) make this change explicit by providing work-product protection against discovery regarding draft reports and disclosures or attorney-expert communications." Advisory committee notes to Rule 26(a)(2)(B) (2010).

Rule 26(b)(4)(B) was added to provide work product protection under Rule 26(b)(3)(A) and (B) for drafts of expert reports or disclosures. Advisory Committee Notes to Rule 26(b)(4) (2010). Rule 26(b)(4)(C) was added to provide work product protection for attorney-expert communications, and was designed to protect counsel's work product and ensure that lawyers may interact with experts "without fear of exposing those communications to searching discovery." *Id.*

The protections of Rule 26(b)(4)(C) do not apply to three specific exceptions set forth in the rule. *Id.* Discovery of attorney-expert communications on subjects outside the three exceptions or regarding draft expert reports or disclosures is permitted only in limited circumstances and by court order. *Id.* A party seeking such discovery must make the showing specified in Rule 26(b)(3)(A)(ii) (substantial need and undue hardship). *Id.* "It will be rare for a party to be able to make such a showing given the broad disclosure and discovery otherwise allowed regarding the expert's testimony. . . . In the rare case in which a party does make this showing, the court must protect against disclosure of the attorney's mental impressions, conclusions, opinions, or legal theories under Rule 26(b)(3)(B)." *Id.* Amended Rule 26(a)(2)(B)(ii) clarifies that the mental impressions, conclusions, opinions, and legal theories of counsel are not discoverable by redefining the scope of expert disclosures and discovery from "the data or other information" considered by an expert to "facts or data considered" by the expert witness in forming their opinions. "The refocus of disclosure on 'facts or data' is meant to limit to disclosure to material of a factual nature by excluding theories or mental impressions of counsel." Advisory committee notes to FED.R.CIV.P. 26(a)(2)(B) (2020).

See also The Work Product Doctrine: Use of Documents by Witnesses and Experts, § IV.E.9, *infra*.

H. DISCLOSURE TO THE GOVERNMENT

In the last several years there has been a battle between federal agencies, which have put pressure on organizations to waive privilege in order to be deemed "fully cooperative" with the government's investigation, and corporate and bar organizations which have defended the right of organizations to assert the privilege. Developments in 2008 suggested that the pendulum might be swinging back in favor of greater respect for the privilege. As discussed below, at least the Securities and Exchange Commission may have changed course once again in favor of seeking privilege waivers.

When corporations or other organizations learn of internal wrongdoing, or become the subject of a government investigation, they often want to cooperate with the government to investigate the wrongdoing and to assist the government with its regulatory and enforcement duties. In many cases the organization will be interested in avoiding organizational liability, criminal or civil, for the wrongdoing of individuals working for the organization, and will be willing to disclose information it has learned through an internal investigation. However, the organization typically will want to provide factual information and avoid disclosing privileged material, because voluntarily disclosing privileged information to government agencies risks waiving the privilege and exposing otherwise protected information to discovery by other parties, including private litigants. Beginning with the Thompson Memorandum in 2003, and continuing with the McNulty Memorandum in 2006, the Department of Justice put pressure on corporations to waive attorney-client and work product protections as a condition for receiving cooperation credit under the DOJ's charging guidelines. In response, corporations and the organized bar vigorously resisted these intrusions on privileged information.

Two developments in 2008 suggested that government investigators would decrease the pressure on corporations to disclose privileged information and provide some predictability in determining the scope of waiver where there is disclosure. First, in September 2008, the DOJ revised the U.S. Attorneys' Manual, directing federal prosecutors not to request privilege waivers, and instead directing them to seek non-privileged facts. Second, in October of 2008, the SEC adopted a similar policy in the SEC Enforcement Manual. However, in January 2010, the SEC revised its Enforcement Manual to allow investigators to request privilege waivers with senior agency approval.

1. The "Culture of Waiver" & the Legal Community's Response

In the wake of the Enron-like scandals of 2000 and 2001, the Department of Justice moved to toughen the standards applied to corporate internal investigations. First, on January 20, 2003, then acting Deputy Attorney General Larry D. Thompson issued a Memorandum entitled "Principles of Federal Prosecution of Business Organizations" (the "Thompson Memorandum"), followed by a memorandum issued on October 21, 2005 by then acting Deputy Attorney General Robert D. McCallum, Jr., entitled "Waiver of Corporate Attorney-Client and Work Product Protections (the "McCallum Memorandum"). The Thompson and McCallum Memoranda established a number of strict requirements for corporate cooperation in government and internal investigations in order to avoid fraud or other criminal prosecutions on par with the Enron and WorldCom disasters. The Thompson

Memorandum instructed prosecutors to consider specific factors in the corporate charging context, such as "the corporation's timely and voluntary disclosure of wrongdoing and its willingness to cooperate with the government's investigation." Included in this factor was whether a company waived attorney-client and work product privileges to aide the government investigation, and whether the company pays the attorney's fees of its employee(s) where not required by state law. One of the many effects of these factors was the creation of a significant tension between counsel's ability to root out internal wrongdoing through open and frank dialogue with the company's directors, officers and employees, and the possibility that the government would require the company to turn over that information to the government, forcing counsel to act as a kind of *de facto*, quasi-public prosecutor by helping prosecutors to uncover additional information on an ongoing basis.

This "culture of waiver" is well documented in a report released on March 6, 2006, by the Association of Corporate Counsel & National Association of Criminal Defense Lawyers, entitled, "The Decline of the Attorney-Client Privilege in the Corporate Context" (the "ACC/NACDL Report"), *available at* http://www.acc.com/Surveys/attyclient2.pdf (last visited Jan. 25, 2011). The Report notes that nearly 75 percent of respondents (comprised of both in-house and outside corporate counsel) reported that the government had created a "culture of waiver" in which it was routinely expected that a company under investigation would broadly waive legal privileges to demonstrate that the entity is cooperating with investigators and in order to secure favorable treatment. *Id.* at 3. Attorneys also reported that such "requests" were in fact communicated more like ultimatums and that prosecutors or enforcement officials made such direct statements as, "asserting the attorney-client privilege was inconsistent with cooperation." *Id.* at 20. Pushing against this government pressure was the fact that 15 percent of the survey participants whose companies were the targets of government investigations within the past five years also subsequently found themselves facing related third-party civil suits. *Id.* at 4. These responses were consistent across all sizes and types of companies, with more than 50 percent of both in-house and outside counsel reporting an erosion of the corporate attorney-client privilege. *Id.* at 4-5.

a. Legal Community Response

In 2006, the corporate world, the federal judiciary and Congress fought back against the culture of waiver. In U.S. v. Stein, 435 F. Supp. 2d 330 (S.D.N.Y. 2006), *aff'd* 541 F.3d 130 (2d Cir. 2008), Judge Kaplan of the Southern District Court of New York issued a scathing opinion criticizing the Thompson Memorandum and the "culture of waiver" it had created. Stein involved prosecutorial conduct in connection with the indictment of several former partners and employees of the accounting firm, KPMG, as a result of a series of allegedly fraudulent tax shelter schemes promoted by the firm. It was the long-standing policy of KPMG to advance and pay legal fees for individual counsel for partners, principals and employees of the firm in civil, criminal or other investigatory proceedings involving conduct arising in the scope of the individual's duties or responsibilities with the firm. *Id.* at 340. As the result of a series of discussions between the U.S. Attorney's office and KPMG's outside counsel, during which the government repeatedly emphasized the inherent threat in the Thompson Memorandum that payment of legal fees and expenses of its personnel would be construed as contrary to full cooperation, KPMG entered into a Deferred Prosecution Agreement which essentially allowed the firm to avoid criminal indictment in exchange for

its broad cooperation with the government, including, but not limited to, ceasing payment of attorney's fees for its indicted employees and partners. *Id.* at 340-50. The court ruled that the government's conduct consistent with and in furtherance of the Thompson Memorandum directly caused KPMG to cease paying the legal fees and expenses of its former employees and partners thereby depriving the defendants of their Fifth Amendment right to due process and their Sixth Amendment right to counsel. *Id.* at 352-53, 362-64. Although the opinion did not directly address the issue of the attorney-client and work product privileges, it did signal a strong condemnation of the government's heavy-handed application of the Thompson Memorandum. *Id.* at 365 ("The individual prosecutors in the USAO acted pursuant to the established policy of the DOJ as expressed in the Thompson Memorandum. They understood, however, that the threat inherent in the Thompson Memorandum, coupled with their own reinforcement of that threat, was likely to produce exactly the [desired] result."). The court's strong language, although focused on this narrow issue, implicated the broader scope of the DOJ's coercive practices developed under the Thompson Memorandum.

In April 2006, the United States Sentencing Commission recommended amendments to the United States Sentencing Guidelines to delete language that authorized and encouraged prosecutors to require corporations to waive the attorney-client and work product privileges as a condition for receiving "cooperation credit" in sentencing. *See* U.S. SENTENCING GUIDELINES, 71 Fed. Reg. 28, 063, 28, 073, cmt. n.13 ("the Commission received public comment and heard testimony at public hearings … [which stated] that the sentence at issue could be misinterpreted to encourage waivers."); *see also* David H. Kirstenbroker, Pamela G. Smith, David S. Slovick, & Alyx S. Pattison, *Criminal and Civil Investigations: United States v. Stein and Related Issues*, 1574 PLI/Corp 401, 421 (Sept. 2006).

Pressure on the DOJ to change its approach also came from Congress in 2006. On December 7, 2006, Senator Arlen Specter introduced the "Attorney-Client Privilege Protection Act of 2006" (the "Privilege Act"), which would specifically prohibit federal prosecutors from using certain conduct by the corporation as a factor in determining whether a corporation is cooperating with the government. S. 30, 109th Cong. (2006). The Privilege Act sought to protect: (1) any legitimate assertion of the attorney-client privilege or work product doctrine; (2) the payment of an employee's legal fees; (3) the entry into a joint defense agreement with an employee; (4) the sharing of relevant information with an employee; and (5) the refusal to terminate or sanction an employee for exercising his or her constitutional rights. *Id.*

In response to pressure from the private sector and the legislative and judicial branches, on December 12, 2006, Deputy Attorney General Paul J. McNulty issued revised corporate charging guidelines for federal prosecutors nationwide. Paul J. McNulty, "Principles of Federal Prosecution of Business Organizations," Dec. 12, 2006. Although the "McNulty Memorandum" added new restrictions for prosecutors seeking privileged information from companies, including privileged attorney-client communications, it still allowed prosecutors to seek and consider the waiver of privileged communications when evaluating if a corporation cooperated with the Department of Justice. When requesting a waiver of attorney-client or work product privileged information, prosecutors were required to: (1) establish a "legitimate need" for privileged communications; (2) seek approval of the

U.S. Attorney who, in turn, was required (3) to obtain written approval of the Deputy Attorney General. *Id.* at 8-9.

Prosecutors were also further admonished that "attorney-client communications should be sought only in rare circumstances," and instead seek factual information first. *Id.* at 9. The Memorandum divided privileged information into factual information, or "Category I" (for example, copies of key documents, witness statements, and factual chronologies) and "Category II" privileged information (for example, attorney notes, memoranda, or reports containing counsel's mental impressions, conclusions or legal advice given to the corporation). *Id.* Although the McNulty Memo did state that where a corporation chose not to provide privileged "Category II" information, prosecutors were instructed "not to consider that declination against the corporation in their charging decisions," the ultimate decision whether or not to indict a corporation remained within the discretion of the individual prosecutors and they "may always favorably consider a corporation's acquiescence to the government's waiver request in determining whether the corporation has cooperated in the government's investigation." *Id.* at 10.

The McNulty Memorandum failed to quell the opposition. On November 13, 2007, the House of Representatives passed H.R. 3013, which would have precluded any federal agent or attorney of the United States from requesting disclosure by any organization of any communications protected by the attorney-client privilege or any attorney work product. (Senator Specter reintroduced the Privilege Act in 2007, 2008, and 2009, containing similar language. S. 186, 110th Cong. (2007); S. 3217, 110th Cong. (2008); S. 445, 111th Cong. (2009). On December 21, 2009, Representative Bobby Scott introduced a companion to Sen. Specter's bill in the House for the 111th Congress. H.R. 4326, 111th Cong. (2009). In August 2008, the Second Circuit affirmed the district court's ruling in U.S. v. Stein, 435 F. Supp. 2d 330 (S.D.N.Y. 2006). U.S. v. Stein, 541 F.3d 130 (2d Cir. 2008). In September of 2008, in the face of this opposition, the Department of Justice changed its official policy, and directed prosecutors not to request privileged information. The Obama Administration has since expressed its commitment to the revised policy. David W. Ogden, Deputy Attorney General, Compliance Week Keynote Address (June 4, 2009), *available at* http://www.justice.gov/dag/speeches/2009/dag-speech-090604.html.

2. U.S. Attorney's Manual – Disclosure of Known Facts and Non-Privileged Documents

Revisions made in 2008 to the U.S. Attorney's Manual respond to broad criticism of the DOJ's waiver policies by directing prosecutors not to request privileged information. Instead, the DOJ's official policies emphasize that they seek the facts available to a corporation, and expressly state that privilege waivers should not be a factor in assessing corporate cooperation.

Under the revised U.S. Attorney's Manual, prosecutors are directed to seek "facts known to the corporation" about putative criminal misconduct, instead of privileged information. U.S. Attorney's Manual § 9-28.710. In a change of policy the U.S. Attorney's Manual links eligibility for cooperation credit to disclosure of "known facts" and non-

privileged documents, instead of privileges waivers. *Id.* § 9-28.720. The U.S. Attorney's Manual states:

> "[W]hat the government seeks and needs to advance its legitimate (indeed, essential) law enforcement mission is not waiver of [attorney-client privilege and work product] protections, but rather the facts known to the corporation about the putative criminal misconduct under review. . . . The critical factor is whether the corporation has provided the facts about the events . . . ."

Id. § 9-28.710.

Where a corporation has conducted an internal investigation of wrongdoing, the distinction between "facts" and privileged materials may be complicated. The U.S. Attorney's Manual indicates the standard for cooperation is "has the party timely disclosed the relevant facts about the misconduct?" (*Id.* § 9-28.720(a).) On its face, the new policy, provides that a corporation may disclose the facts learned during an internal investigation without disclosing the details and substance of the investigation, and still be viewed as cooperative. The U.S. Attorney's Manual provides the following useful example:

> By way of example, corporate personnel are typically interviewed during an internal investigation. If the interviews are conducted by counsel for the corporation, certain notes and memoranda generated from the interviews may be subject, at least in part, to the protections of attorney-client privilege and/or attorney work product. **To receive cooperation credit for providing factual information, the corporation need not produce, and prosecutors may not request, protected notes or memoranda generated by the lawyers' interviews.** To earn such credit, however, the corporation does need to produce, and prosecutors may request, relevant factual information – including relevant factual information acquired through those interviews, unless the identical information has otherwise been provided—as well as relevant non-privileged evidence such as accounting and business records and emails between non-attorney employees or agents.

Id. § 9-28.720(a) n.3 (emphasis added).

Although the U.S. Attorney's Manual focuses on "facts" that result from internal investigations, it is important to note that a corporation seeking cooperation credit is also expected to disclose non-privileged documents and other information:

> There are other dimensions of cooperation beyond the mere disclosure of facts, of course. These can include, for example, providing non-privileged documents and other evidence, making witnesses available for interviews, and assisting in the interpretation of complex business records.

Id. § 9-28.720(a) n.2.

The U.S. Attorney's Manual directs prosecutors not to request communications between corporate counsel and the corporation's employees, directors, or officers "regarding or in a manner that concerns the implications of the putative misconduct at issue." *Id.* § 9-28.720(b). Thus, both the conduct of the investigation and privileged communications regarding the conduct, which may have occurred before the investigation was launched, are outside of the scope of a proper request for information. This guidance is subject to exceptions where the attorney-client privilege has been waived, for example, where the company asserts an advice of counsel defense or the communications are in furtherance of a crime or fraud. *Id.* § 9-28.720.

The U.S. Attorney's Manual also addresses joint defense arrangements:

> Similarly, the mere participation by a corporation in a joint defense agreement does not render the corporation ineligible to receive cooperation credit, and prosecutors may not request that a corporation refrain from entering into such agreements. Of course, the corporation may wish to avoid putting itself in the position of being disabled, by virtue of a particular joint defense or similar agreement, from providing some relevant facts to the government and thereby limiting its ability to seek such cooperation credit. Such might be the case if the corporation gathers facts from employees who have entered into a joint defense agreement with the corporation, and who may later seek to prevent the corporation from disclosing the facts it has acquired. Corporations may wish to address this situation by crafting or participating in joint defense agreements, to the extent they choose to enter them, that provide such flexibility as they deem appropriate.

Id. § 9.28.730.

3. Cooperation Under the SEC Enforcement Manual (2008) – Disclosure of All Relevant Facts

The 2008 SEC Enforcement Manual, at least on its face, suggested there would be less intrusion on the privilege. *See generally* SEC Enf. Manual (2008) § 4. The October 2008 revision to the SEC Enforcement Manual directed:

> *[T]he staff should not ask a party to waive the attorney-client or work product privileges and is directed not to do so.* All decisions regarding a potential waiver of privilege are to be reviewed with the Assistant supervising the matter and that review may involve more senior members of management as deemed necessary. The Enforcement Division's central concern is whether the party has disclosed all relevant facts within the party's knowledge that are responsive to the staff's information requests, and not whether a party has elected to assert or waive a privilege. As discussed below, if a party seeks cooperation credit for timely disclosure

> of relevant facts, the party must disclose all such facts within the party's knowledge. On request, and to the extent possible, the staff should continue to work with parties to explore alternative means of obtaining factual information when it appears that disclosure of responsive documents or other evidence may otherwise result in waiver of applicable privileges.
>
> A party remains free to disclose privileged communications or documents if the party voluntarily chooses to do so. In this regard, the SEC does not view a party's waiver of privilege as an end in itself, but only as a means (where necessary) to provide relevant and sometimes critical information to the staff. In the event a party voluntarily waives privilege, the staff cannot assure the party that, as a legal matter, the information provided to the staff during the course of the staff's investigation will not be subject to disclosure pursuant to subpoena or other legal process.

SEC Enf. Manual (2008) § 4.3 (emphasis added). A corporation seeking cooperation credit must make timely disclosure of "all [relevant] facts within the party's knowledge." SEC Enf. Manual (2008 and 2010) § 4.3. This policy is subject to exception, however, when a target of an investigation asserts an advice-of-counsel defense or there is evidence that the crime-fraud exception applies. *Id.* §§ 4.1.1, 4.3. The SEC Manual acknowledges that "[a]s a matter of public policy, the SEC wants to encourage individuals, corporate officers and employees to consult counsel about potential violations of the securities laws." *Id.* § 4.3.

To illustrate the difference between relevant facts and protected information, the 2008 SEC Enforcement Manual provided with respect to internal investigations: "If the interviews are conducted by attorneys, certain memoranda or notes generated in connection with the interview may be subject, at least in part, to the attorney-client or work product privileges. However, the underlying factual information disclosed by the witnesses during the interviews is not privileged." SEC Enf. Manual (2008) § 4.3.

Both the 2008 and 2010 versions of the SEC Enforcement Manual reference FRE 502 and provide the following guidance to SEC staff:

> If assigned staff receives inadvertently produced documents, assigned staff should promptly contact a supervisor. . . . Generally, staff will notify the party through his or her counsel of its receipt of inadvertently produced documents. Assigned staff should not return a document to the party without prior consultation with his or her supervisor(s) and/or the Ethics Liaison.

Id. § 4.2.

4. 2010 Revisions to SEC Enforcement Manual Allow Privilege Waiver Requests

The SEC released a revised Enforcement Manual in January 2010. Although the revised manual continues to state that corporations will not be penalized for refusing to waive privilege, investigators are no longer instructed not to request privilege waiver, and they are expressly allowed to request waivers with prior approval by the Director or Deputy Director of the SEC.

Section 4.3 of the 2010 version of the SEC Enforcement Manual provides:

> The staff must respect legitimate assertions of the attorney-client privilege and attorney work product protection. As a matter of public policy, the SEC wants to encourage individuals, corporate officers and employees to consult counsel about potential violations of the securities laws. Likewise, non-factual or core attorney work product – for example, an attorney's mental impressions or legal theories – lies at the core of the attorney work product doctrine.
>
> A key objective in the staff's investigation is to obtain relevant information, and parties are, in fact, required to provide all relevant, non-privileged information and documents in response to SEC subpoenas. ***The staff should not ask a party to waive the attorney-client privilege or work product protection without prior approval of the Director or Deputy Director.*** A proposed request for a privilege waiver should be reviewed initially with the Assistant supervising the matter and that review should involve more senior members of management as appropriate before being presented to the Director or Deputy Director.
>
> Both entities and individuals may provide significant cooperation in investigations by *voluntarily* disclosing relevant information. Voluntary disclosure of information need not include a waiver of privilege to be an effective form of cooperation and a party's decision to assert a legitimate claim of privilege will not negatively affect their claim to credit for cooperation. However, as discussed below, if a party seeks cooperation credit for timely disclosure of relevant facts, the party must disclose all such facts within the party's knowledge.
>
> Corporations often gather facts through internal investigations regarding the conduct at issue in the staff's investigation. In corporate internal investigations, employees and other witnesses associated with a corporation are often interviewed by attorneys. Certain notes and memoranda generated from attorney interviews may be subject, at least in part, to the protections of attorney-client privilege and/or attorney work product protection. To receive cooperation credit for providing factual information obtained from interviews, the corporation need not necessarily produce, and the staff may not request without approval, protected notes

> or memoranda generated by the attorneys' interviews. To earn such credit, however, the corporation does need to produce, and the staff always may request, relevant factual information – including relevant factual information acquired through those interviews.
>
> A party may choose to voluntarily disclose privileged communications or documents. In this regard, the SEC does not view a party's waiver of privilege as an end in itself, but only as a means (where necessary) to provide relevant and sometimes critical information to the staff. *See* Seabord 21(a) Report, Sec. Rel. No. 44969 n.3 (Oct. 23, 2001). In the event a party voluntarily waives the attorney-client privilege or work product protection, the staff cannot assure the party that, as a legal matter, the information provided to the staff during the course of the staff's investigation will not be subject to disclosure pursuant to subpoena, other legal process, or the routine uses set forth in the Commission's Forms 1661 and 1662.

SEC Enf. Manual (2010) § 4.3 (emphasis in original).

Although the SEC Enforcement Manual acknowledges the importance of privilege, and claims that a corporation will not be penalized for asserting legitimate privileges, it is difficult to reconcile these statements with the express expectation that investigators will be seeking privilege waivers. The current Enforcement Manual shows government recidivism in the Culture of Waiver that ensures that the debate about the propriety of government-coerced waivers will continue.

5. Selective Waiver

If a party discloses privileged information to a government agency, it creates a substantial risk that other parties, including third party litigants, will be able to discover that information in subsequent proceedings. Although some courts have recognized limited circumstances in which a party may selectively disclose privileged information to the government without waiving privilege as to others, most courts have rejected the selective waiver doctrine.

The seminal case supporting selective waiver is Diversified Industries, Inc. v. Meredith, 572 F.2d 596 (8th Cir. 1977) (en banc). In Diversified, a corporation responded to allegations that it had paid bribes to obtain business by forming an independent audit committee and retaining outside counsel to prepare an internal report on the issue. The internal report was subsequently produced to the SEC. The Eighth Circuit held that this disclosure constituted only a "limited waiver" that did not preclude the corporation from withholding the report from private litigants on the grounds of attorney-client privilege. *Id.* at 611. The Eighth Circuit explained: "To hold otherwise may have the effect of thwarting the developing procedure of corporations to employ independent outside counsel to investigate and advise them in order to protect stockholders, potential stockholders and customers." *Id.*; *see also* United States v. Shyres, 898 F.2d 647, 657 (8th Cir. 1990) (applying the reasoning of Diversified); United States v. Buco, No. Crim. 90-10252-H, 1991

WL 82459 (D. Mass. May 13, 1991) (disclosure to Office of Thrift Supervision did not waive privilege for internal investigation of banking violations); Schnell v. Schnall, 550 F. Supp. 650, 652-53 (S.D.N.Y. 1982) (public policy of encouraging disclosure to SEC compels finding of selective waiver). Although a few courts have applied the selective waiver doctrine, the majority of courts have not followed Diversified.

a. The Rejection of the Selective Waiver Doctrine (Majority Rule)

Most courts have rejected or applied only a narrow construction of the selective waiver doctrine, and have held that selective disclosure of a document to the government constitutes complete waiver of the privilege as to all third parties. As the D.C. Circuit observed in one of the early selective waiver cases, the privilege was not designed to allow a client "to pick and choose among his opponents, waiving the privilege for some and resurrecting the claim of confidentiality to obstruct others." Permian Corp. v. United States, 665 F.2d 1214, 1219-20 (D.C. Cir. 1981).

Since the D.C. Circuit first rejected selective waiver, the First, Second, Third, Fourth and Sixth Circuits have rejected the selective waiver doctrine to varying degrees. In Westinghouse Elec. Corp. v. Republic of Philippines, 951 F.2d 1414, 1424-27 (3d Cir. 1991), a corporation was being investigated by the government. The court held that the corporation's voluntary disclosure of privileged documents during this investigation fully waived any attorney-client or work product privilege, even with respect to third parties in civil litigation. The court reasoned that the protection of the attorney-client privilege was not required to encourage corporations to make such disclosures to a government agency since the corporation would most likely share any exculpating documents with the government willingly, privileged or not, in order to obtain lenient treatment. *Id.*

Likewise, in United States v. Massachusetts Institute of Technology, 129 F.3d 681 (1st Cir. 1997), the First Circuit refused to adopt the selective waiver doctrine. The court held that MIT fully waived the privilege with respect to documents it disclosed to a government audit agency (the DCAA) pursuant to the terms of a contract that it had with the government. Neither the government's interest in obtaining privileged information nor MIT's interest in supporting its relationship with the government justified preserving the attorney-client privilege. The court noted: "But the general principle that disclosure normally negates the privilege is worth maintaining. To maintain it here makes the law more predictable and certainly eases its administration." *Id*. at 685. Acknowledging the difficulty created by government demands, the court stated: ". . . MIT chose to place itself in this position by becoming a government contractor." *Id*. at 686.

See:

> *In re Qwest Commc'ns Int'l, Inc., 450 F. 3d 1179 (10th Cir. 2006). Adopting majority view and rejecting selective waiver doctrine.*
>
> *Ratliff v. Davis Polk & Wardwell, 354 F.3d 165 (2d Cir. 2003). Even if documents sent to law firm were provided to obtain legal advice, the privilege was waived when the client authorized the law firm to turn the documents over to the SEC.*

In re Columbia/HCA Healthcare Corp. Billing Practices Litig., 293 F.3d 289, 294-310 (6th Cir. 2002). Noting inconsistent application of selective waiver and following Westinghouse in rejecting selective waiver in favor of a "bright line" rule that disclosure waives the privilege.

In re Steinhardt Partners, L.P., 9 F.3d 230, 236 (2d Cir. 1993). Court refused to acknowledge selective waiver in the case before it, but expressly declined to adopt a per se rule against elective waiver, leaving the door open where the parties enter into a confidentiality agreement.

In re Martin Marietta Corp., 856 F.2d 619, 623 (4th Cir. 1988). A client conducted an internal investigation into alleged fraudulent accounting procedures and disclosed the results to the government to avoid indictment. The court found that this disclosure resulted in waiver for other civil litigation. The resulting waiver extended to non-disclosed materials, and even to undisclosed details underlying the published data. However, the court noted that there was only a partial waiver for opinion work product.

In re Subpoenas Duces Tecum, 738 F.2d 1367, 1370 (D.C. Cir. 1984). Relying on Permian, the court found that a party waived the privilege by disclosing information to the SEC, despite the fact that the party's transmittal letter stated that the documents were confidential and their submission of them to the SEC was not a waiver of any privilege.

In re Sealed Case, 676 F.2d 793, 824 (D.C. Cir. 1982). Court found that company had waived privilege by voluntarily submitting report of investigative counsel to the SEC. This waiver included any documentation necessary to evaluate the report.

Mainstay High Yield Corp. Bond Fund v. Heartland Indus. Partners, L.P., 263 F.R.D. 478, 483 (E.D. Mich. 2009). Submission of a "white paper" to government prosecutors for the purpose of convincing the government not to indict resulted in at least a partial waiver of the attorney-client privilege with respect to the subject matter of the submission, where plaintiffs in a related class action stock fraud case sought the individual's testimony regarding the source of the information in the white paper and communications with his attorney regarding the white paper.

In re Sulfuric Acid Antitrust Litig., 235 F.R.D. 407, 427 (N.D. Ill. 2006). Defendants waived any claim of privilege by producing documents to Department of Justice pursuant to a subpoena.

*In re Lupron Marketing & Sales Practices Litig., No. MDL 1430, 01-CV-10861-RGS, 2004 WL 764454, at *2 (D. Mass. March 17, 2004). Holding that the voluntary disclosure of privileged documents to the Department of Justice waived the privilege.*

*In re Tyco Int'l, Inc. No. MDL 02-1335-B, 2004 WL 556715, at *2 (D.N.H. Mar. 19, 2004). Court followed In re Columbia/HCA Healthcare and declined to extend privilege to documents produced to the government despite the fact that the party had produced the documents with cover letters indicating that the production did not waive the party's attorney-client privilege. The court said that such a confidentiality agreement cannot be used against third-parties requesting the information.*

United States v. Bergonzi, 216 F.R.D. 487, 494 (N.D. Cal. 2003). Any attorney-client privilege was waived, despite confidentiality agreement, where company disclosed information to the government and gave governmental agencies discretion to disclose the information in certain circumstances. The company's willingness to allow certain disclosures defeated its stated desire to keep the communications confidential.

Information Res., Inc. v. Dun & Bradstreet Corp., 999 F. Supp. 591, 593 (S.D.N.Y. 1998). Voluntary disclosure of privileged information to government agency in order to "incite it to attack the informant's adversary" waived privilege.

Maryville Acad. v. Loeb Rhoades & Co., 559 F. Supp. 7, 9 (N.D. Ill. 1982). Rejected concept of selective waiver and found party's disclosure to the government constituted full waiver of the privilege.

But see:

McDonnell Douglas Corp. v. EEOC, 922 F. Supp. 235 (E.D. Mo. 1996). Disclosure of attorney-client privileged information to EEOC did not waive the privilege with respect to third parties. EEOC and producing party had agreed that production of privileged information to EEOC would not constitute waiver.

SEC v. Amster & Co., 126 F.R.D. 28, 30 (S.D.N.Y. 1989). Recognizing selective waiver if the party holding the privilege and the government have entered into a binding agreement protecting the privilege. See also Fox v. Cal. Sierra Fin. Servs., 120 F.R.D. 520, 526-27 (N.D. Cal. 1988).

Although the rule allowing selective waiver per se, as announced by the Eighth Circuit, is largely out of favor, there remains some debate over whether disclosure to the government waives privileges when the disclosing party has entered into a confidentiality agreement with the government. In Westinghouse, the Third Circuit held that disclosure to the government waived privileges, even when the disclosing party had entered into a confidentiality agreement with the government agency receiving the privileged materials. 951 F.2d at 1426. The Second Circuit took a softer position in Steinhardt Partners. The court stated:

> [W]e decline to adopt a per se rule that voluntary disclosures to the government waive work-product protection . . . Establishing a right rule would fail to anticipate situations in which the disclosing party and the government . . . have entered into an explicit agreement that the [government agency] will maintain the confidentiality of the disclosed materials.

9 F.3d at 236; s*ee also* Police & Fire Ret. Sys. of the City of Detroit v. SafeNet, Inc., No. 06 Civ. 5797, 2010 WL 935317, at *2 (S.D.N.Y. Mar. 12, 2010) (applying the selective waiver doctrine and holding that defendant SafeNet did not waive either the attorney-client privilege or the work product doctrine when, pursuant to a confidentiality agreement, it produced privileged material to the SEC and the United States Attorney's Office in the course of a government investigation); Maruzen Co., Ltd. v. HSBC USA, Inc., No. 00 Civ. 1079 (RO), 2002 WL 1628782 (S.D.N.Y. July 23, 2002) (following In re Steinhardt and finding no waiver of attorney-client privilege where parties entered into a confidentiality agreement before internal investigation materials were disclosed to U.S. Attorney's office); *see also* In re Natural Gas Commodity Litig., No. 03 Civ. 6186VMAJP, 2005 WL 1457666, at *8-9 (S.D.N.Y. June 21, 2005) (holding that In re Steinhardt Partners requires examination of more than existence of confidentiality agreements, court must also consider whether requesting party has substantial need for the document(s).).

In United States v. Massachusetts Institute of Technology, 129 F.3d 681 (1st Cir. 1997), the parties had not entered into a confidentiality agreement, but the court disposed of the selective waiver doctrine with such a broad stroke, it seems that the existence of a confidentiality agreement would have made little difference. The Sixth Circuit struck a decisive blow to the selective waiver doctrine with its holding in In re Columbia/HCA

Healthcare Corp. Billing Practices Litigation, 293 F.3d 289 (6th Cir. 2002). In that case, Columbia/HCA refused to disclose its internal audit materials to the Department of Justice, and ultimately did so only after entering into a confidentiality agreement with the government that stated: "[t]he disclosure of any report, document, or information by one party to the other does not constitute a waiver of any applicable privilege or claim under the work-product doctrine." *Id.* at 292 (emphasis added). Despite the agreement, the court rejected "the concept of selective waiver, in any of its various forms," and affirmed an order compelling the release of the audits to private litigants. *Id.* at 302.

b. Recent Decisions in Support of Selective Waiver

Several recent cases have revived some hope for application of the selective waiver doctrine protections. In In re McKesson HBOC, Inc. Securities Litigation, No. 99-CV-20743, 2005 WL 934331, at *10 (N.D. Cal. Mar. 31, 2005), the court determined that the selective disclosure of materials to the SEC waived the attorney-client privilege but did not waive the work product doctrine. The court noted that the weight of authority outside the Ninth Circuit rejected the selective waiver doctrine, but followed the Delaware case of Saito v. McKesson HBOC, Inc., No. 18553, 2002 WL 31657622, at *15 (Del. Ch. Ct. Nov. 13, 2002), discussed below. Similarly, in In re Natural Gas Commodity Litigation, No. 03 Civ. 6186VMAJP, 2005 WL 1457666, at *5-6 (S.D.N.Y. June 21, 2005), the court noted that the Second Circuit in In re Steinhardt Partners, above, did not completely reject the doctrine, leaving open the possibility that disclosure to the government might not constitute a waiver in all cases. The court held that, where the producing parties had entered into confidentiality agreements with the government and where the civil parties seeking discovery had been provided with the underlying factual material upon which the disclosed reports had been based, disclosure to the SEC did not waive work product protections. *See also* Pensacola Firefighters' Relief Pension Fund Bd. of Tr. v. Merrill Lynch Pierce, 265 F.R.D. 589, 597 (N.D. Fla. 2010) (although the court found that the defendant waived the attorney-client privilege when it disclosed documents to the SEC, the court held that production of all documents produced to the SEC without a more specific request could potentially allow the plaintiff to bypass limitations on the scope of discovery established by the Federal Rules of Civil Procedure); Bickler v. Senior Lifestyle Corp., 266 F.R.D. 379, 382, 384, (D. Ariz. 2010) (where assisted living home disclosed internal investigation materials to Arizona health services regulator, no waiver of attorney-client privilege under Arizona law, and no waiver of work product protection under federal common law); In re Micron TechSec. Litig., 264 F.R.D. 7, 10-11 (D.D.C. 2010) (applying the law enforcement privilege and refusing to compel the disclosure of documents to plaintiffs in a shareholder class action lawsuit that defendant had already provided to the DOJ for an antitrust investigation after determining that compelling disclosure could chill future informants); In re Cardinal Health Inc. Sec. Litig., No. 04 Civ. 575, 2007 WL 495150 (S.D.N.Y. Jan. 26, 2007) (no waiver of work product protection even in absence of confidentiality agreement). *But see* In re Initial Pub. Offering Sec. Litig., 249 F.R.D. 457 (S.D.N.Y. 2008) (rejecting selective waiver).

The Seventh Circuit has not yet definitely stated its position on selective waiver. *See* Dellwood Farms, Inc. v. Cargill, Inc., 128 F.3d 1122, 1126-27 (7th Cir. 1997) (noting that courts have generally rejected selective waiver doctrine, but finding that government had not deliberately waived its law enforcement privilege by playing tapes to corporate counsel to

persuade company to plead guilty merely because it made a mistake in failing to obtain a non-disclosure agreement with corporate counsel). At least one district court case in the Seventh Circuit has stepped through the door opened by Dellwood, holding that where the company "insisted on a confidentiality agreement" before disclosing privileged materials to the SEC, the selective waiver doctrine preserved the confidentiality of work product documents. Lawrence E. Jaffe Pension Plan v. Household Int'l, Inc., 244 F.R.D. 412, 433(N.D. Ill. 2006); *but see* In re Aqua Dots Prod. Liab. Litig., 270 F.R.D. 322 (N.D. Ill. 2010) (finding that a footnote in a cover letter requesting that the disclosed documents remain confidential is not sufficient to constitute a confidentiality agreement and thus holding that otherwise applicable work product protection was waived when defendant disclosed protected documents to a government agency).

Some state courts have adopted selective waiver. *See, e.g.*, Saito v. McKesson HBOC, Inc., No. 18553, 2002 WL 31657622, at *15 (Del. Ch. Nov. 13, 2002) (citing Delaware's general reluctance to find waiver of privileges, the court upheld a form of selective waiver, compelling production of documents disclosed to the government prior to execution of a confidentiality agreement, and protecting documents disclosed after the confidentiality order was in place). *See also* Regents of the Univ. of Cal. v. Super. Ct. of San Diego Cnty., 81 Cal. Rptr. 186, 194 (Cal. Ct. App. 2008) (applying California law, the court held that disclosure of privileged information to federal agencies investigating defendants for criminal wrongdoing was involuntary, due to the coercive nature of the Thompson/McNulty memoranda, and did not waive otherwise applicable privileges;"[t]he means of coercion the government used here were, as a practical matter, more powerful than a court order. . . . [T]he defendants here had no means of asserting the privileges without incurring the severe consequences threatened by the government agencies.").

c. The Current Trend – Rejecting Selective Waiver

However, the trend in other courts is to reject the selective waiver doctrine. *See* McKesson v. Green et al., 610 S.E.2d 54 (Ga. 2005); In re Tyco Int'l, No. MDL 02-1335-B, Civ. 02-352-B, 02-1357-B, 2004 WL 556715 (D.N.H. March 19, 2004); United States v. Bergonzi, 216 F.R.D. 487, 494-98 (N.D. Cal. 2003) (rejecting selective waiver doctrine despite confidentiality agreement with the government); Bank of America, N.A. v. Deloitte & Touche LLP, No. 06-2218-BLS1, 2008 WL 2423265 (Mass. Super. Ct. June 13, 2008) (rejecting selective waiver in the absence of a joint prosecution or common interest agreement). In In re Qwest Communications International, Inc., 450 F.3d 1179, 1192 (10th Cir. 2006), the court did a thorough analysis of the split of authority among the circuits and concluded that "the record in this case is not sufficient to justify the adoption of a selective waiver doctrine as an exception to the general rules of waiver upon disclosure of protected material." *See also* Coorstek, Inc. v. Reiber, No. 08-CV-01133-KMT-CBS, 2010 WL 1332845, at *10 (D. Colo. Apr. 5, 2010) (emphasizing that the Tenth Circuit has concluded that there is almost unanimous rejection of the selective waiver doctrine among the circuit courts).

Recent rule making and legislative actions regarding FRE 502 reinforce the trend disfavoring the selective waiver doctrine. Noting strong opposition to a draft rule providing for selective waiver, the Judicial Conference's Advisory Committee on Evidence Rules

decided not to propose a selective waiver provision in FRE 502. The Hon. Lee H. Rosenthal, Chair, Committee on Rules of Practice and Procedure, Judicial Conference to Senators Leahy and Specter, at 6-7 (Sep. 26, 2007) ("Transmittal Letter"). Following the Advisory Committee's lead, a Statement of Congressional Intent regarding FRE 502(d) submitted by House Judiciary Committee provides: "[T]his subdivision does not provide a basis for a court to enable parties to agree to selective waiver of the privilege, such as to a federal agency conducting an investigation, while preserving the privilege as against other parties seeking the information." 154 Cong. Rec. H7817, H7818-19 (Sep. 8, 2008) (statement of Rep. Jackson-Lee).

d. Statutory Exception

Although the doctrine of selective waiver has been largely rejected, by statute disclosure to banking regulators related to the supervision and regulation of banks does not waive a privilege over the information disclosed. A provision of Federal Deposit Insurance Act adopted in 2006 adopts selective waiver and extends it to any disclosure; by any person; and to any federal, state, or foreign banking authorities:

> (x) PRIVILEGES NOT AFFECTED BY DISCLOSURE TO BANKING AGENCY OR SUPERVISOR—
>
> (1) IN GENERAL—The submission by any person of any information to any Federal banking agency, State bank supervisor, or foreign banking authority for any purpose in the course of any supervisory or regulatory process of such agency, supervisor, or authority shall not be construed as waiving, destroying, or otherwise affecting any privilege such person may claim with respect to such information under Federal or State law as to any person or entity other than such agency, supervisor, or authority.

12 U.S.C. § 1828(x); *see also* 12 U.S.C. § 1785 (credit unions).

6. FRE 502 – Limitation on Scope of Waiver

Although disclosure of privileged materials to the government may waive the attorney-client privilege and work product protections, FRE 502 may limit the scope of such waiver.

FRE 502(a) provides:

> (a) Disclosure made in a federal proceeding or to a federal office or agency; scope of a waiver. –
>
> When the disclosure is made in a federal proceeding or to a federal office or agency and waives the attorney-client privilege or work-product protection, the waiver extends to an undisclosed communication or information in a federal or state proceeding only if:

(1) the waiver is intentional;

(2) the disclosed and undisclosed communications or information concern the same subject matter; and

(3) they ought in fairness to be considered together.

FED. R. EVID. 502(a).

The Advisory Committee's Explanatory Note explains that subject matter waiver should be the exception, not the rule:

> The rule provides that a voluntary disclosure in a federal proceeding or to a federal office or agency, if a waiver, generally results in a waiver only of the communication or information disclosed; a subject matter waiver (of either privilege or work product) is reserved for those unusual situations in which fairness requires a further disclosure of related, protected information, in order to prevent a selective and misleading presentation of evidence to the disadvantage of the adversary.

FED. R. EVID. 502(a) advisory committee's note. The Explanatory Note further clarifies, "subject matter waiver is limited to situations in which a party intentionally puts protected information into the litigation in a selective, misleading and unfair manner." *Id.* The Note cites In re United Mine Workers of America Employee Benefit Plans Litigation, 159 F.R.D. 307, 312 (D.D.C. 1994), as an example of the proper scope of waiver. United Mine Workers limited the waiver of work product to documents actually disclosed. *Id.* The court held that waiver was only proper where there is a deliberate disclosure intended to gain tactical advantage. *Id.* There, the court found that the documents were not disclosed in an effort to achieve an advantage because all of the documents were unhelpful to the disclosing party. *Id.* The court explained further disclosure was likely to grant the opposing party a "strategic windfall" that could "undermine the adversary system." *Id. See also* Williams & Connolly LLP v. SEC, No. 09-651, 2010 WL 3025030, at *5 (D.D.C. Aug. 4, 2010) (finding that the production of handwritten notes by the government pursuant to Federal Rule of Criminal Procedure 16 did not create a waiver for all handwritten notes, and emphasizing that the existence of additional undisclosed handwritten notes did not mean that they even involved the same subject matter); *but see* SEC v. Microtune, Inc., 258 F.R.D. 310, 317 (N.D. Tex. 2009) (holding that disclosure of some internal investigation materials to SEC resulted in subject matter waiver because Microtune had affirmatively used the disclosure to obtain a lenient deal from the government); Mainstay High Yield Corp. v. Heartland Indus. Partners, L.P., 263 F.R.D. 478, 482-83 (E.D. Mich. 2009) (finding submission of "white paper" to federal prosecutors for purpose of obtaining leniency would waive entire subject matter of document, but allowing party opportunity to prove white paper was submitted by attorney without party's authorization).

Practitioners looking for guidance on when undisclosed privileged information "ought in fairness" be disclosed can look to decisions interpreting Rule 106, which the Explanatory Note identifies as the source of this language. "Under both rules [FRE 502(a)

and 106], a party that makes a selective, misleading presentation that is unfair to the adversary opens itself to a more complete and accurate presentation." FED. R. EVID. 502(a) advisory committee's note.

The FRE 502 order entered by the court in SEC v. Bank of America Corp., No. 09 Civ. 06829 (JSR), 2009 WL 3297493 (S.D.N.Y. Oct. 14, 2009), is an example of parties and the court using FRE 502 proactively to limit waiver to the privileged materials actually disclosed to the government. In Bank of America, Bank of America ("BoA") had decided to waive privilege and to disclose several specific categories of documents to the government. In the proposed order, BoA defined the "subject matter" of the documents with respect to a specific date range and specific substantive areas, and stated that it intended to disclose "all documents" to the government that fall within the defined subject matter. The court entered BoA's proposed order, effectively adopting BofA's definition of subject matter, and ordered that BofA's "waiver" would not result in broader waiver in the instant proceeding or in any other federal or state proceeding, including 58 pending state and federal actions that had been filed against BofA. One commentator has criticized the court's order as erroneously addressing "waiver" rather than "disclosure," and for exceeding the letter and intent of FRE 502(d). "Bank of America Privilege Waiver Order – Not Authorized by Federal Rule of Evidence 502," *available at* http://www.josephnyc.com/blog/?blogID=1129 (last visited Jan. 25, 2011).

7. FRE 502 Protections In Other Proceedings: Practical Limitations

FRE 502(d) provides that a federal court order finding no waiver "by disclosure connected with the litigation before the court" will be binding on "any other federal or state proceeding." FRE 502(e) provides that an agreement "on the effect of disclosure in a federal proceeding is binding only on the parties to the agreement, unless it is incorporated into a court order."

These provisions raise two practical questions where a corporation wishes to disclose information to a federal office or agency, but no "proceeding" yet exists. First, in subsequent litigation, how will the producing party obtain one ruling regarding waiver that will be binding on all other state and federal proceedings? For example, if a corporation has disclosed privileged information to the SEC, which subsequently brings an action against the corporation, will a court order limiting the scope of discovery to only the documents actually disclosed to the SEC bind other courts? Third party litigants in separate actions may argue that the disclosure to the SEC was not "in connection with" the subsequent litigation brought by the SEC, therefore a court in separate litigation has the authority independently to determine the scope of waiver. Although the "in connection with" language may be broad enough to encompass subsequent litigation relating to the SEC investigation, courts may differ in their interpretation of the rule.

A second practical problem arises with respect to non-waiver/"claw back" or similar agreements that a producing party may enter into with the government with respect to inadvertent disclosure. Rule 502(e) provides that agreements among parties are not binding on others, such as subsequent third party opponents, unless the agreements are incorporated into a court order. As one commentator has suggested with respect to confidentiality

agreements, the solution to both of these practical problems may be for a producing party: (1) to insist that the government issue a subpoena, and then (2) to file an action for a protective order. *See* Gregory P. Joseph, *The Impact of Rule 502(d) on Protective Orders*, http://www.josephnyc.com/articles/viewarticle.php?/59 (last visited Jan. 25, 2011). Within the context of that "proceeding" the court can incorporate the terms of the parties' confidentiality agreement in a protective order. That court would also be able to issue rulings on the scope of waiver that would be binding in other federal and state proceedings with respect to disclosures made pursuant to the subpoena. However, the disadvantage of this approach may be to force the government to formalize an otherwise informal request, and potentially to make public what otherwise would not have been a publicly disclosed investigation. *Id*.

I. EXCEPTIONS TO THE ATTORNEY-CLIENT PRIVILEGE

1. The Crime-Fraud Exception

The attorney-client privilege does not apply when a client consults a lawyer for the purpose of furthering an illegal or fraudulent act. Clark v. United States, 289 U.S. 1 (1933); In re Antitrust Grand Jury, 805 F.2d 155, 162 (6th Cir. 1986); In re Grand Jury Subpoenas Duces Tecum, 773 F.2d 204, 206 (8th Cir. 1985); United States v. Horvath, 731 F.2d 557, 562 (8th Cir. 1984). The so-called "crime-fraud exception" removes the protection of the attorney-client privilege for communications concerning contemplated or continuing crimes or frauds. This exception encompasses criminal and fraudulent conduct based on action as well as inaction. *See:*

> *Nix v. Whiteside, 475 U.S. 157, 174 (1986). "A defendant who informed his counsel that he was arranging to bribe or threaten witnesses or members of the jury would have no 'right' to insist on counsel's assistance or silence. Counsel would not be limited to advising against that conduct. An attorney's duty of confidentiality, which totally covers the client's admission of guilt, does not extend to a client's announced plans to engage in future criminal conduct."*
>
> *In re United States, 321 F. App'x 953, 956-57 (Fed. Cir. 2009). Court found crime-fraud exception applicable to violation of court order where government engaged in prohibited ex parte communications.*
>
> *In re Grand Jury Subpoena, 419 F.3d 329, 335-36 (5th Cir. 2005). Circuit court upheld district court ruling that privilege had been waived with regard to defendant's comments to attorney regarding obstruction of justice. The lower court properly conducted an in camera examination of the defendant's counsel and based on that evidence and affidavits, the government had indeed made a prima facie showing of criminal activity.*
>
> *United States v. Alexander, 287 F.3d 811, 816-17 (9th Cir. 2002). Client's threats against attorney and others were not subject to privilege.*
>
> *Craig v. A.H. Robins Co., 790 F.2d 1, 3-4 (1st Cir. 1986). General counsel's advice to destroy documents after loss of court case was not privileged in later suit.*
>
> *In re Antitrust Grand Jury, 805 F.2d 155, 165-66 (6th Cir. 1986). Communications made with intent to further violations of the Sherman Act held not privileged based on the crime fraud exception.*
>
> *In re Grand Jury Subpoena Duces Tecum, 731 F.2d 1032, 1038-39 (2d Cir. 1984). Fraudulent conveyance was a sufficient basis for application of the crime fraud exception.*

*United States v. Boender, No. 09 CR 186-1, 2010 WL 849360, at *6 (N.D. Ill. March 8, 2010). Client's communications with attorney regarding an invoice were not privileged because the client knew the invoice was fabricated and had used his real estate attorney as a conduit to place the invoice among documents that might be turned over to the government.*

*Catton v. Defense Tech. Sys., Inc., No. 05 Civ. 6954 (SAS), 2007 WL 3406928, at *2 (S.D.N.Y. Nov. 15, 2007). Crime-fraud exception applied to communications between a company and its attorney for the purpose of obtaining opinion letters in connection with transfers of company securities where plaintiffs alleged that defendants knowingly made false representations to an attorney to induce him to issue opinion letters that stated certain securities could be transferred without indicating that they were "restricted."*

*Specialty Minerals, Inc. v. Pleuss-Stauffer AG, No. 98 Civ. 7775(VM)(MHD), 2004 WL 42280, at *9 (S.D.N.Y. Jan. 7, 2004). Intentional failure to disclose prior art to the Patent Office can constitute fraud on the Patent Office and would therefore waive the privilege for attorney-client communications involving the patent application proceedings.*

Irving Trust Co. v. Gomez, 100 F.R.D. 273, 276 (S.D.N.Y. 1983). Intentional or reckless tort of refusing to release funds without a basis for belief that the customer was not entitled to his money was sufficient basis for application of the crime fraud exception.

In re St. Johnsbury Trucking Co., 184 B.R. 446, 455-56 (Bankr. D. Vt. 1995). Fraud on the court is sufficient basis for application of the crime fraud exception.

Hutchinson v. Farm Family Cos. Ins. Co., 867 A.2d 1, 6-7 (Conn. 2005). Crime fraud exception extends to claims involving bad faith. There is no justification for a privilege where communications are made, for the purpose of evading legal or contractual obligations.

People v. Dang, 113 Cal. Rptr. 2d 763 (Cal. Ct. App. 2001). Client's statement to attorney that he would kill witness if not successful in bribing the same was not protected by the privilege.

But see:

In re Public Defender Serv., 831 A.2d 890 (D.C. 2003). Crime-fraud exception does not apply where the communication did not further on-going or future crimes. The court ruled that a lawyer could not be compelled to disclose his client's communications to him in which the client may have asked the attorney to use a false affidavit at trial. The court observed that it is an attorney's duty to try to convince a client not to commit a crime or fraud that they may be contemplating. When the attorney is successful, the communication has not furthered a crime or a fraud and, as a consequence, is not discoverable.

Newman v. State, 863 A.2d 321, 335-36 (Md. 2004). Where defendant told attorney of plans to commit murder, the communication was privileged and not within the scope of the crime-fraud waiver. The defendant did not seek advice or assistance in furtherance of a crime nor was such a statement unusual in contested custody proceedings. Simply confessing a desire to commit a crime in the future is not sufficient to waive the privilege.

The crime-fraud exception does not apply to communications concerning crimes or frauds that occurred in the past. United States v. Zolin, 491 U.S. 554 (1989). Such communications remain protected. In cases where the communications at issue were made for the purpose of covering up past misconduct or obstructing justice, however, the privilege may be waived because these activities constitute a continuing offense. *See*:

In re Fed. Grand Jury Proceedings, 89-10, 938 F.2d 1578 (11th Cir. 1991). Court held that the crime fraud exception applies only to current or future illegal acts. Thus, the privilege protected a memorandum sent after the fraud was completed but that memorialized communications that occurred during the fraud. Court concluded that post-crime repetition or discussion of earlier communications can be privileged even though the original conversation would not have been privileged because of the crime fraud exception.

Craig v. A.H. Robins Co., Inc., 790 F.2d 1, 3 (1st Cir. 1986). Deliberate destruction of documents in an effort to cover up wrongdoing barred the invocation of the privilege as to all communications.

Pritchard-Keang Nam Corp. v. Jaworski, 751 F.2d 277, 281 (8th Cir. 1984). In Missouri, the crime-fraud exception does not apply unless the crime or fraud was contemplated by the client when counsel was employed.

Duttle v. Bandler & Kass, 127 F.R.D. 46 (S.D.N.Y. 1989). Court required disclosure of documents that showed attempt to pay off an adversary in civil litigation in order to get allegations of criminal fraud withdrawn.

The crime-fraud exception protects against abuse of the attorney-client relationship. In re Napster, Inc. Copyright Litig., 479 F.3d 1078 (9th Cir. 2007), *abrogated on other grounds by* Mohawk Indus., Inc. v. Carpenter, 130 S.Ct. 599 (2009). Thus, when an attorney dissuades or prevents his client from engaging in illegal conduct, the attorney-client relationship has not been abused; rather, the relationship has served the administration of justice by promoting legal conduct. *See e.g.* In re Grand Jury Investigation, 772 N.E.2d 9, 21-22 (Mass. 2002). Whatever the client's initial intentions, the attorney-client communication in such a case does not further the commission of a crime or fraud; instead it furthers obedience to the law. To withhold the privilege from such communications "would penalize a client for doing what the privilege is designed to encourage – consulting a lawyer for the purpose of achieving law compliance." REST. 3D § 82 cmt. c; *accord* In re Sealed Case, 107 F.3d 46, 49 (D.C. Cir. 1997).

After a party has invoked the attorney-client privilege, the person seeking to abrogate the privilege under the crime-fraud exception has the burden to present a *prima facie* case that the advice was obtained in furtherance of an illegal or fraudulent act. *See* In re Grand Jury Subpoena, 223 F.3d 213, 217 (3d Cir. 2000) (holding that party seeking waiver must "make *a prima facie* showing that (1) the client was committing or intending to commit a fraud or crime, and (2) the attorney-client communications were in furtherance of that alleged crime or fraud") (citation omitted); *see also* In re Grand Jury Proceedings, 401 F.3d 247, 251 (4th Cir. 2005); In re Spalding Sports Worldwide, Inc., 203 F.3d 800, 807 (Fed. Cir. 2000); In re Grand Jury Subpoenas, 144 F.3d 653, 659-60 (10th Cir. 1998); United States v. Jacobs, 117 F.3d 82, 88 (2d Cir. 1997); In re Grand Jury, 845 F.2d 896, 897-98 (11th Cir. 1988); In re Sealed Case, 754 F.2d 395, 399 (D.C. Cir. 1985); In re Grand Jury Subpoena Duces Tecum, 731 F.2d 1032, 1038-39 (2d Cir. 1984); United States v. Horvath, 731 F.2d 557, 562 (8th Cir. 1984); In re Grand Jury Proceedings, 689 F.2d 1351, 1352 (11th Cir. 1982); Vardon Golf Co., Inc. v. Karsten Mfg. Corp., 213 F.R.D. 528, 534 (N.D. Ill. 2003); In re Campbell, 248 B.R. 435, 439 (Bankr. M.D. Fla. 2000); X Corp. v. Doe, 805 F. Supp. 1298, 1306-07 (E.D. Va. 1992); Coleman v. ABC, 106 F.R.D. 201, 207 (D.D.C. 1985). It is not necessary to show that the crime or fraud was actually completed – only that the crime or fraud was the objective of the communication. In re Grand Jury Subpoena Duces Tecum, 731 F.2d at 1039. A party may not merely allege that a fraud

occurred and that disclosure would help her prove the fraud, but must identify a specific communication made in furtherance of the fraud. *See* In re BankAmerica Corp. Sec. Litig., 270 F.3d 639, 641-42 (8th Cir. 2001); *see also* Babych v. Psychiatric Solutions, Inc., No. 09 C 8000, 2010 WL 5128355, at *6 n.5 (N.D. Ill. Dec. 15, 2010) (holding that the crime fraud exception does not apply when the party seeking waiver failed to allege how the communications might have been in furtherance of fraud).

Courts have reached different conclusions about the burden of proof required to make a *prima facie* case. *See* In re Feldberg, 862 F.2d 622, 625-26 (7th Cir. 1988) (noting differences). The U.S. Supreme Court left open the question of what showing of proof must be made to trigger the crime-fraud exception. United States v. Zolin, 491 U.S. 554, 563-64 n.7 (1989).

- The District of Columbia Circuit requires "evidence that if believed by [the] trier of fact would establish the elements of an ongoing or imminent crime or fraud." In re Sealed Case, 754 F.2d 395, 399 (D.C. Cir. 1985).

- The Third Circuit's formulation is similar: "the party seeking discovery must present evidence which, if believed by the fact-finder, would be sufficient to support a finding that the elements of the crime-fraud exception were met." Haines v. Liggett Grp., Inc., 975 F.2d 81, 95-96 (3d Cir. 1992); *see also* In re Grand Jury Investigation, 445 F.3d 266, 278-79 (3d Cir. 2006) (crime-fraud exception applied to communications about client's legal obligations to comply with grand jury subpoena duces tecum where the government made a *prima facie* showing that client failed to satisfy her obligation to preserve electronic documents).

- The Second and Sixth Circuits have held that the party seeking to abrogate the privilege must demonstrate probable cause to believe that a crime or fraud was committed. *See* In re Richard Roe, Inc., 68 F.3d 38, 40 (2d Cir. 1995) (reversing district court for applying "relevant evidence" standard rather than more stringent "probable cause" standard); In re Richard Roe, Inc., 168 F.3d 69, 71 (2d Cir. 1999) (again reversing the district court for failure to find probable cause); In re Antitrust Grand Jury, 805 F.2d 155, 165-66 (6th Cir. 1986);; In re Grand Jury Subpoena Duces Tecum, 731 F.2d 1032, 1039 (2d Cir. 1984) (standard requires probable cause to believe that a crime or fraud has been committed and that the communications were in furtherance thereof, or in other words that a prudent person has a reasonable basis to suspect the actual or attempted perpetration of a crime or fraud and that the communications were in furtherance thereof); *see also* In re Omnicom Grp., Inc. Sec. Litig., 233 F.R.D. 400, 408, 410 (S.D.N.Y. 2006) (stating that a heightened probable cause standard should be applied given the complex technical accounting issues and the importance of preserving the attorney-client privilege); SEC v. Herman, No. 00 Civ. 5575 (PHK)(MHD), 2004 WL 964104, at *3 (S.D.N.Y. May 5, 2004) (applying probable cause test); In re Pub. Defender Serv., 831 A.2d 890, 904 (D.D.C. 2003) (adopting probable cause as the test to establish crime-fraud exception).

- The Fifth Circuit requires evidence that, if unrebutted, would result in a finding of fraud. *See* In re Grand Jury Subpoena, 419 F.3d 329, 336 (5th Cir. 2005); In re Int'l Sys. & Controls Corp. Sec. Litig., 693 F.2d 1235, 1242 (5th Cir. 1982); In re Campbell, 248 B.R. 435, 440 (Bankr. M.D. Fla. 2000).

- The Seventh Circuit requires evidence sufficient to require an explanation by the party asserting the privilege. In re Feldberg, 862 F.2d 622, 625-26 (7th Cir. 1988).

- The Eighth Circuit has said that it requires a threshold showing "that the legal advice was obtained in furtherance of the fraudulent activity and was closely related to it." In re BankAmerica Corp. Sec. Litig., 270 F.3d 639, 642 (8th Cir. 2001) (internal citation omitted). A party may not merely allege that a fraud occurred and that disclosure would help her prove the fraud; there must be "a specific showing that a particular document or communication was made in furtherance of the client's alleged crime or fraud." *Id.*

- The Ninth Circuit standard in criminal cases is "reasonable cause to believe that the attorney's services were utilized in furtherance of the ongoing unlawful scheme." *See* United States v. Martin, 278 F.3d 988, 1001 (9th Cir. 2002). However, in civil cases the Ninth Circuit employs a preponderance of the evidence standard. In re Napster, Inc. Copyright Litig., 479 F.3d 1078, 1094-95 (9th Cir. 2007), *abrogated on other grounds by* Mohawk Indus., Inc. v. Carpenter, 130 S. Ct. 599 (2009). The Napster court also said that the party seeking to preserve the privilege has the right to introduce countervailing evidence. 479 F.3d at 1093.

- The Tenth Circuit has said that a *prima facie* case is established by "substantial and competent evidence" that the defendant used its attorney's legal services in furtherance of a crime. In re Grand Jury Subpoenas, 144 F.3d 653, 660-61 (10th Cir. 1998).

Some courts hold that a finding of fraud requires "higher threshold showings of both intent and materiality than does a finding of inequitable conduct." In re Spalding Sports Worldwide, Inc., 203 F.3d 800, 807 (Fed. Cir. 2000); *see also* Vardon Golf Co., Inc. v. Karsten Mfg. Corp., 213 F.R.D. 528, 535 (N.D. Ill. 2003) (in order to establish a *prima facie* case that would destroy the protection of attorney-client privilege, the party making the claim is required to establish the elements of common law fraud). Dean Wigmore, however, considered the distinction between fraud and other intentional torts an overly "crude boundary." 8 JOHN H. WIGMORE, EVIDENCE § 2298, at 577 (McNaughton rev. ed. 1961). Following this more expansive approach, many courts have defined the exception to encompass communications in furtherance of a "tort," Horizon of Hope Ministry v. Clark Cnty., Ohio, 115 F.R.D. 1, 5 (S.D. Ohio 1986); a "crime or tort," People v. Belge, 59 A.D.2d 307, 309 (N.Y. App. Div. 1977); a "crime, fraud, or other type of misconduct fundamentally inconsistent with the basic premises of the adversary system," Coleman v. ABC, 106 F.R.D. 201, 208 (D.D.C. 1985) (quoting In re Sealed Case, 676 F.2d 793, 812 (D.C. Cir. 1982)); or "intentional torts moored in fraud." Sackman v. Liggett Grp., Inc., 173 F.R.D. 358, 364

(E.D.N.Y. 1997) (quoting Cooksey v. Hilton Int'l Co., 863 F. Supp. 150, 151 (S.D.N.Y. 1994)). *See also* In re Richard Roe, Inc., 168 F.3d 69, 71 (2d Cir. 1999) (a knowing pursuit of baseless litigation is sufficient to show the fraud element of the crime-fraud exception test when the suit had "little or no legal or factual basis"); Madanes v. Madanes, 199 F.R.D. 135, 149 (S.D.N.Y. 2001) (privilege does not protect communications in furtherance of an intentional tort); Rattner v. Netburn, No. 88 Civ. 2080, 1989 WL 223059, at *47 (S.D.N.Y. June 20, 1989) (same); In re Heuwetter, 584 F. Supp. 119, 127 (S.D.N.Y. 1984) (torts); Irving Trust Co. v. Gomez, 100 F.R.D. 273, 276 (S.D.N.Y. 1983) ("intentional or reckless tortious behavior"); Diamond v. Stratton, 95 F.R.D. 503, 505 (S.D.N.Y. 1982) (intentional tort).

In establishing a *prima facie* case, courts generally will examine evidence of the client's knowledge and intent to further the illegal act at the time the communication was made. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 82 cmt. c (2000). The client's intent is determinative; the ignorance or knowledge of the attorney does not matter. United States v. Weingold, 69 F. App'x 575, 578 (3d Cir. 2003) (the privilege may be disregarded even if the lawyer is altogether innocent); In re BankAmerica Corp. Sec. Litig., 270 F.3d 639, 643 (8th Cir. 2001) (granting mandamus where district court failed to find connection between advice and intentional securities disclosure violation); In re Grand Jury Proceedings, 87 F.3d 377, 381-82 (9th Cir. 1996) (privilege is waived where communications were in furtherance of criminal activity, despite the fact that attorney was unaware of the criminal activity and may actually have hindered the attempted criminal activity); In re Grand Jury Investigation, 842 F.2d 1223 (11th Cir. 1987) (exception applies regardless of whether the attorney is aware of the client's improper purpose); *see also* In re Grand Jury, 475 F.3d 1299 (D.C. Cir. 2007) (fraudulent document provided by executive to innocent corporate counsel during government investigation was not privileged under crime fraud exception, where joint defense agreement existed between executive and corporation); United States v. Al-Shahin, 474 F.3d 941 (7th Cir. 2007) (applying crime-fraud exception where FBI agent posed as an attorney to attract clients seeking to defraud their accident insurers and assisted clients with submission of fraudulent claims and negotiations with insurers); United States v. Laurins, 857 F.2d 529 (9th Cir. 1988) (privilege waived for communications in which a client falsely told his attorney that documents were not in the country and the attorney repeated this claim to the IRS); In re Sealed Case, 754 F.2d 395, 402 (D.C. Cir. 1985); United States v. Horvath, 731 F.2d 557, 562 (8th Cir. 1984); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 95 (6th ed. 2006); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 82 cmt. c (2000). But in cases where the attorney is involved in the crime or fraud and the client is ignorant, the client can assert the attorney-client privilege. In re Impounded Case (Law Firm), 879 F.2d 1211, 1214 (3d Cir. 1989); *see also*:

> *Loustalet v. Refco, Inc., 154 F.R.D. 243, 246 (C.D. Cal. 1993). Third party witness retained attorney to assist in the preparation of a letter to the SEC which contained false statements. Court found that communications surrounding this letter were privileged since the client was consulting lawyer about the legality of his conduct and because it was the client, not the attorney, who had drafted the deceptive letter.*

To establish the *prima facie* case, a link must also be drawn between the privileged communication and the crime or fraud. Generally, there must be at least some temporal proximity between the communication and the crime. In re Grand Jury Investigation, 445 F.3d 266, 279-80 (3d Cir. 2006) (communication with counsel concerning what documents were responsive to grand jury subpoena and subsequent acquiescence in the deletion or destruction of those documents constituted a misuse of counsel's advice and supported application of crime-fraud exception); In re Sealed Case, 107 F.3d 46, 50 (D.C. Cir. 1997) (temporal proximity between counsel's advice and vice-president's violation of law not enough); Pritchard-Keang Nam Corp. v. Jaworski, 751 F.2d 277, 282 (8th Cir. 1984) (communications occurring before allegedly fraudulent activity was even contemplated could not have been made in furtherance of the sale); In re Grand Jury Proceedings in Matter of Fine, 641 F.2d 199, 204 (5th Cir. 1981) (fact that suspicious transaction took place within 6 months of corporation's formation insufficient to establish that corporation was formed to further a criminal enterprise); Parkway Gallery Furniture, Inc. v. Kittinger/Pennsylvania House Group, Inc., 116 F.R.D. 46, 53 (M.D.N.C. 1987) (passage of 3 or 4 years between consultation with counsel and illegality showed that "[p]laintiffs fail to show a nexus in time. The timing of the alleged fraud is critical. The moving party must show the client was engaged in or planning misconduct at the time he seeks the advice of counsel.").

Moreover, the communication must not merely relate to the crime or fraud, it must be in furtherance of it. *See* In re BankAmerica Corp. Sec. Litig., 270 F.3d at 643-44 (granting mandamus where district court did not link specific communications at issue to alleged fraud); United States v. White, 887 F.2d 267, 271 (D.C. Cir. 1989) (communication must be in furtherance of the crime or fraud not just related to the crime or fraud); In re Antitrust Grand Jury, 805 F.2d 155, 168 (6th Cir. 1986) ("[M]erely because some communications may be related to a crime is not enough to subject that communication to disclosure; the communication must have been made with an intent to further the crime"); Pritchard-Keang Nam Corp. v. Jaworski, 751 F.2d 277, 281-82 (8th Cir. 1984) (report of the results of an investigation into questionable payments was not itself in furtherance of crime or fraud, and therefore was not subject to disclosure under the crime-fraud exception); In re Sealed Case, 676 F.2d 793, 815 n.91 (D.C. Cir. 1982) (discussing the different standards required by the Circuit to establish the closeness of this link); Cox v. Administrator U.S. Steel & Carnegie, 17 F.3d 1386, 1416 (11th Cir. 1994), *modified on reh'g*, 30 F.3d 1347 (11th Cir. 1994);

In addition, the court may not rely solely on the privileged document itself to prove the crime-fraud exception. Instead, in United States v. Zolin, 491 U.S. 554 (1989), the United States Supreme Court held that a party must make a preliminary showing before the court can conduct an *in camera* review. Because *in camera* review is a smaller intrusion on the attorney-client privilege than outright disclosure, a lesser evidentiary showing is needed to trigger it. Id. at 572. To make this showing, the movant must establish preliminary justification for a reasonable, good-faith belief that the communication is subject to the crime-fraud exception. Id. at 571-72. If this showing is made, the trial judge has the discretion to conduct an *in camera* examination of the entire communication. The judge is never required to conduct an *in camera* inspection. Id.

The reasoning in Zolin is similar to the Supreme Court's treatment of the coconspirator exception to the hearsay rule in Bourjaily v. United States, 483 U.S. 171 (1987). In Bourjaily, the Court held that, in making a preliminary factual determination under Federal Rule of Evidence 801(d)(2)(E) about the existence of a conspiracy and the non-offering party's involvement in the conspiracy, a court may examine the hearsay statement sought to be admitted. 483 U.S. at 181. In Zolin, likewise, a court may review the allegedly privileged communications *in camera* to determine whether the crime fraud exception applies. 491 U.S. at 572. Both Zolin and Bourjaily thus rejected the alternative rule that a court, in determining the preliminary facts relevant to the admission of the evidence, must only look to independent evidence other than the statements sought to be admitted. As distinct from the situation in Bourjaily, the Zolin court, however, required that a party seeking the *in camera* review must make a threshold showing that such review may reveal evidence to establish the claim that a crime-fraud exception applies. Id. at 571-72. In order to meet this preliminary showing requirement, a party opposing the privilege may use any non-privileged evidence in support of its request for *in camera* review, even if its evidence is not "independent" of the contested communications. Id. at 573-74 (allowing the use of partial transcripts reflecting the content of the contested communications to determine whether *in camera* review of the contested communications is appropriate). The party opposing the assertion of the attorney-client privilege must overcome this initial threshold showing, apparently without direct reliance on the contested evidence (although the party might show the contents of such communications by using other means or other medium of expression, like transcripts) before the contested evidence is directly examined *in camera* by the court. *See also*:

> *Mt. Hawley Ins. Co. v. Felman Prod., Inc., 271 F.R.D. 125, 138 (S.D. W. Va. 2010). When the insured waived protection for a privileged email, the court considered the email as part of the non-privileged evidence submitted to support a reasonable belief that in camera review would yield evidence establishing the crime-fraud exception's application.*
>
> *U.S. ex rel. Mayman v. Martin Marietta Corp., 886 F. Supp. 1243 (D. Md. 1995). A court cannot examine an otherwise privileged document in camera absent an adequate threshold prima facie showing. Court refuses to review privileged document that had been stolen from defendant by qui tam plaintiff who was former employee of defendant.*
>
> *In re A.H. Robins Co., Inc., 107 F.R.D. 2, 9 (D. Kan. 1985). Under Kansas statute, establishing prima facie case of crime or fraud requires some extrinsic evidence other than the communication itself.*

The crime-fraud exception can thus be proven during *in camera* inspection only after the moving party sets forth a factual basis sufficient for a reasonable person to conclude that such a review would establish the non-privileged nature of the documents. Zolin, 491 U.S. at 573-74; *see also* In re Grand Jury Subpoena, 419 F.3d 329, 335-36 (5th Cir. 2005) (finding that district court properly conducted *in camera* examination where there was a good faith belief that defendant had discussed criminal conduct with counsel). In Haines v. Liggett Group, Inc., 975 F.2d 81, 96 (3d Cir. 1992), the court explored the relationship between (1) the burden to establish a *prima facie* case and (2) the showing required to justify an *in camera* review under Zolin. In the second showing, the court determines whether adequate evidence has been presented that *in camera* review will be fruitful. In making this determination, the court may consider only the presentation of the party challenging the privilege and seeking the *in camera* review. *See* In re Grand Jury Investigation, 974 F.2d

1068 (9th Cir. 1992). If *in camera* review is deemed potentially useful under this showing, the court then examines the disputed material and weighs the evidence to determine if the *prima facie* burden has been met. When evaluating the *prima facie* case, the court must follow a more formal procedure and the party invoking the protection of the privilege must be given opportunity to be heard under due process. Haines, 975 F.2d at 97; *see also*:

> *United States v. Trenk, 385 F.App'x 254, 257 (3d Cir. 2010). Court held that although privileged documents were properly before the district court for in camera inspection, the district court should not have applied the crime-fraud exception without first notifying the appellant and providing him with an opportunity for argument. Quoting earlier Third Circuit precedent, the court stated: "Where a fact finder undertakes to weigh evidence in a proceeding seeking an exception to the privilege, the party invoking the privilege has the absolute right to be heard by testimony and argument."*
>
> *In re Marriage of Decker, 606 N.E.2d 1094, 1105-07 (Ill. 1992). Illinois adopted the prima facie test of the U.S. Supreme Court in Zolin, which requires that a judge first require a factual showing adequate to support a good faith belief by a reasonable person that an in camera review of the materials may establish the claim that the crime-fraud exception applies.*

After the court determines that the crime-fraud exception applies, the privilege will not protect any communications made in furtherance of the fraud. However, the exception does not remove protection for other non-related communications. *See* In re Sealed Case, 676 F.2d 793, 812-13 n.74 (D.C. Cir. 1982); In re Special Sept. 1978 Grand Jury (II), 640 F.2d 49, 61 n.19 (7th Cir. 1980); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 82 cmt. g (2000).

2. Exception For Suits Against Former Attorney

A client may also waive the privilege when he sues his former attorney. Laughner v. United States, 373 F.2d 326, 327 n.1 (5th Cir. 1967); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 83 (2000); 8 JOHN H. WIGMORE, EVIDENCE § 2327 (Supp. 2009); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 91 (6th ed. 2006). Thus, the privilege will not protect communications relevant to a dispute over compensation or whether a lawyer acted wrongfully or negligently. 3 JACK W. WEINSTEIN ET AL., WEINSTEIN'S FEDERAL EVIDENCE § 503.33 (Joseph M. McLaughlin, ed., Matthew Bender 2d ed. 2009); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5503 (1986). However, an attorney may not use privileged information offensively against a client. *See e.g.*, Siedle v. Putnam Invs., Inc., 147 F.3d 7, 11-12 (1st Cir. 1998) (complaint filed by attorney against former client that included privileged information must be sealed by the court to protect the confidentiality of the privileged communications); In re Rindlisbacher, 225 B.R. 180 (B.A.P. 9th Cir. 1998) (action filed by attorney against former client that was based on privileged information the attorney obtained while representing the former client was barred by both the attorney's ethical obligations and his obligation pursuant to the attorney-client privilege to preserve client confidences); *see also* Heckman v. Zurich Holding Co. of Am., 242 F.R.D. 606 (D. Kan. 2007) (in-house attorney could bring retaliatory discharge action against former employer provided legal duty of confidentiality was observed). This exception acts as a selective waiver for the attorney only. The communications remain privileged to the rest of the world. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 83 cmt. e (2000); *see also*:

Indus. Clearinghouse, Inc. v. Browning Mfg. Div. of Emerson Elec. Co., 953 F.2d 1004, 1007 (5th Cir. 1992). Institution of a malpractice suit against one's attorney does not waive the attorney-client privilege with respect to third parties. Moreover, a complaint is not waiver in itself since confidentiality is not compromised until those communications are actually revealed.

Cannon v. U.S. Acoustics Corp., 532 F.2d 1118, 1120 (7th Cir. 1976). Lawyers can employ privileged client information in fee claims against clients.

In re Marriage of Bielawski, 328 Ill. App. 3d 243, 254, 764 N.E.2d 1254, 1263-64 (2002). Privilege was waived in later action to rescind marital settlement agreement where wife sued former attorney for malpractice related to the same.

In malpractice suits, a client's attorneys may not be able to assert the attorney-client privilege over communications within the counsel's firm before the client retains new counsel. *See* Koen Book Distribs., Inc. v. Powell, Trachman, Logan, Carrle, Bowman & Lombardo, P.C., 212 F.R.D. 283, 285-87 (E.D. Pa. 2002). In Koen Book Distributors, the client threatened to bring a malpractice action against its attorneys. *Id*. at 284. Several lawyers doing the work for the client communicated not only with the retained outside counsel, but also sought the advice of another attorney within the firm concerning the potential malpractice claim. *Id*. In a later malpractice action, the law firm (now a defendant) asserted attorney-client privilege over its communications with the inside and outside counsel. *Id*.; *see also Internal Communications with Law Firm In-House Counsel*, § I.I.4, *infra*.

3. Fiduciary Exception

An exception to the attorney-client privilege has been developed for actions between an organization and the parties to whom it owes fiduciary duties. This exception originally started in the area of shareholder derivative actions where courts were reluctant to permit corporations to invoke the attorney-client privilege to shield information from shareholders. *See* Garner v. Wolfinbarger, 430 F.2d 1093, 1102-04 (5th Cir. 1970). However, the Garner doctrine has been expanded to non-derivative cases and has become an important and sometimes tricky exception to the attorney-client privilege.

a. The Garner Doctrine

In Garner v. Wolfinbarger, 430 F.2d 1093, 1103-04 (5th Cir. 1970), perhaps the most influential decision in this area, the Fifth Circuit held in a shareholder derivative suit that:

> [W]here the corporation is in suit against its stockholders on charges of acting inimically to stockholder interests, protection of those interests as well as those of the corporation and of the public require that the availability of the privilege be subject to the right of the stockholders to show cause why it should not be invoked in the particular instance.

The Garner court thus concluded that the protection of the privilege could be removed upon a showing of good cause. In reaching its decision, the court analogized the exception to the crime-fraud and joint-defense exceptions to the attorney-client privilege. *Id.* at 1102-03 (the joint-defense privilege is discussed in § II.A, below). Garner rationalized that a fiduciary

relationship between the corporation and its shareholders creates a commonality of interest which precludes the corporation from asserting the attorney-client privilege against its shareholders. *Id.* at 1103.

The Garner court set forth a number of factors relevant to the presence or absence of a shareholder's "good cause" to invoke the exception. *Id.* at 1104. A court should thus consider:

(1) The number of beneficiaries actively requesting the privileged communication and their share in the organization. *See* Fausek v. White, 965 F.2d 126, 133 (6th Cir. 1992) (40% of shareholders sufficient); Ward v. Succession of Freeman, 854 F.2d 780, 786 (5th Cir. 1988) (less than 4% of shareholders not sufficient).

(2) The substantiality of the beneficiaries' claim and whether there is an ulterior motive to place pressure on the organization.

(3) The good faith of the beneficiaries.

(4) The apparent relevance of the requested communications to the beneficiaries' claim, and the extent to which the information is available from other non-privileged sources. *See* Fausek, 965 F.2d at 133 (need uniqueness, not just convenience – in this case, the desired material was not readily available elsewhere, if at all); In re LTV Sec. Litig., 89 F.R.D. 595, 608 (N.D. Tex. 1981) (availability is an important factor, but true unavailability is needed – ease and cheapness are not as important); Ryan v. Gifford, Civil Action No. 2213-CC, 2007 WL 4259557, at *3 (Del. Ch. 2007) ("Of particular importance is the unavailability of this information from other sources when information regarding the investigation and report of the Special Committee is of paramount importance to the ability of plaintiffs to assess and, ultimately prove, that certain fiduciaries of the Company breached their duties. Consequently, . . . these communications must be produced.").

(5) The extent to which the beneficiaries' claim accuses the managers of the organization of clearly criminal or illegal acts.

(6) Whether the communication related to past acts or to future events.

(7) Whether the communication concerns advice about the litigation which has been brought by the beneficiaries. *See* Zitin v. Turley, No. Civ. 89-2061-PHX-CAM, 1991 WL 283814, at *8 n.1 (D. Ariz. June 20, 1991) (Garner exception did not apply because communications that shareholders sought were not related to the decisions that gave rise to the shareholder's claims).

(8) The specificity of the beneficiaries' request.

(9) The extent to which the requested communications might contain trade secrets or other valuable information.

(10) The extent that protective orders will protect disclosure.

(11) Whether the decision not to waive the privilege was made by a disinterested group of officers or directors.

See Garner, 430 F.2d at 1104. These factors are non-exclusive and of equal weight. *See id. But see* RMED Int'l, Inc. v. Sloan's Supermarkets, Inc., No. 94 Civ. 5587PKLRLE, 2003 WL 41996, at *5 (S.D.N.Y. Jan. 6, 2003) (stating that the apparent necessity of the information and its availability from other sources is considered the most important factor by courts undertaking the Garner analysis). Through this analysis, the court balances the injury that may result to the corporation from disclosure against (1) the benefit to be gained from the proper disposition of the litigation and (2) the rights of the shareholders. Garner, 430 F.2d at 1101.

In general, the burden is on the party seeking the otherwise privileged materials to show "good cause" to invoke the fiduciary exception to the privilege. Martin v. Valley Nat'l Bank of Ariz., 140 F.R.D. 291, 326 (S.D.N.Y. 1991).

Most courts have followed Garner. *See* Bland v. Fiatallis N. Am., Inc., 401 F.3d 779, 787 (7th Cir. 2005) (recognizing fiduciary exception in ERISA context); Fortson v. Winstead, McGuire, Sechrest & Minick, 961 F.2d 469, 475 n.5 (4th Cir. 1992) (even though limited partners could not establish good cause, the court recognized that the fiduciary exception could apply); Fausek, 965 F.2d at 133 (recognizing that former shareholders had shown good cause to abrogate corporate privilege); Tatum v. R.J. Reynolds Tobacco Co., 247 F.R.D. 488, 495 (M.D.N.C. 2008) (recognizing the existence of a fiduciary exception where an ERISA plan administrator asserts attorney-client privilege to matters on which a fiduciary duty is owed to the beneficiaries); In re Gen. Instrument Corp. Sec. Litig., 190 F.R.D. 527, 529-30 (N.D. Ill. 2000) (following Garner and applying the fiduciary exception); Quintel Corp., N.V. v. Citibank, N.A., 567 F. Supp. 1357, 1363-64 (S.D.N.Y. 1983) (ordering disclosure in a case between a client and the bank that represented it in a real estate transaction); Washington-Baltimore Newspaper Guild, Local 35 v. Washington Star Co., 543 F. Supp. 906, 909-10 (D.D.C. 1982) (ordering disclosure of communications between attorney and trustee pursuant to Garner); In re LTV Sec. Litig., 89 F.R.D. at 608; In re Fuqua Indus., Inc., No. CIV.A. 11974, 2002 WL 991666, at *4-6 (Del. Ch. May 2, 2002) (following Garner and finding good cause); Neusteter v. Dist. Ct., 675 P.2d 1, 6 (Colo. 1984); Beard v. Ames, 96 A.D.2d 119, 120-21 (N.Y. App. Div. 1983). *See also* Ryan, 2008 WL 43699, at *4 (applying Garner doctrine to Special Committee's investigation undertaken in response to shareholder derivative action).

However, some federal and state courts have refused to follow Garner. *See* Murphy v. Gorman, 271 F.R.D. 296, 319-20 (D.N.M. 2010) (finding that New Mexico courts would not find a fiduciary exception and such exception would not apply to case where beneficiary of trust sought to subpoena trustee's communications with counsel); Milroy v. Hansen, 875 F. Supp. 646, 651-52 (D. Neb. 1995) (denying request of a director and minority

shareholder to obtain privileged documents, and stating that the Garner doctrine's "continued vitality is suspect"); Shirvani v. Capital Investing Corp., 112 F.R.D. 389, 390-91 (D. Conn. 1986) (rejecting the Garner doctrine); Wells Fargo Bank v. Super. Ct., 990 P.2d 591, 596 (Cal. 2000) (rejecting the fiduciary exception under California law and preventing the disclosure of privileged communications regarding trust administration to trust beneficiaries); McDermott, Will & Emery v. Super. Ct., 83 Cal. App. 4th 378, 385 (Cal. App. Ct. 2000) (rejecting Garner as inconsistent with the Evidence Code of California); Genova v. Longs Peak Emergency Physicians, P.C., 72 P.3d 454, 463 (Colo. App. 2003) (declining to extend Garner where director/minority stockholder of a corporation had no right to documents otherwise protected under the attorney-client privilege); Huie v. DeShazo, 922 S.W.2d 920, 924-25 (Tex. 1996) (rejecting the fiduciary exception under Texas law and allowing the attorney-client privilege to shield from trust beneficiaries communications between trustee and attorney regarding trust administration).

b. Extension Of Garner Beyond Derivative Suits

The Garner doctrine originally arose in the context of the shareholder derivative suit. In a derivative suit, the shareholder purports to represent the corporation itself, and in such cases, there is a clear fiduciary duty owed by the directors and officers to the corporation. Many courts have expanded the application of Garner to other areas where officers owe fiduciary duties to a company's shareholders. *See*:

> *In re Witness Before Special Grand Jury 2000-2, 288 F.3d 289, 293-94 (7th Cir. 2002). Rejecting claim by then-governor of Illinois George Ryan that his conversations with "in-house" government counsel were privileged and observing that "[j]ust as a corporate attorney has no right or obligation to keep otherwise confidential information from shareholders[,] Garner v. Wolfinbarger, 430 F.2d 1093, 1101 (5th Cir.1970), so a government attorney should have no privilege to shield relevant information from the public citizens to whom she owes ultimate allegiance, as represented by the grand jury."*
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> *Fausek v. White, 965 F.2d 126, 130-33 (6th Cir. 1992). Minority shareholders brought direct action against the former majority shareholder for misrepresentations in valuing their stock. Shareholders sought to depose the attorney who advised the majority shareholder during the stock acquisition. Court found that Garner rationale applied even though the case was a direct action. It reasoned that Garner was not limited to derivative actions, but that the type of action was just a factor to consider in determining "good cause." Minority shareholders alleged that majority shareholder had become the alter ego of the corporation, and that he therefore had a fiduciary duty to plaintiffs which he could not circumvent by resorting to a claim of privilege. Court agreed that the majority shareholder owed a fiduciary duty to the minority, and found that Garner applies whenever the corporation stands in a fiduciary relationship to those seeking to abrogate the privilege. As a result, even though the corporation was not a named party to the case, the existence of the duty to the shareholders permitted an exception to the attorney-client privilege.*
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> *Ward v. Succession of Freeman, 854 F.2d 780, 786 (5th Cir. 1988). Refused to limit Garner to derivative actions. However, the court noted that it should be more difficult to show good cause in a non-derivative shareholder action because where shareholders seek to recover damages for themselves their motivations are more suspect and "more subject to careful scrutiny."*
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> *Lawrence E. Jaffe Pension Plan v. Household Int'l, Inc., 244 F.R.D. 412, 421-23 (N.D. Ill. 2006). Fiduciary exception applied to communications with accounting firm in securities fraud class action by shareholders against lender. Although the court noted that it "view[ed] the non-derivative nature*

of the claim as a strong factor to consider in determining whether to prevent invocation of the attorney-client privilege," it found that plaintiffs established the requisite good cause.

*RMED Int'l, Inc. v. Sloan's Supermarkets, Inc., No. 94 Civ. 5587PKLRLE, 2003 WL 41996, at *4 n.13 (S.D.N.Y. Jan. 6, 2003). Applying Garner in securities fraud class action after noting that the fact that the case was not a derivative action was relevant to the determination of good cause, and holding that disclosure of attorney advice regarding Federal Trade Commission investigation into corporation's acquisition practices was required under the fiduciary exception.*

In re ML-Lee Acquisition Fund II, L.P. & ML-Lee Acquisition Fund (Ret. Accounts) II, L.P. Sec. Litig., 848 F. Supp. 527, 564 (D. Del. 1994). Fact that a suit was not a derivative action was only one factor to consider under the Garner doctrine, and that factor alone did not preclude disclosure of privileged communications between general partners and limited partnership counsel to mutual fund limited partners.

Nellis v. Air Line Pilots Ass'n, 144 F.R.D. 68, 70-71 (E.D. Va. 1992). Court applied the fiduciary exception in a suit by union members against their national union. The court found that communications between union officials and union attorneys came within the exception.

Ferguson v. Lurie, 139 F.R.D. 362, 366 (N.D. Ill. 1991). Court permitted limited partners suing for securities fraud to invoke the Garner doctrine to obtain communications between the real estate limited partnership and its counsel.

Aguinaga v. John Morrell & Co., 112 F.R.D. 671, 676-82 (D. Kan. 1986). Garner doctrine applied to grant former union members access to the attorney-client communications and work product of the union.

Donovan v. Fitzsimmons, 90 F.R.D. 583, 584-87 (N.D. Ill. 1981). Secretary of Labor, bringing suit on behalf of beneficiaries of a pension fund, was granted access to privileged materials on the basis of Garner.

*Broad v. Rockwell Int'l Corp., Civil Action No. CA-3-74-437-D, 1977 WL 928, at *1-2 (N.D. Tex. Feb. 18, 1977). Garner rationale applied where corporation was sued by debenture holders.*

*Metro. Bank & Trust Co. v. Dovenmuehle Mortg., Inc., No. CIV. A. 18023-NC, 2001 WL 1671445, at *2-4 (Del. Ch. Dec. 20, 2001). Following Garner, but holding that limited partner failed to show good cause for access to otherwise privileged communications of general partner on showing of good cause.*

Because courts have expanded the Garner doctrine to include other cases where a fiduciary duty is owed to constituents, courts usually require the shareholder in non-derivative actions to have been a shareholder when the alleged misfeasance or misrepresentations occurred. They reason that purchasers who acquired their interest after the wrongful actions took place were not owed any duty at the time, and therefore cannot show good cause. *See* Moskowitz v. Lopp, 128 F.R.D. 624, 637 (E.D. Pa. 1989) (denying plaintiff's wholesale disclosure request because plaintiff was not a shareholder at the time the communication took place); In re Atl. Fin. Mgmt. Sec. Litig., 121 F.R.D. 141, 146 (D. Mass. 1988) (Garner exception did not apply because plaintiffs had not yet purchased stock when the communications occurred and therefore could not establish that a fiduciary relationship existed); Quintel Corp., N.V. v. Citibank, N.A., 567 F. Supp. 1357, 1363-64 (S.D.N.Y. 1983) (privilege attached only to communications made prior and subsequent to the period of the fiduciary relationship). Other courts will allow subsequent purchasers to invoke the Garner exception to the privilege. In re Bairnco Corp. Sec. Litig., 148 F.R.D. 91, 97-99 (S.D.N.Y.

1993); Cohen v. Uniroyal, Inc., 80 F.R.D. 480, 484 (E.D. Pa. 1978) (Garner rationale applied in shareholder class action where plaintiffs were not shareholders at the time of the allegedly fraudulent conduct). *See also* Lawrence E. Jaffe Pension Plan, 244 F.R.D. at 423 (securities fraud class action brought to recover financially for injuries sustained by the investing public as a result of corporation's alleged fraud was subject to Garner exception because the class represented a "substantial majority of shareholders who owned stock at the time of the [attorney-client] communications in question"); *cf.* In re Omnicom Grp., Inc. Sec. Litig., 233 F.R.D. 400, 412 (S.D.N.Y. 2006) (exception did not apply where "[t]he transactions that are at the heart of the complaint and that formed the trigger for the targeted attorney-client communications were undertaken in the absence of a fiduciary relationship to a substantial portion of the class members.").

While many courts have extended Garner beyond derivative actions, some courts have refused to do so. The Ninth Circuit has limited Garner to derivative actions and refused to create an exception for individual shareholder actions. Weil v. Inv./Indicators, Research & Mgmt., Inc., 647 F.2d 18, 23 (9th Cir. 1981). In Weil, the court distinguished Weil's individual action from the derivative suit in Garner and therefore refused to grant a Garner exception. *Id.* In addition, the court noted that Weil was a former, not present shareholder of the corporation. *Id.* Despite this fact, the court allowed the requested discovery based on a finding of waiver. *Id.* at 25. *See also* Opus Corp. v. IBM Corp., 956 F. Supp. 1503, 1509-11 (D. Minn. 1996) (the Garner doctrine did not apply to prevent a general partner from invoking the attorney-client privilege to protect disclosure of communications to other partners); Shirvani v. Capital Inv. Corp., 112 F.R.D. 389, 390-91 (D. Conn. 1986) (rejecting the Garner doctrine in action brought directly against the corporation by shareholders).

Some courts have extended the Garner doctrine to situations outside of the shareholder/corporate client context to include other fiduciary relationships. For example, in In re United States, 590 F.3d 1305, 1313 (Fed. Cir. 2009), *cert. granted*, 79 U.S.L.W. 3210 (U.S. Jan. 7, 2011) (No. 10-382), *and argued* (Apr. 20, 2011), the Federal Circuit applied the Garner doctrine to the U.S. government's management of trusts for Indian tribes, holding that the government could not deny an Indian tribe's request to discover communications between the United States and its attorneys based on the attorney-client privilege when those communications concerned the management of an Indian trust and the United States did not claim that the government or its attorneys considered a specific competing interest in those communications. In In re Baldwin-United Corp., 38 B.R. 802, 805 (Bankr. S.D. Ohio 1984), the court held that a creditor's committee, in its fiduciary capacity, ought to "go about [its] duties without obscuring [its] reasons from the legitimate inquires of [the] beneficiaries." The court held that the Garner doctrine provided the best balance between the "creditor's right to information and the committee's need for confidentiality" and held that the committee should establish good cause for withholding privileged information from the creditors. *Id.*; *see also* In re Teleglobe Commc'ns Corp., 493 F.3d 345, 384 (3d Cir. 2007) (predicting that the Delaware courts would extend the Garner doctrine to set aside a corporate parent's assertion of privilege on a showing of good cause where an insolvent subsidiary brought a claim for breach of fiduciary duty against its parent in a bankruptcy proceeding under Delaware law); TattleTale Alarm Sys. Inc. v. Calfee, Halter & Griswold, LLP, No. 2:10-cv-226, 2011 WL 382627, at *10 (S.D. Ohio Feb. 3, 2011) ("[A] thorough review of federal decisions, including the ones which recognize the [Garner] exception, persuades

the Court that Ohio would enforce the attorney-client privilege for [certain loss-prevention communications].").

In In re Metlife Demutualization Litigation, 495 F. Supp. 2d 310, 314-16 (E.D.N.Y. 2007), *rev'd*, Murray v. Metro. Life Ins. Co., 583 F.3d 173, 177 (2d Cir. 2009) (reversing disqualification of mutual insurance company's counsel after holding that policyholders were not counsel's clients), the court applied Garner to hold that a mutual insurance company's policyholders could discover communications between the insurance company and its lawyers related to the company's demutualization, which required the policyholders' vote. At least one court has rejected the application of the fiduciary exception to insurance policyholders in coverage disputes with their insurance companies. *See* Liberty Mut. Ins. Co. v. Tedford, Civil Action No. 3:07CV73-A-A, 2009 WL 2425841, at *7 (N.D. Miss. Aug. 6, 2009) (rejecting application of Garner to a communication between an insurer and outside counsel regarding whether a particular claim would receive coverage). But in Dome Petroleum, Ltd. v. Employers Mutual Liability Insurance Co. of Wisconsin, 131 F.R.D. 63, 68-69 (D.N.J. 1990), the court analogized to the Garner doctrine when it held that an insurer could not assert the privilege against the subrogee of the policyholder in an insurance coverage dispute. The court noted, however, that the subrogor's duty not to interfere with the subrogee's rights did not rise to the level of a fiduciary obligation, although it did provide the same commonality of interest with which Garner was concerned. *Id.* at 69. *Cf.* Lexington Ins. Co. v. Swanson, 240 F.R.D. 662, 666-67 (W.D. Wash. 2007) (finding the subrogee could directly assert the privilege).

The extension of the Garner doctrine has been particularly noteworthy in the context of pension plans, where courts have extended the doctrine to communications made by attorneys acting as Employee Retirement Income Security Act of 1974 ("ERISA") fiduciaries. *See* In re Occidental Petroleum Corp., 217 F.3d 293, 297-98 (5th Cir. 2000) (attorney-client privilege did not preclude employees of a corporation's former subsidiary, who were participants in ESOP funded by corporation's stock, from discovery of relevant corporate documents in ERISA action against corporation alleging breach of fiduciary duty in relation to ESOP); United States v. Mett, 178 F.3d 1058, 1062-66 (9th Cir. 1999) (recognizing generally a fiduciary exception but declining to apply it to memoranda containing legal advice unrelated to plan administration that plan trustees obtained to protect themselves from civil and criminal liability); Wildbur v. ARCO Chem. Co., 974 F.2d 631, 645 (5th Cir. 1992) (stating that "[w]hen an attorney advises a plan administrator or other fiduciary concerning plan administration, the attorney's clients are the plan beneficiaries for whom the fiduciary acts, not the plan administrator" but declining to find a fiduciary relationship to justify disclosure when communications were regarding pending lawsuit, not plan administration); Tatum v. R.J. Reynolds Tobacco Co., 247 F.R.D. 488, 496-97 (M.D.N.C. 2008) (Garner doctrine applied to communications between an ERISA administrator and counsel); Smith v. Jefferson Pilot Fin. Ins. Co., 245 F.R.D. 45, 47 (D. Mass. 2007) (fiduciary exception applicable to insurance companies in ERISA suit); Henry v. Champlain Enters., Inc., 212 F.R.D. 73, 83-87 (N.D.N.Y. 2003) (Garner doctrine applied to ESOP participants' derivative action against officers, directors and shareholders of their employer, who also served as plan fiduciaries); Helt v. Metro. Dist. Comm'n, 113 F.R.D. 7, 9-10 (D. Conn. 1986) (Garner doctrine applied where beneficiary of a pension plan sought to discover correspondence between attorneys for the pension plan and the plan's

trustee); Wash.-Balt. Newspaper Guild, Local 35 v. Wash. Star Co., 543 F. Supp. 906, 909-10 (D.D.C. 1982) (court recognized that fiduciary exception could apply to allow beneficiary of a pension plan to discover the communications between attorneys for the pension plan and the plan's trustee).

However, in In re Long Island Lighting Co., 129 F.3d 268, 272 (2d Cir. 1997), the Second Circuit held that the fiduciary exception embodied in the Garner doctrine did not apply to communications between an employer and its counsel regarding amendments to an employee benefits plan even though counsel was also the plan's fiduciary under ERISA. While acknowledging that the fiduciary exception applied to communications made by an ERISA fiduciary that are intended to aid an employer in administering its benefits plan, the court concluded that the communications at issue were not related to the fiduciary obligations the attorney owed to the plan beneficiaries. *Id*. at 272. The court found that the employer did not waive the attorney-client privilege by employing the same attorney to handle both fiduciary and non-fiduciary matters pertaining to its benefits plan. *Id*. *See also* In re Bear Stearns Cos. Sec., Derivative, & ERISA Litig., No. 08 MDL 1963, 2011 WL 223540, at *137-39 (S.D.N.Y. Jan. 19, 2011) (recognizing Second Circuit's limited fiduciary duty to disclose and holding that ESOP fiduciaries had no duty to disclose employer's confidential financial condition to plan participants). The Third Circuit has not yet decided whether to recognize the fiduciary exception in the ERISA context but has held that insurers who are statutory fiduciaries under ERISA and act as claim administrators may not claim the fiduciary exception. Wachtel v. Health Net. Inc., 482 F.3d 225, 229, 233-34 (3d Cir. 2007). *But see* Buzzanga v. Life Ins. Co. of N. Am., No. 4:09-CV-1353 (CEJ), 2010 WL 1292162, at *3 (E.D. Mo. Apr. 5, 2010) (rejecting Wachtel); Smith v. Jefferson Pilot Fin. Ins. Co., 245 F.R.D. 45, 51 (D. Mass. 2007) (same).

Most courts have placed the burdens of production and persuasion on the plaintiff/shareholder/beneficiary to show good cause to invoke the Garner exception. *See* Garner v. Wolfinbarger, 430 F.2d 1093, 1103-04 (5th Cir. 1970); Ward v. Succession of Freeman, 854 F.2d 780, 786-87 (5th Cir. 1988); Martin v. Valley Nat'l Bank of Ariz., 140 F.R.D. 291, 323 (S.D.N.Y. 1991).

Courts that extend the fiduciary exception to privileged communications will generally do so until the fiduciary and the beneficiaries' interests significantly diverge; the exception may apply through a final administrative decision. *E.g.*, Thies v. Life Ins. Co. of N. Am., No. 5:09-CV-98, 2011 WL 482876, at *4 (W.D. Ky. Feb. 4, 2011) (in insurance context, applying the fiduciary exception to email sent after denial of plaintiffs' claim for accident death benefits but before denial of administrative appeal, even though plaintiffs retained counsel during that time); Buzzanga, 2010 WL 1292162, at *3-4 (applying the fiduciary exception to three documents generated before plaintiff's claim for accidental death benefits was denied but protecting a document created in response to plaintiff's appeal after determining that the parties' interests had diverged due to the prospect of litigation); Allen v. Honeywell Ret. Earnings Plan, 698 F. Supp. 2d 1197, 1202-03 (D. Ariz. 2010) (extending application of the fiduciary exception through the final administrative denial of retirement plan participants' ERISA claims and noting that "[i]f the parties' interests had, in fact, diverged prior to the initial administrative claim" as defendants suggested, defendants "should not have engaged in the administrative process" and "should not have invited an

appeal of the initial administrative determination"). *Cf.* Soc'y of Prof'l Eng'g Emps. in Aerospace v. Boeing Co., No. 05-1251, 2009 WL 3711599, at *4 (D. Kan. Nov. 3, 2009) (holding that the fiduciary exception did not negate privilege when ERISA beneficiaries had already commenced litigation against plan fiduciary for breach of fiduciary duties because "the legal fiction of the trustee as representative of the beneficiaries [was] dispelled") (internal quotations and citations omitted).

The Restatement favors an expansive application of the Garner doctrine for two reasons. First, the function of the directors and managers of an organization is to advance the interests of the shareholders, members, and beneficiaries, and thus they should not keep information from their constituents. Second, in litigation between the directors and officers and their constituents, the officers have an incentive to place their own interests above those of the organization in deciding whether to waive the privilege. RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 85 cmt. b (2000). The Restatement thus sets out several factors that should be considered in order to invoke the exception in "organizational fiduciary" cases:

> (1) the extent to which beneficiaries seeking the information have interests that conflict with those of opposing or silent beneficiaries;
>
> (2) the substantiality of the beneficiaries' claim and whether the proceeding was brought for ulterior purpose;
>
> (3) the relevance of the communication to the beneficiaries' claim and the extent to which information it contains is available from nonprivileged sources;
>
> (4) whether the beneficiaries' claim asserts criminal, fraudulent, or similarly illegal acts;
>
> (5) whether the communication relates to future conduct of the organization that could be prejudiced;
>
> (6) whether the communication concerns the very litigation brought by the beneficiaries;
>
> (7) the specificity of the beneficiaries' request;
>
> (8) whether the communication involves trade secrets or other information that has value beyond its character as a client-lawyer communication;
>
> (9) the extent to which the court can employ protective orders to guard against abuse if the communication is revealed; and

(10) whether the determination not to waive the privilege made [on] behalf of the organization was by a disinterested group of directors or officers.

Id. § 85 cmt. c.

c. Disclosure Of Special Litigation Committee Reports

Special Litigation Committee ("SLC") reports are likely to be discoverable upon a motion to terminate a derivative action. In Joy v. North, 692 F.2d 880, 893-94 (2d Cir. 1982), the court held that upon a motion to terminate, an SLC must disclose its report and supporting data since the motion to terminate operates as a waiver of the attorney-client privilege.

Similarly, in In re Continental Illinois Securities Litigation, 732 F.2d 1302, 1306-07 (7th Cir. 1984), the trial court had ordered public disclosure of an SLC report upon the motion of several newspapers for access during a hearing on a motion to terminate. The Seventh Circuit declined to adopt a per se rule requiring disclosure of the SLC report upon a corporation's motion to terminate. *Id.* at 1316. Instead, the court held that the presumption of public access to information before the court outweighed the corporation's need for confidentiality. *Id.* at 1314.

In In re Perrigo Co., 128 F.3d 430, 434 (6th Cir. 1997), the trial court held that a report prepared by an independent director that was protected by both the attorney-client privilege and work product immunity would become a public record if submitted to the court by either party for consideration in connection with the corporation's motion to dismiss. The Sixth Circuit reversed, and held that while the report should be disclosed to other parties to the litigation under a protective order, it was "clear error . . . to direct that simply . . . submitting the Formanek Report [to the court] . . . automatically places it in the public domain." *Id.* at 441 (internal quotations omitted). The court explained that the trial court's order requiring automatic public disclosure left the corporation with the "choice of waiving the protection of the Report or withdrawing its motion to dismiss" and that it would have "the effect of giving the derivative plaintiffs . . . the untrammeled power to waive [the corporation's protections] in the Report." *Id.* at 438-39. However, the court did indicate that there may be some point where the trial court may, after a full hearing on the matter, conclude that public disclosure of the report or certain portions of the report is necessary for limited purposes. *Id.* at 441.

See also:

> *Trustees of Police & Fire Ret. Sys. of City of Detroit v. Clapp, No. 08 Civ. 1515(KMK)(GAY), 2010 WL 1253214, at *2 (S.D.N.Y. Mar. 29, 2010). Court granted plaintiffs' motion to compel discovery in shareholder derivative action after SLC filed a motion for summary judgment. Court concluded that the SLC must produce all supporting data for the report and granted plaintiffs' motion for depositions of the SLC members.*
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> *Ross v. Abercrombie & Fitch Co., Nos. 2:05-cv-0819, 2:05-cv-0848, 2:05-cv-0879, 2:05-cv-0893, 2:05-cv-0913, 2:05-cv-0959, 2010 WL 419947, at *4-5 (S.D. Ohio Jan. 28, 2010). Court ordered Special Litigation Report filed in support of defendant's motion to dismiss derivative action unsealed*

following dismissal of derivative action, but while related direct securities actions were pending. Court concluded that even if there might have been some incidental harm to defendant, "it [was] not of sufficient weight to overcome the public interest in disclosure."

In re Dayco Corp. Derivative Sec. Litig., 99 F.R.D. 616, 619 (S.D. Ohio 1983). Privilege not waived when only portions of the SLC's findings, which did not summarize evidence found in the report or reveal the facts leading to the conclusions found in the report, and not the SLC report itself, were released to the court and the public.

*Abbey v. Computer & Commc'ns Tech. Corp., Civil Action No. 6941, 1983 WL 18005, at *3 (Del. Ch. Apr. 13, 1983). "[P]laintiff will be limited to taking the deposition of the Special Litigation Committee with a view toward establishing just what was done in the course of its investigation, and why. This will include production of the documentary materials utilized or relied upon by the Committee during its investigation."*

Watts v. Des Moines Register & Tribune, 525 F. Supp. 1311, 1329 (S.D. Iowa 1981). Shareholders may discover the bases for the SLC's conclusions but not why certain factors were or were not considered.

4. Internal Communications with Law Firm In-House Counsel

The attorney-client privilege applies to internal communications with attorneys while they are acting as in-house counsel for their law firm. United States v. Rowe, 96 F.3d 1294, 1296-97 (9th Cir. 1996) (holding that grand jury investigating attorney could not subpoena law firm associates asked by partner to investigate ethical violations by another attorney because associates were acting as in-house counsel); EEOC v. Kelley, Drye & Warren LLP, No. 10 Civ. 655 (LTS) (MHB), 2011 WL 280804, at *2 (S.D.N.Y. Jan. 20, 2011) (holding that an attorney's memorandum to in-house counsel and to the firm's executive committee, which offered an explanation contrary to the executive committee's conclusion, was privileged since it sought a legal opinion from the law firm's in-house counsel); Nesse v. Pittman, 206 F.R.D. 325, 328 (D.D.C. 2002) (holding that attorney-client privilege protects communications with firm counsel regarding ethics issues surrounding termination of relationship with former client); Hertzog, Calamari & Gleason v. Prudential Ins. Co. of Am., 850 F. Supp. 255, 255-56 (S.D.N.Y. 1994) (holding that "[n]o principled reason appears for denying" privilege for internal communications with firm lawyer "acting as an attorney, rather than as a participant"); Lama Holding Co. v. Shearman & Sterling, No. 89 Civ. 3639 (KTD), 1991 WL 115052, at *1 (S.D.N.Y. June 17, 1991) (upholding privilege for internal communications with firm counsel). *See also* In re Refco Sec. Litig. (Krys v. Sugrue), ---F.Supp.2d---, 2011 WL 497441 (S.D.N.Y. Feb. 14, 2011) (law firm not required to produce to former client internal firm emails where malpractice claims were not before the court). In each of these cases, the courts upheld the privilege against claims by third parties who had not been clients of the firm or former clients whose representation had ended before the communications at issue were made.

A more difficult question arises when a firm seeks legal advice from in-house counsel regarding the representation of current clients. In In re Sunrise Sec. Litig., 130 F.R.D. 560, 595 (E.D. Pa. 1989), the court recognized that the privilege could attach to internal communications with firm counsel, but held that where the communications concerned current clients, the assertion of privilege sometimes "creat[es] a prohibited conflict of

interest." *Id.* The court cited Pennsylvania Rule of Professional Conduct 1.7, which is similar to current ABA Model Rule of Professional Conduct 1.7. Model Rule 1.7 states that a conflict exists where "(1) the representation of one client will be directly adverse to another client; or (2) there is a significant risk that the representation of one or more clients will be materially limited by the lawyer's responsibilities to another client . . . ." The court in In re Sunrise reasoned that in-house counsel owed a fiduciary duty both to the firm as his client and to the firm's client, the plaintiff seeking discovery. The court held that the firm could not assert the privilege against its own client when the two duties come into conflict. In re Sunrise, 130 F.R.D. at 597. The court analogized to the line of cases following Garner v. Wolfinbarger, 430 F.2d 1093 (5th Cir. 1970), which created an exception to the attorney-client privilege when an organization is sued by a party to whom it owes a fiduciary duty. *See Fiduciary Exception*, § I.I.3, above. Other courts that have addressed the issue have agreed with the decision in In re Sunrise. *See*:

> *Asset Funding Group, L.L.C. v. Adams & Reese, L.L.P., Civil Action No. 07-2965, 2009 WL 1605190, at *2-3 (E.D. La. June 5, 2009). Plaintiff could discover documents pertaining to a conflict check, in client's suit against law firm alleging that the firm simultaneously represented third party with conflicting interests.*
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> *Burns v. Hale & Dorr LLP, 242 F.R.D. 170, 173 (D. Mass. 2007). In suit with beneficiary of trust, firm could not claim privilege over internal communications relating to representation of trustee because firm owed fiduciary duty to beneficiary.*
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> *Thelen Reid & Priest LLP v. Marland, No. C 06-2071 VRW, 2007 WL 578989, at *7-8 (N.D. Cal. Feb. 21, 2007). Firm could not assert privilege for internal communications regarding representation of plaintiff, a former client.*
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> *VersusLaw, Inc. v. Stoel Rives, LLP, 111 P.3d 866, 878-79 (Wash. Ct. App. 2005). Privilege does not apply when communications with firm in-house counsel regarding potential malpractice create a conflict of interest.*
>
> *Koen Book Distribs., Inc. v. Powell, Trachtman, Logan, Carrie, Bowman & Lombardo P.C., 212 F.R.D. 283, 286 (E.D. Pa. 2002). Privilege cannot apply because once law firm knew of malpractice claim, it had obligation to withdraw from representation or seek "clients' consent to continue the representation 'after full disclosure and consultation.'"*
>
> *Bank Brussels Lambert v. Credit Lyonnais (Suisse), S.A., 220 F. Supp. 2d 283, 288 (S.D.N.Y. 2002). Firm's conflict check was not protected by attorney-client privilege in malpractice suit.*
>
> *In re SonicBlue Inc., Nos. 03-51775, 03-51776, 03-51777, 03-51778-MM, 2008 WL 170562, at *9 (Bankr. N.D. Cal. Jan. 18, 2008). "[W]here conflicting duties exist, the law firm's right to claim privilege must give way to the interest in protecting current clients who may be harmed by the conflict."*

The rule in In re Sunrise does not exclude from the privilege all communications with firm counsel. Rather, the rule only applies after the firm learns that a conflict has arisen between its representation of a current client and the firm's interest in avoiding liability for its professional misconduct. In re Sunrise, 130 F.R.D. at 597 (holding privilege is inapplicable "if the communication implicates or creates a conflict between the law firm's fiduciary duties to itself and its duties to the client seeking to discover the communication); *accord* Asset Funding Group, 2009 WL 1605190, at *2 ("[W]hile a law firm may seek legal

advice from its own counsel on ethical issues and such advice is confidential, once the law firm learns that a client may have a claim against a firm or needs client consent in order to commence or continue representation of another client, the firm should disclose its communications on these issues."). *But see* TattleTale Alarm Syst., Inc. v. Calfee, Halter & Griswold, LLP, No. 2:10-cv-226, 2011 WL 382627 (S.D. Ohio Feb. 3, 2011). In TattleTale, the court rejected the approaches taken by the courts in In re Sunrise and Koen. In TattleTale, plaintiff sought its former firm's internal "loss prevention" communications made while the firm represented plaintiff. Applying Ohio law, but finding no Ohio precedent, the court canvassed federal precedent. In In re Teleglobe Communications Corp., 493 F.3d 345, 368 (3rd Cir. 2007), the Third Circuit held that, where a conflict of interest arises, the proper course of action is for the attorney to end the representation; however, "the black-letter law is that when an attorney (improperly) represents two clients whose interests are adverse, the communications are privileged against each other notwithstanding the lawyer's misconduct." Relying on Teleglobe as a starting point, and considering the balance of interests, including the fact that there were other sources of proof available to the plaintiff, the court concluded that Ohio would not carve out an exception to the attorney-client privilege for internal firm "loss prevention" communications under the circumstances presented.

Despite the authority against the application of the privilege in situations like those in In re Sunrise, there are some compelling arguments to be made against this position. The attorney organization DRI – The Voice of the Defense Bar and a number of prominent defense firms recently drafted an amicus brief outlining some of these arguments in support of overturning the Asset Funding decision. Although the brief was never filed because the Fifth Circuit refused to hear the interlocutory appeal, it has since been published. *See* Amicus Brief in Support of Appellant, Asset Funding Group, L.L.C. v. Adams & Reese, L.L.P (hereinafter, "Amicus Brief"), *attached to* Patrick Matusky & Rebecca Lamberth, *This is Privileged, Right?: The Scope of the Privilege for Internal Firm Communications* (2009), *available at http://www.dri.org/ContentDirectory/Public/Amicus%20Briefs/2009%20Asset%20Funding%20Group%20vs%20Adams%20and%20Reese%20[attorney-client%20privilege].pdf.*

The amici make three principle arguments. First, they argue that procurement of legal advice from other lawyers within the law firm does not automatically create a conflict with the representation of the existing client, because a client benefits from having his attorneys seek advice about their professional obligations. Amicus Brief at 12-13 (citing N.Y. Ethics Op. 789, 2005 WL 3046319, ¶ 4 (Oct. 26, 2005)). Second, the amici argue that any conflict that does exist should not be imputed to the firm's in-house counsel, because the client will be protected as long as the in-house counsel does not participate in the underlying representation. *Id.* at 13-18. Finally, the amici argue that In re Sunrise erroneously imported the reasoning of Garner v. Wolfinbarger, which has not been accepted by all courts, and even courts that have adopted Garner have placed limits upon which documents created by the fiduciary are discoverable. *Id.* at 18-21.

II. EXTENSIONS OF THE ATTORNEY-CLIENT PRIVILEGE BASED ON COMMON INTEREST

Courts have recognized several extensions of the attorney-client privilege which allow clients and lawyers with common interests to share privileged communications. *See, e.g.*, Haines v. Liggett Grp., Inc., 975 F.2d 81, 90 (3d Cir. 1992) (protection of privilege extended to communications between different persons or separate corporations when the communications are part of an ongoing and joint effort to set up a common defense strategy); In re Bairnco Corp. Sec. Litig., 148 F.R.D. 91, 102 (S.D.N.Y. 1993) (joint-defense privilege is an extension of the attorney-client privilege); Gottlieb v. Wiles, 143 F.R.D. 241 (D. Colo. 1992) (no waiver occurs from exchange of privileged materials between persons with common interest); FDIC v. Cheng, No. 3:90-CV-0353-H, 1992 WL 420877, at *3 (N.D. Tex. Dec. 2, 1992) (joint-defense privilege is an extension of the attorney-client privilege). These common interest extensions do not themselves confer privilege status to any of the communications involved. *See* Bitler Inv. Venture II v. Marathon Ashland Petroleum, No. 1:04-CV-477, 2007 WL 465444, at *3 (N.D. Ind. Feb. 7, 2007) (the common interest doctrine is merely an extension of the attorney-client privilege, and where that privilege would not shield a document from discovery it is of no use to litigants). Instead, they merely allow communications which are already privileged to be shared between commonly interested parties without causing waiver; the communications themselves must independently satisfy the elements of the privilege. Gulf Islands Leasing, Inc. v. Bombardier Capital, Inc., 215 F.R.D. 466, 470 (S.D.N.Y. 2003); Metro Wastewater Reclamation Dist. v. Cont'l Cas. Co., 142 F.R.D. 471, 478 (D. Colo. 1992). These extensions are a form of selective waiver which allow disclosure to some persons without waiving the privilege toward others. The burden is on the party asserting the privilege to show that a common interest does in fact exist. United States v. LeCroy, 348 F. Supp. 2d 375, 381 (E.D. Pa. 2004); LaForest v. Honeywell Int'l Inc., No. 03-CV-6248T, 2004 WL 1498916, at *3 (W.D.N.Y. July 1, 2004).

Unfortunately, courts have not been consistent in their terminology and many courts apply the terms common interest exception, common defense privilege, or joint-defense privilege to discuss a variety of related but different concepts. Basically, there are two types of sharing that courts often analyze under a common interest analysis:

(1) Sharing between clients represented by the same lawyer: In this outline, the term joint-defense privilege is used for sharing arrangements where several clients share the same attorney. *See Joint-Defense Privilege*, § II.A, *infra.*

(2) Sharing between clients represented by separate counsel: In this outline, the term common defense or common interest privilege is used for sharing arrangements between separately represented clients. *See Common Interest Doctrine*, § II.B, *infra*. As noted, some courts use the term joint-defense privilege to cover this type of sharing also.

A. JOINT-DEFENSE PRIVILEGE

When two parties are represented by the same attorney, the co-clients may usually share communications with their common lawyer without destroying confidentiality. *See* United States v. Bay State Ambulance & Hosp. Rental Serv., Inc., 874 F.2d 20, 28-29 (1st Cir. 1989); Waller v. Fin. Corp. of Am., 828 F.2d 579, 583 (9th Cir. 1987); United States v. Keplinger, 776 F.2d 678, 701 (7th Cir. 1985); Gov't of V.I. v. Joseph, 685 F.2d 857, 861 (3d Cir. 1982). This situation often occurs in criminal trials where co-conspirators or co-defendants utilize the same defense counsel. Under this arrangement, the joint communications remain privileged with respect to the rest of the world, and either client can assert the privilege against a third person. *See* United Coal Co. v. Powell Constr. Co., 839 F.2d 958, 965 (3d Cir. 1988); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 91 (6th ed. 2006); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 75 (2000). *See also*:

> *Hanson v. U.S. Agency for Int'l Dev., 372 F.3d 286, 292 (4th Cir. 2004). Joint-defense privilege extended to communications between attorney, defendant and third-party where the defendant and third-party had a common interest in resolving a dispute on favorable terms and received counsel from the same attorney.*
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> *In re Auclair, 961 F.2d 65, 69-70 (5th Cir. 1992). Joint-defense privilege applied to the communications by three individuals (grand jury witness, secretary and her husband) who consulted a single attorney on a matter of common interest with the intention to keep the communications confidential. Court noted that the existence of joint interest will be presumed from a joint pre-representation consultation meeting.*
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> *Opplinger v. United States, Nos. 8:08CV530, 8;08CV530, 2010 WL 503042, at *5 (D. Neb. Feb. 8, 2010). Joint-defense privilege extended to two parties who sought joint counsel, agreed to joint representation, and resolved a potential problem between them through a settlement agreement, even though there was an intrinsic adversity between the clients.*
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> *Minebea Co. v. Papst, 228 F.R.D. 13, 15-17 (D.D.C. 2005). Holding that the joint defense agreement applied to communications where "(1) the communications were made in the course of a joint defense effort, (2) the statements were designed to further the effort, and (3) the privilege has not been waived." Noting that a written agreement is the best evidence of such an agreement, but that an oral agreement was sufficient to invoke the privilege.*
>
> *Sedalcek v. Morgan Whitney Trading Grp., Inc., 795 F. Supp. 329, 331 (C.D. Cal. 1992). Extended joint-defense doctrine to include joint prosecution arrangements.*
>
> *United States v. Bicoastal Corp., No. 92-CR-261, 1992 WL 693384 (N.D.N.Y. Sept. 28, 1992). Court refused to require defendant to disclose to the prosecution any facts relating to the existence or scope of a joint-defense agreement. The fact that agreement was in writing did not affect the privilege. Court did, however, analyze the representation to ensure there was not a wrongful conflict of interest in the joint representation.*

But see:

> *United States v. Graf, 610 F.3d 1148, 1157-59 (9th Cir. 2010). Finding that Graf was a functional employee, not an independent outside consultant, and rejecting his claim of entitlement to a jointly held attorney-client privilege with the company's attorneys.*
>
> *In re Grand Jury Subpoena, 415 F.3d 333, 341 (4th Cir. 2005). Rejecting former employee's claim to joint or common defense privilege over conversations with former employer's counsel where former*

employee did not enter into a joint defense agreement with former employer and no common litigation interest existed at time of communication.

Opus Corp. v. IBM Corp., 956 F. Supp. 1503, 1507 (D. Minn. 1996). Joint defense privilege did not apply even though same law firm represented both parties during the course of business negotiations because the representation of the parties "frequently had individualized, and substantially diverse, goals." At no point did the law firm serve the common or mutual interests of the parties. Under the joint defense privilege an attorney's representation of a limited partnership does not also constitute representation of each partner on an individualized basis.

In re Brownsville Gen. Hosp., Inc., 380 B.R. 385 (Bankr. W.D. Pa. 2008). Where a law firm jointly represented two legal entities with respect to a corporate reorganization, neither entity could assert the attorney-client privilege against the other in subsequent bankruptcy proceedings.

The burden of establishing the existence of a specific agreement to pursue a joint-defense is on the party asserting the existence of the agreement. *See* United States v. Dose, No. CR04-4082-MWB, 2005 WL 106493, at *17 (N.D. Iowa Jan. 12, 2005) (burden is on person asserting privilege to establish existence of joint privilege);United States v. Gotti, 771 F. Supp. 535, 545 (E.D.N.Y. 1991) (same); In re Megan-Racine Assocs., Inc., 189 B.R. 562, 571-72 (Bankr. N.D.N.Y. 1995) (same). The joint defense privilege only applies where the parties seek representation for legal purposes; joint consultations with an attorney for business or other purposes are not protected. *See* In re Grand Jury Proceedings, 156 F.3d 1038, 1042-43 (10th Cir. 1998) (To establish a joint-defense privilege, party asserting privilege must show that: (1) the information arose in the course of a joint-defense effort in (2) the furtherance of that effort); United States v. Aramony, 88 F.3d 1369, 1392 (4th Cir. 1996) (joint defense privilege did not apply when parties consulted with attorney regarding public relations problems caused by criminal allegations); Minebea Co. v. Papst, 228 F.R.D. 13, 15-17 (D.D.C. 2005). Furthermore, the establishment of a joint defense privilege requires the parties to show "[s]ome form of joint strategy . . . rather than merely the impression of one side." United States v. Weissman, 195 F.3d 96, 100 (2d Cir. 1999). The mere exchange of information is not sufficient. In re Grand Jury Subpoena, 415 F.3d 333, 341 (4th Cir. 2005); Dose, 2005 WL 106493, at *17; *see also* Wade Williams Distrib., Inc. v. Am. Broad. Cos., No. 00 Civ. 5002(LMM), 2004 WL 1487702, at *1-2 (S.D.N.Y. June 30, 2004) (holding that communications between corporate counsel and employee were not privileged notwithstanding understanding of employee and counsel that counsel also represented employee for purposes of deposition); In re Economou, 362 B.R. 893, 896-97 (Bankr. N.D. Ill. 2007) (where attorney unethically represented two co-defendants with adverse interests at different times, common interest/joint defense doctrine did not apply since the representation was not sought jointly).

The joint defense privilege/common interest doctrine is not an independent basis for privilege, but an exception to the general rule that the attorney-client privilege is waived when privileged information is disclosed to a third party. *See, e.g.*, Cavallaro v. United States, 284 F.3d 236, 250 (1st Cir. 2002); In re Santa Fe Int'l Corp., 272 F.3d 705, 710 (5th Cir. 2001) (noting that the common legal interest privilege is an "extension" of the attorney-client privilege).

Written agreements are the best evidence for establishing the existence of a joint defense arrangement. *See* Minebea, 228 F.R.D. at 15. For a sample joint/common defense agreement, *see Appendix A*.

1. Waiver By Consent

The parties to a joint-defense arrangement can voluntarily waive the privilege through consent. Each client may waive the privilege as to his or her own communications with the lawyer, but the privilege for joint communications must be waived by all clients. In re Teleglobe Commc'ns Corp., 493 F.3d 345 (3d Cir. 2007); In re Auclair, 961 F.2d 65 (5th Cir. 1992); In re Grand Jury Subpoenas, 89-3 & 89-4, John Doe 89-129, 902 F.2d 244 (4th Cir. 1990); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 75 cmt. e (2000); 8 JOHN H. WIGMORE, EVIDENCE § 2328 (J. McNaughton rev. 1961).

2. Waiver By Subsequent Litigation

The joint-defense privilege is waived in subsequent litigation between the co-clients. Massachusetts Eye & Ear Infirmary v. QLT Phototherapeutics, Inc., 412 F.3d 215 (1st Cir. 2005); In re Grand Jury Subpoena, 274 F.3d 563 (1st Cir. 2001); In re Tri-River Trading, LLC, 329 B.R. 252, 269-70 (B.A.P. 8th Cir. 2005); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 91 (6th ed. 2006); JOHN H. WIGMORE, EVIDENCE § 2312, at 603-04 (J. McNaughton rev. 1961);; *see also* In re Ginn-La St. Lucie Ltd., 439 B.R. 801 (S.D. Fla. 2010) (disregarding a joint-defense agreement between debtors and non-debtor affiliates stating that information shared pursuant to the agreement would remain privileged even if an adversity of interest subsequently arose). However, the resulting waiver is only a selective waiver since the communications remain privileged with respect to third parties. As a result, in inter-client litigation each client can reveal the joint communications against the other, but a third party cannot obtain access to the communications at all. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 75 (2000). To invoke this selective waiver, there must be actual adversarial litigation to end the co-client relationship. *See* State v. Cascone, 487 A.2d 186, 189 (Conn. 1985). A mere change in one co-client's position will not constitute subsequent litigation. *See* People v. Abair, 228 P.2d 336, 340 (Cal. Ct. App. 1951) (turning state's witness does not waive privilege); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 75 cmt. d (2000).

3. In re Teleglobe

The Third Circuit's decision in In re Teleglobe Communications Corp., 493 F.3d 345 (3d Cir. 2007), addresses a number of issues relating to joint privileges among a parent and its subsidiaries. The court's analysis provides a detailed road map for corporate counsel in connection with a number of thorny joint-client, common interest, and community-of-interest privilege issues. In late 2000, BCE directed its wholly owned subsidiary, Teleglobe, to borrow $2.4 billion, but in early April 2001 ceased funding Teleglobe, leaving the company without the means to repay its substantial debt. Teleglobe and several of its subsidiaries filed for bankruptcy protection and brought an adversary proceeding against BCE. Pre-bankruptcy, Teleglobe had consulted with BCE's in-house attorneys on various matters. In the adversary proceeding, Teleglobe sought discovery of BCE's counsel's files, and BCE asserted privilege. The special master ordered that all documents disclosed to in-house

counsel, even documents provided by outside counsel hired only to represent BCE, be produced, and the district court affirmed. The appellate court reversed in part and remanded the case, holding that the district court could only compel BCE to produce disputed documents pursuant to the adverse-litigation exception to the co-client privilege if it found that BCE and the debtors were jointly represented by the same attorneys on a matter of common interest that is the subject-matter of those documents. 493 F.3d at 386-87. The court provided the following guidance:

(1) When in-house counsel represents both the parent and a subsidiary, the privilege is governed by the joint defense/co-client doctrine, not the common interest doctrine. When co-clients become adversaries, the majority rule is that all communications made in the course of the joint representation are discoverable. The court predicted that the Delaware courts would apply the adverse litigation exception to render joint-privileged documents discoverable in all situations, even where one co-client is wholly owned by the other. *Id.* at 364-68.

(2) Despite imprecise application by the courts, the community-of-interest/common interest privilege applies only to communications between attorneys who separately represent different clients, but who share a common legal interest in the shared communication. It does not apply where clients are jointly represented by a shared attorney. *Id.* at 365-66.

(3) Courts often find that information sharing within a corporate family does not waive the attorney-client privilege, but they diverge on how they reach this result. The court warned that if the rationale is that a corporate family constitutes one client, or that there is a community of interest, a former subsidiary could access all of its former parent's privileged communications in litigation in which they are adverse. The better rationale is that members of a corporate family are joint clients, and only communications involving specific representations are at risk. In re Teleglobe Commc'ns Corp., 493 F.3d at 372.

(4) When the interests of a parent and subsidiary begin to become adverse, any joint representation on the adverse matter should end, both to prevent the subsidiary from being able to invade the parent's privilege in any litigation that ensues, and to protect the interests of the subsidiary. This does not mean, however, that the parent's in-house counsel must cease representing the subsidiary on all other matters, because spin-off transactions can be in the works for months or even years, and continuing to share representation on other matters is both proper and efficient. *Id.* at 373. The court summarized its guidance for in-house counsel: "By taking care not to begin joint representations except when necessary, to limit the scope of joint representations, and seasonably to separate counsel on matters in which subsidiaries are adverse to the parent, in-house counsel can maintain sufficient control over the parent's privileged communications." *Id.* at 374.

B. COMMON INTEREST DOCTRINE

Most courts have been willing to expand the rationale of the joint-defense doctrine to include situations in which the clients are pursuing a common interest but do not share the same attorney. *See, e.g.,* Haines v. Liggett Grp., Inc., 975 F.2d 81, 90 (3d Cir. 1992) (protection of privilege extended to communications between different persons or separate corporations when the communications are part of an on-going and joint effort to set up a common defense strategy); In re Grand Jury Subpoenas 89-3 & 89-4, 902 F.2d 244 (4th Cir. 1990) (noting expansion from criminal co-defendants to other areas); *see also* United States v. Henke, 222 F.3d 633, 637 (9th Cir. 2000) (recognizing the common defense extension to the attorney-client privilege but disqualifying attorney because of conflict arising from the same); United States v. Schwimmer, 892 F.2d 237, 244 (2d Cir. 1989) (upholding privilege as to communications between defendant and co-defendant's accountant); United States v Melvin, 650 F.2d 641, 645-46 (5th Cir. 1981) (recognizing sharing arrangement but finding it inapplicable to the facts); United States v. McPartlin, 595 F.2d 1321 (7th Cir. 1979). RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 76 (2000); UNIF. R. EVID. 502(b) (1999) (explicitly recognizing common defense extension to attorney-client privilege). *But see* Chesapeake Bay Found. v. U.S. Army Corps of Engineers, 722 F. Supp. 2d 66, 74 (D.D.C. 2010) (holding that the attorney-client common interest privilege applies only where the same attorney represents both of the clients).

Courts have used a variety of terms for these types of pooling/sharing arrangements including common interest privilege, common defense privilege and even joint-defense privilege. Litigation need not be anticipated by the parties in order for them to claim a common interest; they need only "undertake a joint effort with respect to a common legal interest." United States v. BDO Seidman, LLP, 492 F.3d 806, 815-16 & n.6 (7th Cir. 2007) (collecting authorities). However, at least one circuit requires that the parties claiming common defense or common interest protection be under a "palpable threat of litigation" at the time of the communications. *See* In re Santa Fe Int'l Corp., 272 F.3d 705, 711 (5th Cir. 2001). *See also* Allied Irish Banks, P.L.C. v. Bank of Am., N.A., 252 F.R.D. 163, 171 (S.D.N.Y. 2008) (requiring common interest as to "pending or reasonably anticipated litigation").

To apply the privilege to specific communications, the parties must show that the communications furthered the joint defense effort or joint legal interest. *See, e.g.*, Haines v. Liggett Grp., Inc., 975 F.2d 81, 94 (3d Cir. 1992) (party must show "(1) the communications were made in the course of a joint defense effort, (2) the statements were designed to further the effort and (3) the privilege has not been waived"); United States v. Schwimmer, 892 F.2d 237, 244 (2d Cir. 1989); In re Bevill, Bresler & Schulman Asset Mgmt. Corp., 805 F.2d 120, 126 (3d Cir. 1986); United States v. McPartlin, 595 F.2d 1321 (7th Cir. 1979). The key requirement for a common defense arrangement is that the clients share a common interest that is legal in nature and work together actively to pursue that interest. *See* N. River Ins. Co. v. Columbia Cas. Co., No. 90 Civ. 2518, 1995 WL 5792, at *4 (S.D.N.Y. Jan. 5, 1995) (the key to the common defense exception is not "whether the parties theoretically share similar interests but rather whether they demonstrate actual cooperation toward a common legal goal"); In re Leslie Controls, 437 B.R. 493 (Bankr. D. Del. 2010) (finding a common interest even where parties' legal interests are not entirely congruent, so long as the communications

are limited to issues where their legal interests are common); Gus Consulting GMBH v. Chadbourne & Parke, LLP, 858 N.Y.S.2d 591, 593 (N.Y. Sup. Ct. 2008) (adopting a broad standard for application of the common interest doctrine that requires only an interlocking relationship or a limited common purpose necessitating disclosure to certain parties).

Business or commercial common interests will not support the privilege. *See* In re John Doe Corp., 675 F.2d 482, 489 (2d Cir. 1982) (disclosure for commercial purposes is inconsistent with legal representation purpose); Fox News Network, LLC v. U.S. Dep't of the Treasury, 739 F. Supp. 2d 515, 563 (S.D.N.Y. 2010) (while the common legal interest can exist in a non-litigation setting, it must not merely be a common commercial interest); Beyond Sys. v. Kraft Foods, Inc., No. PJM-08-409, 2010 WL 1568480, at *3 (D. Md. Aug. 4, 2010) (finding no common interest privilege when the evidence merely showed a joint business strategy that included concerns about litigation); Bank Brussels Lambert v. Credit Lyonnaise, 160 F.R.D. 437, 447 (S.D.N.Y 1995) (common defense doctrine "does not encompass a joint business strategy which happens to include as one of its elements concern about litigation"); Titian Investment Fund II, LP v. Freedom Mtg. Corp., C.A., No. 09C-10-259 WCC, 2011 WL 532011 (Super. Ct. Del. Feb. 2, 2011) (Delaware common interest doctrine does not extend to communications that further solely a business purpose rather than a common legal strategy). *But see* United States v. BDO Seidman, LLP, 492 F.3d 806 (7th Cir. 2007) (business venturers with mutual interests in complying with federal law could share legal communications regarding new IRS regulations); Hunton & Williams, LLP v. U.S. Dep't of Justice, No. 3:06CV477, 2008 WL 906783 (E.D. Va. Mar. 31, 2008), vacated in part on other grounds by 590 F.3d 272 (4th Cir. 2010) (DOJ and private third party entered into valid common interest agreement where both parties had a common legal interest, even if third party also had a business interest at stake); Fresenius Med. Care Holdings, Inc. v. Roxane Labs., No. 2:05-cv-0889, 2007 WL 895059, at *2 (S.D. Ohio Mar. 21, 2007) (patent holder and patent purchaser shared a common interest in obtaining a strong and enforceable patent).

See also:

> *Hunton & Williams v. U.S. Dep't of Justice, 590 F.3d 272, 284-85 (4th Cir. 2010). While a common interest agreement may be inferred when two parties are collaborating prior to litigation, mere "indicia" of joint strategy are insufficient to demonstrate that a common interest agreement has been formed.*
>
> *In re Santa Fe Int'l Corp., 272 F.3d 705, 712 (5th Cir. 2001). Common interest privilege applies (1) to co-defendants in actual litigation and (2) to potential co-defendants in anticipated litigation.*
>
> *In re Grand Jury Subpoena Duces Tecum, 112 F.3d 910, 922-23 (8th Cir. 1997). First Lady's conversations with her private attorney and attorneys from the Office of Counsel to the President are not protected by the common-interest doctrine. Although Mrs. Clinton may have had a reasonable belief that her conversations were privileged, the attorney-client privilege did not attach because the White House, as an institution, did not share a common interest with Mrs. Clinton, an individual official being investigated for wrong-doing by the Office of Independent Counsel.*
>
> *In re Grand Jury Subpoenas 89-3 & 89-4, 902 F.2d 244, 249 (4th Cir. 1990). Utilized the reasoning of Schwimmer to apply common-defense doctrine to an information pooling arrangement.*
>
> *United States v. Stotts, 870 F.2d 288 (5th Cir. 1989). Statements made to co-defendant's attorney are privileged if they concern common issues and are intended to facilitate representation.*

United States v. Zolin, 809 F.2d 1411, 1417 (9th Cir. 1987), vacated in part on other grounds, 842 F.2d 1135 (9th Cir. 1988) (en banc), aff'd in part and vacated in part on other grounds, 491 U.S. 554 (1989). Even where non-party is privy to information, has never been sued on the matter of common interest, and faces no immediate liability, non-party can still be found to have a common interest to invoke the privilege.

Waller v. Fin. Corp. of Am., 828 F.2d 579, 583 (9th Cir. 1987). Communications by client to his own lawyer remain privileged when the lawyer subsequently shares the information with co-defendants for the purpose of a common defense.

*In re Vitamin C Antitrust Litig., No. MD 06-1738(BMC)(JO), 2011 WL 197583, at *5 (E.D.N.Y. Jan. 20, 2011). The court refused to apply the common interest doctrine because it found no shared legal interest. Although the company and the agency wanted the same legal outcome, the litigation did not have a legal consequence for the agency.*

Pampered Chef v. Alexanian, 737 F. Supp. 2d 958, 962 (N.D. Ill. 2010). Where a client communicates with his attorney in the presence of a third person who shares a common legal interest, the attorney-client privilege is not waived as to the information that is exchanged.

Trustees of Elec. Workers Local No. 26 Pension Trust Fund v. Trust Fund Advisors, Inc., 266 F.R.D. 1, 15 (D.D.C. 2010). The court applied the common interest doctrine to determine there was no waiver of the privilege when an attorney shared a legal communication with trustees of two separate pension plans that were engaged in litigation against a common adversary.

Roper v. Old Republic Ins. Co., No. 09-C-154, 2010 WL 424598 (E.D. Wis. Feb. 1, 2010). Common interest agreement between litigation defendants, who agreed to arbitrate their respective liabiity in underlying litigation, protected otherwise privielged materials disclosed in the arbitration from discovery by the plaintiff in underlying litigation.

Miller v. Holzmann, 240 F.R.D. 20 (D.D.C. 2007). Documents provided to government by attorney for a relator in a qui tam action were privileged because at the time of the disclosure the government and the relator shared a common interest in prosecuting the action.

*Dura Global, Techs., Inc. v. Magna Donnelly Corp., No. 07-CV-10945-DT, 2008 WL 2217682, at *3 (E.D. Mich. May 27, 2008). Common interest extension of attorney client privilege prevented waiver when patent opinion letters were shown to a third party in the context of an offer to sell the patented product, where the letters were sent between counsel and not non-attorneys, stated that they were subject to a joint privilege, requested prior notice for any disclosure, and were written predominantly for a common legal purpose, rather than a common commercial purpose.*

Dexia Credit Local v. Rogan, 231 F.R.D. 268, 274 (N.D. Ill. 2004). The court applied the common interest doctrine to find no waiver when a debtor shared documents with a creditor, because both had the common legal goal of establishing that the defendant engaged in fraud.

Denney v. Jenkens & Gilchrist, 362 F. Supp. 2d 407, 415-16 (S.D.N.Y. 2004). Common defense privilege does not extend to any situation where parties' interests are aligned. Where the parties could not show a cooperative and common legal strategy, there was no privilege for communications disclosed to each other.

*Ludwig v. Pilkington N. Am. Inc., No. 03 C 1086, 2004 WL 1898238, at *3-4 (ND. Ill. Aug. 13, 2004). Parties may memorialize their common interest in a written agreement, but a formal written agreement is not required to invoke the privilege. Here the court ordered production of documents not covered by formal agreements, but did so because the evidence did not show any intent to cooperate between the parties with respect to communications not within the agreements.*

*Major League Baseball Props., Inc. v. Salvino, Inc., No. 00 Civ. 2855 JCF, 2003 WL 21983801, at *1 (S.D.N.Y. Aug. 20, 2003). Common interest rule applied to communications between major league clubs and corporate entity they had established to register and enforce the intellectual property rights of the clubs.*

United States v. Stepney, 246 F. Supp. 2d 1069, 1074-75 (N.D. Cal. 2003). Recognizing common defense privilege and detailing evolution of the rule.

*For Your Ease Only, Inc. v. Calgon Carbon Corp., No. 02 C 7345, 2003 WL 21920244, at *1 (N.D. Ill. Aug. 12, 2003). Common interest privilege requires actual cooperation in litigation, not just similar legal interests.*

United States v. Duke Energy Corp., 214 F.R.D. 383, 387(M.D.N.C. Apr. 11, 2003). "[P]ersons who share a common interest in litigation should be able to communicate with their respective attorneys and with each other to more effectively prosecute or defend their claims."

*United States v. Ill. Power Co., No. 99-cv-0833-MJR, 2003 WL 25593221, at *4 (S.D. Ill. Apr. 24, 2003). Court held that privilege had not been waived where representatives of various companies within single industry met with industry lobbyist to discuss EPA interpretation of a regulation. Confidentiality was not destroyed because companies shared a common interest in current and potential litigation.*

United States v. Agnello, 135 F. Supp. 2d 380, 382 (E.D.N.Y. 2001). Observing that joint defense privilege does not apply outside of common enterprise and holding that statements made at general meeting of defendants were not privileged.

*Tribune Co. v. Purcigliotti, No. 93 Civ. 7222, 1997 WL 540810, at *3 (S.D.N.Y. Sept. 3, 1997). Standstill tolling agreement entered into by parties to a joint defense agreement was not privileged. "The mere assertion that the standstill agreement [was] part of a joint defense agreement . . . fails to establish the basis for any privilege. . . . If anything, the standstill agreement relate[d] to potential interests [between the parties] that [were] adverse, not common."*

Sobol v. E.P. Dutton, Inc., 112 F.R.D. 99, 102-03 (S.D.N.Y. 1986). Disclosure to commonly interested former employee did not waive privilege.

Schachar v. Am. Acad. of Ophthalmology, Inc., 106 F.R.D. 187, 192 (ND. Ill. 1985). Court recognized a pooling arrangement between plaintiffs who were pursuing separate actions in different states.

Tobaccoville USA, Inc. v. McMaster, 692 S.E.2d 526, 531 (S.C. 2010). The South Carolina Supreme Court, having never previously determined the applicability of the common interest doctrine, adopted the doctrine for the narrow factual scenario where several states are parties to a settlement agreement, the state laws that regulate and enforce that settlement all have the same provisions, the attorneys general of those settling states are involved in coordinating regulation and enforcement, and the settling states have executed a common interest agreement.

Citizens Commc'ns Co. v.. Attorney General, 931 A.2d 503 (Me. 2007). Attorney-client privilege did not protect draft copies of a settlement agreement exchanged between adverse parties because although the three parties negotiating a settlement shared an interest in arriving at an agreement, they did not share a common legal interest with respect to the communications.

Mt. McKinley Ins. Co. v. Corning Inc., No. 602454/2002, 2009 WL 6978591 (N.Y. Sup. Ct. Dec. 4, 2009). Even if the three parties involved shared a common legal interest, there was a substantial risk that the parties would revert to adversaries; thus, the parties were precluded from withholding documents on the basis of the common interest privilege.

Though some courts and scholars have indicated that common defense clients need not possess entirely congruent common interests, *see, e.g.*, Eisenberg v. Gagnon, 766 F.2d 770, 787-88 (3d Cir. 1985); Andritz Sprout Bauer, Inc. v. Beazer East, Inc., 174 F.R.D. 609, 634 (M.D. Pa. 1997) (for common interest doctrine to apply, interests of the parties need not be identical, and may even be adverse in some respects); In re Leslie Controls, 437 B.R. 493, 497 (Bankr. D. Del. 2010) ("The privilege applies where the interests of the parties are not identical . . . ."); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 76 cmt. e (2000), other courts require parties asserting a common interest privilege to share identical interests. *See* LaForest v. Honeywell Int'l Inc., No. 03-CV-6248T, 2004 WL 1498916, at *3 (W.D.N.Y. July 1, 2004) (parties with adverse interests lacked common interest to support privilege); Bank of Am., N.A. v. Terra Nova Ins. Co., 211 F. Supp. 2d 493, 496 (S.D.N.Y. July 18, 2002) (interests must be identical and legal, not merely similar or commercial, and rejecting claim of common interest privilege); SR Int'l Bus. Ins. Co. v. World Trade Ctr. Props. LLC, No. 01 CIV. 9291 (JSM), 2002 WL 1334821, at *3-4 (S.D.N.Y. June 19, 2002) (rejecting claim of common interest privilege between World Trade Center lessees and insurance brokers invoked against insurers for lack of identical interest); Graco Children's Products, Inc. v. Dressler, Goldsmith, Shore & Milnamow, Ltd., No. 95 C 1303, 1995 WL 360590, at *5 (N.D. Ill. June 14, 1995) (the community of interest exception applies when the parties "have an identical legal interest with respect to the subject-matter of the legal advice communicated between attorney and client"); Cheeves v. S. Clays, Inc., 128 F.R.D. 128, 130 (M.D. Ga. 1989) ("The key factor in establishing a community of interest is that the nature of the interest be identical, not similar, and be legal, not solely commercial."); Roberts v. Carrier Corp., 107 F.R.D. 678, 687-88 (D. Ind. 1985) (A third party may share a common interest privilege where "it shares identical, and not merely similar legal interest."); Duplan Corp. v. Deering Milliken, Inc., 397 F. Supp. 1146, 1172 (D.S.C. 1975) ("The key consideration is that the nature of the interest be identical, not similar, and be legal, not solely commercial. The fact that there may be an overlap of a commercial and legal interest for a third party does not negate the effect of the legal interest in establishing a community of interest.").

Some courts adopting the broad view of the shared interest allow parties with adverse interests to share the common interest privilege. *See* Eisenberg, 766 F.2d at 787-88; Static Control Components, Inc., v. Lexmark Int'l, 250 F.R.D. 575 (D. Colo. 2007) (some adversity between parties permissible when invoking common defense privilege); Cadillac Ins. Co. v. Am. Nat'l Bank, Nos. 89 C 3267 & 91 C 1188, 1992 WL 58786 (N.D. Ill. Mar. 12, 1992) (privilege is not limited to parties who are perfectly aligned on the same side of a single litigation); Hewlett Packard Co. v. Bausch & Lomb, Inc., 115 F.R.D. 308, 309-12 (N.D. Cal. 1987) (common interest privilege applied to disclosure of legal opinion to prospective purchaser); Visual Scene, Inc. v. Pilkington Bros., 508 So. 2d 437, 442-43 (Fla. Dist. Ct. App. 1987) (matters of common interest are protected notwithstanding that in some other respect the parties are adversaries and on opposite sides of the litigation).

The common defense doctrine is not limited to cases where the shared information relates to pending litigation. *See* United States v. Schwimmer, 892 F.2d 237, 244 (2d Cir. 1989); United States v. AT&T, 642 F.2d 1285, 1299-1300 (D.C. Cir. 1980) (parties have strong enough common interests to share trial preparation materials where the parties in the common defense arrangement anticipate litigation against a common adversary on the same

issues); Fox News Network, LLC v. U.S. Dep't of the Treasury, 739 F. Supp. 2d 515, 563 (S.D.N.Y. 2010) (noting that the common interest doctrine has been invoked when parties pursue joint legal strategies in a non-litigation setting); Cooey v. Strickland, 269 F.R.D. 643 (S.D. Ohio 2010) (it is not necessary that a common legal interest be derived from legal action in order for the common-interest doctrine to apply); Evansville Greenway & Remediation Trust v. S. Ind. Gas & Elec. Co., Inc., No. 3:07-cv-66-DFH-WGH, 2010 WL 779494, at *2 (S.D. Ind. Feb. 26, 2010) (same); United States v. United Techs. Corp., 979 F. Supp. 108, 111-12 (D. Conn. 1997) (common interest privilege applied to documents used to develop a tax strategy for five separate corporations to form a consortium to develop and market aerospace engines); Schachar v. Am. Acad. of Ophthalmology, Inc., 106 F.R.D. 187, 192 (N.D. Ill. 1985) (common interest can include proceedings in different states); In re LTV Sec. Litig., 89 F.R.D. 595, 604 (N.D. Tex. 1981) (disclosure to actual or potential co-defendants or their counsel does not constitute waiver); *but see* Glynn v. EDO Corp., No. JFM-07-01660, 2010 WL 3294347 (D. Md. Aug. 20, 2010) (finding that plaintiff's assertion of the common interest privilege over communications that occurred more than six months before litigation was filed and eighteen months before a common defense agreement was executed was in bad faith and awarding sanctions against the plaintiff). The privilege applies to any matter of common interest which causes clients to consult lawyers. For example, the common defense privilege also permits plaintiffs to share information (sometimes referred to as the joint prosecution privilege). *See* In re Grand Jury Subpoenas 89-3 & 89-4, 902 F.2d 244, 249 (4th Cir. 1990) (common interest extension applies "whether the jointly interested persons are defendants or plaintiffs . . . ."); Sedalcek v. Morgan Whitney Trading Group, Inc., 795 F. Supp. 329, 331 (C.D. Cal. 1992) (recognizing common interest extension applies to plaintiffs). *See* Appendix A for an example of a common (or joint) defense agreement.

When affiliated companies, such as wholly owned subsidiaries, share privileged materials, some courts find that there has been no waiver because the companies share a common legal interest. *See, e.g.*, Roberts v. Carrier Corp., 107 F.R.D. 678, 686-88 (N.D. Ind. 1985) (sharing of information between sister corporations to defend lawsuit was covered by the common defense extension to attorney-client privilege). However, if a court insists that the companies share identical *legal* interests rather than business interests, the common interest doctrine may not apply. *See* Gulf Island Leasing, Inc. v. Bombardier Capital, Inc., 215 F.R.D. 466, 471-74 (S.D.N.Y. 2003). In Gulf Island, the court rejected application of the common interest doctrine where two wholly-owned subsidiaries shared otherwise privileged communications. One of the affiliated companies ("Capital") acted as lender to facilitate the purchase of a private jet from the other affiliated company ("Aerospace"). When Aerospace sued the purchaser for breach of contract, its in-house attorneys communicated with Capital's in-house counsel and business people to discuss the amounts due on Capital's loans. While the affiliates shared common business interests, the court found that they did not share identical legal interests:

> "The mere existence of an affiliate relationship does not excuse a party from demonstrating the applicability of the common interest rule. Having chosen to operate as separate entities – and to obtain whatever advantages inure from so operating – Bombardier Capital and Bombardier Aerospace must be held to their burden of proving the applicability of any privilege

> in the same manner as two unrelated entities. That burden has not been met in this case."

Id. at 474; *see also* In re Grand Jury Subpoena 06-1, 274 F. App'x 306 (4th Cir. 2008) (a subsidiary cannot automatically claim joint privilege with its parent, but instead bears the burden of demonstrating that the withheld communications pertain to a matter in which both parent and subsidiary have a common legal interest); In re JP Morgan Chase & Co. Sec. Litig., No. 06 C 4674, 2007 WL 2363311, at *5 (N.D. Ill. Aug. 13, 2007) (two companies did not share a common legal interest prior to a merger, and thus only documents shared after the merger were entitled to protection under the common interest doctrine).

When a common defense arrangement has been established, communications from one client, agent or attorney to another commonly interested client, agent or attorney are protected under the attorney-client privilege. Haines v. Liggett Grp., Inc., 975 F.2d 81, 90 (3d Cir. 1992) (extension allows clients facing a common litigation opponent to exchange privileged communications and work product without waiving protection in order to prepare a defense); *see also* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 76 (2000). *But see* United States v. Gotti, 771 F. Supp. 535, 545-46 (E.D.N.Y. 1991) (common defense protection does not extend to conversations between the defendants themselves in the absence of any attorney); *accord* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 76 cmt. d (2000). This protection allows a client's non-testifying experts or auditors to be present without waiving the privilege. *See* In re Grand Jury Investigation, 918 F.2d 374, 386 n.20 (3d Cir. 1990) (presence of agent or person with common interest does not abrogate privilege); United States v. Schwimmer, 738 F. Supp. 654, 657 (E.D.N.Y. 1990), *aff'd*, 924 F.2d 443 (2d Cir. 1991) (communications between a client and an accountant hired to further the common defense were protected). However, the sharing arrangement does not itself confer privileged status to any communication; it only permits sharing of already privileged communications without causing waiver. *See* In re Grand Jury Testimony of Attorney X, 621 F. Supp. 590, 592-93 (E.D.N.Y. 1985) (common defense privilege does not cover information which first lawyer obtained in non-privileged way then shared with second member). *See also*:

> *United States v. Schwimmer, 892 F.2d 237, 243 (2d Cir. 1989). Client was told by his attorney to cooperate with accountant hired by another attorney for a common defense. Court upheld the privilege for these communications, noting that the joint-defense doctrine and common defense doctrine are blending together.*
>
> *Waller v. Fin. Corp. of Am., 828 F.2d 579, 583 (9th Cir. 1987). Communications by client to his own lawyer remain privileged when the lawyer subsequently shares the information with co-defendants for the purpose of a common defense.*

In a case where parties are pooling information, confidentiality must still be maintained against those outside the common defense arrangement since disclosure to a single non-privileged member or person outside the pool can constitute waiver of the information discussed in the outsider's presence. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS§ 76 cmt. c (2000). Thus, where parties to a common defense agreement are represented by different counsel, one attorney could void the privilege if a conflict of interest forced her to reveal confidential information about one her non-clients

within the common defense agreement. *See, e.g.*, United States v. Almeida, 341 F.3d 1318, 1323-24 (11th Cir. 2003).

1. Waiver By Consent

The parties to a common defense agreement can waive the privilege voluntarily. However, courts are split over who possesses the actual ability to confer such consent. Some courts hold that each pool member retains the power to waive the privilege with respect to that member's own communications. *See, e.g.*, Great Am. Surplus Lines Ins. Co. v. Ace Oil Co., 120 F.R.D. 533, 536-38 (E.D. Cal. 1988); Western Fuels Ass'n v. Burlington N. R.R. Co., 102 F.R.D. 201, 203 (D. Wyo. 1984); 8 JOHN H. WIGMORE, EVIDENCE § 2328 (J. McNaughton rev. 1961). Likewise, a pool member who did not originate a communication does not have the implied authority to waive the privilege for that communication. *See* Interfaith Hous. Del., Inc. v. Town of Georgetown, Civ. A. No. 93-31 MMS, 1994 WL 17322, 1402 (D. Del. Jan. 12, 1994) (predicting that the Delaware Supreme Court would hold, in a common defense arrangement, that waiver by one person of information shared in the arrangement does not constitute a waiver by any other party to the communication); 8 JOHN H. WIGMORE, EVIDENCE § 2328 (J. McNaughton rev. 1961). If several members' communications have been mixed, then all of them must consent for effective waiver unless the non-consenting members' contributions can be redacted. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 76 cmt. g (2000); 8 JOHN H. WIGMORE, EVIDENCE § 2328 (J. McNaughton rev. 1961).

Some courts, however, take a different view and require all clients to consent to a waiver. *See* In re Grand Jury Subpoenas 89-3 & 89-4, 902 F.2d 244, 249 (4th Cir. 1990) (common defense privilege cannot be waived without the consent of all parties); John Morrell & Co. v. Local Union 304A of United Food & Commercial Workers, 913 F.2d 544, 556 (8th Cir. 1990) (same); In re Jupiter Networks, Inc. Sec. Litig., Nos. C 06-4319 JW (PVT), C 08-00246 JW (PVT), 2009 WL 4644534, at *1 (N.D. Cal. Dec. 9, 2009) (noting same but finding that the attorney-client privilege and its exception did not apply to the communications at issue); Metro Wastewater Reclamation Dist. v. Cont'l Cas. Co., 142 F.R.D. 471, 478 (D. Colo. 1992) (under Colorado law, a waiver requires the consent of all parties participating in the common defense).

2. Waiver By Subsequent Litigation

Subsequent litigation also operates to selectively waive the privilege among the members of the common defense arrangement. *See* Ohio-Sealy Mattress Mfg. Co. v. Kaplan, 90 F.R.D. 21, 29 (N.D. Ill. 1980); In re Grand Jury Subpoena Duces Tecum Dated Nov. 6, 1974, 406 F. Supp. 381, 393-94 (S.D.N.Y. 1975); Sec. Investor Prot. Corp. v. Stratton Oakmont, Inc., 213 B.R. 433, 439 (Bankr. S.D.N.Y. 1997) (subsequent litigation between members of a common defense group operates to waive the common defense privilege to the extent joint information is at issue in new case). When litigation arises, each member can use shared information against the maker unless another arrangement has been made. Sec. Investor Prot. Corp., 213 B.R. at 439. However, the privilege remains effective against persons not within the common defense arrangement. Moreover, in a pooling arrangement there is no duty to share information, and thus information that is not shared as part of the

common defense remains privileged even against the pool. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 76 cmt. e (2000). Similarly, sharing with only certain members of the pool retains the privilege against those members with whom no information was shared.

3. Extent Of Waiver

When waiver of the common defense information is demonstrated, the waiver normally extends only to the shared information and not to all relevant matters (*i.e.*, a partial waiver). *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 76 cmt. g (2000). In contrast, waiver under the joint-defense privilege for co-clients normally reveals all relevant matters concerning the same subject matter. (*i.e.*, full waiver, discussed in § II.A.3, above).

C. INSURANCE COMPANIES AND THE COMMON INTEREST DOCTRINE

The vast majority of insurance disputes that are litigated in federal court are in federal court based on diversity jurisdiction. As a result, the courts generally apply state law to issues of attorney-client privilege pursuant to Federal Rule of Evidence 501. *See Choice of Law: Identifying the Applicable Law*, § X.A, *infra*. There is, therefore, very limited federal common law regarding attorney-client privilege in the insurance context. In the area of insurance, it is important to know what states' laws may apply before communicating with a policyholder, insurer, or reinsurer. For example, a policyholder in Michigan, which does not generally protect communications between policyholders and insurers, may need to be careful about corresponding with its insurer in Illinois, which does generally protect such communications. Whether a communication is discoverable may depend on whether the discovery request emanates from a court in Michigan or one in Illinois. *See generally* Urban Outfitters, Inc. v. DPIC Cos., 203 F.R.D. 376 (N.D. Ill. 2001) (court in Illinois confronted conflict between Michigan and Illinois law of privilege, but did not decide issue because privilege, to the extent it existed, had been waived).

Whether the attorney-client privilege will protect a communication between and among policyholders, insurers, reinsurers, and brokers often depends upon whether the common interest doctrine applies to the situation presented. The question, therefore, is often whether the interests of the parties to the communication are sufficiently aligned for the doctrine to apply.

1. Protection Of Insurer/Insured Communications From Third Parties

Where an insured communicates with its insurer for the purpose of establishing a defense, several courts have held that an insured's communication with its insurer remains privileged, at least where the communication is made for the specific purpose of obtaining legal advice or the provision of counsel. For example, in Linde Thomson Langworthy Kohn & Van Dyke, P.C. v. Resolution Trust Corp., 5 F.3d 1508, 1515 (D.C. Cir.1993), the Court of Appeals for the District of Columbia held that:

> An insured may communicate with its insurer for a variety of reasons, many of which have little to do with the pursuit of legal advice. Certainly, where the insured communicates with the insurer for the express purpose of seeking legal advice with respect to a concrete claim, or for the purpose of aiding an insurer-provided attorney in preparing a specific legal case, the law would exalt form over substance if it were to deny application of the attorney-client privilege.

See also Kingsway Fin. Servs. v. PricewaterhouseCoopers LLP, No. 03 Civ. 5560, 2008 WL 4452134 (S.D.N.Y. Oct. 2, 2008) (common interest doctrine applied to communications between defendant and insurer where insurer had only indemnity obligation and no duty to defend); Goh v. CRE Acquisition, Inc., No. 02 C 4838, 2004 WL 765238, at *3 (N.D. Ill. Apr. 6, 2004) ("To assert a privilege for a communication between an insured and an insurer [under Illinois law], one must establish: '(1) the insured's identity; (2) the insurance carrier's identity; (3) the insurance carrier's duty to defend the insured; and (4) that a communication was made between insured and an agent of the insurance carrier.'") (internal citation omitted); Am. Special Risk Ins. Co. v. Greyhound Dial Corp., No. 90 Civ. 2066 (RPP), 1995 WL 442151 (S.D.N.Y. July 24, 1995) (holding that because the disclosure of the facts required to show the insured's potential liability may be necessary to obtain that representation, such communications should be deemed in "pursuit of legal representation" and therefore privileged); Lectrolarm Custom Sys., Inc. v. Pelco Sales, Inc., 212 F.R.D. 567, 572 (E.D. Cal. 2002) (holding common interest doctrine applies to communications between insurer and insured); Schipp v. Gen. Motors, Corp., 457 F. Supp. 2d 917, 922-24 (E.D. Ark. 2006) (insured's recorded statement to insurer on the night of accident, for which insured was clearly at fault and which resulted in the death of two people, was "a step in the process of obtaining legal representation pursuant to the insurance contract" and therefore protected by the attorney-client privilege; summary of same and subsequent insurer investigator's report, including notes from witness interviews, were protected work product prepared in anticipation of litigation); *but see* Cont'l Cas. Co. v. St. Paul Surplus Lines Ins. Co., 265 F.R.D. 510, 526-27 (E.D. Cal. 2010) (under California law, when a conflict of interest arises between the insured and insurer, the insurer must hire independent counsel for the insured, known as *Cumis* counsel; communications among a non-defending insurer, its insured, and the insured's *Cumis* counsel were not privileged).

Other courts have rejected the proposition that the interests of the insured and insurer are sufficiently aligned for the privilege to be maintained. *See* SR Int'l Bus. Ins. Co. v. World Trade Ctr. Props. LLC, No. 01 CIV. 9291 (JSM), 2002 WL 1334821, at *3-4 (S.D.N.Y. June 19, 2002) (rejecting claim of common interest privilege between World Trade Center lessees and insurance brokers invoked against insurers for lack of identity of interest); Cigna Ins. Co. v. Cooper Tires & Rubber, Inc., No. 3:99CV7397, 2001 WL 640703, at *1 (N.D. Ohio May 24, 2001) (insured and insurance broker do not share common-interest privilege); Go Med. Indus. Pty, Ltd. v. C.R. Bard, Inc., No. 3:95 MC 522, 1998 WL 1632525, at *3 (D. Conn. Aug. 14, 1998), *rev'd in part on other grounds*, 250 F.3d 763 (Fed. Cir. 2000) ("An insurer's contractual obligation to pay its insured's litigation expenses does not, by itself, create a common interest between the insurer and the insured that is sufficient to warrant application of the common interest rule of the attorney client privilege.").

Some courts have rejected the extension of a privilege to insurer/insured communications on the additional ground that such communications are made for a business, and not a legal, purpose. *See* Calabro v. Stone, 225 F.R.D. 96, 98 (E.D.N.Y. 2004) (insured's recorded message giving notice of claim was not made for purposes of obtaining legal advice); Bovis Lend Lease, LMB, Inc. v. Seasons Contracting Corp., No. 00 Civ. 9212, 2002 WL 31729693 (S.D.N.Y. Dec. 4, 2002) (communications between insured and insurer were either for business purposes or not prepared in anticipation of litigation); Aiena v. Olsen, 194 F.R.D. 134 (S.D.N.Y. 2000) (holding that defendants failed to establish that the advocacy of their position to the insurer was intended either to obtain legal advice or to convey information regarding the claims for the use of potential future defense counsel); In re Imperial Corp. of Am., 167 F.R.D. 447, 452 (S.D. Cal. 1995) ("The letters were written for the purpose of apprising American Casualty of the status of the case, not for seeking or imparting legal advice."); In re Pfizer Inc. Sec. Litig., No. 90 Civ. 1260, 1993 WL 561125, at *8 (S.D.N.Y. Dec. 23, 1993) ("Pfizer's communications are for the purpose of seeking insurance coverage, not legal advice, from its carriers. As such, they do not fall within the scope of the attorney-client privilege.").

2. The Insurer's Access To The Insured's Privileged Communications

In Waste Management, Inc. v. Int'l Surplus Lines Ins. Co., 579 N.E.2d 322, 328 (Ill. 1991), the Illinois Supreme Court upheld an order in a coverage dispute compelling an insured to produce its attorney's files from the underlying action. The court based its decision on the existence of a policy cooperation clause requiring the insured to turn over such documentation, and on the common interest doctrine. Similarly, in Independent Petrochemical Corp. v. Aetna Cas. & Surety Co., 654 F. Supp. 1334 (D.D.C. 1986), the court found that a coverage dispute did not obviate the common interest between the insurer and insured. There, the court held that:

> [W]hile those documents may be privileged from discovery by party opponents in the underlying claims, they cannot be privileged from carriers obligated to shoulder the burden of defending against those claims. . . . The documents were generated in anticipation of minimizing something of common interest to both parties in this suit: exposure to liability from tort claimants.

Id. at 1365; *see also* Coregis Ins. Co. v. Lewis, Johs, Avallone, Aviles & Kaufman, LLP, No. 01 CV 3844 (SJ), 2006 WL 2135782, at *15-16 (E.D.N.Y. July 28, 2006) (common interest doctrine permitted insurer to use an otherwise privileged report from insured's attorney to deny coverage); Dendema v. Denbur, Inc., No. 00-C-4438, 2002 WL 370219, at *1 (N.D. Ill. Mar. 8, 2002) (holding insurer and insured had a common interest in defending the third-party lawsuit "despite the coverage dispute that developed, so documents created during the lawsuit were not privileged between the parties"); EDO Corp. v. Newark Ins. Co., 145 F.R.D. 18, 24 (D. Conn. 1992) (compelling disclosure of insured's communications because insured could not "demonstrate that its attorneys prepared these documents in anticipation of a lawsuit with the . . . insurers."); Metro Wastewater Reclamation Dist. v. U.S. Fire Ins. Co., 142 F.R.D. 471 (D. Colo. 1992) (rejecting insured's claim of privilege and

relying upon common interest doctrine to require insured to produce documents arising from settlement with third party where insurer had refused coverage); Truck Ins. Exch. v. St. Paul Fire & Marine Ins. Co., 66 F.R.D. 129, 132-33 (E.D. Pa. 1975) ("It thus seems clear that, in relation to counsel retained to defend the claim, the insurance company and the policy-holder are in privity. Counsel represents both, and, at least in the situation where the policy-holder does not have separate representation, there can be no privilege on the part of the company to require the lawyer to withhold information from his other client, the policy-holder.").

Numerous courts have rejected this approach, however, citing a lack of common interest between the parties. *See* First Pac. Networks, Inc. v. Atl. Mut. Ins. Co., 163 F.R.D. 574 (N.D. Cal. 1995) (insurer's reservation of rights injected tension into insurer-insured relationship, entitling insured to withhold communications with attorney); N. River Ins. Co. v. Columbia Cas. Co., No. 90 Civ. 2518, 1995 WL 5792, at *4 (S.D.N.Y. Jan. 5, 1995) ("The insurer may have the same 'desire' as the insured that the insured not be found liable for damages in an underlying action, but this does not qualify as an identical legal interest."); Int'l Ins. Co. v. Newmount Mining Corp., 800 F. Supp. 1195 (S.D.N.Y. 1992) (insurer's desire for successful defense of underlying action an insufficient common interest to warrant invasion of attorney-client relationship); Owens-Corning Fiberglas Corp. v. Allstate Ins. Co., 660 N.E.2d 765, 769 (Ohio Ct. C.P. 1993) (rejecting the application of the common-interest doctrine, because, since this was an embittered dispute over whether coverage applies, the parties could not be more at odds, rendering any reference to a common interest "somewhat laughable."). Other courts have rejected the proposition that cooperation clauses could require the production of privileged materials. Remington Arms Co. v. Liberty Mut. Ins. Co., 142 F.R.D. 408 (D. Del. 1992) (concluding that a cooperation clause did not imply a duty to produce documents otherwise protected by the attorney-client privilege – the insurer did not seek the documents to cooperate on underlying litigation but to succeed in the coverage suit with the insured); Bituminous Cas. Corp. v. Tonka Corp., 140 F.R.D. 381 (D. Minn. 1992) (absent a showing that the parties intended waiver, cooperation clause did not contractually waive privilege); *see also* E. Air Lines, Inc. v. U.S. Aviation Underwriters, Inc., 716 So.2d 340 (Fla. Dist. Ct. App. 1998) (cooperation clause applies only when the insured and insurer are in a fiduciary relationship; where the fiduciary relationship exists, the court may compel production of documents as between the two parties; where it does not exist and the parties are in an adversarial position, the attorney-client privilege is not waived.); Wisconsin v. Hydrite Chem. Co., 582 N.W.2d 411 (Wis. Ct. App. 1998) (cooperation clause does not supersede the attorney-client privilege); Rockwell Int'l Corp. v. Superior Court, 26 Cal. App. 4th 1255 (Cal. Ct. App. 1994) (rejecting Waste Management's rule that a cooperation clause imposes a broad duty of cooperation that requires an insured to disclose communications with defense counsel in an underlying action). *See also* Am. Re-Ins. Co. v. U.S. Fid. & Guar. Co., 40 A.D.3d 486, (N.Y. App. Div. 2007) (court rejected reinsurer's affirmative use of common interest doctrine to compel insurer/cedent to produce privileged documents).

3. Privilege Issues Arising Between Insurers And Reinsurers

Insurers have invoked the common interest privilege to shield disclosures made to reinsurers from discovery by insureds. Several courts have found that the insurer-reinsurer relationship involves a common interest sufficient to preserve the privilege. *See*:

> *Am. Safety Cas. Ins. Co. v. City of Waukegan, No. 07 C 1990, 2011 WL 180561, at *2 (N.D. Ill. Jan. 19, 2011). An insurance company sharing emails regarding potential settlement with a reinsurance broker who served as the company's contact with its reinsurers did not waive the privilege.*
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> *Employers Reins. Corp. v. Laurier Indemn. Co., No. 8:03CV1650T26MSS, 2006 WL 532113 (M.D. Fla. Mar. 3, 2006). Communications between insurer and reinsurer protected by common interest doctrine, unless their interests actually, rather than hypothetically, diverge.*
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> *Minn. Sch. Bds. Ass'n Ins. Trust v. Emp'rs Ins. Co., 183 F.R.D. 627 (N.D. Ill. 1999). No waiver of privilege where insurer provided documents to reinsurer intending and expecting confidentiality and protection from common adversaries.*
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> *Great Am. Surplus Lines, Inc. v. Ace Oil Co., 120 F.R.D. 533 (E.D. Cal. 1988). Disclosure of documents by insurer to reinsurer did not constitute waiver of privilege because the reinsurer, which had a financial stake in the outcome of the underlying litigation, had a "need to know" the information.*
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> *Durham Indus., Inc. v. N. River Ins. Co., No. 79 Civ. 1705, 1980 WL 112701 (S.D.N.Y. Nov. 21, 1980). Privileged information disclosed by insurer to reinsurer not discoverable by policyholder in coverage dispute over surety bond. The common interest privilege applies. "Here, where the reinsurers bear a percentage of liability on the bond, their interest is clearly identical to that of the [defendant insurer.]"*
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> *Hartford Steam Boiler Inspection & Ins. Co. v. Stauffer Chem. Co., Nos. 701223, 701224, 1991 WL 230742 (Conn. Super. Ct. Nov. 4, 1991). Disclosure of privileged documents by an insurer to its reinsurer did not waive the privilege. The interests of the insurer and reinsurer were "inextricably linked by the reinsurance treaty" that imposed on obligation on the reinsurer to bear a 7.5% share of any liability imposed on the insurer.*

But see:

> *The Regence Group v. TIG Specialty Ins. Co., No. 07-1337-HA, 2010 WL 476646, at *2-3 (D. Or. Feb. 2, 2010). Court denied insurer's motion for protective order to withhold, in litigation with insured, privileged documents exchanged with reinsurers, where insurer engaged in two contested arbitrations with its reinsurer.*
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> *Reliance Ins. Co. v. Am. Lintex Corp., No. 00 Civ. 5568, 2001 WL 604080 (S.D.N.Y. May 31, 2001). Court rejected insurer's argument that it and the reinsurer shared a "unity of interest." While their commercial interests coincided, no evidence demonstrated that the insurer and reinsurer shared the same counsel or coordinated legal strategy in any way.*
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> *Front Royal Ins. Co. v. Gold Players, Inc., 187 F.R.D. 252 (W.D. Va. 1999). Insurer sought to shield reports sent to and received from its reinsurer regarding a claim by insured. The court rejected insurer's argument that these reports were shielded by the common interest doctrine, stating that insurer "seeks to use the common interest rule to protect documents which were created in the ordinary course of business under the contractual obligations between insurer and reinsurer."*

*McLean v. Cont'l Cas. Co., No. 95 Civ. 10415 HB HBP, 1996 WL 684209, at *1 (S.D.N.Y. Nov. 25, 1996). "[T]he relationship between insurer and reinsurer is simply not sufficient to give rise to the common interest privilege."*

*N. River Ins. Co. v. Columbia Cas. Co., No. 90 Civ. 2518, 1995 WL 5792, at *4 (S.D.N.Y. Jan. 5, 1995). "[T]he interests of the ceding insurer and the reinsurer may be antagonistic in some respects and compatible in others."*

Allendale Mut. Ins. Co. v. Bull Data Sys., Inc., 152 F.R.D. 132 (N.D. Ill. 1993). While noting that the common interest doctrine could exist between an insurer and its reinsurers, the court held that the insurer's and reinsurer's interests were not identical in this case. "In general, different persons or companies have a common interest where they have identical legal interest in a subject matter of a communication between an attorney and a client concerning legal advice. The interest must be identical, not similar, and be legal, not solely commercial" (internal citations omitted). Here, there was no consultation between the attorneys for the purpose of developing a joint defense against a litigation opponent or for the purpose of maintaining a common legal interest; the communications were normal communications between parties with a contractual obligation to keep each other informed about insurance claims.

N. River Ins. Co. v. Phil. Reins. Corp., 797 F. Supp. 363 (D.N.J. 1992). In a dispute over reinsurance coverage, reinsurer sought privileged documents that were created by primary insurer in proceedings with its insured. The court refused to compel disclosure under the common interest doctrine, finding that reinsurer had no input into the relationship between insurer and its counsel and did not control the relationship.

When an insurer communicates with its reinsurers through a broker, most courts consider the broker a communicating agent and do not find that use of the broker waived the privilege. Am. Safety Cas. Ins. Co. v. City of Waukegan, No. 07 C 1990, 2011 WL 180561 (N.D. Ill. Jan. 19, 2011); Minn. Sch. Bds. Ass'n Ins. Trust v. Emp'rs Ins. Co., 183 F.R.D. 627 (N.D. Ill. 1999); Certain Underwriters at Lloyd's v. Fid. & Cas. Co. of N.Y., No. 89 C 0876, 1997 WL 769467 (N.D. Ill. Dec. 4, 1997); United States Fire Ins. Co. v. Gen. Reins. Corp., No. 88 CIV. 6457 (JFK), 1989 WL 82415 (S.D.N.Y. July 20, 1989). *But see* United States v. Pepper's Steel & Alloys, Inc., Nos. 87-1306-CV, 85-0571-CV, 84-1443-CV, 86-1531-CV, 1991 WL 1302864 (S.D. Fla. Mar. 20, 1991) (transmission of privileged information from insurer through Lloyd's-approved broker to reinsurers waived the privilege).

When an insurer provides privileged material to its reinsurer, and subsequently ends up in a dispute with the reinsurer, is the privilege waived as to the reinsurer? As discussed above, privilege over information actually shared with others in a common interest arrangement is waived when the parties become adverse, at least with respect to those previously sharing the common interest protection. *See Waiver by Subsequent Litigation*, § II.B.2. The privilege may also be waived with respect to others when an insurer and its reinsurer become adverse. *See* Regence Grp. v. TIG Specialty Ins. Co., No. 07-1337-HA, 2010 WL 476646, at *2-3 (D. Or. Feb. 4, 2010) (denying insurer's motion for protective order to withhold, in litigation with insured, privileged documents exchanged with reinsurers, where insurer subsequently engaged in two contested arbitrations with reinsurers).

However, courts will likely enforce the terms of any agreement that the insurer and reinsurer entered into regarding use of disclosed privileged information. In AIU Ins. Co. v. TIG Ins. Co., No. 07 Civ. 7052 (SHB)(HBP), 2008 WL 5062030 (S.D.N.Y. Nov. 25, 2008), the court addressed this issue. AIU had settled an underlying asbestos claim and requested

reimbursement from its reinsurer TIG. In response to TIG's request for information regarding when AIU first learned of the claim, AIU sent TIG its coverage counsel's opinion regarding the claim, which disclosed that AIU had learned about the claim many years earlier. TIG then requested a claim audit, which AIU granted, but only after TIG signed a confidentiality agreement in which TIG agreed that AIU's disclosure of coverage counsel's documents would not constitute waiver of the attorney-client privilege. AIU then provided TIG access to otherwise privileged material. In subsequent litigation, TIG argued that AIU had waived the privilege as to all privileged material disclosed to TIG. The court held that AIU waived privilege regarding the coverage opinion disclosed prior to the confidentiality agreement, but not with respect to material disclosed afterwards.

III. RECOMMENDATIONS FOR PRESERVING THE ATTORNEY-CLIENT PRIVILEGE

The following are some suggestions to maximize the protection of the attorney-client privilege.

A. LEGAL COMMUNICATIONS

- Do not disclose the contents of privileged communications or documents beyond those who have a need to know.
- Keep all privileged communications and documents segregated from business documents.
- Clearly mark each privileged document as an "attorney-client communication" and instruct all recipients concerning the need for confidentiality.
- Avoid mixing business advice with legal advice in a privileged communication.

B. WITNESS INTERVIEWS

- In deciding whether to have employees sign interview statements or transcripts, consider the requirement under Fed. R. Civ. P. 26(b)(3) that signed statements and transcripts be produced, upon request, to the person making the statement.
- All interviews should be conducted by legal personnel. If notes are taken, they should be taken by legal personnel. Notes should incorporate impressions, analyses and opinions of counsel which would be protected by the work product privilege. Where a witness to the content of the interview may be required, an investigator working for the attorney should be present. Keep a record of all persons present during oral interviews with employees.

- Do not use privileged information to refresh the recollection of a witness.

C. EXPERTS

- If non-legal experts are necessary to assist with litigation, the attorney, and not the client, should hire them. Express authority to hire non-legal experts should be given in a directive to in-house counsel or in the retention letter to outside counsel. It may be desirable to use experts who are not regularly retained in a business capacity by the corporation.

- The attorney should send a letter of retention to each non-legal expert, setting forth the nature of the expert's obligation and the necessity of expert information in rendering legal advice. The letter of retention also should state the confidential nature of all communications and information.

D. CORPORATE EMPLOYEES

- Where corporate employees will be interviewed, an appropriate high-ranking corporate executive should send a letter to the employees emphasizing the importance of the investigation, the need for full cooperation from all employees, and the confidential nature of the investigation. The letter also should state that the purpose of the investigation is to provide legal advice to the corporation.

- If an investigation will include the questioning of middle or lower level employees, the attorney should memorialize the fact that the information sought is not available from higher level employees and the reasons why it is not available.

- The attorney should restrict communications with lower level employees to matters within the scope of their employment.

- The attorney should provide "Upjohn warnings" to corporate employee witnesses: the attorney represents the corporation and not the employee; the communication is privileged but the corporation has the sole discretion to waive the privilege; and the employee should maintain the confidentiality of the communication.

- In order to increase the likelihood that communications with former employees will be protected, employers may wish to include a clause in severance agreements that requires former employees to cooperate with corporate counsel after their employment ceases.

E. DOCUMENT DISCOVERY

- Work cooperatively with opposing parties to reach an agreement regarding what will be considered reasonable procedures for producing large quantities of documents and for handling inadvertent disclosures of privileged materials.

- Take advantage of a federal court's authority under FRE 502(d) and have the discovery agreement entered as a court order which will be binding, not only in the present proceedings, but in future federal and state proceedings.

- Act promptly to remedy any inadvertent disclosures.

F. DISCLOSURE TO GOVERNMENT AGENCIES

- Where disclosure of privileged communications to a government agency is required or advisable, attempt to obtain a specific written commitment from the agency to maintain the confidentiality of all communications in perpetuity.

- Be aware of statutes and regulations regarding agency disclosure. Take advantage of statutory or regulatory schemes that decrease the risk of further disclosure.

- If possible, maintain custody and control of any privileged documents disclosed to government agencies by allowing the agencies access to the documents without relinquishing possession.

G. ELECTRONIC COMMUNICATIONS

- Use digital-based cellular phones rather than analog, because analog phones are more susceptible to interception by third parties.

- Be aware that many electronic documents contain metadata – data hidden within a computer file that is not readily visible to the user of the file. Such information may include the author of the document, its location in the file tree of a hard disk drive, the history of the document such as changes made in editing, the date of its creation and modification, and time spent editing the document.

- Avoid using public computers (or computers otherwise accessible by others) to send or receive attorney-client communications. Information that passes through a computer often will remain stored on the computer even after a user believes he has deleted the information.

- Maintain a virus protection and detection system on your computer or network. Any computer connected to an outside network is vulnerable to attack from third parties and virus protection is generally the first line of defense against such attacks. For further protection, consider a "stand-alone" computer server that is not directly connected to any outside network for storage of sensitive information.

IV. THE WORK PRODUCT DOCTRINE

The work product doctrine, established in Hickman v. Taylor, 329 U.S. 495 (1947), can also be a valuable means of protecting confidential documents. While the work product doctrine does shield an attorney's mental impressions, opinions and legal conclusions from discovery, work product is not, like attorney-client communications, privileged. Mfg. Admin. & Mgmt. Sys., Inc. v. ICT Grp., Inc., 212 F.R.D. 110, 112 (E.D.N.Y. 2002). Rather, work product is given qualified protection from discovery as a concession to the necessities of the adversary system. As one court recently explained: "Our adversarial system of justice cannot function properly unless an attorney is given a zone of privacy within which to prepare the client's case and plan strategy, without undue interference." Davis v. Emery Air Freight Corp., 212 F.R.D. 432, 434 (D. Me. 2003) (quoting In re San Juan Dupont Plaza Hotel Fire Litig., 859 F.2d 1007, 1014 (1st Cir. 1988)); *see* United States v. Noble, 422 U.S. 225, 238 (1975) ("At its core, the work-product doctrine shelters the mental processes of the attorney, providing a privileged area within which he can analyze and prepare his client's case.") (quotations omitted). Courts widely echo this "zone of privacy" rationale for the work product doctrine. *See*:

> *In re Cendant Corp. Sec. Litig., 343 F.3d 658, 661-62 (3d Cir. 2003). "The work-product doctrine is governed by a uniform federal standard set forth in Fed. R. Civ. P. 26(b)(3) and shelters the mental processes of the attorney, providing a privileged area within which he can analyze and prepare his client's case."*
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> *Coastal States Gas Corp. v. Dep't of Energy, 617 F.2d 854, 864 (D.C. Cir. 1980). "[Work product] doctrine stands in contrast to the attorney-client privilege; rather than protecting confidential communications from the client, it provides a working attorney with a 'zone of privacy' within which to think, plan, weigh facts and evidence, candidly evaluate a client's case, and prepare legal theories."*
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> *Feacher v. Intercont'l Hotels Grp., No. 3:06-CV-0877, 2007 WL 3104329, at *4 (N.D.N.Y. Oct. 22, 2007). "In order to preserve the integrity of the work product doctrine and the zone of privacy surrounding an attorney's preparation of a case on behalf of his or her client, I respectfully reject those cases which make the distinction between purely factual witness accounts and reports revealing mental impressions . . . ."*
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> *Simmons, Inc. v. Bombardier, Inc., 221 F.R.D. 4 (D.D.C. 2004). "The work-product privilege is designed to 'balance the needs of the adversarial system' by 'safeguarding the fruits of an attorney's trial preparation' while serving the general interest in 'revealing all true and material facts relevant to the resolution of a dispute.'" (quoting In re Subpoenas Duces Tecum, 738 F.2d 1367, 1371 (D.C.Cir.1984)).*
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> *In re Gabapentin Patent Litig., 214 F.R.D. 178, 183 (D.N.J. 2003). Describing policies underlying work product doctrine, including providing an attorney privacy in which to develop client's case.*

> *Lifewise Master Funding v. Telebank, 206 F.R.D. 298, 304 (D. Utah 2002). "The work-product privilege protects against invading the privacy of an attorney's course of preparation and where the privilege exists the burden is on the party seeking to invade the privilege to establish adequate reasons for production. However, the party asserting the work-product privilege has the burden of showing the applicability of the doctrine."*
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> *Iowa Protections & Advocacy Servs., Inc., 206 F.R.D. 630, 640 (S.D. Iowa 2002). "The work-product doctrine was designed to prevent 'unwarranted inquiries into the files and mental impressions of an attorney,' and recognizes that it is 'essential that a lawyer work with a certain degree of privacy, free from unnecessary intrusion by opposing parties and their counsel.'" (quoting Simon v. G.D. Searle & Co., 816 F.2d 397, 400 (8th Cir. 1987).*
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> *Strougo v. BEA Assocs., 199 F.R.D. 515, 520 (S.D.N.Y 2001). "This privilege exists to protect 'attorneys' mental impressions, opinions or legal theories concerning specific litigation from discovery."*

The work product doctrine is broader than the attorney-client privilege in that it protects a wider array of materials than just communications between client and attorney. *See* SmithKline Beecham Corp. v. Pentech Pharm., Inc., No. 00 C 2855, 2001 WL 1397876, at *2 (N.D. Ill. Nov. 6, 2001); Strougo, 199 F.R.D. at 520 (citing In re Grand Jury Proceedings, 219 F.3d 175, 190 (2d Cir. 2000) (citing Hickman, 329 U.S. at 508, and United States v. Nobles, 422 U.S. 225, 238 n.11 (1975))); *see also* Judicial Watch, Inc. v. U.S. Dep't of Justice, 337 F. Supp. 2d 183, 185 (D.D.C. 2004), *rev'd in part on other grounds*, 432 F.3d 366 (D.C. Cir. 2005). However, in Hickman the Supreme Court indicated that this protection is not absolute, and that discovery might be permitted if the party seeking access established adequate reasons. Hickman, 329 U.S. at 511-12. In this way, the work product doctrine "balances the interest of the system in providing lawyers with a degree of privacy free of unnecessary intrusion by opposing parties against the societal interest in ensuring that all parties obtain knowledge of the relevant facts involved in a dispute." Emery Air Freight Corp., 212 F.R.D. at 434 (quoting San Juan Dupont Plaza Hotel Fire Litig., 859 F.2d at 1014); *see also* Pamida, Inc. v. E.S. Originals, 281 F.3d 726, 732 (8th Cir. 2002) ("When a party seeks a greater advantage from its control over work-product than the law must provide to maintain a healthy adversary system, the privilege should give way.") (quoting In re Sealed Case, 676 F.2d 793, 818 (D.C. Cir. 1982)).

Federal Rule of Civil Procedure 26(b)(3) substantially codified the work product doctrine set forth in Hickman for tangible materials, Garcia v. City of El Centro, 214 F.R.D. 587, 591 (S.D. Cal. 2003); Anderson v. Hale, 202 F.R.D. 548, 554 (N.D. Ill. 2001), though the work product protection provided under Hickman is broader than that provided under Rule 26. *See* Stanley v. Trinchard, No. Civ.A. 02-1235, 2004 WL 1562850, at *2 (E.D. La. July 12, 2004) ("Rule 26(b)(3) only provides protection for the disclosure of tangible things. For protection for nontangible work product, Mr. Smith must look to Hickman v. Taylor . . . ."). Frank Betz Assocs. v. Jim Walter Homes, Inc., 226 F.R.D. 533, 534 (D.S.C. 2005) ("When applying the work product privilege to such nontangible information, the principles enunciated in Hickman apply, as opposed to Rule 26(b)(3) of the Federal Rules of Civil Procedure, which applies only to 'documents and tangible things.'") (quoting United States v. 266 Tonawana Trail, 95 F.3d 422, 428 n.10 (6th Cir. 1996)); *see also The Intangible Work Product Doctrine*, § IV.A.1, *infra*. In relevant part, Rule 26(b)(3) provides:

> (A) *Documents and Tangible Things*. Ordinarily, a party may not discover documents and tangible things that are prepared in anticipation of litigation or for trial by or for another party or its representative (including the other party's attorney, consultant, surety, indemnitor, insurer, or agent). But, subject to Rule 26(b)(4), those materials may be discovered if:
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> (i) they are otherwise discoverable under Rule 26(b)(1); and
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> (ii) the party shows that is has substantial need for the materials to prepare its case and cannot, without undue hardship, obtain their substantial equivalent by other means.
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> (B) *Protection Against Disclosure*. If the court orders discovery of those materials, it must protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of a party's attorney or other representative concerning the litigation.
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> (C) *Previous Statement*. Any party or other person may, on request and without the required showing, obtain the person's own previous statement about the action or its subject matter. If the request is refused, the person may move for a court order, and Rule 37(a)(5) applies to the award of expenses. A previous statement is either:
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> (i) a written statement that the person has signed or otherwise adopted or approved; or
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> (ii) a contemporaneous stenographic, mechanical, electrical, or other recording – or a transcription of it – that recites substantially verbatim the person's oral statement.

FED. R. CIV. P. 26(b)(3).

Interpreting Rule 26(b)(3), courts have generally distilled the applicability of the work product doctrine into a three-part test. To qualify for the protections of the work product doctrine, courts hold that items must be: (1) documents or tangible things; (2) prepared by or for a party (*i.e.*, by or for a party or a party's representative); and (3) prepared in anticipation of litigation or for trial. Aktiebolag v. Andrx Pharm., Inc., 208 F.R.D. 92, 104 (S.D.N.Y. 2002); Anderson, 202 F.R.D. at 554. Although, if read literally, Rule 26(b)(3) applies only to tangible things, courts widely recognize that the work product doctrine encompasses intangible information as well. *See* In re Cendant Corp. Sec. Litig., 343 F.3d 658, 662-63 (3d Cir. 2003) (holding that it is "clear" from Hickman that work product protection extends to both tangible and intangible work product); *see The Intangible Work Product Doctrine*, § IV.A.1, *infra*. Work product also may include material prepared by non-attorneys so long as it was prepared in anticipation of litigation. *See Work*

Product Must Be Prepared By or For a Party or By or For Its Representative, § IV.A.2, *infra*.

Work product protection is not absolute. Courts may require the disclosure of materials that would otherwise meet the criteria for work product protection, if the moving party can demonstrate: (1) *substantial need* of the materials, and (2) that a substantial equivalent cannot be obtained without *undue hardship*. In re Cendant Corp. Sec. Litig., 343 F.3d 658, 663 (3d Cir. 2003); s*ee Scope of Work Product Protection*, § IV.D, *infra*. However, courts are required under Rule 26(b)(3) "to protect against disclosure of the mental impressions, conclusions, and opinions, or legal theories [referred to as 'core' or 'opinion' work product] of an attorney or other representative of a party concerning the litigation." FED. R. CIV. P. 26(b)(3); *see Ordinary and Opinion Work Product*, § IV.B, *infra*.

A. DEFINING WORK PRODUCT

1. The Intangible Work Product Doctrine

Under Rule 26(b)(3), as drafted, work product is composed of "documents and tangible things." Taken literally, Rule 26(b)(3) would not apply to information in an unwritten form. 4 J. MOORE ET AL., MOORE'S FEDERAL PRACTICE ¶ 26.64 (2d ed. 1983). Thus, courts must look back to Hickman for guidance when dealing with work product protection of intangible things (such as attorney recollections or other unrecorded information). *See id.* (noting that, because of its wording, Rule 26(b)(3) leaves the area of unrecorded work product unchanged and subject to Hickman); *see also* In re D.H. Overmyer Telecasting Co., 470 F. Supp. 1250, 1255 n.6 (S.D.N.Y. 1979) (content of communications between co-counsel held protected by Hickman although Rule 26(b)(3) was inapplicable). Federal Rule of Evidence 502 specifically includes intangible work product. FED. R. EVID. 502(g)(2) ("'work product protection' means the protection that applicable law provides for tangible material (or its intangible equivalent) prepared in anticipation of litigation or for trial").

Under Hickman, work product encompasses unrecorded and intangible forms of information. There, the Court held that attempts to secure "personal recollections" prepared by counsel without any necessity or justification were prohibited. Hickman v. Taylor, 329 U.S. 495, 510 (1947).

Despite being grounded on different precedents, the protections afforded tangible and intangible materials are essentially the same in most cases. The Third Circuit has recently held that "[i]t is clear" from Hickman that work product protection extends to both tangible and intangible work product. In re Cendant Corp. Sec. Litig., 343 F.3d 658, 662 (3d. Cir. 2003); *see also* U.S. Info. Sys., Inc. v. IBEW Local Union No. 3, No. 00 Civ. 4763, 2002 WL 31296430 (S.D.N.Y. Oct. 11, 2002) (holding that work product doctrine was informed by case law beyond Rule 26(b)(3) and applied to intangible things such as conversations).

See:

> *Frank Betz Assocs. v. Jim Walter Homes, Inc., 226 F.R.D. 533, 534 (D.S.C. 2005). The amount of a company's litigation reserve was protected by the work product doctrine because it reflected counsel's mental impressions.*
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> *Banks v. Office of Senate Sergeant-at-Arms, 222 F.R.D. 1, 4 (D.D.C. 2004). Deposition questions directed to an agency employee would be improper if the answer would tend to disclose the agency's attorney's intangible work product: counsel's mental impressions, conclusions, opinions or legal theories.*
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> *U.S. Info. Sys., Inc. v. Int'l Bhd. of Elec. Workers Local Union No. 3, No. 00Civ.4763 (RMB) (JCF), 2002 WL 31296430, at *6 (S.D.N.Y. Oct. 11, 2002). Oral communications between plaintiffs' counsel and employee of litigation support vendor that reflect the thought processes of counsel were protected work product: "The fortuity of whether an attorney's thought processes have been memorialized should not determine whether they are laid bare to his or her adversary."*

One common type of intangible work product is unrecorded recollections of attorneys. Some commentators have noted that unrecorded work product is really oral opinion work product. *See* Jeff A. Anderson et al., *The Work Product Doctrine*, 68 CORNELL L. REV. 760, 842-43 (1983). Such oral materials or recollections necessarily include the mental impressions of the attorney. *Id.* at 839. When an attorney is asked about her recollection of an interview, the attorney will only recount those items which she analyzed and deemed significant enough to remember. Thus, when recounted, the underlying information takes on aspects of opinion work product as it is strained through the attorney's mental processes, perceptions, and evaluations. *Id.* As a result, unrecorded information may more easily qualify as opinion work product and therefore gain extra protection. Apparently recognizing this, a few courts have included such material within the category of opinion work product. *See* In re Grand Jury Subpoena Dated Nov. 8, 1979, 622 F.2d 933, 935 (6th Cir. 1980) (defining work product as "the tangible and intangible material which reflects an attorney's efforts at investigating and preparing a case, including one's pattern of investigation, assembling of information, determination of the relevant facts, preparation of legal theories, planning of strategy, and recording of mental impressions"). *See also* United States v. One Tract of Real Prop. Together with all Bldgs., Improvements, Appurtenances, & Fixtures, 95 F.3d 422, 428 (6th Cir. 1996) (the broader work-product doctrine outlined in Hickman protects reflections and recollections of an attorney that have never been written down); *Special Circumstances – Rule 30(b)(6) Depositions and Depositions of Counsel*, § VIII.B, *infra*; *Selection of Documents as Opinion Work Product*, § IV.B.1(a), *infra*.

2. Work Product Must Be Prepared By Or For A Party Or By Or For Its Representative

Although often referred to as the "attorney work product" doctrine, that is a misleading misnomer. Work product protection extends to any materials prepared in anticipation of litigation by or for a party. In re Cendant Corp. Sec. Litig., 343 F.3d 658, 662-63 (3d Cir. 2003) (work product protection "extends beyond materials prepared by an attorney to include materials prepared by an attorney's agents and consultants"); United States v. AT&T, 642 F.2d 1285 (D.C. Cir. 1980) (noting that work product protection developed in Hickman encompasses nonparty work product); Hertzberg v. Veneman, 273 F.

Supp. 2d 67, 76 (D.D.C. 2003). Indeed, by its own terms, Rule 26(b)(3) protects materials prepared "by or for another party or by or for that other party's representative (including the other party's attorney, consultant, surety, indemnitor, insurer, or agent) . . . ." FED. R. CIV. P. 26(b)(3); *see also* United Coal Cos. v. Powell Constr. Co., 839 F.2d 958, 966 (3d Cir. 1988) (heightened protection for opinion work product applies to the "mental impressions, conclusions, opinion, or legal theories" of a party or its agent); Duplan Corp. v. Deering Milliken, Inc., 540 F.2d 1215, 1219 (4th Cir. 1976); Davis v. Seattle, No. C06-1659Z, 2007 WL 4166154 (W.D. Wash. Nov. 20, 2007) (outside attorney investigator acting as functional equivalent of an employee of the company where the outside attorney prepared draft reports that were within the scope of her duties); Hertzberg, 273 F. Supp. 2d at 76 ("By its own terms, then, the work-product privilege covers materials prepared by or for *any party or by or for its representative;* they need not be prepared by an attorney or even for an attorney.") (emphasis in original) (internal citations omitted); .

Protected work product only includes materials prepared in anticipation of litigation (*see* § IV.A.3, below). As a practical matter, demonstrating that material prepared by a non-lawyer was prepared in anticipation of litigation may be more difficult. However, in a case involving agents of an attorney, the Supreme Court explained the importance of protecting the work product of such agents:

> At its core, the work-product doctrine shelters the mental processes of the attorney, providing a privileged area within which he can analyze and prepare his client's case. But the doctrine is an intensely practical one, grounded in the realities of litigation in our adversary system. One of those realities is that attorneys often must rely on the assistance of investigators and other agents in the compilation of materials in preparation for trial. It is therefore necessary that the doctrine protect material prepared by agents for the attorney as well as those prepared by the attorney himself.

United States v. Nobles, 422 U.S. 225, 238-39 (1975). Under this rationale, work product includes material prepared "by or for [a] party or its representative" as long as the agent is assisting in preparing for litigation. FED. R. CIV. P. 26(b)(3) advisory committee's note ("the weight of authority affords protection of the preparatory work of both lawyers and nonlawyers"); *see also* Nelsen v. Geren, No. 08-CV-1424-ST, 2010 WL 3491360, at *3-4 (D. Or. Aug. 31, 2010) (finding that a nonlawyer's draft report prepared in anticipation of litigation to be noncore work product, but ordering disclosure because defendant had waived protection for all but core work product); Angel Learning, Inc., v. Houghton Mifflin Harcourt Publ'g Co., No. 1:08-cv-01259-LJM-JMS, 2010 WL 1579666 (S.D. Ind. Apr. 19, 2010) (applying the work product doctrine to documents prepared by plaintiff's employee evaluating the settlement value of the case); Rodriguez v. SLM Corp., No. 07 Civ. 1866(WWE), 2010 WL 1416107 (D. Conn. Apr. 5, 2010) (finding that tests and studies conducted by Sallie Mae constituted work product as the analyses were prepared due to the prospect of litigation); Plew v. Limited Brands, Inc., No. 08 Civ. 3741(LTS)(MHD), 2009 WL 1119414, at *1 (S.D.N.Y. Apr. 23, 2009) (denying on work product grounds a motion to compel production of emails between defendant and a third party, where emails were sent at direction of counsel to request information pertinent to the lawsuit); In re Grand Jury

Subpoena, 220 F.R.D. 130, 141-42 & n.2 (D. Mass 2004) (noting that work product created by an attorney's representative constitutes protected work product); Gator Marshbuggy Excavator L.L.C. v. M/V Rambler, No. Civ. A. 03-3220, 2004 WL 1822843, at *2 (E.D. La. Aug. 12, 2004) (notes taken by investigator in response to a request made by an attorney were protected work product); Fine v. Facet Aerospace Prods. Co., 133 F.R.D. 439, 445 (S.D.N.Y. 1990); In re ContiCommodity Servs., Inc. Sec. Litig., 123 F.R.D. 574 (N.D. Ill. 1988) (work product doctrine does not prevent discovery of tax refund claim form prepared by an accountant, but documents prepared by the accountant as an agent for the lawyer would be protected). *But see* United States v. Smith, 502 F.3d 680, 689 (7th Cir. 2007) ("It is not up to the client to determine whom to make an agent for the purposes of asserting the work-product privilege; the privilege extends to the work of the attorney's agents, not the client's agents."); In re Pub. Defender Serv., 831 A.2d 890, 895-96 (D.C. Cir. 2003) (where criminal defendant's comrades extracted written confession from witness at knife point, and defendant provided confession to attorney, confession was not protected work product because it was not prepared by attorney or his agents); In re Six Grand Jury Witnesses, 979 F.2d 939, 942 (2d Cir. 1992) (work product doctrine does not protect information about analyses prepared by employees at direction of corporate counsel); United States v. Hatfield, No. 06-CR-0550, 2010 WL 183522 (E.D.N.Y. Jan. 8, 2010) (an attorney's engagement of a consultant on behalf of a client does not bestow privilege on non-legal work); In re Grand Jury Proceedings, No. M-11-189, 2001 WL 1167497, at *19 (S.D.N.Y. Oct. 3, 2001) (holding that work conducted by an investigator was protected by the work product doctrine when conducted under the direction and control of a party's counsel, but not when the same investigator acted independently).

Some courts strictly apply Rule 26(b)(3)'s use of the term "party" to preclude non-parties from asserting work product protection. "[D]ocuments prepared by one who is not a party to the present suit are wholly unprotected by Rule 26(b)(3) even though the person may be a party to a closely related lawsuit in which he will be disadvantaged if he must disclose in the present suit." Ramsey v. NYP Holdings, Inc., No. 00 Civ. 3478, 2002 WL 1402055, at *6 (S.D.N.Y. June 27, 2002) (noting "[t]his conclusion has been adhered to by the Supreme Court in dictum, by at least one circuit court and by numerous district courts") (citations omitted). *See also* In re Cal. Pub. Util. Comm'n, 892 F.2d 778 (9th Cir. 1989) (a nonparty to a suit cannot assert work product protection); LG Elecs. v. Motorola, Inc., No. 10 CV 3179, 2010 WL 4513722, at *3-4 (N.D. Ill. Nov. 2, 2010) (a party could not assert work product protection for documents its counsel prepared regarding a separate lawsuit in which it was not a party); Howell v. City of N.Y., 2007 WL 2815738, at *2 (E.D.N.Y. Sept. 25, 2007) (denying, in a civil suit against a city, protective order for the state's attorney's official reason for declining to criminally prosecute plaintiff, as state's attorney was not a party); Wong v. Thomas, 238 F.R.D. 548, 551 (D.N.J. 2007) (prosecutors cannot assert work product protection for criminal investigation file in subsequent civil suit against multiple government entities); Ricoh v. Aeroflex, 219 F.R.D. 66, 68 (S.D.N.Y. 2003) (holding that communications between non-parties are not protected even if they are initiated or requested by a party or a party's counsel); Klein v. Jefferson Parish Sch. Bd., 2003 WL 1873909, at *3-4 (E.D. La. 2003) (holding that prosecutor's file from previous criminal action was not protected by work product doctrine in related civil action where the prosecuting county was not a party); Ostrowski v. Holem, No. 02 C 50281, 2002 WL 31956039, at *3 (N.D. Ill. Jan. 21, 2002) (holding that work product doctrine did not protect prosecutorial file of state's

attorney in civil litigation between party claiming false arrest against city). *But see* 8 CHARLES ALAN WRIGHT, ET AL., FEDERAL PRACTICE & PROCEDURE § 2024 (2d ed. 1994) (criticizing this interpretation and suggesting a court could issue a protective order to provide protection anyway).

Some courts have noted that the court's ability to preclude or limit discovery on a showing of "good cause" may blunt the potential harshness of this interpretation. Ramsey, 2002 WL 1402055, at *6. *See also* In re Student Fin. Corp., No. 02-11620-JBR, 2006 WL 3484387 (E.D. Pa. 2006); In re Polypropylene Carpet Antitrust Litig., 181 F.R.D. 680, 691-92 (N.D. Ga. 1998). Federal Rule of Civil Procedure 26(c) provides that a "court may, for good cause, issue an order to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense." Rule 45(c)(3), which permits a court to quash or modify a subpoena that subjects a person to undue burden, may also be used. *See* Asarco, LLC v. Ams. Mining Corp., No. 07-6289-EJL-MHW, 2007 WL 3504774 (D. Idaho Nov. 15, 2007) (granting protective order on the basis of the work product doctrine even though the party seeking protection was not a party to the litigation).

A bankruptcy trustee may assert work product protection for documents prepared by the debtor and a creditors' committee before the debtors' plan was confirmed, although debtor and committee no longer exist, because the trustee is the successor-in-interest and succeeds to their right to assert the work product doctrine. Osherow v. Vann (In re Hardwood P-G, Inc.), 403 B.R. 445, 464-65 (Bankr. W.D. Tex. 2009).

The operation of the work product doctrine does not differ when applied to in-house rather than outside counsel. *See* Shelton v. Am. Motors Corp., 805 F.2d 1323, 1328 (8th Cir. 1986).

3. Work Product Must Be Prepared In Anticipation Of Imminent Litigation

It is important to note that the attorney-client privilege protects communications between a client and a lawyer relating to all kinds of legal services, while the work product doctrine protects only litigation related materials. *See* Research Inst. for Med. & Chem., Inc. v. Wis. Alumni Research Found., 114 F.R.D. 672 (W.D. Wis. 1987) (work product doctrine inapplicable to patent application process which involves *ex parte* non-adversarial proceedings); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 87 cmt. h (2000). However, the definition of "litigation" is quite broad and includes criminal and civil trials as well as other adversarial proceedings (such as administrative hearings, arbitration, and grand jury proceedings). *See* In re Rail Freight Fuel Surcharge Antitrust Litig., 268 F.R.D. 114 (D.D.C. 2010) (materials prepared in anticipation of an administrative hearing are protected by the work product doctrine where there was a significant adversarial aspect to the hearing); In re Apollo Group, Inc. Sec. Litig., 251 F.R.D. 12 (D.D.C. 2008) (documents prepared in anticipation of administrative proceedings were protected by the work product privilege); United States v. Stewart, 287 F. Supp. 2d 461 (S.D.N.Y. 2003) (finding that work product doctrine applies to grand jury proceedings, though suggesting possible difference when applied in criminal context); Galvin v. Hoblock, No. 00 Civ. 6058, 2003 WL 22208370, at *3-4 (S.D.N.Y. Sept. 24, 2003) ("[T]he term 'litigation' encompasses not only litigation in

court, but also quasi-judicial proceedings before a government agency."); Abdallah v. Coca-Cola Co., No. Al: 98CV3679, 2000 WL 33249254, at *5 (N.D. Ga. Jan. 25, 2000) ("A document may be considered to have been prepared in anticipation of litigation even if the litigation that caused its preparation was an investigation by a government agency, and not a traditional civil suit."); Jumper v. Yellow Corp., 176 F.R.D. 282 (N.D. Ill. 1997) (documents prepared in anticipation of arbitration were protected by the work product privilege); Deseret Mgmt. Corp. v. United States, 76 Fed. Cl. 88, 92-93 (Fed. Cl. 2007) (litigation includes adversarial proceedings, defined as "when evidence or legal argument is presented by parties contending against each other with respect to legally significant factual issues") (quoting RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS §87 cmt. h (2000)).

"The decision whether documents were prepared in anticipation of litigation varies depending on the nature of the claim and the type of information sought and, therefore, turns on the facts of each case." Abdallah, 2000 WL 33249254, at *5. The determination of whether a document has been prepared in anticipation of litigation often depends upon both the imminence of the anticipated litigation and the motivation behind the preparation to the material to be shielded from discovery. United States ex rel. Fago v. M & T Mortg. Corp., 238 F.R.D. 3, 7 (D.D.C. 2006) (attorney's interview notes made after service of *qui tam* complaint and during investigation into allegations of complaint were protected work product where it was clear that interviews and notes of interviews would not have occurred but for the present litigation); Robinson v. Tex. Auto. Dealers Ass'n, 214 F.R.D. 432, 441, vacated on other grounds, No. Civ. A. 5:97-CV-273, 2003 WL 21909777, at *1 (E.D. Tex July 28, 2003) (noting that this factor has both a temporal and motivating factor).

a. Required Imminence Of Litigation

To establish that a document was prepared in anticipation of litigation, a party must demonstrate that the threat of litigation was impending. FED. R. CIV. P. 26(b)(3); Hickman v. Taylor, 329 U.S. 495 (1947). Courts perform a case-by-case analysis to determine if the anticipated litigation has the requisite level of imminence. A general fear of ever-present litigation in the future will not meet the anticipation requirement. In re Gabapentin Patent Litig., 214 F.R.D. 178, 183 (D.N.J. 2003) ("In general, though, a party must show more than a remote prospect, an inchoate possibility, or a likely chance of litigation."). Bare assertions in contracts indicating the possibility of litigation will not automatically entitle contemporaneous documents to work product protection. *See* Kingsway Fin. Servs., Inc. v. PricewaterhouseCoopers, No. 03Civ.5560(RMB)(HBP), 2007 WL 473726, at *5 (S.D.N.Y. Feb. 14, 2007) (boilerplate contract choice of law clauses are "ubiquitous in modern transactions" and therefore not indicative of the imminence of litigation). Instead, there must be some particularized suspicion that litigation is likely. Often courts will describe the immediacy of litigation requirement in terms of whether an articulable claim existed at the time the material to be protected was prepared. *See*:

> *In re Sealed Case, 146 F.3d 881, 884 (D.C. Cir. 1998). In order for work product protection to apply, an attorney must have "had a subjective belief that litigation was a real possibility, and that belief must have been objectively reasonable." Documents prepared prior to the materialization of specific claim were protected because they were prepared "in anticipation of possible litigation."*

Martin v. Bally's Park Place Hotel & Casino, 983 F.2d 1252 (3d Cir. 1993). After employee contacted OSHA with health problems, counsel for Bally's ordered expert to conduct a test on the emissions of a dishwasher. Later, Bally's claimed work product protection for this report. Court agreed that the report had been in anticipation of litigation despite the fact that OSHA had mentioned closing the file if the emissions were corrected. Court declared that OSHA had not been unequivocal that it was possible to avoid the litigation.

Binks Mfg. Co. v. Nat'l Presto Indus., Inc., 709 F.2d 1109, 1119 (7th Cir. 1983). There must be more than a remote prospect of future litigation for work product protection to apply. Work product immunity requires at least some articulable claim likely to lead to litigation and a document which was prepared because this litigation was fairly foreseeable.

*Raritan Bay Fed. Credit Union v. CUMIS Ins. Soc'y, Inc., No. 09-1512 (FLW), 2010 WL 4292175, at *12 (D.N.J. Oct. 21, 2010). The reasonable anticipation test requires a party to show an identifiable and specific claim of impending litigation at the time materials were prepared.*

Lopes v. Vieira, 719 F. Supp. 2d 1199 (E.D. Cal. June 23, 2010). Documents prepared in response to an administrative investigation were protected work product, and were not prepared for a business purpose since the securities offering took place a year earlier.

King v. CVS Pharmacy, Inc., No. 1:09-CV-209, 2010 WL 1643256 (E.D. Tenn. Apr. 21, 2010). Holding that an insurer's claims adjuster's files created prior to the adjuster's contact with the claimant's attorney were not protected work product.

*Medical Protective Co. v. Bubenik, 2007 WL 3026939, at *4 (E.D. Mo. Oct. 15, 2007). Recognizing the difficulty of determining when litigation becomes imminent, the court applied a case-by-case analysis. While the retention of outside counsel by the insurer was not dispositive, in this case it indicated "the beginning of an adversary relationship between the parties."*

Minebea v. Papst, 229 F.R.D. 1 (D.D.C. 2005). Holding that parties were not 'anticipating litigation' where a lawsuit had not been filed and the parties instead entered into a tolling agreement in a serious, good faith effort to negotiate a patent license.

*Celmer v. Marriot Corp., No. Civ.A. 03-CV-5229, 2004 WL 1822763, at *3 (E.D. Pa. Jul. 15, 2004). Holding report prepared by loss prevention officer whose primary role was to gather facts following accident was not protected work product because litigation was not anticipated at time of the creation of the report.*

United States v. Bergonzi, 216 F.R.D. 487, 494-98 (N.D. Cal. 2003). Work product doctrine was implicated because investigation conducted by attorneys was done in response to securities fraud suits being filed against company.

Hertzberg v. Veneman, 273 F. Supp. 2d 67, 75 (D.D.C. 2003). "While litigation need not be imminent or certain in order to satisfy the anticipation-of-litigation prong of the test, this circuit has held that 'at the very least some articulable claim, likely to lead to litigation, must have arisen,' such that litigation was 'fairly foreseeable at the time' the materials were prepared" (citing Coastal States Gas Corp. v. Dep't of Energy, 617 F.2d 854, 865 (D.C. Cir. 1980)).

*SmithKline Beecham Corp. v. Pentech Pharm., Inc., No. 00 C 2855, 2001 WL 1397876, at *2 (N.D. Ill. Nov. 6, 2001). "[T]o be subject to work product immunity, documents must have been created in response to 'a substantial and significant threat' of litigation, which can be shown by 'objective facts establishing an identifiable resolve to litigate.' Documents are not work-product simply because 'litigation [is] in the air' or 'there is a remote possibility of some future litigation'" (internal citations and quotations omitted; second alteration in original).*

Miller v. Pancucci, 141 F.R.D. 292 (C.D. Cal. 1992). Police department documents prepared in the ordinary course of an internal affairs investigation in response to citizen complaint are not in anticipation of specific litigation and therefore not protected work product.

*Heyman v. Beatrice Co., No. 89 C 7381, 1992 WL 97232, at *3 (N.D. Ill. May 1, 1992). "[T]he prospect of litigation must be identifiable because of specific claims that have already arisen." A mere contingency of litigation will not give rise to work product protection. Thus, documents that were prepared to analyze or preclude future litigation not regarding existing claims were not protected work product.*

James Julian, Inc. v. Raytheon Co., 93 F.R.D. 138, 143 (D. Del. 1982). Party not required to know who will sue it or the theory of recovery, but the prospect of litigation must be "sufficiently strong."

Nat'l Eng'g & Contracting Co. v. C. & P. Eng'g & Mfg. Co., 676 N.E.2d 372 (Ind. Ct. App. 1997). Photographs taken in ordinary course of business were discoverable, but photographs taken in anticipation of litigation were protected work product.

Litigation related to a future event may be sufficiently "anticipated" to satisfy the requirements of the work product doctrine even though no litigation then existed. *See* United States v. Adlman, 134 F.3d 1194, 1197-98 (2d Cir. 1998) (holding that memorandum regarding potential tax litigation arising out of a proposed merger may be protected); *see also* Deseret Mgmt. Corp. v. United States, 76 Fed. Cl. 88 (Fed. Cl. 2007) (IRS audit reports were protected work product where, due to the size of the corporation and significance of the business transaction both parties "knew or should have known that the auditing could lead to litigation"). In In re Sealed Case, 146 F.3d 881, 887 (D.C. Cir. 1998), the Circuit Court for the District of Columbia held that documents prepared prior to the transaction that formed the basis for the claim were protected work product. The court reasoned that the work product privilege "turns not on the presence or absence of a specific claim, but rather on whether, under 'all of the relevant circumstances,' the lawyer prepared the materials in anticipation of litigation." *Id.* at 884-85. Under this standard, the court found that an attorney must have "had a subjective belief that the litigation was a real possibility, and that belief must have been objectively reasonable" in order for work product protection to apply. *Id.* at 884.

b. Preparation Of Documents Must Be Motivated By Litigation

Some courts de-emphasize the temporal requirement of imminence in favor of consideration of the motivation for creating the allegedly protected material. Robinson v. Tex. Auto. Dealers Ass'n, 214 F.R.D. 432, 442 n.6, vacated on other grounds, No. Civ. A. 5:97-CV-273, 2003 WL 21909777, at *1 (E.D. Tex. July 28, 2003) (noting that the "Fifth Circuit focuses more on the motivational factor than it does the temporal factor") (citing In re Kaiser Aluminum & Chem. Co., 214 F.3d 586, 593 (5th Cir. 2000)).

In establishing the "anticipation of litigation" prong of work product protection, a party must demonstrate that use in litigation was the motivation underlying preparation of a document subject to a claim of work product protection. The party asserting the work product doctrine carries the burden of proving that the writings or documents were prepared for litigation purposes. *See* Wyoming v. U.S. Dep't of Agric., 239 F. Supp. 2d 1219, 1231 (D. Wyo. 2002), appeal dismissed and vacated as moot, 414 F.3d 1207 (10th Cir. 2005). Courts find that without more, merely citing a purpose of avoiding future litigation is an

insufficient basis on which to assert work product protection, as such would "represent an insurmountable barrier to normal discovery and could subsume all compliance activities by a company as protected from discovery." In re Grand Jury Proceedings, No. M-11-189, 2001 WL 1167497, at *15 (S.D.N.Y Oct. 3, 2001) (quotations and citations omitted). "Though the work product doctrine may protect documents that were prepared for one's defense in a court of law, it does not protect documents that were prepared for one's defense in the court of public opinion." Burke v. Lakin Law Firm, PC, No. 07-CV-0076-MJR, 2008 WL 117838, at *3 (S.D. Ill. 2008) (holding that communications with a public relations firm hired at the direction of counsel to minimize the effects of negative publicity stemming from litigation were not protected by the work product doctrine).

Regardless of the particular degree of litigation-related motivation that courts may require, virtually all courts hold that materials that are "assembled in the ordinary course of business, or pursuant to public requirements unrelated to litigation" are not protected. FED. R. CIV. P. 26(b)(3) (advisory committee's note on 1970 Amendment); *see also* In re Grand Jury Subpoenas dated Mar. 19, 2002 & Aug. 2, 2002, 318 F.3d 379, 384-85 (2d Cir. 2003) (holding that work product protection did "not extend to documents in an attorney's possession that were prepared by a third party in the ordinary course of business and that would have been created in essentially similar form irrespective of any litigation anticipated by counsel"); United States v. Frederick, 182 F.3d 496, 501 (7th Cir. 1999) (document prepared by attorney for use in tax preparation and for use in litigation not protected); Nat'l Union Fire Ins. Co. v. Murray Sheet Metal Co., 967 F.2d 980, 984 (4th Cir. 1992); Myer v. Nitetrain Coach Co., No. C06-804C, 2007 WL 686357 (W.D. Wash. Mar. 2, 2007) (finding insurer's post-accident videotape discussing the design of a collapsed bed frame was not work product, as insurer's routine duty to investigate accidents meant the tape was prepared in the ordinary course of business); In re Bairnco Corp. Sec. Litig., 148 F.R.D. 91, 103 (S.D.N.Y. 1993) (documents in the nature of facts and statistics, updates of claim status, costs and exposure were created for purpose other than preparation of litigation). *But see* United States v. Adlman, 134 F.3d 1194, 1204 (2d Cir. 1998) (documents prepared to inform a business decision were protected if the documents would not have been prepared but for anticipated litigation arising out of the business decision); 4 J. MOORE ET AL., MOORE'S FEDERAL PRACTICE ¶ 26.64[3] (2d ed. 1983) (arguing that blind denial of protection to *all* materials prepared in the ordinary course of business is a misinterpretation); Fitzpatrick v. Am. Int'l Grp., Inc., No. 10 Civ. 142(MHD), 2011 WL 335672, at *3 (S.D.N.Y. Jan. 28, 2011) (profit calculation documents created by KPMG were protected work product because KPMG was hired in anticipation of litigation and, absent the litigation threat by plaintiff, the defendant would have conducted calculations in-house). Attorney billing records are an example of an ordinary business record that may nevertheless be protected by the work product doctrine. Cardenas v. Prudential Ins. Co. of Am., No. Civ. 99-1422, 2003 WL 21302957, at *3 (D. Minn. May 16, 2003) (holding that attorney billing records containing narrative descriptions of conversations between clients and attorneys, the subjects of legal research or internal legal memoranda, and activities undertaken on the client's behalf prepared in anticipation of litigation are protected by attorney-client privilege and work product protection). Courts have held that "[d]ocuments prepared . . . pursuant to regulatory requirements are not classified as attorney work-product." Syngenta Crop Prot., Inc. v. U.S. Envtl. Prot. Agency, No. 1:02CV0334, 2002 WL 31778791, at *5 (M.D.N.C. Nov. 5, 2002), reversed in part on other grounds by 2006 WL 6654882 (M.D.N.C. Mar. 30, 2006); *but see*

Pac. Gas & Elec. Co. v. United States, 69 Fed. Cl. 784, 808 (Fed. Cl. 2006) (reviewing in detail the various tests for the work product doctrine and holding that the adversarial aspects of proceedings before the state public utility commission and nuclear regulatory commission constituted litigation for purposes of work product doctrine).

Pre-existing documents not prepared in anticipation of litigation may not be immunized merely by transmitting them to an attorney in response to the prospect of litigation. *See* Brown v. Hart, Schaffner & Marx, 96 F.R.D. 64, 68 (N.D. Ill. 1982). Similarly, the mere "fact that general counsel may be involved in oversight does not make it self-evident that the documents prepared were prepared in anticipation of litigation." Guardsmark, Inc. v. Blue Cross & Blue Shield, 206 F.R.D. 202, 210 (W.D. Tenn. 2002) (citing Sandberg v. Va. Bankshares, Inc., 979 F.2d 332, 356 (4th Cir. 1992)). *But see* Triple Five of Minn., Inc. v. Simon, 212 F.R.D. 523, 528 (D. Minn. 2002) (finding that documents produced by in-house counsel were privileged where defendants had turned over hundreds of documents related to the in-house counsel's "business" function and the 10 year history of litigation of parties or threatened litigation made it likely that documents were prepared in anticipation of litigations). However, counsel's selection and compilation of pre-existing documents may constitute opinion work product. *See Selection of Documents as Opinion Work Product*, § IV.B.1.a, *infra*; *see also*:

> *SmithKline Beecham Corp. v. Pentech Pharm., Inc., No. 00 C 2855, 2001 WL 1397876 (N.D. Ill. Nov. 6, 2001). "The threshold determination of work product generally is 'whether, in light of the nature of the document and the factual situation in the particular case, the document can fairly be said to have been prepared for or obtained* ***because of*** *the prospect of litigation.' Therefore, documents that were prepared for other reasons, such as documents created in the ordinary course of business, cannot be withheld as work product." (emphasis in original)*

For purposes of applying the work product doctrine, courts differ with respect to the degree of motivation that a party must show to establish that a document was prepared in anticipation of litigation. Some courts, including the Second, Third, Fourth, Seventh, Eighth, Ninth and D.C. Circuits agree that "if in light of the nature of the document and the factual situation in the particular case, the document can fairly be said to have been prepared or obtained *because of* the prospect of litigation it is eligible for protection by the work-product privilege." Resolution Trust Corp. v. Mass. Mut. Life Ins. Co., 200 F.R.D. 183, 189 (W.D.N.Y. 2001) (internal quotations omitted) (emphasis in original); *see also* Mattenson v. Baxter Healthcare Corp., 438 F.3d 763, 767-69 (7th Cir. 2006) (work product doctrine protected notes written by in-house counsel during a meeting with a plaintiff's supervisors, even if the supervisors were not anticipating litigation, because the meeting notes were used by counsel to determine the company's "legal vulnerabilities"); In re Grand Jury Subpoena (Mark Torf/Torf Envtl. Mgmt.), 357 F.3d 900, 908 (9th Cir. 2004) (adopting the "because of' standard in the Ninth Circuit); A. Michael's Piano, Inc. v. F.T.C., 18 F.3d 138, 146 (2d Cir. 1994) (fact that FTC attorney created documents after decision not to recommend enforcement action did not take documents out of scope of work product). Other courts, most notably the Fifth Circuit, have adopted the more stringent "primary motivating" factor test. *See* United States v. Davis, 636 F.2d 1028, 1040 (5th Cir. 1981); *see also* Garcia v. City of El Centro, 214 F.R.D. 587, 592 (S.D. Cal. 2003) (noting circuit split on when documents are prepared in litigation for purposes of the work product doctrine, finding no Ninth Circuit authority rejects "primary motivating purpose" and "substantial probability"

approach, court chooses to analyze particular factual elements of instant case) (citing Simon v. G.D. Searle & Co., 816 F.2d 397, 401 (8th Cir. 1987)). Each approach is discussed below:

(1) Primary Motivating Factor Test

Some courts have concluded that preparation for litigation must be the primary motivating factor underlying the creation of a document in order to invoke work product protection. *See* McMahon v. E. S.S. Lines, Inc., 129 F.R.D. 197, 199 (S.D. Fla. 1989). The Fifth Circuit has been the leading circuit following this approach. S. Scrap Material Co. v. Fleming, No. Civ. A. 01-2554, 2003 WL 21474516, at *5 (E.D. La. June 18, 2003) (citing In re Kaiser Aluminum & Chem. Co., 214 F.3d 586, 592 n.19 (5th Cir. 2000)). Under this test, the Fifth Circuit recognized that:

> It is admittedly difficult to reduce to a neat formula the relationship between the preparation of a document and possible litigation necessary to trigger the protection of the work-product doctrine. We conclude that litigation need not necessarily be imminent, as some courts have suggested, as long as the primary motivating purpose behind the creation of the document was to aid in possible future litigation.

United States v. Davis, 636 F.2d 1028, 1039 (5th Cir. 1981); Elec. Data Sys. Corp. v. Steingraber, No. 4:02 CV 225, 2003 WL 21653414, at *4 (E.D. Tex. July 9, 2003) (quoting Davis); S. Scrap Material Co., 2003 WL 21474516, at *5-6 (E.D. La. June 18, 2003) (same). "Factors that courts rely on to determine the primary motivation for the creation of a document include the retention of counsel, his involvement in the generation of the document and whether it was routine practice to prepare that type of document or whether the document was instead prepared in response to a particular circumstance." S. Scrap Material Co., 2003 WL 21474516, at *6-7 (internal quotations omitted); *see also*:

> *United States v. Gulf Oil Corp., 760 F.2d 292, 296-97 (Temp. Emer. Ct. App. 1985). Document does not get work product protection unless the primary motivating purpose behind its creation was to assist in impending litigation.*
>
> *United States v. Davis, 636 F.2d 1028, 1040 (5th Cir. 1981). The test is whether the primary motivating factor behind the creation of the document was to prepare for pending or impending litigation.*
>
> *Foret v. Transocean Offshore, Inc., No. 09-4567, 2010 WL 2732332 (E.D. La. July 6, 2010). Investigation was not primarily motivated by litigation when Transocean's policy manual required that all accidents be investigated.*
>
> *SEC v. Microtune, Inc., 258 F.R.D. 310, 319 (N.D. Tex. 2009). Court applied primary motivation test, finding that internal investigation materials generated by outside counsel were not protected because the materials would have been prepared regardless of the prospects of litigation.*
>
> *Cline v. Advanced Med. Optics, Inc., No. 2:08-CV-62, 2009 WL 585507, at *4 (E.D. Tex. Mar. 6, 2009). Primary purpose of the investigation was anticipation of litigation and, therefore, the protection applied even though defendant had mixed business and legal purposes for conducting the investigation.*

*Douga v. D & Boat Rentals, Inc., No. 04-1642, 2007 WL 1428678, *4 (W.D. La. May 10, 2007). The court found that a post-accident insurance investigation not primarily motivated by litigation, but noted facts and cases, such as a serious accident after which litigation would "inevitably" result, under which such investigations have been afforded protection under that standard.*

*Gator Marshbuggy Excavator L.L.C. v. M/V Rambler, No. Civ. A. 03-3220, 2004 WL 1822843, at *3 (E.D. La. Aug. 12, 2004). Holding that documents were created primarily in anticipation of litigation as part of accident investigation were protected work product. Notwithstanding that affidavit supporting the claim of privilege was conclusory, other indicia of anticipation existed, including the hiring of counsel and notations in interview notes regarding the credibility of the potential witness.*

Nesse v. Pitmann, 206 F.R.D. 325, 331-32 (D.D.C. 2002). Holding that although a law firm partner's notes were taken out of some generalized concern over future litigation, the "primary purpose" was not trial preparation or anticipation of litigation, and thus zone of privacy concerns were not implicated and work product doctrine was inapplicable.

In re Subpoena Duces Tecum served on Wilkie Farr & Gallagher, No. M8-85, 1997 WL 118369 (S.D.N.Y. Mar. 14, 1997). Law firm was compelled to produce audit committee documents generated in connection with internal investigation. Court ruled that "[t]he investigation was necessary to maintain the integrity of the financial reports of a publicly-held corporation and the documents were prepared primarily for business purposes. Where primary motivation for the creation of work-product is other than litigation, the work-product doctrine does not apply."

Allendale Mut. Ins. Co. v. Bull Data Sys., Inc., 145 F.R.D. 84, 87 (N.D. Ill. 1992). "[I]n order to establish work production protection for a document, a discovery opponent must show that the 'primary motivating purpose behind the creation of a document . . . [was] to aid in possible future litigation.'"

Gottlieb v. Wiles, 143 F.R.D. 241 (D. Colo. 1992). Document qualifies for work product protection if it was created with the primary motivating purpose of preparing for litigation.

Henderson v. Zurn Indus., 131 F.R.D. 560, 570 (S.D. Ind. 1990). Adopting a primary motivating purpose test.

In re Atl. Fin. Mgmt. Sec. Litig., 121 F.R.D. 141, 144 (D. Mass. 1988). Adopting the primary motivating purpose test of Gulf Oil Corp.

In assessing whether preparation for litigation was the primary motivating factor, some courts have found that the timing of the preparation of the document is a factor to be considered. *See, e.g.*, Playtex, Inc. v. Columbia Cas. Co., No. C.A. 88C-MR-233-1-CV, 1989 WL 5197 (Del. Super. Ct. Jan. 5, 1989). Many of these cases involve the issue of whether insurance investigations following an accident are for business purposes or in anticipation of litigation and therefore privileged.

Compare:

Janicker v. George Washington Univ., 94 F.R.D. 648 (D.D.C. 1982). Document prepared immediately after a disaster was prepared for business purposes rather than for litigation that might result from the disaster.

APL Corp. v. Aetna Cas. & Sur. Co., 91 F.R.D. 10, 21 (D. Md. 1980). Routine investigations into indemnity claims are not carried out in anticipation of litigation but instead as part of normal business practices of an insurance company.

With:

> *Carver v. Allstate Ins. Co., 94 F.R.D. 131, 133-34 (S.D. Ga. 1982). Information gathered by the fire loss investigator of an insurance company was protected work product since the activity had shifted from mere claim evaluation to a strong anticipation of litigation.*

See also:

> *In re Prof'ls Direct Ins. Co., 578 F.3d 432 (6th Cir. 2009). Court denied writ of mandamus where magistrate judge, applying "because of litigation" test, held that documents created for dual purpose of analyzing coverage and to prepare for litigation may not be protected. Magistrate judge ordered production of claim file materials, including emails between the insurer and its outside counsel, and correspondence between the insurer and its reinsurers, regarding coverage decision."*

(2) "Because Of" Test

A majority of courts have adopted the less stringent "because of" test for determining whether materials were prepared in anticipation of litigation. *See* In re Grand Jury Subpoena, 357 F.3d 900, 908-09 (9th Cir. 2004); Maine v. U.S. Dep't of the Interior, 298 F.3d 60, 69 (1st Cir. 2002); United States v. Adlman, 134 F.3d 1194, (2d Cir. 1998); Nat'l Union Fire Ins. Co. v. Murray Sheet Metal Co., 967 F.2d 980, 984 (4th Cir.1992); Binks Mfg. Co. v. Nat'l Presto Indus., Inc., 709 F.2d 1109, 1118-19 (7th Cir. 1983); Simon v. G.D. Searle & Co., 816 F.2d 397, 401 (8th Cir. 1987), cert. denied, 484 U.S. 917 (1987); Senate of P.R. v. U.S. Dep't of Justice, 823 F.2d 574, 586 n.42 (D.C.Cir.1987); In re Grand Jury Proceedings, 604 F.2d 798, 803 (3d Cir. 1979). Under this approach, often attributed to the Wright & Miller treatise on civil procedure, courts will find the work product doctrine applicable if, in light of the nature of the document and the factual situation in the particular case, the document "can fairly be said to have been prepared or obtained *because of* the prospect of litigation." 8 CHARLES ALAN WRIGHT, ET AL., FEDERAL PRACTICE & PROCEDURE § 2024 (3d ed. 2010) (emphasis added). In application, courts have noted that the import of this approach is that the work product doctrine will apply even if there is a dual purpose for the creation of the materials to be protected. *See, e.g.*, United States v. Roxworthy, 457 F.3d 590, 599 (6th Cir. 2006) (reversing district court's order granting IRS summons and remanding with instructions to grant defendant's motion to quash). Additional cases adopting the "because of" approach to determining whether a document was prepared in anticipation of litigation include the following:

> *United States v. Richey, 632 F.3d 559 (9th Cir. 2011). With no evidence that the appraisal work file would have been prepared differently in the absence of prospective litigation, the work file could not be said to have been created because of litigation.*
>
> *United States v. Deloitte LLP, 610 F.3d 129 (D.C. Cir. 2010). An auditor-created document determining appropriate litigation reserves was created "because of" litigation, even if created in the course of an audit.*
>
> *Sandra T.E. v. S. Berwyn School Dist., 600 F.3d 612 (7th Cir. 2010). Factual investigation materials prepared by outside counsel of the school board were protected by the work product doctrine since the investigation was conducted "because of" litigation against the school district, with which the school board anticipated being involved.*

In re Prof'ls Direct Ins. Co., 578 F.3d 432, 440 (6th Cir. 2009). Applying the "because of" test, the court held that documents created for the dual purpose of analyzing coverage and to prepare for litigation may not be protected, and affirmed the order to disclose.

In re Grand Jury Subpoena, 357 F.3d 900, 908-909 (9th Cir. 2004). Adopting the "because of" test in analyzing the "in anticipation of litigation" element of the work product doctrine. Documents prepared for a "clear, readily separable business purpose" should not be given protection while dual purpose documents may be privileged if they were created in the first instance for the purpose of rendering legal advice and do not have a readily separable purpose unrelated to the provision of legal advice.

Maine v. U.S. Dep't of the Interior, 298 F.3d 60, 69 (1st Cir. 2002). Discussing circuit split between "primary purpose" and "because of" standards and adopting "because of" standard set forth in United States v. Adlman, 134 F.3d 1194 (2d Cir. 1998).

PepsiCo, Inc. v. Baird, Kurtz & Dobson LLP, 305 F.3d 813, 817 (8th Cir. 2002). "In order to protect work-product, the party seeking protection must show the materials were prepared in anticipation of litigation, i.e., because of the prospect of litigation."

United States v. Adlman, 134 F.3d 1194, 1202 (2d Cir. 1998). Documents prepared to inform a business decision regarding a proposed merger were protected. The test is whether "in light of the nature of the document and the factual situation in the particular case, the document can fairly be said to have been prepared or obtained because of the prospect of litigation."

Norton v. Caremark, Inc., 20 F.3d 330 (8th Cir. 1994). One factor weighing against documents being found to be work product is that, although they were prepared after demand letter was sent, the complaint had not yet been filed.

Binks Mfg. Co. v. Nat'l Presto Indus., Inc., 709 F.2d 1109, 1119 (7th Cir. 1983). Work product immunity requires that the document have been primarily prepared because of the prospect of litigation.

Cent. States Se. & Sw. Areas Pension Fund v. Temp Excel Props. LLC, No. 09 C 7074, 2010 WL 4735828 (N.D. Ill. Nov. 15, 2010). Only documents created after the pension fund issued a demand of payment were created because of litigation.

Hallmark Cards, Inc., v. Murley, No. 09-0377-CV-W-GAF, 2010 WL 4608678 (S.D.N.Y. Nov. 9, 2010). The documents produced from the investigation were prepared in anticipation of litigation because the investigation was driven primarily by well-founded concerns about litigation risk.

Gruenbaum v. Werner Enters., Inc., 270 F.R.D. 298 (S.D. Ohio 2010). The fact that information, created because of litigation, may also serve other purposes does not deprive that information of its character as work product.

Lewis v. Wells Fargo & Co., 266 F.R.D. 433 (Mar. 12, 2010). Internal audits were not created "because of" litigation since they would have been created in substantially similar form even if no litigation was anticipated.

*Vacco v. Harrah's Operating Co., No. 1:07-CV-0663, 2008 WL 4793719, at *6–7 (N.D.N.Y. Oct. 29, 2008). Applying "because of" test, court held that audit letters prepared by counsel at the request of a company's auditors are protected by the work product doctrine, and disclosure of pre-existing work product by the company to its auditors does not waive otherwise applicable work product protections.*

RLI Ins. Co. v. Conseco, Inc., 477 F. Supp. 2d 741 (E.D. Va. 2007). Noting that work product doctrine protects materials created "because of" litigation when that litigation is a "real likelihood" and not "merely a possibility."

*In re Cardinal Health, Inc. Sec. Litig., No. C2 04 575 ALM, 2007 WL 495150, at *5 (S.D.N.Y. Jan 26, 2007). Investigation and presentation materials of outside law firm hired by a corporation's audit committee to determine whether accounting laws had been complied with held protected work product, where firm was hired after government regulators expressed a concern about the company's practices.*

*In re Vecco Instruments, Inc. Sec. Litig., No. 05 MD 1695 (CM) (GAY), 2007 WL 210110, at *1-2 (S.D.N.Y. Jan 25, 2007). Internal investigation by outside counsel and a forensic accounting firm of a company's financial statements were protected work product where outside attorney averred that he was contacted regarding legal advice, and anticipated that a restatement would be required which would result in litigation.*

In re OM Group Sec. Litig., 226 F.R.D. 579, 585-86 (N.D. Ohio 2005). Holding that the anticipation of litigation standard requires (1) a real possibility of litigation and (2) that documents were prepared because of the real possibility of litigation, not for ordinary business purposes. Interview notes and other materials were created for dual purposes of litigation and ordinary business purposes and therefore were not protected by the work product doctrine, but still fell within the attorney-client privilege.

*United States v. KPMG LLP, No. 02-0295, 2003 WL 22336072, at *2 (D.D.C. Oct. 10, 2003). Following "because of" test as described in In re Sealed Case, 107 F.3d 46, 51 (D.C. Cir. 1997).*

*Stalling v. Union Pac. R.R. Co., No. 01 C 1056, 2003 WL 22071502, at *1 (N.D. Ill. Sept. 4, 2003). "Rather, a document is deemed to have been prepared in anticipation of litigation only if the 'nature of the document and the factual situation in the particular case' suggest that the document was 'prepared . . . because of the prospect of litigation.'"*

*Zenith Elecs. Corp. v. WH-TV Broad. Corp., No. 01 C 4366, 2003 WL 21911066, at *5 (N.D. Ill. Aug. 7, 2003). "Because litigation may be anticipated when almost any incident occurs, 'a substantial and significant threat of litigation is required before a discovery opponent's anticipation will be considered a reasonable and justifiable motivation for production of a document.'"*

In re Gabapentin Patent Litig, 214 F.R.D. 178, 184 (D.N.J. 2003). Interpreting "because of" test as whether the material was produced because of the prospect of litigation and for no other purpose.

Cobell v. Norton, 212 F.R.D. 24, 31 (D.D.C. 2002). "The D.C. Circuit has never required that documents must be shown to have been prepared solely or primarily in anticipation of litigation. Rather, this circuit is in accord with the vast majority of circuits which have held that "the testing question is whether, in light of the nature of the document and the factual situation in the particular case, the document can fairly be said to have been prepared or obtained because of the prospect of litigation."

*Ramsey v. NYP Holdings, Inc., No. 00 Civ. 3478, 2002 WL 1402055, at *2 (S.D.N.Y. June 27, 2002). Following Adlman and holding that parents' independent investigation into disappearance of their daughter had motivation separate from their own possible involvement in litigation, and thus documents were not subject to work product protection.*

Guardsmark, Inc. v. Blue Cross & Blue Shield, 206 F.R.D. 202, 207 (W.D. Tenn. 2002) (adopting standard used in In re Sealed Case, 146 F.3d 881, 884 (D.C. Cir. 1998)). "[T]he court indicated that the 'testing question' for the 'work-product' exemption was 'whether, in light of the nature of the document and the factual situation in the particular case, the document can fairly be said to have been prepared or obtained because of the prospect of litigation', and that, 'for a document to meet this

standard, the lawyer must at least have had a subjective belief that litigation was a real possibility, and that belief must have been objectively reasonable.'"

In re Bank One Sec. Litig., 209 F.R.D. 418, 425 (N.D. Ill. 2002). Documents reflecting response to regulators' required changes were deemed ordinary course of business documents not subject to work product protection, even though related litigation was pending.

United States v. ChevronTexaco, 241 F. Supp. 2d 1065, 1082 (N.D. Cal. 2002). Adopting Second Circuit's approach in Adlman and rejecting "primary motivating test." "Thus we agree with the Second Circuit that, except where a document would have been generated in the normal course of business even if no litigation was anticipated, the work-product doctrine can reach documents prepared 'because of litigation' even if they were prepared in connection with a business transaction or also served a business purpose."

Mission Nat'l Ins. Co. v. Lilly, 112 F.R.D. 160, 164 (D. Minn. 1986). If preparation for litigation was any part of the motivation for producing a report then the report is work product.

Commissioner of Revenue v. Comcast Corp., 901 N.E.2d 1185, 1204–05 (Mass. 2009). Applying "because of" test, the high court found that memoranda containing an analysis of state tax law and legal theories advising on structuring a sale of stock were protected by the work product doctrine.

But see:

In re Raytheon Sec. Litig., 218 F.R.D. 354, 357-59 (D. Mass. 2003). Reviewing different tests for satisfying the anticipation of litigation requirement, but concluding that, even under the "but for" test, materials prepared by an attorney for outside auditor for opinion letter were not protected where they were prepared pursuant to a legal requirement.

Jumpsport, Inc. v. Jumpking, Inc., 213 F.R.D. 329, 330-331 (N.D. Cal. 2003). "For reasons set forth in detail below, we have concluded that when a court is trying to decide whether a document was prepared in anticipation of litigation it should apply a two-stage test. In the first stage, the court should determine whether the party trying to invoke work-product protection has shown that the prospect of litigation was a substantial factor in the mix of considerations, purposes, or forces that led to the preparation of the document. If, but only if, the party trying to invoke the protection makes this showing, the court proceeds to the second stage of the analysis. In this second stage, the court focuses on the policy objectives that the work-product doctrine has been developed to promote – then determines whether (and to what extent) denying Rule 26(b)(3)'s protections to the document would harm those objectives (or, to the extent to which conferring that protection would advance the policy purposes that inform the work-product doctrine.) The court would conclude that the document comes within the ambit of the Rule . . . on a showing that a contrary conclusion would likely frustrate or interfere (more than minimally) with the promotion of the principal objectives this doctrine is designed to serve."

(3) "For Use In Litigation" Test

The First Circuit has adopted an even narrower, and controversial, "for use in litigation" test. United States v. Textron, Inc., 577 F.3d 21 (1st Cir. 2009) (en banc). In Textron, the court held that tax accrual workpapers, prepared in consultation with the company's attorneys, which analyzed various tax positions asserted by the company, assessed the likelihood that the positions would prevail in the event of an IRS audit, and established contingent tax reserve liabilities for each position, were not protected by the work product doctrine because they were not prepared for use in litigation. Textron subsequently petitioned the United States Supreme Court for a writ of certiorari.

In Textron's petition for certiorari to the Supreme Court, the company argued that the First Circuit adopted "an unprecedentedly narrow interpretation" of the work product doctrine. Petition for Writ of Certiorari, Textron v. United States, No. 09-750, 2009 WL 5115221, at *11 (Dec. 24, 2009). Textron argued that the First Circuit's approach threatens to chill counsel's willingness to provide candid analysis of potential litigation for fear that a court may deem the documents not protected where the documents also serve a business purpose. Id. at *22, 29. The petition noted that nine other appellate courts have enunciated "inconsistent (but uniformly broader) views of the privilege's scope." Id. Numerous organizations, including the American Bar Association and the Association of Corporate Counsel filed amicus curiae briefs urging the court to grant the petition and clarify the boundaries of the work product doctrine.

In its amicus brief, the ABA stated that the "uncertain environment adversely affects the ability of attorneys to provide their clients with responsible legal counsel," ABA Amicus Brief, Textron Inc. v. United States, No. 09-750, 2010 WL 342156, at *4 (Jan. 27, 2010), and that "the circuit split has placed attorneys in the untenable position of deciding whether to create work product when it may be privileged in one jurisdiction but not in another." Id. at *6. The ABA asked the court to overturn the First Circuit's ruling and to "clarify that the scope of the attorney work product privilege is limited to materials prepared solely 'for use in litigation' . . . but also encompasses materials that are prepared to serve both a litigation and a business purpose." Id. (internal citations omitted).

Despite these arguments in support of granting the writ, on May 24, 2010, the United States Supreme Court declined to review the First Circuit's *en banc* ruling on work product in United States v. Textron, 577 F.3d 21 (1st Cir. 2009), cert. denied, 130 S.Ct. 3320 (2010).

c. Using Previously Prepared Documents In Subsequent Litigation

When documents have been prepared in anticipation of litigation, but not in anticipation of the litigation in which work product protection is asserted, many courts have held that the documents should be treated as work product. *See, e.g.,* Frontier Refining Inc. v. Gorman-Rupp Co., 136 F.3d 695 (10th Cir. 1998); In re Grand Jury Proceedings, 43 F.3d 966 (5th Cir. 1994); In re Murphy, 560 F.2d 326, 334-35 (8th Cir. 1977); United States v. Leggett & Platt, Inc., 542 F.2d 655, 659-60 (6th Cir. 1976); Duplan Corp. v. Moulinage et Retorderie de Chavanoz, 487 F.2d 480, 483-84 (4th Cir. 1973); Eagle-Picher Indus. Inc. v. United States, 11 Cl. Ct. 452, 457 (Cl. Ct. 1987). Put another way: "The work-product privilege extends beyond the termination of litigation." Pamida, Inc. v. E.S. Originals, Inc., 281 F.3d 726, 731 (8th Cir. 2002) (citing In re Murphy, 560 F.2d 326, 334 (8th Cir. 1977)); Aktiebolag v. Andrx Pharm., Inc., 208 F.R.D. 92, 104 (S.D.N.Y. 2002) ("Generally, work-product immunity continues to protect documents even when the litigation is completed."). "However, '[t]o the extent that the need for protection of work-product does decrease after the end of a suit, that fact might in some cases lower the threshold for overcoming the work-product barrier.'" Aktiebolag, 208 F.R.D. at 104 (quoting FTC v. Grolier, Inc., 462 U.S. 19, 31 (1983) (Brennan, J., concurring)). Thus, the initial preparation of the document must have been in anticipation of the initial litigation, but whether the subsequent litigation was anticipated is irrelevant. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS

§ 136 cmt. j (Proposed Final Draft No. 1, 1996). Citing *dicta* from the Supreme Court, another court explained: "Rule 26 does not indicate that work-product protection is confined to materials specifically prepared for the litigation in which they are sought. Instead, work-product remains protected even after the termination of the litigation for which it was prepared." In re Grand Jury (00-2H), 211 F. Supp. 2d 555, 560 (M.D. Penn. 2001) (citing FTC v. Grolier, Inc., 462 U.S. 19, 25 (1983)). *Compare:*

> *Hobley v. Burge, 433 F.3d 946, 950 (7th Cir. 2006). Non-party law firm that represented defendant in previous, unrelated matter was in possession of documents that were responsive to document requests served on the defendant whom the defendant. The Seventh Circuit held that the law firm had an independent right to assert the work product protection and that the right could only be waived by its client (i.e. the defendant). The first firm's failure to provide a privilege log did not waive its protection because its duty to assert the protection was not triggered until the plaintiff directly subpoenaed the law firm for the documents.*
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> *In re Grand Jury Proceedings, 43 F.3d 966 (5th Cir. 1994). Documents prepared for an earlier litigation remained protected for purposes of a subsequent grand jury investigation.*
>
> *In re Grand Jury Subpoena Dated Nov. 8, 1979, 622 F.2d 933, 935 (6th Cir. 1980). Documents prepared for an earlier grand jury investigation were protected in a second grand jury investigation of the same matter.*
>
> *Jumper v. Yellow Corp., 176 F.R.D. 282, 286 (N.D. Ill. 1997). Work product protection applied to documents prepared in preparation of a grievance proceeding directly related to the subsequent arbitration proceeding in which production of the documents was requested.*
>
> *Liberty Envtl. Sys., Inc. v. Cnty. of Westchester, No. 94 Civ. 7431, 1997 WL 471053, at *7 (S.D.N.Y. Aug. 18, 1997). "The fact that a document was prepared in anticipation of one litigation does not preclude the application of the work-product rule in another litigation." Documents prepared in anticipation of a prior environmental law enforcement proceeding remained protected in a subsequent suit arising out of one party's effort to comply with a consent decree that the parties entered into at the conclusion of the prior proceeding.*
>
> *High Plains Corp. v. Summit Res. Mgmt., Inc., No. 96-1105-FGT, 1997 WL 109659, at *2 (D. Kan. Feb. 12, 1997). "The work product rule protects materials prepared for any litigation or trial so long as they were prepared by or for a party to the subsequent litigation."*
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> *Horizon Fed. Sav. Bank v. Selden Fox & Assocs., No. 85 C 9506, 1988 WL 77068, at *1 (N.D. Ill. July 20, 1988). In an unsupported assertion, the court stated that Fed. R. Civ. P. 26 is concerned with the discovery of materials created for use in the litigation at issue.*
>
> *In re Int'l Sys. & Controls Corp. Sec. Litig., 91 F.R.D. 552, 557 (S.D. Tex. 1981), vacated on other grounds, 693 F.2d 1235 (5th Cir. 1982). Work product protection prevents disclosure of materials prepared for SEC proceedings in a subsequent unrelated shareholder suit.*
>
> *In re LTV Sec. Litig., 89 F.R.D. 595, 612 (N.D. Tex. 1981). Anticipation of suit by federal agency protects material in later unrelated shareholder suit.*

With:

> *Research Inst. for Med. & Chem., Inc. v. Wis. Alumni Research Found., 114 F.R.D. 672 (W.D. Wis. 1987). Work product immunity only applies in the litigation for which the materials were prepared.*

Some courts have permitted protection in subsequent litigation but only if the subsequent case is related to the case for which the work product was created. The Restatement and a majority of courts reject this relatedness requirement. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 87 cmt. j (2000). *Compare*:

> *FTC v. Grolier, Inc., 462 U.S. 19 (1983). In dictum, the Supreme Court noted that the literal language of Fed. R. Civ. P. 26(b)(3) protects materials prepared in any litigation.*
>
> *In re Murphy, 560 F.2d 326 (8th Cir. 1977). Subsequent litigation not required to be related in order to maintain work product protection.*
>
> *Eagle-Picher Indus. Inc. v. United States, 11 Cl. Ct. 452, 457 (Ct. Cl. 1987). Work product immunity applies to documents prepared in anticipation of unrelated terminated litigation.*
>
> *Fine v. Facet Aerospace Prods. Co., 133 F.R.D. 439, 445 (S.D.N.Y. 1990). The fact that work product materials were prepared in another case is immaterial.*
>
> *Byrne v. Bd. of Educ., 741 F. Supp. 167, 171 (E.D. Wis. 1990). Work product protection extends to documents prepared in anticipation of any litigation, not just the pending litigation.*

With:

> *In re Grand Jury Proceedings, 604 F.2d 798, 803 (3d Cir. 1979). Documents protected by work product immunity in subsequent litigation that is closely related to the first.*
>
> *Niagara Mohawk Power Corp. v. Stone & Webster Eng'g Corp., 125 F.R.D. 578, 586-87 (N.D.N.Y. 1989). Court adopted a relatedness test to maintain work product protection.*
>
> *Hercules, Inc. v. Exxon Corp., 434 F. Supp. 136 (D. Del. 1977). Documents prepared for one case are protected in a subsequent case if the second case is closely related to the first case.*

And:

> *Levingston v. Allis-Chalmers Corp., 109 F.R.D. 546 (S.D. Miss. 1985). Finding no work product privilege where the litigations are not at all related.*

B. ORDINARY AND OPINION WORK PRODUCT

Courts divide work product into two general types: opinion work product (sometimes referred to as "core" work product) and ordinary work product. Both types of work product are addressed by Rule 26(b)(3). As one court recently explained:

> Following the contours of the Hickman decision, Rule 26 protects attorney work-product by commanding that a party may obtain discovery of documents and tangible things prepared in anticipation of litigation or for trial. However, discovery is allowed, 'only upon a showing [of] . . . substantial need of the materials in preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means.' *This first sentence of the provision refers to 'ordinary' work-product.* The second sentence of the provision further requires that the court 'protect against disclosure of the mental impressions, conclusions, opinion, or legal theories of an attorney or other representative of a party concerning the litigation.' *Courts often refer to this provision as 'core' work- product.*

Mfg. Admin. & Mgmt. Sys., Inc. v. ICT Grp., Inc., 212 F.R.D. 110, 113 (E.D.N.Y. 2002) (citations omitted). In some instances, courts recognize that a particular document may reflect a mix of ordinary and opinion work product perhaps constituting a third type of work product. In re Vitamins Antitrust Litig., 211 F.R.D. 1, 4 (D.D.C. 2002). Each type of work product is discussed below.

1. Opinion Work Product

Opinion work product is defined as material prepared by an attorney that contains "mental impressions, conclusions, opinions, or legal theories of [an] attorney." *See* FED. R. CIV. P. 26(b)(3) (requiring courts to "protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of a party's attorney or other representative of a party concerning the litigation"). More specifically, opinion work product consists of the attorney's interpretation of legal theories and the application of the facts to those theories, rather than the bare facts or legal theories alone. *See* In re Vitamins Antitrust Litig., 211 F.R.D. 1, 4 (D.D.C. 2002) ("Opinion work-product contains the opinions, judgments, and thought processes of counsel and receives almost absolute protection from discovery.") (quotations omitted).

Opinion work product encompasses not only the attorney's mental impressions, but also the mental processes of persons assisting in trial preparation such as paralegals, investigators, consultants, or law office personnel. *See* FED. R. CIV. P. 26(b)(3) advisory committee's note (mentioning protection of mental impressions and subjective evaluations of investigators and claim-agents); Va. Elec. & Power Co. v. Sun Shipbuilding & Dry Dock Co., 68 F.R.D. 397, 402 (E.D. Va. 1975) (finding that impressions and opinions of person hired by an attorney are part of the attorney's work product). Opinion work product receives heightened protection and is discoverable, if at all, only upon a showing of extraordinary need.

Opinion work product includes, among other things, memoranda which contain analysis of law or fact, evaluations of trial strategy, perceived strengths and weaknesses in a case, intended lines of proof, cross-examination plans, and the inferences drawn by the lawyer. *See* Upjohn Co. v. United States, 449 U.S. 383, 339-402 (1981). Courts emphasize that the determining consideration is whether disclosure of such documents will reveal "the thought process the Supreme Court in Hickman held to be inviolate." Raytheon Aircraft Co. v. U.S. Army Corps of Eng'rs, 183 F. Supp. 2d 1280, 1291 (D. Kan. 2001); *see also*

> *In re Sealed Case, 676 F.2d 793, 811 (D.C. Cir. 1982). Transcript of a cassette tape dictated by an attorney can be opinion work product.*
>
> *In re Grand Jury Subpoena Dated Nov. 8, 1979, 622 F.2d 933, 935 (6th Cir. 1980). Opinion work product includes an attorney's legal strategy.*
>
> *Randelman v. Fid. Nat'l Title Ins. Co., No. 3:06CV7049, 2008 WL 4683297, at *5 (N.D. Ohio Oct. 21, 2008). Draft affidavits prepared by a party's attorney for third parties, including agents, brokers, and lenders, constituted protected opinion work product.*
>
> *Ross v. Abercrombie & Fitch Co., 2008 WL 821059 (S.D. Ohio Mar. 24, 2008). Plaintiff did not have to answer an interrogatory requesting the identity of each person, each document, or each other source of information that supported specific allegations of the complaint, because it would force plaintiff to disclose protected opinion work product.*
>
> *Banks v. Office of Senate Sergeant-at-Arms, 222 F.R.D. 1, 4 (D.D.C. 2004). "The federal courts also protect work product even if it has not been memorialized in a document. Questions of a witness that would disclose counsel's mental impressions, conclusions, opinions, or legal theories may be interdicted to protect 'intangible work product.'"*
>
> *Alexander v. F.B.I., 198 F.R.D. 306, 313 (D.D.C. 2000). While written notes of witness interviews are opinion work product, memorializations of conversations with third parties are ordinary work product discoverable upon a showing of substantial need and undue hardship.*
>
> *Chamberlain Mfg. Corp. v. Maremont Corp., No. 90 C 7127, 1993 WL 11885 (N.D. Ill. Jan. 19, 1993). Interview memoranda containing the thoughts or mental impressions of attorney and which are not verbatim transcripts of the interview are protected.*

But see:

> *In re HealthSouth Corp. Sec. Litig., 250 F.R.D. 8, 12-13 (D.D.C. 2008). Notes taken by attorneys during interviews of their client by federal agents were fact, not opinion, work product, did not shape the topics covered or frame the questions asked, and did not weed out the material in any way that would reveal attorney thought processes, and in light of substantial need, were not protected.*
>
> *Redvanly v. NYNEX Corp., 152 F.R.D. 460, 466 (S.D.N.Y. 1993). In-house counsel's notes of meeting in which an executive was fired were not opinion work product since the notes were not mental impressions but merely a "running transcript of the meeting in abbreviated form."*

a. Selection Of Documents As Opinion Work Product

Most courts recognize that an attorney's compilation of particular documents reflects her mental processes. Thus, courts sometimes treat such compilations or distillations as opinion work product, even if such compilations are composed of non-work product materials. *See* In re Allen, 106 F.3d 582, 608 (4th Cir. 1997); RESTATEMENT (THIRD) OF THE

LAW GOVERNING LAWYERS § 87 cmt. f (2000). However, other courts find the "selection and compilation" exception to the normal rule that third-party documents are not protected by the work product doctrine to be a narrow one, requiring "the party asserting the privilege [to] show a real, rather than speculative, concern that counsel's thought processes in relation to pending or anticipated litigation will be exposed through disclosure of the compiled documents." In re Grand Jury Subpoenas Dated Mar. 19, 2002 & Aug. 2, 2002, 318 F.3d 379, 385 (2d Cir. 2003) (citation omitted). Courts sometimes apply a two-part test to determine whether an attorney's selection of documents is protected by the work product doctrine. Hambarian v. Comm'r of Internal Rev., 118 T.C. 565, 570 (2002). Under that test, "a court should first determine that (1) disclosure of the documents would create a real, nonspeculative danger of revealing the lawyer's thoughts, and (2) the lawyer had justifiable expectation that such mental impressions revealed by the materials would remain private." *Id.* at 570.

Courts may be less likely to protect the selection and compilation of documents where the volume of documents is large. In SEC v. Collins & Aikman Corp., 256 F.R.D. 403 (S.D.N.Y. 2009), the defendant requested 54 categories of documents from the SEC. In response, the SEC produced 1.7 million documents (10.6 million pages) from 36 separate databases that had been collected from numerous parties during the SEC's investigation. *Id.* at 406. Although the defendant requested that the SEC identify to which request each document was responsive, and although SEC attorneys and others had already organized the electronic documents into 175 folders correlating to the factual contentions in the SEC's complaint, the SEC refused to provide that information. *Id*. at 408. The court noted that, in the Second Circuit, while the selection and compilation of documents can fall within the protection of the work product doctrine, that protection is "narrow," and aimed only at preventing requests with "the precise goal of learning what the opposing attorney's thinking or strategy may be." *Id*. Here, the SEC's organization was not opinion work product because the documents were organized by facts alleged in the complaint, and not by legal theory or strategy. *Id*. at 410. Moreover, even if the compilation had been opinion work product, defendant had demonstrated substantial need and undue hardship that justified discovery of any SEC work product. *Id.* Although defendant could do keyword searches, "the inaccuracy of such searches is by now relatively well known." *Id*. at 411. Further, a "page-by-page manual review of ten million pages of records is strikingly expensive in both monetary and human terms and constitutes 'undue hardship' by any definition." *Id*.; *see also* Miller v. Holzmann, 238 F.R.D. 30, 32 (D.D.C. 2006) (The "extreme number of documents at issue in the case . . . made it virtually impossible to imagine that the party seeking the index would be able to glean any litigation strategy from production of the index itself.") (quoting Washington Bancorporation v. Said, 145 F.R.D. 274 (D.D.C. 1992).

Compare:

> *Gould Inc. v. Mitsui Mining & Smelting Co., 825 F.2d 676, 680 (2d Cir. 1987). Compilation of materials constitutes opinion work product. Sporck may not apply to protect compilations by counsel when the files from which the documents were selected are not available to the opposing party.*
>
> *Shelton v. Am. Motors Corp., 805 F.2d 1323, 1329 (8th Cir. 1986). Compilation of materials constitutes work product since it reflects attorney's legal strategy and opinions.*

Sporck v. Peil, 759 F.2d 312, 315-17 (3d Cir. 1985). Selection process can create opinion work product even though the documents themselves do not qualify for work product protection.

Am. Nat'l Red Cross v. Travelers Indem. Co., 896 F. Supp. 8 (D.D.C. 1995). A 30(b)(6) witness was not required to testify regarding all of the facts supporting an affirmative defense where his testimony would be based on counsel's selection and compilation of documents and transcripts produced during discovery. The compiled materials were work product and disclosure would invade counsel's defense plan.

Stone Container Corp. v. Arkwright Mut. Ins. Co., No. 93 C 6626, 1995 WL 88902 (N.D. Ill. Feb. 28, 1995). Attorney compilation of materials to be shown to client constitutes opinion work product.

United States v. Dist. Council, No. 90 Civ. 5722, 1992 WL 208284 (S.D.N.Y. Aug. 18, 1992). Recognizing that a "selection and compilation theory" discloses attorney thought-processes and thus constitutes opinion work product.

Santiago v. Miles, 121 F.R.D. 636, 638-40 (W.D.N.Y. 1988). Computer printouts that reflect the compilation and selection of documents by counsel constitute opinion work product.

Berkey Photo Inc. v. Eastman Kodak Co., 74 F.R.D. 613, 616 (S.D.N.Y. 1977). Noting that if documents were merely arranged in broad categories or if a nonparty had indexed his own documents then the compilation would not reveal any attorney thoughts and would not be protected. Attorney must index the materials so as to highlight their importance to the case.

With:

In re Grand Jury Subpoenas, 959 F.2d 1158 (2d Cir. 1992). Government sought phone records which law firm had gathered in earlier representation of client. Court recognized that the selection of documents can constitute work product. However, court concluded that the requested documents would be sufficiently voluminous to minimize disclosure of the documents which the attorney thought were important. Moreover, many of the records were no longer obtainable from other sources. Court therefore ordered disclosure.

In re San Juan Dupont Plaza Hotel Fire Litig., 859 F.2d 1007, 1015-17 (1st Cir. 1988). In a complex litigation case, selection and compilation of 70,000 documents out of millions of documents did not constitute opinion work product but did constitute ordinary work product.

In re Neurontin Antitrust Litig., No. 02-1390 (FSH), 2011 WL 253434 (D.N.J. Jan. 25, 2011). Counsel's outline, composed after sifting through millions of documents, constituted ordinary work product, which was subsequently waived.

Coryn Group II, LLC v. O.C. Seacrets, Inc., 265 F.R.D. 235 (D. Md. 2010). The fact that an attorney advised a corporate representative to collect factual information for which the representative was designated as a deponent did not make a fact compilation work product.

*In re Trasylol Prods. Liab. Litig., No. 08-MD-1928, 2009 WL 936597, at *4 (S.D. Fla. Apr. 7, 2009). Court rejected the Sporck doctrine, adopted by the Third Circuit, and followed a narrower approach requiring that the party asserting work product over a selection of documents produce evidence that the disclosure of the requested documents "creates a real, non-speculative danger of revealing counsel's thoughts." Court found the defendant had not made this showing.*

*Williams v. Sprint/United Mgmt. Co., No. 03-2200-JWL-DJW, 2007 WL 634873, at *4 n.14 (D. Kan. Feb. 27, 2007). The "mere selection and grouping of information does not transform discoverable documents into work product" (collecting cases in footnote).*

In re Cardinal Health, Inc. Sec. Litig., No. C2 04 575 ALM, 2007 WL 495150 (S.D.N.Y. Jan 26, 2007). Quoting In re Grand Jury, affirming that "not every selection and compilation of third-party documents by counsel transforms that material into attorney work product."

Raytheon Aircraft Co. v. U.S. Army Corps of Eng'rs, 183 F. Supp. 2d 1280, 1290-91 (D. Kan. 2001). Work product protection did not apply to disclosure of list of publicly available documents selected by counsel that did not reveal counsel's mental process.

*In re Air Crash Disaster Near Warsaw, Poland on May 9, 1987, No. MDL 787, 1996 WL 684434, at *2 (E.D.N.Y. Nov. 19, 1996). Selection and compilation of documents constitutes opinion work product only if there is a "real, rather than speculative, concern that the thought processes of . . . counsel in relation to pending or anticipated litigation would be exposed" (internal quotation and citation omitted).*

Audiotext Commc'ns Network, Inc. v. U.S. Telecom, Inc., 164 F.R.D. 250, 252 (D. Kan. 1996). Collecting and organizing discoverable documents in a notebook does not make the notebook protected work product.

In re Search Warrant for Law Offices Executed on Mar. 19, 1992, 153 F.R.D. 55, 58 (S.D.N.Y. 1994). The identity of files seized from a law firm pursuant to a search warrant was not opinion work product. The court found the argument that the firm had chosen them from corporate files "slightly frivolous."

In re Conner Bonds Litig., No. 88-1-H, 1989 WL 67334 (E.D.N.C. Feb. 7, 1989). The organization of documents provided by a client does not create work product where the documents were not prepared by counsel in anticipation of litigation and thus were not otherwise protected by the work product doctrine.

Hambarian v. Comm'r of Internal Rev., 118 T.C. 565, 570 (T.C. 2002). Attorney's selection of more than 10,000 documents out of a larger group did not disclose attorney's mental processes and thus was not protected by the work product doctrine.

See also:

United States ex rel. Bagley v. TRW, Inc., 212 F.R.D. 554, 564 (C.D. Cal. 2003). If work product doctrine properly applies to attorney's selection of documents, then doctrine also protects attorney's narrative description of facts, when prepared in anticipation of litigation.

Barrett Indus. Trucks, Inc., v. Old Republic Ins. Co., 129 F.R.D. 515 (N.D. Ill. 1990). Work product doctrine prevents defendant from asking plaintiff's consultant what questions his attorney had asked him, or the topic to which the majority of his attorney's questions were directed. Court noted that a party can ask about any facts conveyed to the consultant and the origin of those facts.

b. Legal Theories By Themselves Are Not Opinion Work Product.

Rule 26(b)(3) is somewhat misleading when it uses the term "legal theories," because the work product doctrine does not protect pure legal theories. Legal theories are freely discoverable and do not constitute work product. *See* FED. R. CIV. P. 33(b) (allowing discovery of legal theories through interrogatories); FED. R. CIV. P. 36(a) (permitting discovery of legal theories through a request for admission). Instead, opinion work product is comprised of the lawyer's interpretation, strategy, and perceptions of legal theories. Opinion work product includes legal theories only when such theories are entwined with the

attorney's strategies, impressions, or his application of the facts. *See* Note, *The Work Product Doctrine*, 68 CORNELL L. REV. 760, 842-43 (1983).

2. Ordinary Work Product

In practice, courts usually define ordinary work product in the negative: Ordinary work product is all attorney-originated materials that are not opinion work product (and therefore do not contain the mental impressions, conclusions, or opinions of the attorney). *See* In re Doe, 662 F.2d 1073, 1076 n.2 (4th Cir. 1981) (ordinary work product consists of those documents prepared by an attorney that do not contain mental impressions, conclusions or opinions of the attorney); Iowa Prots. & Advocacy Servs., Inc., 206 F.R.D. 630, 640 (S.D. Iowa 2001) ("The rule establishes a qualified immunity for ordinary work product that does not contain the mental impressions, conclusions or opinions of the attorney."). Other courts note that "[o]rdinary work-product generally consists of primary information, such as verbatim witness testimony or objective data collected by or for a party or a party's representative." Robinson v. Tex. Auto. Dealers Ass'n, 214 F.R.D. 432, 441, vacated in part on other grounds, No. Civ. A. 5:97-CV-273, 2003 WL 21909777, at *1 (E.D. Tex. July 28, 2003). Ordinary work product commonly takes the form of witness statements, factual eyewitness information, investigative reports, photographs, diagrams, sketches, and memoranda or recordings (stenographic, mechanical or electronic) prepared in anticipation of litigation. *See, e.g.*, 8 CHARLES ALAN WRIGHT, ET AL., FEDERAL PRACTICE & PROCEDURE § 2024 (2d ed. 1994) (photographs may be work product); *see also:*

> *Feacher v. Intercont'l Hotels Grp., No. 3:06-CV-0877, 2007 WL 3104329 (N.D.N.Y. Oct. 22, 2007). Holding that the transcript of a witness interview conducted by a non-attorney investigator was protected work product.*
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> *Ford v. CSX Transp., Inc., 162 F.R.D. 108, 110 (E.D.N.C. 1995). Surveillance films treated as work product.*
>
> *People by Vacco v. Mid Hudson Med. Grp., P.C., 877 F. Supp. 143 (S.D.N.Y. 1995). Printed transcripts of attorney's TTY conversations with deaf potential witness are work product.*
>
> *In re Grand Jury Subpoena Dated Nov. 9, 1979, 484 F. Supp. 1099, 1102 n.2 (S.D.N.Y. 1980). Tape recordings made by an attorney can constitute work product.*
>
> *Galambus v. Consol. Freightways Corp., 64 F.R.D. 468, 473 (N.D. Ind. 1974). Recognizing that sketches and diagrams can constitute work product (and implying that photographs would be similarly treated).*

a. Underlying Facts By Themselves Are Not Protected.

As with legal theories in the case of opinion work product, the work product doctrine does not protect the bare facts underlying a case, but instead protects only the attorney's interpretation of those facts. *See* Note, *The Work Product Doctrine,* 68 CORNELL L. REV. 760, 842-43 (1983). Thus, while the work product doctrine will generally protect a document prepared by an attorney, it does not protect the underlying facts that are contained in the document. *See* Hickman, 329 U.S. at 511-13; Resolution Trust Corp. v. Dabney, 73 F.3d 262, 266 (10th Cir. 1995); Infosystems, Inc. v. Ceridian Corp., 197 F.R.D. 303, 306-07 (E.D. Mich. 2000); 8 CHARLES ALAN WRIGHT, ET AL., FEDERAL PRACTICE & PROCEDURE

§ 2023, at 194 (2d ed. 1994). Courts will permit a party to question a witness on information contained within a protected document reasoning that "where an attorney is 'incisive enough to recognize and question' an opposing party on facts contained in protected documents, 'the fear that opposing counsel's work product would be revealed would thus become groundless.'" Koch Materials Co. v. Shore Slurry Seal, Inc., 208 F.R.D. 109, 121-22 (D.N.J. 2002) (internal citation omitted); *see also:*

> *In re Grand Jury Proceedings, 616 F.3d 1172, 1185 (10th Cir. 2010). Because the party sought only factual confirmation concerning events the attorney personally witnessed, the party was not seeking protected work product.*
>
> *Bogosian v. Gulf Oil Corp., 738 F.2d 587, 595 (3d Cir. 1984). Where the same document contains both facts and legal theories of an attorney, an adverse party can discover the facts. If facts and impressions are intertwined the document can be redacted.*
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> *In re Int'l Sys. & Controls Corp. Sec. Litig., 693 F.2d 1235, 1240 (5th Cir. 1982). Work product doctrine protects the documents themselves but not the underlying facts.*
>
> *Loctite Corp. v. Fel-Pro, Inc., 667 F.2d 577, 582 (7th Cir. 1981). Technical information in a document is discoverable while legal advice in the same document would be immune.*
>
> *In re Murphy, 560 F.2d 326, 336 n.20 (8th Cir. 1977). Under FRCP 26(b)(3), "any relevant facts contained in non-discoverable opinion work-product are discoverable upon a proper showing."*
>
> *Norflet v. John Hancock Fin. Servs., Inc., 2007 WL 433332, *3 (D. Conn. Feb. 5, 2007). Identities of defendant's two former employees interviewed by plaintiff were discoverable where disclosure would provide "little, if any, insight" into opposing counsel's trial strategy and plaintiff had not provided defendant with a list of potential witnesses as required by Rule 26(b)(1). The court noted the distinction between the identities of witnesses having discoverable information, which are not work product, and the identities of persons interviewed by counsel, which are.*
>
> *S. Scrap Material Co. v. Fleming, No. Civ. A. 01-2554, 2003 WL 21474516, at *5 (E.D. La. June 18, 2003). Surveillance video, to the extent that it was at all substantive evidence, should be disclosed along with any unannotated documents that contain raw data or other purely factual matters.*
>
> *EEOC v. Carrols Corp., 215 F.R.D. 46, 51 (N.D.N.Y 2003). Questionnaires sent by EEOC to claimants were subject to work product protection, but EEOC was required to provide summaries of likely testimony to enable defendants to conduct further discovery.*
>
> *Garcia v. City of El Centro, 214 F.R.D. 587, 591 (S.D. Cal. 2003). "However, because the work-product doctrine is intended only to guard against the divulging of attorney's strategies and legal impressions, it does not protect facts concerning the creation of work-product or fact contained within the work-product. Only when a party seeking discovery attempts to ascertain facts, which inherently reveal the attorney's mental impression, does the work-product protection extend to the underlying facts."*
>
> *In re Theragenics Corp. Sec. Litig., 205 F.R.D 631, 634 (N.D. Ga. 2002). "Numerous courts since Hickman v. Taylor . . . have recognized that names and addresses of witnesses interviewed by counsel who have knowledge of the facts alleged in the complaint are not protected from disclosures."*
>
> *In re Bank One Sec. Litig., 209 F.R.D. 418, 423 (N.D. Ill. 2002). Factual information may not be withheld under the work product doctrine, but must be produced through interrogatories, depositions or other discovery.*

Koch Materials Co. v. Shore Slurry Seal, Inc., 208 F.R.D. 109, 121-22 (D.N.J. 2002). Information in spreadsheets gathered at attorney's request was not protected by work product doctrine.

Guardsmark, Inc. v. Blue Cross & Blue Shield, 206 F.R.D. 202, 207 (W.D. Tenn. 2002). The 'work product' doctrine does not protect facts concerning the creation of work product or facts contained within the work product.

Lifewise Master Funding v. Telebank, 206 F.R.D. 298, 303 (D. Utah 2002). "Because the work-product doctrine is intended only to guard against divulging the attorney's strategies and legal impressions, it does not protect facts concerning the creation of work-product or facts within the product."

Raso v. CMC Equip. Rental, Inc., 154 F.R.D. 126, 128 (E.D. Pa. 1994). Rule 26 does not itself cover intangible things, so an investigator employed by a party can be deposed regarding his investigation, his observations, to whom he spoke, and what he learned from them.

In re Bairnco Corp. Sec. Litig., 148 F.R.D. 91 (S.D.N.Y. 1993). Shareholders sued alleging that corporate officers had caused corporation to misrepresent its exposure in pending asbestos litigation. Court concluded that the disputed documents contained mere statistics and facts and thus were not really in anticipation of litigation. Court noted that need and hardship existed even if work product doctrine applied.

Feldman v. Pioneer Petroleum, Inc., 87 F.R.D. 86, 89 (W.D. Okla. 1980). Accountant could be deposed regarding facts he discovered while assisting client with tax matters.

3. Mixed Opinion And Ordinary Work Product

Courts recognize that when a document contains both fact and opinion work product, appropriate classification of the document for purposes of applying the work product doctrine is difficult. *See* In re Vitamins Antitrust Litig., 211 F.R.D. 1, 4 (D.D.C. 2002). When ordinary work product and opinions are mixed, courts may order the opinions or mental impressions redacted, thus rendering the remaining portion ordinary work product. *See* In re Martin Marietta Corp., 856 F.2d 619, 626 (4th Cir. 1988); Bogosian v. Gulf Oil Corp., 738 F.2d 587, 595 (3d Cir. 1984) ("Where the same document contains both facts and legal theories of attorney, adversary party can discover the facts. If facts and impressions are intertwined the document can be redacted."); Underwriters Ins. Co. v. Atl. Gas Light Co., 248 F.R.D. 663 (N.D. Ga. Feb. 19, 2008) (ultimately barring discovery of opinion work product contained in insurer's claim file and permitting redaction of opinion work product prior to production, but requiring production of fact work product in light of proof of substantial need and undue burden once the underlying insurance coverage dispute was resolved). Alternatively, courts may examine the document *in camera* to determine if it should be disclosed. *See* Washington Bancorp. v. Said, 145 F.R.D. 274 (D.D.C. 1992).

C. ASSERTING WORK PRODUCT PROTECTION

When work product protection is invoked, the invoking party has the burden of proving all the required elements: that (1) the document or tangible thing (2) was prepared by or for a party's representative (3) in anticipation of litigation. *See* Garcia v. City of El Centro, 214 F.R.D. 587, 591 (S.D. Cal. 2003); Ferko v. Nat'l Ass'n for Stock Car Auto Racing, Inc., 218 F.R.D. 125, 135 (E.D. Tex. 2003); Triple Five of Minn., Inc. v. Simon, 212 F.R.D. 523, 528 (D. Minn. 2002); Yurick v. Liberty Mut. Ins. Co., 201 F.R.D. 465, 472 (D. Ariz. 2001); Compagnie Francaise d'Assurance Pour le Commerce Exterieur v. Phillips Petroleum Co., 105 F.R.D. 16, 41 (S.D.N.Y. 1984). When these elements are established, the burden shifts to the opposing side to show: (1) that substantial need and undue hardship exists, (2) that an exception to work product can be proven, or (3) that waiver has occurred. Hodges, Grant & Kaufmann v. U.S. Gov't, 768 F.2d 719, 721 (5th Cir. 1985); Garcia, 214 F.R.D. at 591; Ferko, 218 F.R.D. at 135; RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 90 (2000). In resolving work product challenges, courts should examine the materials themselves rather than relying on descriptions provided by a party from whom discovery is sought. *See* Nat'l Union Fire Ins. Co. v. Murray Sheet Metal Co., 967 F.2d 980 (4th Cir. 1992).

Procedurally, a party must assert work product protection pursuant to the time-frame established by the rules, or risk waiving the protection; work product protection is not self-executing. *See, e.g.*, Anderson v. Hale, 202 F.R.D. 548, 552-53 (N.D. Ill. 2001) (noting that Rule 34(b) requires responses to discovery requests within 30 days and that Rule 26(b)(5) requires a party objecting to discovery request to make claim of privilege and basis therefore); Yurick, 201 F.R.D. at 472 ("The burden of establishing protection of alleged work product is on the proponent, and it must be specifically raised and demonstrated rather than asserted in a blanket fashion."); Josephson v. Marshall, No. 95 Civ. 10790, 2001 WL 815517, at *3 (S.D.N.Y. July 19, 2001). *But see* Hobley v. Burge, 433 F.3d 946, 951 (7th Cir. 2006) (non-party law firm did not waive work product protection because it "did not accrue an obligation to assert its privilege claim until it received the court order.")

A party invoking work product protection often meets its burden by producing "a detailed privilege log stating the basis of the claimed privilege for each document in question, together with an accompanying explanatory affidavit from counsel." Triple Five, 212 F.R.D. at 528 (quoting Rabushka ex rel. U.S. v. Crane Co., 122 F.3d 559, 565 (8th Cir. 1997)). *See also* Novelty, Inc. v. Mountain View Mktg., Inc., No. 07-cv-1229, 2009 WL 3444591, at *9 (S.D. Ind. Oct. 21, 2009) (court sanctioned plaintiff for providing an inadequate privilege log that merely listed categories of documents, without identifying any specific information); Ross v. Abercrombie & Fitch Co., No. 2:05-cv-0819, 2009 WL 779328, at *2-3 (S.D. Ohio Mar. 19, 2009) (defendant's assertion of privilege over documents withheld in an earlier, factually related SEC investigation would be judged not by the privilege log created in the earlier SEC proceeding, but by the log prepared for the litigation before the court); Rhoads Indus., Inc. v. Bldg. Materials Corp. of Am., 254 F.R.D. 216, 226 (E.D. Pa. 2008) (each communication in an email string must be addressed separately in a privilege log); Ross v. Abercrombie & Fitch Co., No. 2:05-cv-0819, 2009 WL 779328, at *2-3 (S.D. Ohio Mar. 19, 2009) (defendant's assertion of privilege over documents withheld in an earlier, factually related SEC investigation would be judged not by

the privilege log created in the earlier SEC proceeding, but by the log prepared for the litigation before the court). As with asserting the attorney-client privilege, a party must produce the privilege log in a timely manner and be careful to list all documents it seeks to protect. *See also* Sanofi-Aventis Deutschland GmbH v. Glenmark Pharm. Inc., USA, No. 07-CV-5855 (DMC-JAD), 2010 WL 2652412 (D.N.J. July 1, 2010) (because defendant submitted a privilege log claiming documents from 2006 were created in anticipation of litigation, the court issued sanctions against defendant for destroying documents from 2006 and 2007 in violation of its duty to impose a litigation hold).

Some courts have required more than a simple privilege log. Varo, Inc. v. Litton Sys., Inc., 129 F.R.D. 139, 142 (N.D. Tex. 1989) ("A party claiming the privilege must make a proper showing, usually by affidavit, that all factors have been satisfied…. A simple declaration that the privilege exists is insufficient."). Affidavits from individuals with personal knowledge of relevant facts, live testimony, or *in camera* inspection of documents may be required to evaluate assertions of privilege. *Id.* at 141-42. *See also* Moe v. Sys. Transport, Inc., 270 F.R.D. 613 (D. Mont. 2010) (finding defendant did not meet burden when it only stated that it anticipated litigation on the date of plaintiff's accident); Johnson v. Couturier, Nos. CIV S-05-2046, 2-08-2732, 2009 WL 649791, at *2 (E.D. Cal. Mar. 10, 2009) (court refused to conduct an *in camera* review of documents withheld by defendant where plaintiff made a *prima facie* showing that the attorney-client privilege did not apply and defendant provided no evidence in response); HSS Enter. v. AMCO Ins. Co., No. C06-1485-JPD, 2008 WL 163669, at *5 (W.D. Wash. Jan. 14, 2008) (stating defendant had not met the burden of establishing work product protection because neither defendant's privilege log nor its brief explained how documents were generated for purposes of preparing for litigation).

Work product protection may be asserted by the attorney independently of the client. *See* In re Grand Jury Proceedings, 43 F.3d 966, 971 (5th Cir. 1994) ("In contrast to the attorney-client privilege, the work product privilege belongs to both the client and the attorney, either one of whom may assert it."); In re Sealed Case, 29 F.3d 715, 718 (D.C. Cir. 1994) (same); In re Doe, 662 F.2d 1073, 1079 (4th Cir. 1981) (same). The attorney has an independent interest in privacy. Hobley v. Burge, 433 F.3d 946, 949 (7th Cir. 2006). *See also* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS, § 90 cmt. C (2000). If the attorney's assertion of the doctrine could harm the client's interests, however, the client's interests may take precedence. *Id. See also* SEC v. McNaul, 271 F.R.D. 661 (D. Kan. 2010) (law firm could not assert independent interest in work product, even opinion work product, over the interest of its client).

D. SCOPE OF WORK PRODUCT PROTECTION

Unlike the absolute protection afforded by the attorney-client privilege, the work product doctrine provides only qualified protection. Moreover, courts do provide greater protection to opinion work product than to ordinary work product. *See* Hickman v. Taylor, 329 U.S. 495, 511-13 (1947); Upjohn Co. v. United States, 449 U.S. 383, 399-402 (1981); In re Grand Jury Subpoena Dated Dec. 19, 1978, 599 F.2d 504, 512-13 (2d Cir. 1979). Federal Rule of Civil Procedure 26(b)(3) reflects the distinction between the protection that courts afford ordinary work product and opinion work product. Under Rule 26(b)(3), a court can order disclosure of work product if the party requesting it has (1) substantial need of the materials and (2) cannot obtain the substantial equivalent without undue hardship. *See* In re Vitamins Antitrust Litig., 211 F.R.D. 1, 4 (D.D.C. 2002). However, under the same rule, courts must "protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of a party's attorney or other representative concerning the litigation." FED. R. CIV. P. 26(b)(3). Thus, courts treat the protection afforded opinion work product as nearly absolute, while permitting discovery of ordinary work product upon a showing of substantial need and hardship. *See* In re Cendant Corp. Sec. Litig., 343 F.3d 658, 663 (3d Cir. 2003) ("Rule 26(b)(3) establishes two tiers of protections: first, work prepared in anticipation of litigation by an attorney or his agent is discoverable only upon a showing of need and hardship; second, 'core' or 'opinion' work product that encompasses the mental impressions, conclusions, opinion, or legal theories of an attorney or other representative of a party concerning the litigation is generally afforded near absolute protection from discovery.") (internal quotations omitted). The scope of protection afforded each type of work product is discussed in turn below.

1. Protection Of Ordinary Work Product

Ordinary work product which does not reveal the mental impressions of the attorney is discoverable upon a showing of "substantial need" and "undue hardship." FED. R. CIV. P. 26(b)(3); Hodges, Grant & Kaufmann v. U.S. Gov't, 768 F.2d 719, 721 (5th Cir. 1985); AT&T Corp. v. Microsoft Corp., No. 02-0164, 2003 WL 21212614 (N.D. Cal. Apr. 18, 2003); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 88 (2000). The party seeking the production bears the burden of showing that "substantial need" and "undue hardship" warrants discovery of work product. In re Grand Jury (OO-2H), 211 F. Supp. 2d 555, 559 (M.D. Penn. Nov. 30, 2001). *But see* Condon v. Petacque, 90 F.R.D. 53, 54-55 (N.D. Ill. 1981) (noting that the burden of showing substantial need is lessened the farther the material is from the attorney's mental processes and impressions). To prove need and hardship, courts require a party seeking production to show why the desired materials are relevant and that prejudice will result from the non-disclosure of those materials. *See* Loctite Corp. v. Fel-Pro, Inc., 667 F.2d 577, 582 (7th Cir. 1981); Nat'l Union Fire Ins. Co. v. AARPO, Inc., No. 97 Civ. 1438, 1998 WL 823611 (S.D.N.Y. Nov. 25, 1998) (court refused to order disclosure of work product because party seeking disclosure failed to show that his ability to prepare for trial would be adversely affected by non-disclosure). Each part of the required showing, "substantial need" and "undue hardship," is discussed below.

a. "Substantial Need"

Courts explain that "substantial need" consists "of the relative importance of the information in the documents to the party's case and the ability to obtain that information by other means." Stampley v. State Farm Fire & Cas. Co., 23 F. App'x 467 (6th Cir. 2001) (citing Suggs v. Whitaker, 152 F.R.D. 501, 507 (M.D.N.C. 1993)). Relevancy alone is insufficient to establish "substantial need." Mandanes v. Madanes, 199 F.R.D. 135, 150 (S.D.N.Y. 2001). However, "substantial need" exists where the work product material is central to the substantive claims in litigation. *Id.* For example, a court has found that substantial need would exist where a plaintiff sued his former attorney for malpractice and work product generated during the course of representation at issue was central to the plaintiff's claims. *Id.* Courts are less likely to find that there is "substantial need" when information is available through other means. *See* AT&T Corp. v. Microsoft Corp., No. 02-0164, 2003 WL 21212614, at *6 (N.D. Cal. Apr. 18, 2003) ("If the party seeking production could elicit the same information through deposition, then the need for the documents is diminished, unless there is undue hardship."); Stampley v. State Farm Fire & Cas. Co., 23 Fed. Appx. 467 (6th Cir. 2001) (affirming lower court decision that because plaintiff had the opportunity to take the deposition of investigator that prepared insurance investigation report there was no substantial need for work product).

Some courts find that substantial need exists with respect to contemporaneous statements made immediately following an accident. *See* Coogan v. Cornet Transp. Co., 199 F.R.D. 166, 167-68 (D. Md. 2001). Quoting the Fourth Circuit, the court in Coogan explained: "Statements of either the parties or witnesses taken immediately after the accident and involving a material issue in an action arising out of that accident, constitute "unique catalysts in the search for truth" in the judicial process; and where the party seeking the discovery was disabled from making his own investigation at the time, there is sufficient showing under the amended Rule to warrant discovery." *Id.* at 176 (quoting Nat'l Union Fire Ins. Co. v. Murray Sheet Metal Co., 967 F.2d 980, 985 (4th Cir. 1992)); *see also* Zoller v. Conoco, Inc., 137 F.R.D. 9 (W.D. La. 1991) (Work product doctrine does not protect photographs taken as part of a defendant's investigation of an accident when the scene had subsequently changed and no other substantial equivalent was available.); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 88 cmt. b (2000).

Compare:

> *In re Grand Jury Subpoena Dated July 6, 2005, 510 F.3d 180 (2d Cir. 2007). Recordings made surreptitiously by appellant, a mortgage broker who was the subject of a grand jury investigation, of his conversations with another target of the investigation ("Broker") constituted fact work product but the government showed a substantial need for them. The court agreed with the district court that the government's need for the recordings was substantial although it could interview Broker about the contents of the recordings because it was unlikely that Broker would provide the same insight into the transactions at issue during a criminal investigation as he had during private conversations with an associate that he did not know were being recorded.*
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> *In re Neurontin Antitrust Litigation, No. 1479, 2011 WL 253434, at *18 (D.N.J. Jan. 25, 2011). Substantial need existed when, by defendant's own admission, "the only source to probe to reconcile their off-label use denials with their public actions and criminal guilty plea is counsel's work product" since none of the defendant's employees could explain.*

Asten v. City of Boulder, No. 08-cv-00845, 2010 WL 2612673 (D. Colo. June 29, 2010). Defendant had substantial need for tape recorded interview of witness when, during the deposition, the witness admitted to having poor memory.

Walker v. County of Contra Costa, 227 F.R.D. 529, 533-34 (N.D. Cal. 2005). Holding that employee showed substantial need for investigative report into hiring process where employee asserted a claim for discrimination in hiring where the report was not prepared by counsel and therefore did not constitute opinion work product.

With:

Anchodo v. Anderson, Crenshaw, & Assocs., L.L.C., No. CV 08-0202, 256 F.R.D. 661, 673 (D.N.M. 2009). Anchodo did not show a substantial need for legal research conducted in anticipation of the suit because the research would have, at most, marginal relevance to a bona fide error defense.

SEC v. Stanard, No. 06 Civ. 7736(GEL), 2007 WL 1834709 (S.D.N.Y. June 26, 2007). Suspicion that witness would perjure himself on cross-examination did not create substantial need for government agent's original interview notes.

Gargano v. Metro-North, 222 F.R.D. 38, 41 (D. Conn. 2004). Noting that substantial need test could be met when witness could not recall facts at the time of deposition, but declining to find substantial need after unexplained delay of two years in taking deposition.

Carnival Cruise Lines, Inc. v. Doe, 868 So.2d 1219, 1221 (Fla. App. Ct. 2004). Holding that rape victim had not shown substantial need for post-rape investigation report because she could obtain the information in the report through normal discovery.

b. "Undue Hardship"

In seeking to establish undue hardship, a party should be prepared to make a particularized showing that all other avenues of obtaining the sought after material have been exhausted. *See* Davis v. Emery Air Freight Corp., 212 F.R.D. 432, 436-37 (D. Me. 2003) (finding party's showing insufficient where only one deposition was taken). "As a general rule, inconvenience and expense do not constitute undue hardship." Stampley v. State Farm Fire & Cas. Co., 23 F. App'x 467 (6th Cir. Nov. 20, 2001).

Courts commonly find undue hardship exists where a witness is unavailable to testify. *See* AT&T Corp. v. Microsoft Corp., No. 02-0164, 2003 WL 21212614, at *6 (N.D. Cal. Apr. 18, 2003) ("Undue hardship is demonstrable if witnesses are unavailable or cannot recall the events in question."); Mandanes v. Madanes, 199 F.R.D. 135, 150 (S.D.N.Y. 2001) (holding undue hardship exists where witnesses refuse to answer questions in deposition and testimony contains inconsistencies); *see generally* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 88 cmt. b (2000); 8 CHARLES ALAN WRIGHT, ET AL., FEDERAL PRACTICE & PROCEDURE § 2025 (2d ed. 1994). Courts consider a variety of ways in which materials may be unavailable, including:

- Where a witness is unavailable (similar to the Federal Rule of Evidence 804(a) standard). *See, e.g.*, In re Grand Jury Investigation, 599 F.2d 1224, 1231 (3d Cir. 1979) (hardship shown due to deceased employee); A.F.L. Falck, S.P.A. v. E.A. Karay Co., 131 F.R.D. 46, 49-50 (S.D.N.Y. 1990) (hardship shown because witness in Greece); Panter v. Marshall Field & Co.,

80 F.R.D. 718, 725 (N.D. Ill. 1978) (death of witness was sufficient to allow production of work product); 4 J. MOORE ET AL., MOORE'S FEDERAL PRACTICE ¶ 26.64[3] (2d ed. 1983).

- Where the materials concern statements made contemporaneously with an event and a witness cannot provide a similar account at later time. *See* McDougall v. Dunn, 468 F.2d 468, 474-76 (4th Cir. 1972); Stout v. Norfolk & W. Ry. Co., 90 F.R.D. 160, 161-62 (S.D. Ohio 1981).

- Where the passage of time has dulled the witness's memory. *See* Xerox Corp. v. IBM Corp., 79 F.R.D. 7 (S.D.N.Y. 1977) (allowing use of notes from interviews with employees unable to recall events); Xerox Corp. v. IBM Corp., 64 F.R.D. 367, 381-82 (S.D.N.Y. 1974) (same). *But see* In re Int'l Sys. & Controls Corp. Sec. Litig., 693 F.2d 1235, 1240 (5th Cir. 1982) (unsubstantiated assertions by party seeking discovery that witnesses' memory is likely faulty is insufficient); Davis v. Emery Air Freight Corp., 212 F.R.D. 432, 436-37 (D. Me. 2003) (same). "There is a split of authority among courts regarding whether the mere passage of time is enough to establish substantial need under Rule 26(b)(3)." Garcia v. City of El Centro, 214 F.R.D. 587, 595 (S.D. Cal. 2003) (citing cases). "[W]hen a party argues that substantial need exists because of the passage of time, the party seeking discovery must make a showing that the passage of time was not caused by avoidable negligence on their part. *Id.* at 596.

- Where materials are exclusively in the opposing party's possession. *See* Loctite Corp. v. Fel-Pro, Inc., 667 F.2d 577, 582 (7th Cir. 1981); Metro Wastewater Reclamation Dist. v. Cont'l Cas. Co., 142 F.R.D. 471, 478 (D. Colo. 1992) (information within the exclusive control of the opposing party can show hardship); Xerox Corp. v. IBM Corp., 64 F.R.D. 367, 381-82 (S.D.N.Y. 1974).

- Where the person possessing the materials has refused to respond to discovery or deposition requests. *See* In re Vitamins Antitrust Litig, 211 F.R.D. 1, 4 (D.D.C. 2002) (holding that source documents underlying 30(b)(6) witness statements should be produced despite constituting work product because statements were equivocal, documents created by conspirators had been destroyed, and witnesses were asserting their 5th Amendment right to testify).

Often, courts treat the "substantial need" and "undue hardship" requirements as a single requirement, blurring any distinction between the two. As noted by the accompanying advisory committee notes to Federal Rule of Civil Procedure 26(b)(3), courts have considered a variety of factors in determining need and hardship, including the following:

- The importance of the materials to the preparation of the case. *See* Burlington Indus. v. Exxon Corp., 65 F.R.D. 26, 43 (D. Md. 1974).

- The difficulty in obtaining substantial equivalents to the desired materials. Portis v. City of Chicago, No. 02 C 3139, 2004 WL 1535854, at *3-5 (N.D. Ill., July 7, 2004) (granting the city access to plaintiff's database of crime data, but requiring city to contribute to cost of creating database); In re Grand Jury Subpoena Dated Nov. 9, 1979, 484 F. Supp. 1099, 1104-05 (S.D.N.Y. 1980) (attorney's tape recording of relevant conversations discoverable since no alternative means of discovering equivalent information). However, courts find that the additional expense or inconvenience created by duplicative discovery or investigation does not ordinarily constitute undue hardship. *See, e.g.*, Carver v. Allstate Ins. Co., 94 F.R.D. 131, 136 (S.D. Ga. 1982). Nevertheless, courts may find undue hardship exists if the expenditure of cost and effort is substantially disproportionate to the amount at stake in the litigation and to the value of the desired information to the inquiring party. *See* In re Int'l Sys. & Controls Corp. Sec. Litig., 693 F.2d 1235, 1241 (5th Cir. 1982) (cost of discovery is a factor to consider for undue hardship); SEC v. Collins & Aikman Corp., 256 F.R.D. 403, 411 (S.D.N.Y. 2009) (finding discovery of SEC's work product was justified because "a page-by-page manual review of ten million pages of records is strikingly expensive in both monetary and human terms and constitutes 'undue hardship' by any definition"); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 88 cmt. b (2000).

- The uses to which the desired materials will be put.

- The availability of alternative means of obtaining the desired information if discovery is denied. *See* In re Int'l Sys. & Controls Corp. Sec. Litig., 693 F.2d 1235, 1240 (5th Cir. 1982); Osherow v. Vann (In re Hardwood P-G, Inc.), 403 B.R. 445, 465 (W.D. Tex. 2009) (having to "dig through 300 boxes of documents" to get the evidence by other means "may be odious" but "is not, however, onerous" and would not justify compelling production); EEOC v. Carrols Corp., 215 F.R.D. 46 (N.D.N.Y 2003) (finding that no substantial need existed requiring the production of hundreds of witness questionnaires where EEOC offered to provide summaries of likely testimony); In re Grand Jury (OO-2H), 211 F. Supp. 2d 555, 561 (M.D. Penn. 2001) (rejecting government claim of substantial need for attorney's interview notes of party, where government could have interviewed party itself); Nat'l Union Fire Ins. Co. v. AARPO, Inc., No. 97 Civ. 1438, 1998 WL 823611 (S.D.N.Y. Nov. 25, 1998) (transcripts of witness interviews conducted by opposing counsel that were protected work product should not be disclosed because party seeking disclosure had the opportunity to depose same witnesses); Burlington Indus. v. Exxon Corp., 65 F.R.D. 26, 43 (D. Md. 1974).

- The extent to which the asserted need is substantiated. *See* In re Grand Jury Subpoena Dated Nov. 9, 1979, 484 F. Supp. 1099, 1103 (S.D.N.Y. 1980).

2. Protection Of Opinion Work Product

Unlike ordinary work product, courts hold that opinion work product is discoverable, if at all, only upon a showing of extraordinary need. *See* Upjohn Co. v. United States, 449 U.S. 383, 401-02 (1981) ("As Rule 26 and Hickman make clear, such work product cannot be disclosed simply on a showing of substantial need and inability to obtain the equivalent without undue hardship" instead a "far stronger showing of necessity and unavailability" must be made); S. Scrap Material Co. v. Fleming, No. Civ. A. 01-2554, 2003 WL 21474516, at *7 (E.D. La. June 18, 2003) ("Indeed, opposing counsel may rarely, if ever use discovery mechanisms to obtain the research, analysis of legal theories, mental impressions, and notes of an attorney acting on behalf of his client in anticipation of litigation."); Resolution Trust Corp. v. Mass. Mut. Life Ins. Co., 200 F.R.D. 183, 190 (W.D.N.Y. 2001) (noting that according to interpretations by the Supreme Court, opinion work product is accorded a higher standard of protection than ordinary work product). Circuit Courts have split on the extent of protection afforded to opinion work product, with some applying absolute protection while others permit discovery where a heighten standard is met. *See* Cardtoons, L.C. v. Major League Baseball Players Ass'n, 199 F.R.D. 677, 684-85 (N.D. Okla. 2001) (recognizing Circuit split).

Some courts have adopted the view that opinion work product is absolutely privileged, and not discoverable under any circumstances. *See* 8 CHARLES ALAN WRIGHT, ET AL., FEDERAL PRACTICE & PROCEDURE § 2026 (3d ed. 2010); *see also*:

> *Nat'l Union Fire Ins. Co. v. Murray Sheet Metal Co., 967 F.2d 980 (4th Cir. 1992). Court held that if work product contains opinions or theories, then discovery is prohibited. However, if only part of the document contains opinion work product, then court can order production of a redacted copy.*
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> *Bogosian v. Gulf Oil Corp., 738 F.2d 587 (3d Cir. 1984). Court concluded that the provisions of FRCP 26(b)(3) outweighed the expert disclosure provisions of FRCP 26(b)(4), thus it gave absolute protection to core opinion work product provided to expert witnesses. Where opinion work product is intertwined with facts, the document can be redacted to allow production.*
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> *Garcia v. City of El Centro, 214 F.R.D. 587, 591 (S.D. Cal. 2003). "Opinion work-product, containing an attorney's mental impressions or legal strategies, enjoys nearly absolute immunity and can be discovered only in very rare circumstances."*
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> *Aktiebolag v. Andrx Pharm., Inc., 208 F.R.D. 92, 104 (S.D.N.Y. 2002). "As to [opinion work-product] documents, a far greater showing is required to pierce the doctrine's protection, and there is some authority that the protection afforded such opinion work-product may be absolute."*
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> *Eagle Compressors, Inc. v. HEC Liquidating Corp., 206 F.R.D. 474, 478 (N.D. Ill. 2002). "[O]pinion work-product is protected even when undue hardship exists and therefore, is for "all intents and purposes absolute."*
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> *In re Grand Jury (OO-2H), 211 F. Supp. 2d 555, 561 (M.D. Penn. 2001). Documents containing mental impressions of attorney afforded "virtually absolute protection."*
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> *SmithKline Beecham Corp. v. Pentech Pharm., Inc., No. 00 C 2855, 2001 WL 1397876, at *3 (N.D. Ill. Nov. 6, 2001). "[I]f the work product involves the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party concerning the litigation," the immunity from*

production is 'for all intents and purposes absolute, whether or not the party seeking discovery has demonstrated a substantial need" (internal quotations omitted).

Shipes v. BIC Corp., 154 F.R.D. 301, 305 (M.D. Ga. 1994). "It is questionable whether any showing justifies disclosure of an attorney's mental impressions."

APL Corp. v. Aetna Cas. & Sur. Co., 91 F.R.D. 10, 14 (D. Md. 1980). Opinion work product is given absolute protection.

Other courts, however, find that opinion work product is subject only to a qualified protection. In Upjohn, the Supreme Court stopped short of ruling that opinion work product is always protected. Upjohn Co. v. United States, 449 U.S. 383, 399-402 (1981). Federal Rule of Civil Procedure states that courts that order discovery of work product materials "must protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of a party's attorney or other representative concerning the litigation." FED. R. CIV. P. 26(b)(3)(B). Many courts, however, refer to a standard of "extraordinary need or special circumstances" that must be met to justify disclosure of opinion work product. *See* Upjohn, 449 U.S. at 399-402; In re Cendant Corp. Sec. Litig., 343 F.3d 658, 664 (3d Cir. 2003). These courts, however, have not defined the situations that may present the rare circumstance that subjects opinion work product to discovery. As a practical matter, therefore, there may be little difference between the two approaches. *See*:

In re United States, 321 F. App'x 953, 958 (Fed. Cir. 2009). Noting that the Supreme Court in Upjohn expressly declined to decide whether opinion work product could ever be produced and holding that substantial need and undue hardship standards are not sufficient to overcome the protection given to opinion work product.

Holmgren v. State Farm Mut. Auto. Ins. Co., 976 F.2d 573 (9th Cir. 1992). Opinion work product protected even though not absolutely privileged. Instead, court must consider the facts on a case-by-case basis.

Sporck v. Peil, 759 F.2d 312, 316 (3d Cir. 1985). Opinion work product accorded "almost absolute protection from discovery because any slight factual content that such items may have is generally outweighed by the adversary system's interest in maintaining the privacy of an attorney's thought processes and in ensuring that each side relies on its own wit in preparing their respective cases." Under the facts of the case, court found that the opinion work product was protected.

In re Int'l Sys. & Controls Corp. Sec. Litig., 693 F.2d 1235, 1240 (5th Cir. 1982). Opinion work product entitled to "almost absolute protection." Under the facts of the case, court found that the opinion work product was protected.

In re Sealed Case, 676 F.2d 793, 809-10 (D.C. Cir. 1982). Opinion work product can be discovered only upon "extraordinary justification." Under the facts of the case, court found that the opinion work product was protected.

In re Grand Jury Subpoena Dated Nov. 8, 1979, 622 F.2d 933, 935-36 (6th Cir. 1980). Opinion work product may be disclosed in rare and extraordinary circumstances. Under the facts of the case, court found that the opinion work product was protected.

SEC v. Sentinel Mgt. Grp., Inc., No. 07 C 4684, 2010 WL 4977220 (N.D. Ill. Dec. 2, 2010). SEC was required to produce its opinion work product – summaries of its pre-trial witness interviews – where the witnesses who provided information to the SEC were no longer available to be deposed due to their invocation of the Fifth Amendment.

Eagle-Picher Indus., Inc. v. United States, 11 Cl. Ct. 452, 457 (Cl. Ct. 1987). Discovery of opinion work product "is allowed sparingly." Under the facts of the case, court found that the opinion work product was protected.

Moe v. Sys. Transp., Inc., 270 F.R.D. 613 (D. Mont. 2010). The court allowed discovery of opinion work product in bad faith insurance litigation.

Torres v. Goddard, No. CV06-2482-PHX-SMM, 2010 WL 3023272 (D. Ariz. July 30, 2010). Opinion work product may be discovered and admitted only when mental impressions are at issue in a case and the need for the material is compelling.

Andrews v. St. Paul Re-Ins. Co. Ltd., No. 00-CV-0283K(J), 2000 WL 1760638 (N.D. Okla. Nov. 29, 2000). Noting the distinction between opinion and ordinary work product, and imposing a "heavier burden" for showing a need for opinion work product.

*AIA Holdings, S.A. v. Lehman Bros., Inc., No. 97 Civ. 4978 (LMN) (HBP), 2000 WL 1639417, at *2 (S.D.N.Y. Nov. 1, 2000). Where defendants deposed co-defendant in Lebanese prison, and at plaintiffs' deposition three years later co-defendant was unable to recall the events in question, unavailability of discovery of the forgotten facts was not sufficient to compel disclosure of opinion work product consisting of defendant-attorney's notes from the earlier deposition. Though declining to adopt the "essential element" test endorsed by Moore's, the court held that a higher showing must be made beyond the "broad standard of relevance applicable in discovery."*

United States v. Jacques Dessange, Inc., No. S2 99 CR 1182, 2000 WL 310345 (S.D.N.Y. Mar. 27, 2000). Criminal defense counsel's opinion work product, here counsel's notes of client's interviews with government, will be given heightened protection because the work product doctrine is particularly vital in assuring the proper functioning of the criminal justice system. Although co-defendant had an interest in the contents of the notes, that interest did not justify disclosure.

*Harris v. United States, No. 97 Civ. 1904, 1998 WL 26187, at *3 (S.D.N.Y. Jan. 26, 1998). Production of opinion work product was warranted in habeas corpus proceeding, where petitioner sought the production of opinion work product generated in connection with his prosecution to support a collateral attack on his convictions.*

3. Protection Of Mixed Opinion And Ordinary Work Product

If an item contains both ordinary and opinion work product, then the court can order redaction of the opinion work product before the document is produced. Nat'l Union Fire Ins. Co. v. Murray Sheet Metal Co., 967 F.2d 980 (4th Cir. 1992); Trout v. Nationwide Mut. Ins. Co., No. 06-CV-00236-EWN-MEH, 2006 WL 2683731, at *3 (D. Colo. Sept. 19, 2006) ("If any work product is intermingled with documents reflecting the [non-privileged information], the documents may be carefully redacted.").

E. WAIVER OF WORK PRODUCT PROTECTION

1. Consent, Disclaimer And Defective Assertion

A client or attorney can relinquish the protection of the work product doctrine in several ways. The clearest way to lose the protection is through consent, which acts as a waiver of the doctrine and leaves the underlying communications unprotected. *See generally* In re Doe, 662 F.2d 1073, 1081 (4th Cir. 1981); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 91 cmt. b (2000).

Occasionally, an attorney voluntarily abandons work product protection and then subsequently attempts to reassert it. In such cases, the client will be estopped from invoking work product protection if an adversary has detrimentally relied on the disclosure or if the interests of justice and fairness otherwise require waiver. *See* Pamida, Inc. v. E.S. Original, Inc., 281 F.3d 726, 732 (8th Cir. 2002) ("With respect to the issue of implied waiver, the Court must not only look at whether [the party] intended to waive the privilege, but also whether the interests [of] fairness and consistency mandate a finding of waiver."); In re Subpoenas Duces Tecum, 738 F.2d 1367, 1375 (D.C. Cir. 1984) (addressing generally the issues of fairness in disclosure); Navajo Nation v. Peabody Holding Co, Inc., 209 F. Supp. 2d 269 (D.D.C. 2002) (following In re Subpoenas discussing unfairness of selectively asserting work product privilege); Bank of Am., N.A. v. Terra Nova Ins. Co., 212 F.R.D. 166, 172 (S.D.N.Y. 2002) (noting that fairness, in part, dictates that disclosure to government waives work product privilege to other adversaries).

Although an attorney may not be able to assert the work product protection once the client has waived the privilege, some courts have indicated that an attorney may assert the protection even after it is abandoned by the client. In re Grand Jury Subpoena, 220 F.3d 406, 409 (5th Cir. 2000) (in-house counsel lacked standing to assert the work-product privilege once the corporation disclosed documents sought by the government); In re Sealed Case, 676 F.2d 793, 809 (suggesting that "[t]o the extent that [the client's and attorney's] interest do not conflict, attorneys should be entitled to claim privilege even if their clients have relinquished their claims").

Waiver can also occur when the client fails effectively to assert the work product doctrine. For example, a client's failure to object properly in response to a discovery request may waive the protection of the doctrine. *See Asserting Work Product Protection,* § IV.C, *supra;* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS§ 91(3) (2000).

2. Selective Disclosure To Third Parties and Adversaries

Unlike the attorney-client privilege, selective disclosure of work product to some but not to others is permitted. *See* 8 CHARLES ALAN WRIGHT, ET AL., FEDERAL PRACTICE & PROCEDURE § 2024 (3d ed. 2010). (For a discussion of selective versus partial waiver *see Terminology of Waiver*, § I.G.2, above.) Because the work product doctrine protects trial preparation materials, only disclosures that show an indifference to protecting strategy will result in waiver. *See* Chubb Integrated Sys., Ltd. v. Nat'l Bank of Wash., 103 F.R.D. 52, 63 (D.D.C. 1984); In re Sealed Case, 676 F.2d 793, 809 (D.C. Cir. 1982) ("[B]ecause [the work

product doctrine] looks to the vitality of the adversary system rather than simply seeking to preserve confidentiality, the work-product privilege is not automatically waived by any disclosure to a third party."); U.S. ex rel. Purcell v. MWI Corp., 209 F.R.D. 21, 25 (D.D.C. 2002) ("[A] party does not automatically waive the work-product privilege by disclosure to a third party."); Medinol Ltd. v. Bos. Scientific Corp., 214 F.R.D. 113, 114 (S.D.N.Y. 2002) ("Unlike the attorney-client privilege . . . work-product protection is not necessarily waived by disclosures to third persons."); Varel v. Banc One Capital Partners, Inc., No. CA3:93-CV-1614-R, 1997 WL 86457 (N.D. Tex. Feb. 25, 1997) ("In light of the distinctive purpose underlying the work-product doctrine, a general subject-matter waiver of work-product immunity is warranted only when the facts relevant to a narrow issue are in dispute and have been disclosed in such a way that it would be unfair to deny the other party access to other facts relevant to the same subject matter."). Such indifference is most often demonstrated when a lawyer discloses material knowing that it is likely to be seen by an adversary. In re Subpoenas Duces Tecum, 738 F.2d 1367 (D.C. Cir. 1984) (work product protection lost when materials provided to adversary); Meoli v. Am. Med. Serv., 287 B.R. 808, 817 (S.D. Cal. 2003) ("Voluntary disclosure of attorney work-product to an adversary in the litigation defeats the policy underlying the privilege."); Shulton, Inc. v. Optel Corp., No. 85-2925, 1987 WL 19491 (D.N.J. Nov. 4, 1987); 4 J. MOORE ET AL., MOORE'S FEDERAL PRACTICE ¶ 26.64[4] (2d ed. 1991); 8 CHARLES ALAN WRIGHT, ET AL., FEDERAL PRACTICE & PROCEDURE § 2024 (2d ed. 2010) (disclosure to third persons does not waive work product protection unless "it has substantially increased the opportunities for potential adversaries to obtain the information.").

Thus, waiver will occur when a party discloses material in circumstances in which there is significant likelihood that an adversary or potential adversary will obtain it. United States v. Stewart, 287 F. Supp. 2d 461, 468 (S.D.N.Y. 2003) ("Most courts that have analyzed the question whether a party has waived work-product protection over documents by disclosing them to third parties have found waiver only when the disclosures substantially increased the opportunities for potential adversaries to obtain the information.") (internal quotations omitted); Constr. Indus. Servs. Corp. v. Hanover Ins. Co., 206 F.R.D. 43, 49 (E.D.N.Y. 2001) ("[P]rotection is waived only if such disclosure substantially increases the opportunity for potential adversaries to obtain the information.") (internal quotations omitted). Mere disclosure to a witness does not necessarily waive protection as this activity is consistent with the work product doctrine by allowing the attorney to prepare for litigation. *See, e.g.*, In re Sealed Case, 676 F.2d 793, 818 (D.C. Cir. 1982) (selective disclosure is not inimical to the theory underlying the work product doctrine); In re Grand Jury Subpoenas Dated Dec. 18, 1981, 561 F. Supp. 1247, 1257 (E.D.N.Y. 1982).

See:

> *In re Chevron Corp., No. 10-2815, 2011 WL 322380 (3d Cir. Feb. 3, 2011). Disclosure of work product to neutral court-appointed expert waived protection.*
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> *E.I. du Pont de Nemours & Co. v. Kolon Indus., 269 F.R.D. 600, 606-09 (E.D. Va. 2010). Issuing a press release revealing information received from federal law enforcement officials effected a subject-matter waiver of work-product protection regarding the factual basis for the statement in the press release. Waiver, however, did not extend to opinion work product because proponent of waiver could not show substantial need for the protected information.*

Williams & Connolly v. SEC, 729 F. Supp. 2d 202 (D.D.C. 2010). The SEC did not waive protection by providing handwritten notes of SEC lawyers to the Department of Justice, even though the DOJ was later required to produce the notes under FRCP 16.

*In re Urethane Antitrust Litig., No. 04-MD-1616, 2009 WL 2058759, at *5 (D. Kan. July 15, 2009). Plaintiffs' disclosure of the work product to its adversaries had waived the work product protection as to all other adversaries.*

*Plew v. Limited Brands, Inc., No. 08 Civ 3741, 2009 WL 1119414, at *3 (S.D.N.Y. Apr. 23, 2009). Emails between defendants and third party supplier were protected by work product doctrine because the third party's interests were aligned with the defendants.*

*SEC v. Schroeder, No. C07-03798, 2009 WL 1125579, at *7 (N.D. Cal. Apr. 7, 2009). Draft interview memoranda prepared by outside counsel during an internal investigation remained protected by the work product doctrine even though the final versions of the memoranda had been disclosed to the SEC and the defendant. Simply disclosing a final product to the public or third party does not destroy the underlying privilege attaching to drafts of the final product.*

Goodrich Corp. v. EPA, 593 F. Supp. 2d 184, 191-93 (D.D.C. 2009). Defendant EPA waived work product protection because it failed to "exercise the kind of 'zealous stewardship' of attorney work product that the law demands" when it shared work product with a state regional board, which in turn disclosed it to the plaintiff.

In re Initial Pub. Offering Sec. Litig., 249 F.R.D. 457, 465-66 (S.D.N.Y. 2008). Disclosures made by company to the United States Attorney's Office and to the SEC regarding share allocation during an initial public offering resulted in a waiver of work product privilege despite confidentiality agreements. Court will not find selective waiver absent special circumstances, which did not exist here.

*E.B. v. N.Y.C. Bd. of Educ., No. CV20025118(CPS)(MDG), 2007 WL 2874862, at *6 (E.D.N.Y. Sept. 27, 2007). Questionnaires and responses disclosed between the Department of Education's Office of Legal Services and the Department of Education's Office of Youth Development and School-Community Services did not waive work-product privilege when the offices shared a common interest, rather than an adversarial relationship, and when the disclosure did not increase the risk that adversaries would obtain the documents.*

In re Vecco Instruments, Inc. Sec. Litig., No. 05-MD-1695, 2007 WL 210110 (S.D.N.Y. Jan. 25, 2007). Defendants did not waive work product protection when they issued a press release and wrote a letter to the SEC briefly summarizing the findings of their internal investigation without quoting, referencing, or paraphrasing any of the documents at issue.

Ratke v. Comm'r of Internal Revenue, 129 T.C. 45, 56 (T.C. 2007). Testimonial use of material protected by the work product privilege may result in waiver of the privilege, even though partial disclosure does not necessarily result in waiver.

Simmons, Inc. v. Bombardier, Inc., 221 F.R.D. 4, 8 (D.D.C. 2004). "The work-product privilege may be waived by the voluntary release of materials otherwise protected by it. Generally, the privilege is waived only for materials relevant to a particular, narrow subject matter, when it would be unfair to deny the other party an opportunity to discover other facts relevant to that subject matter" (quotations and citations omitted).

Rambus v. Infineon Tech., 220 F.R.D. 264 (E.D. Va. 2004). Work product privilege is not waived by disclosing documents to an adversary in parallel litigation when documents were disclosed only after a judge ordered the disclosure. But when the disclosure is voluntary, as in this case, the work product privilege is waived.

Bagley v. TRW, Inc., 212 F.R.D. 554, 561-562 (C.D. Cal. 2003). In a qui tam action, "relator's written disclosure to the government pursuant to [31 U.S.C. §] 3730(b)(2) does not operate as a waiver of work-product."

United States v. Stewart, 287 F. Supp. 2d 461, 469 (S.D.N.Y. 2003). Martha Stewart did not waive work product protection by forwarding her daughter an email composed in response to her attorneys' request for factual information. By forwarding the email to a family member, Stewart did not substantially increase the risk of disclosure to an adversary.

*Robinson v. Tex. Auto. Dealers Ass'n., 214 F.R.D. 432, 441, vacated on other grounds, No. Civ. A. 5:97-CV-273, 2003 WL 21909777, at *1 (E.D. Tex. July 28, 2003). "The work-product doctrine is also broader in that, unlike the attorney-client privilege, work-product protection is not necessarily waived by disclosure to a third party who does not have common legal interest. Disclosure of work-product can result in waiver of the work-product protection, but only if it is disclosed to adversaries or treated in a manner that substantially increases the likelihood that an adversary will come into possession of the material."*

*In re Grand Jury Proceedings, No. M-11-189, 2001 WL 1167497, at *20 (S.D.N.Y. Oct. 3, 2001). "A waiver of work-product protection occurs if the party has voluntarily disclosed the work-product in such a manner that it is likely to be revealed to his adversary."*

Hatco Corp. v. W.R. Grace & Co., No. 89-1031, 1991 WL 83126 (D.N.J. May 10, 1991). Client distributed legal memoranda prepared by six law firms to several insurance companies that were not clients of the law firms. Court found that this waived the attorney-client privilege for the memoranda. However, work product protection existed as long as the memoranda were not disclosed to an adversary.

Prudential Ins. Co. v. Turner & Newall, PLC, 137 F.R.D. 178 (D. Mass. 1991). Plaintiff waived work product protection for documents in a third party's possession when plaintiff reviewed its files and determined they contained privileged documents but did not take steps to insure against the third party's disclosure of the documents.

In re Air Crash Disaster, 133 F.R.D. 515, 521 (N.D. Ill. 1990). Disclosure by defense counsel to 500 employees with no expectation of confidentiality resulted in waiver of work product protection.'

Bank of the W. v. Valley Nat'l Bank of Ariz., 132 F.R.D. 250, 262 (N.D. Cal. 1990). In determining waiver, the issue is whether disclosure has increased the likelihood that a current or potential adversary will gain access to protected documents.

3. Disclosure To Auditors

Although disclosure of attorney-client privileged communications to outside auditors waives the attorney-client privilege under federal common law, most courts have held that the work product protection usually will be preserved. The D.C. Circuit, in United States v. Deloitte, 610 F.3d 129, 139 (D.C. Cir. 2010), became the first circuit to address whether disclosing work product to an auditor constitutes waiver. The court held that disclosure of pre-existing attorney work product to a company's auditor did not waive the work product protection, because the auditor was not a litigation adversary, the "tension" between an auditor and a corporation that arises from the auditor's need to scrutinize and investigate a corporation's books and records is not the equivalent of an adversial relationship contemplated by the work product doctrine; and the auditor was not a "conduit" as applied under the doctrine. As a result, the company had a reasonable expectation of confidentiality

when it made its disclosures of work product to the auditor, and there was no waiver of the work product protection.

The majority of district court decisions addressing this issue have held that disclosure of pre-existing work product to an auditor does not waive the work product protection.

See:

> *Vacco v. Harrah's Operating Co., No. 1:07-CV-0663, 2008 WL 4793719, at *6-7 (N.D.N.Y. Oct. 29, 2008). Audit letters prepared by counsel at the request of auditors were protected by the work product doctrine, and disclosure of pre-existing work product to auditors did not waive otherwise applicable work product protections.*
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> *SEC v. Roberts, No. C0704580MHP, 2008 WL 3925451, at *9-11 (N.D. Cal. Aug. 22, 2008). Adopting the approach applied in Merrill Lynch, below, the court found that information exchanged between attorneys and auditors did not waive work product protection.*
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> *Regions Fin. Corp. v. United States, No. 2:06-CV-00895-RDP, 2008 WL 2139008 (N.D. Ala. May 8, 2008). Disclosure of attorney work product to a company's auditor did not waive the documents' protection. While work product protection can be waived if the documents are made available to an adversary or to a third party that could serve as a conduit to an adversary, the court found that there was "simply no conceivable scenario" under which the company's auditor would file a lawsuit against the company because of something in the documents, particularly when a confidentiality agreement between the company and the auditor required the auditor to maintain the confidentiality of the documents.*
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> *Int'l Design Concepts, Inc. v. Saks Inc., No. 05 Civ. 4754(PKC), 2006 WL 1564684, at *3 (S.D.N.Y. June 6, 2006). Adopting approach applied in Merrill Lynch, below, the court held that outside auditors are not adversaries of their clients and share interest in detecting corporate fraud.*
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> *Lawrence E. Jaffe Pension Plan v. Household Int'l., Inc., 237 F.R.D. 176, 183 (N.D. Ill. 2006). Audit letters, litigation database, and loss reserve information were all subject to work product protection despite disclosure to outside auditors.*
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> *Frank Betz Assocs. v. Jim Walter Homes, Inc., 226 F.R.D. 533, 534 (D.S.C. 2005). Amount of litigation reserve disclosed to auditors was not likely to reach a potential adversary, so disclosure did not waive work product protection.*
>
> *Merrill Lynch & Co., Inc. v. Allegheny Energy, Inc., 229 F.R.D. 441, 445-49 (S.D.N.Y. 2004). Auditor's relationship with its client was not adversarial in same sense as relationship between litigation adversaries. A company and its auditor are or should be united to "prevent, detect, and root out corporate fraud," and courts should encourage this cooperation.*
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> *Sherman v. Ryan, 911 N.E.2d 378, 400-02 (Ill. App. Ct. 2009). Work product protection was not waived despite disclosure to outside auditors and financial advisors. The court found federal precedent persuasive but also reasoned that the Illinois accountant-client privilege statute indicated that the legislature recognized the confidentiality of the accountant-client relationship.*

See also:

> *U.S. v. Adlman, 134 F.3d 1194, 1200 (2d Cir. 1998). Concluding, in dicta, that work product doctrine would protect a memorandum prepared by a company's attorneys at an independent auditor's request "estimating the likelihood of success in litigation and an accompanying analysis of the company's legal strategies and options to assist it in estimating what should be reserved for litigation losses."*

In United States v. Hatfield, No. 06-CR-0550, 2010 WL 183522 (E.D.N.Y. Jan. 8, 2010), however, the court held that disclosure of protected work product to an independent auditor waived the work product protection. The court reasoned that although a public auditor's interests are not necessarily adversarial to its client, at a minimum they do not share common litigation objectives, and the auditor's interests are always potentially adverse: "because [the auditor's] interests allied with the truth while [the defendant's] legal interests aligned with whatever was best for [the defendant], [the auditor] was always *potentially* adverse to him, as the possibility always existed that its investigation would reveal that he acted fraudulently or negligently." *Id.* at *3.

See:

> *In re Raytheon Sec. Litig., 218 F.R.D. 354, 360-61 (D. Mass. 2003). Observing that waiver of work product protection by disclosure to third parties exists where disclosure "substantially increased the opportunities for potential adversaries to obtain the information" and directing further briefing on whether disclosure to independent auditors would be likely to result in further disclosure.*
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> *Medinol, Ltd. v. Boston Scientific Corp., 214 F.R.D. 113, 115 (S.D.N.Y. 2002). Minutes and other materials of defendant's Special Litigation Committee that were disclosed to defendant's outside auditor were not protected by the work product doctrine.*

4. Partial Waiver: Extent Of Waiver

Generally, disclosure of work product will result only in the waiver of work product protection for the particular materials disclosed and not for all related materials involving the same subject matter. *See* FED. R. EVID. 502(a); Bramlette v. Hyundai Motor Co., No. 91 C 3635, 1993 WL 338980 (N.D. Ill. Sept. 1, 1993) (disclosure of five reports from internal investigation did not waive work product protection for seven related reports that were kept confidential); In Re Air Crash Disaster, 133 F.R.D. 515, 527 (N.D. Ill. 1990) (drafts behind report that was disclosed are still protected under work product doctrine); United States v. Willis, 565 F. Supp. 1186, 1220 n.64 (S.D. Iowa 1983); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 91 cmt. c (2000); 8 CHARLES ALAN WRIGHT, ET AL., FEDERAL PRACTICE & PROCEDURE § 2024 (3d ed. 2010) (suggesting that disclosure to an adversary does not waive protection for underlying notes and memoranda on the same subject matter). However, when a party waives work product protection for only a portion of a protected document the court may require the rest of that document to be revealed in the interest of fairness.

Federal Rule of Evidence 502(a) provides that a voluntary disclosure of privileged information will only result in subject matter waiver if the protected document is voluntarily disclosed and "fairness requires" that the undisclosed and disclosed documents be considered together. FED. R. EVID. 502(a). The Explanatory Note to FRE 502(a) explains that subject matter waiver should be the exception, not the rule: "Subject matter waiver is limited to situations in which a party intentionally puts protected information into the litigation in a selective, misleading and unfair manner." FED. R. EVID. 502(a) advisory committee's note. The Note cites In re United Mine Workers of America Employee Benefit Plans Litigation, 159 F.R.D. 307, 312 (D.D.C. 1994), as an example of the proper scope of waiver. In re

United Mine Workers limited the waiver of the work product privilege to documents actually disclosed. 159 F.R.D. at 312. The court found that waiver was only proper where there is a deliberate disclosure intended to gain tactical advantage. *Id.* Practitioners looking for guidance on when undisclosed privileged information "ought in fairness" be disclosed can look to decisions interpreting Rule 106, which the Explanatory Note identifies as the source of this language. "Under both [FRE 502(a) and 106], a party that makes a selective, misleading presentation that is unfair to the adversary opens itself to a more complete and accurate presentation." FED. R. EVID. 502(a) advisory committee's note. *See* Chick-Fil-A v. ExxonMobil Corp., No. 08-61422-CIV, 2009 WL 3763032, at *7 (S.D. Fla. Nov. 10, 2009) (applying FRE 502(a) to find that defendant's voluntary disclosure of otherwise protected work product resulted in subject matter waiver with respect to ordinary work product).

Compare:

> *Hernandez v. Tanninen, 604 F.3d 1095, 1100-01 (9th Cir. 2010). Reversing the district court's finding of blanket waiver, the Ninth Circuit held that plaintiff's disclosure of notes from his attorney's communications with the defendant constituted waiver only to that subject.*
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> *Bowles v. Nat'l Ass'n of Home Builders, 224 F.R.D. 246, 254-55 (D.D.C. 2004). Observing that the work product doctrine was more susceptible to selective waiver than attorney-client privilege, but holding that "sharp practices" in selectively disclosing work product led to subject-matter waiver.*
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> *Irwin Indus. Tool Co. v. Orosz, No. 03 C 1738, 2004 WL 2474318, at *2-3 (N.D. Ill. Mar. 17, 2004). Ordering law firm to produce internal work papers not communicated outside of firm that related to opinion letter, lawsuit, and patented product when firm had rendered oral opinion prior to issuing written opinion.*
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> *McGrath v. Nassau Cnty. Health Care Corp., 204 F.R.D. 240, 248 (E.D.N.Y. 2001). Where defendant asserted its prompt investigation following an employee's EEOC complaint as an affirmative defense, plaintiff was entitled to full discovery of information even though attorney conducted the investigation.*
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> *Harding v. Dana Transp., Inc., 914 F. Supp. 1084, 1089 (D.N.J. 1996). Client retained attorney to conduct internal investigation regarding allegations of sexual discrimination, and then used attorney's findings to defend against the charges before State Civil Rights Commission. Court held that such disclosure waived the work product privilege for all materials underlying attorney's report.*
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> *In re Grand Jury Subpoena Duces Tecum Dated Mar. 24, 1983, 566 F. Supp. 883, 885 (S.D.N.Y. 1983). Partial disclosure constituted a full waiver of all materials on the same subject matter.*

With:

> *Stoner v. N.Y.C. Ballet Co., No. 99 Civ. 0196, 2003 WL 749893, at *2 (S.D.N.Y. Mar. 5, 2003). Finding that party seeking discovery of otherwise privileged material failed to show that this was a case where adversary unfairly disclosed only a portion of a protected document.*
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> *Republic of Philippines v. Westinghouse Elec. Corp., 132 F.R.D. 384, 389 (D.N.J. 1990). Waiver of protection does not necessarily waive work product protection for related materials.*
>
> *In re Air Crash Disaster at Sioux City, 133 F.R.D. 515, 527 (N.D. Ill. 1990). Prior drafts of documents do not lose their work product protection merely because the final document is made public.*
>
> *Nye v. Sage Prods., Inc., 98 F.R.D. 452, 453-54 (N.D. Ill. 1982). Waiver relating to final document does not waive work product protection for related opinion work product materials.*

See also:

> Bank of Am., N.A. v. Terra Nova Ins. Co., *212 F.R.D. 166, 174 (S.D.N.Y. 2002). Discussing different approaches to determining scope of waiver of work product.*
>
> Chambers v. Allstate Ins. Co., *206 F.R.D. 579, 589 (S.D. W. Va. 2002). "There is subject matter waiver when a party discloses non-opinion work-product to an adversary, but there is no subject matter waiver of opinion work-product."*
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> Static Control Components, Inc. v. Darkprint Imaging, *201 F.R.D. 431, 435 (M.D.N.C. 2001). Where party used tape recording of interview, waiver extended to non-opinion work product and thus court did not require production of attorney notes containing opinion work product.*

5. Selective Waiver: Reporting To Government Agencies

When litigants voluntarily disclose documents or communications to federal agencies, those materials may lose work product protection and be subject to discovery by other parties, including private litigants. *See Disclosure to the Government*, § I.H, above. Corporations have argued that such voluntary disclosures to government agencies are solely for the benefit of the public agency's review, and not for purposes of private civil litigation. As a result, these companies have argued that limited disclosures should only constitute a selective waiver. *See The Terminology of Waiver,* § I.G.2, above); *see also* Westinghouse Elec. Corp. v. Republic of the Phil., 951 F.2d 1414, 1423 n.7 (3d Cir. 1991). Under the selective waiver concept, a party can disclose a document to the government but retain work product protection against other litigants. Diversified Indus., Inc. v. Meredith, 572 F.2d 596 (8th Cir. 1977) (en banc).

The majority rule and trend in most circuits is a rejection of selective waiver to the government. *See* In re Columbia/HCA Healthcare Corp. Billing Practices Litig., 293 F.3d 289, 304 (6th Cir. 2002) (rejecting selective waiver); In re Subpoenas Duces Tecum, 738 F.2d 1367 (D.C. Cir. 1984) (rejecting idea of "limited" (selective) waiver); Permian Corp. v. United States, 665 F.2d 1214 (D.C. Cir. 1981). (same); Maryville Acad. v. Loeb Rhoades & Co., 559 F. Supp. 7, 9 (N.D. Ill. 1982) (same). *Compare*:

> In re Qwest Commc'ns Int'l, Inc., *450 F.3d 1179, 1196 (10th Cir. 2006), cert. denied, 127 S. Ct. 584 (2006). In a matter of first impression in the Tenth Circuit, defendant corporation's production of privileged materials to federal agencies in the course of agencies' investigation constituted waiver of privilege as to third-party civil litigants in related litigation, regardless of the existence of written confidentiality agreements between corporation and SEC and DOJ pursuant to which corporation agreed to limited release of the privileged documents.*
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> In re Columbia/HCA Healthcare Corp. Billing Practices Litig, *293 F.3d 289, 304 (6th Cir. 2002). Reviewing conflicting approaches taken by circuit courts and concluding that disclosure of work product to government constitutes waiver of protection from discovery, even in light of a confidentiality agreement with government agency.*
>
> In re Steinhardt Partners L.P., *9 F.3d 230 (2d Cir. 1993). Voluntary submission to the SEC waived work product protection in a later civil class action suit. Second Circuit concluded that the submission constituted a voluntary disclosure to an adversary and effected waiver. Court rejected the selective waiver concept since cooperation with the SEC was not likely to be affected in future cases. Court declined to lay down a per se rule of waiver in all cases but instead held that analysis should be done on a case-by-case basis.*

Westinghouse Elec. Corp. v. Republic of the Phil., 951 F.2d 1414 (3d Cir. 1991). Government was investigating corporation. Court held that disclosure of work product during this investigation fully waived any attorney-client or work product protection, even with respect to third parties in civil litigation. Court reasoned that protection is not required to encourage these types of disclosures to a government agency since the corporation will turn over the exculpating documents willingly, privileged or not, in order to obtain lenient treatment. Court thus refused to apply selective waiver to reports disclosed to the government.

In re Subpoenas Duces Tecum, 738 F.2d 1367, 1372 (D.C. Cir. 1984). Voluntary disclosure to SEC under a voluntary disclosure program waived protection for materials sought by Justice Department in a later investigation.

Bickler v. Senior Lifestyle Corp., 266 F.R.D. 379 (D. Ariz. 2010). The court held that an assisted living home's disclosure of internal investigation materials to an Arizona health services regulator did not waive privilege with respect to third party litigants.

Police & Fire Ret. Sys. of the City of Detroit v. SafeNet, Inc., No. 06 Civ. 5797, 2010 WL 935317 (S.D.N.Y. Mar. 12, 2010). Defendant SafeNet did not waive work product protection when, pursuant to a confidentiality agreement, it produced privileged material to the SEC and the U.S. Attorney's Office in the course of a government investigation.

In re Initial Pub. Offering Sec. Litig., 249 F.R.D. 457, 465 (S.D.N.Y. 2008). The court issued an opinion broadly critical of selective waiver. \Although the court noted that Steinhardt left open the possibility of selective waiver, it rejected the application of selective waiver, holding "there is a strong presumption against a finding of selective waiver, and it should not be permitted absent special circumstances."

United States v. Bergonzi, 216 F.R.D. 487, 497-98 (N.D. Cal. 2003). Finding disclosure of work product to government agency investigating company waived work product protection as to all other adversaries, despite confidentiality agreement with the government.

In re Bank One Sec. Litig., 209 F.R.D. 418, 423-24 (N.D. Ill. 2002). Following Westinghouse Elec. Corp. and Columbia/HCA Healthcare Corp.

U.S. ex rel. Burns v. Family Practice Assocs. 162 F.R.D. 624, 626 (S.D. Cal. 1995). Disclosure of work product to Department of Justice, which was investigating qui tam relator's allegations of Medicare fraud, waived work product protection as to the qui tam relator himself. Disclosure of work product to the Department of Justice an adversary, waived the protection as to all other adversaries.

In re Digital Microwave Corp. Sec. Litig., No. C 90-20241, 1993 WL 330600 (N.D. Cal. June 28, 1993). Letter from corporate counsel to SEC during informal inquiry was not protected since work product protection was waived by disclosure to government. In addition, there was no explicit statement by the SEC that they would grant the corporation's request to keep the letter confidential.

In re Leslie Fay Cos. Sec. Litig., 152 F.R.D. 42 (S.D.N.Y. 1993). Relying on Steinhardt, the court found that the work product doctrine did not protect an audit committee's report submitted to the SEC.

With:

Permian Corp. v. United States, 665 F.2d 1214 (D.C. Cir. 1981). Documents were produced in private litigation subject to a confidentiality agreement and then to the SEC under a separate confidentiality agreement. When the materials were later sought in another suit, court held that the materials were still subject to the protection of the work product doctrine.

United States v. AT&T, 642 F.2d 1285 (D.C. Cir. 1980). Government sued AT&T for antitrust violations. MCI had turned documents over to the government under stipulation that they be used only in the litigation against AT&T. MCI then filed its own antitrust action against AT&T and sought to assert work product protection (as a nonparty) in the government's case to prevent AT&T from obtaining the materials that MCI had previously turned over. D.C. Circuit held that MCI had not waived the protection by disclosing the materials to the government. Court recognized the government and MCI had a common interest against a common adversary and therefore no waiver had occurred from the sharing.

Soc'y of Prof'l Eng'g Emps. in Aerospace v. Boeing Co., Nos. 05-1251-MLB, 07-1043-MLB, 2010 WL 1141269 (D. Kan. Mar. 22, 2010). Stating that the rule described in Qwest Communications has been modified by recent amendments to Federal Rule of Evidence 502 and to Federal Rule of Civil Procedure 26(b)(5)(B).

In re Cardinal Health, Inc. Sec. Litig., No. C2 04 575 ALM, 2007 WL 495150 (S.D.N.Y. Jan. 26, 2007). No waiver of work product where documents were disclosed to the government, even in absence of a confidentiality agreement.

In re Natural Gas Commodity Litig., No. 03 Civ. 6186VMAJP, 2005 WL 1457666 (S.D.N.Y. June 21, 2005). No waiver of work product protection where disclosing party entered into confidentiality agreement with the government.

*In re McKesson HBOC, Inc. Sec. Litig., No. 99-CV-20743, 2005 WL 934331, at *10 (N.D. Cal. Mar. 31, 2005), Holding that the selective disclosure of materials to the SEC waived the attorney-client privilege but not work product protection. The Court noted that the weight of authority outside the Ninth Circuit rejected the selective waiver doctrine, but followed the Delaware case of Saito v. McKesson HBOC, Inc., No. Civ. A 18553, 2002 WL 31657622 (Del. Ch. Ct. Nov. 13, 2002).*

*Maruzen Co., Ltd. v. HSBC USA, Inc., No. 00 CIV 1079, 2002 WL 1628782, at *1-2 (S.D.N.Y. July 23, 2002). Denying motion to compel production of documents previously produced to government agency because party had entered into a confidentially agreement with government agency.*

Saito v. McKesson HBOC, Inc., No. Civ. A 18553, 2002 WL 31657622 (Del. Ch. Nov. 13, 2002). Adopting selective waiver doctrine.

The purpose for a litigant's disclosure of work product documents to government agencies may determine whether such disclosure waived work product protection. For example, in Information Resources, Inc. v. Dunn & Bradstreet, Corp., 999 F. Supp. 591, 593 (S.D.N.Y. 1998), the Southern District of New York held that if a party discloses information to a government agency in an attempt to incite government action against a rival, work product protection may be waived. *See also* Bank of Am. N.A. v. Terra Nova Ins. Co., 212 F.R.D. 166, 172-73 (S.D.N.Y. 2002) (citing various ulterior motives for submitting documents to government as basis for finding waiver of work product privilege.).

The Financial Services Regulatory Relief Act, enacted in October 2006, aims to provide relief in the context of regulatory financial reporting where banks and credit unions must disclose otherwise privileged materials to regulatory authorities. In relevant part, the Act provides:

> The submission by any person of any information to any Federal …, State …, or foreign banking authority for any purpose in the course of any supervisory or regulatory process of such agency … shall not be construed

> as waiving, destroying, or otherwise affecting any privilege such person may claim with respect to such information under the Federal or State law as to any person or entity other than the agency, supervisor, or authority.

12 U.S.C. § 1828; *see also* 12 U.S.C. § 1785 (credit unions).

Although Federal Rule of Evidence 502 does not change the substantive law relating to selective waiver, *see* FED. R. EVID. 502(d) advisory committee's note, Rule 502(d) provides a mechanism by which parties may be able to prevent broader subject matter waiver. FED. R. EVID. 502(d). *See* SEC v. Bank of Am. Corp., No. 09 Civ. 06829, 2009 WL 3297493, at *3 (S.D.N.Y. Oct. 14, 2009) (entering a stipulated agreement and protective order to allow Bank of America to disclose and thereby waive attorney-client privilege and work-product protection for certain categories of information without thereby waiving privilege and protection regarding other non-disclosed information that may be of interest in related private lawsuits); *see also* Whitaker Chalk Swindle & Sawyer, LLP v. Dart Oil & Gas Corp., No. 4:08-CV-684-Y, 2009 WL 464989, at *5 (N.D. Tex. Feb. 23, 2009) (ordering a party to produce documents in legal malpractice action but ordering that disclosure would not waive privilege with respect to other proceedings). *See FRE 502(d) and (e)*: *Court Orders and Party Agreements*, § I.G.6.b, *supra*.

6. Inadvertent Disclosure

Before the enactment of Federal Rule of Evidence 502 in September 2008, inadvertent disclosure of work product was analyzed in much the same manner as inadvertent disclosure under the attorney-client privilege. Most courts applied a case-by-case analysis to determine the reasonableness of the precautions taken to protect against disclosure and the actions taken to recover the disclosed communication. In addition, inadvertent disclosure of opinion work product often resulted in only a partial waiver, leaving materials on the same subject matter protected.

Compare:

> *Gundacker v. Unisys Corp., 151 F.3d 842, 844-45 (8th Cir. 1998). Inadvertent production of document detailing internal corporate investigation by counsel did not constitute waiver. United States v. Rigas, 281 F. Supp. 2d 733, 738 (S.D.N.Y. 2003). Surveying various approaches to inadvertent disclosure and concluding: "Generally, courts in this District will not find waiver by inadvertent disclosure unless the producing party's actions were so careless as to suggest that it was not concerned with the protection of the asserted privilege" (internal quotations omitted).*
>
> *Emp'rs Reinsurance Corp. v. Clarendon Nat'l Ins. Co., 213 F.R.D. 422, 428 (D. Kan. 2003). Applying a five factor test in determining whether inadvertent release of protected work product waived privilege.*
>
> *W. Fuels Ass'n v. Burlington N. R.R. Co., 102 F.R.D. 201, 204-05 (D. Wyo. 1984). Inadvertent disclosure during expedited discovery process does not waive work product protection.*
>
> *Culnane v. Johnson's of N.H., Inc., No. 13105BNCV, 2008 WL 4281975 (Super. Ct. Vt. May 19, 2008). Under the modern approach to inadvertent waiver, defendants waived neither work product privilege nor attorney-client privilege by including communications among defendants, its attorneys, and its investigators in an expert witness's file that was inadvertently sent to plaintiffs.*

With:

Norton v. Caremark, Inc., 20 F.3d 330 (8th Cir. 1994). Party who mistakenly marked work product document as a proposed trial exhibit and produced it to opposing counsel waived work product protection.

Carter v. Gibbs, 909 F.2d 1450, 1451 (Fed. Cir. 1990), superseded in non-relevant part, Pub. L. No. 103-424, § 9(c), 108 Stat. 4361 (1994), as recognized in Mudge v. United States, 308 F.3d 1220, 1223 (Fed. Cir. 2002). Voluntary disclosure of work product to an adversary constitutes waiver even though disclosure may have been inadvertent.

Victor Stanley, Inc. v. Creative Pipe, Inc., 250 F.R.D. 251, 258-59, 268 (D. Md. 2008). Defendants waived work product protection with respect to 165 privileged electronic documents that they voluntarily but inadvertently disclosed to plaintiffs after using an inadequate keyword search and an insufficient manual review of nontext-searchable documents to separate privileged documents from non-privileged documents.

Continental Cas. Co. v. Under Armour, Inc., 537 F.Supp.2d 761 (D. Md. 2008). Court found insurer waived work product protection where claims adjuster, on four separate occasions, posted protected documents to a website that was accessible to independent broker who provided the documents to the insured. Court, however, did not find subject matter waiver.

Steppe v. Cleverdon, No. 06-144-JMH, 2007 WL 3354817 (E.D. Ky. Nov. 9, 2007). Inadvertent disclosure of otherwise protected work product to a party's own testifying expert waived the protection of the work product doctrine. In this action arising from a motor vehicle collision, defendant engaged a psychiatrist as a testifying expert. To enable the expert to prepare his report, defendant sent him a collection of documents. At the expert's deposition, plaintiff learned that the collection included 59 pages of protected work product materials, and demanded the production of those documents. Defendant refused, arguing that the documents had been inadvertently produced and should remain protected from discovery. Citing the Sixth Circuit's decision in Regional Airport Authority of Louisville v. LFG, LLC, 460 F.3d 697 (6th Cir. 2006), the court held that all information disclosed to testifying experts is discoverable, whether or not the material was disclosed inadvertently, and whether or not the expert actually considered the documents in forming his opinion.

*JSMS Rural LP v. GMG Capital Partners III, LP, No. 04 Civ. 8591 SAS MHD, 2006 WL 1520087, at *6 (S.D.N.Y. June 1, 2006) and Crossroads Sys. (Tex.), Inc. v. Dot Hill Sys. Corp., No. A-03-CA-754-SS, 2006 WL 1544621, at *3 (W.D. Tex. May 31, 2006). In both cases, party seeking to retrieve privileged documents after opponent used them as exhibits in depositions delayed too long in seeking the court's assistance, thereby making the inadvertent disclosure serve as waiver of the privilege.*

*Western United Life Assurance Co. v. Fifth Third Bank, No. 02 C 7315, 2004 WL 2583920 at *4 (N.D. Ill. Nov. 12, 2004). Holding that, where party inadvertently produced work product privileged investigative report, did not discover inadvertent disclosure for two years, waited a month to file a motion for protective order, and could not identify how the document had been produced for another month, actions were "too cavalier to suggest . . . secrecy" and that a waiver resulted.*

SEC v. Cassano, 189 F.R.D. 83 (S.D.N.Y. 1999). Finding waiver of work product privilege where the SEC produced one privileged document out of fifty to fifty-two boxes of reviewed documents. Not only did the existence of the single document show careless review, but the SEC's failure to review the document, after defense counsel specifically requested that it alone be copied outside of the agreed to procedure for copying such documents, demonstrated waiver.

Data Gen. Corp. v. Grumman Sys. Support Corp., 139 F.R.D. 556 (D. Mass. 1991). Inadvertent production of work product constituted waiver.

Federal Rule of Evidence 502, effective September 19, 2008, now controls in cases of inadvertent waiver. The new Rule 502(b) provides:

> (b) Inadvertent disclosure.--When made in a Federal proceeding or to a federal office or agency, the disclosure does not operate as a waiver in a Federal or State proceeding if:
>
> (1) the disclosure is inadvertent;
>
> (2) the holder of the privilege or protection took reasonable steps to prevent disclosure; and
>
> (3) the holder promptly took reasonable steps to rectify the error, including (if applicable) following Federal Rule of Civil Procedure 26(b)(5)(B).

FED. R. EVID. 502(b). Rule 502(a) also states that disclosures will not result in a broad subject matter waiver unless "(1) the waiver is intentional; (2) the disclosed and undisclosed communications or information concern the same subject matter; and (3) they ought in fairness to be considered together." FED. R. EVID. 502(a). FRE 502's procedure for determining whether disclosure was inadvertent applies to all proceedings that commenced after its date of enactment, September 19, 2008. As for proceedings pending on the date of enactment, Rule 502 applies "insofar as is just and practicable." Act of Sept. 19, 2008, Pub. L. No. 110-322 § 1(c) (122 Stat. 3538).

Compare:

> *K & S Assocs., Inc. v. Am. Ass'n of Physicists in Med., No. 3:09-01108, 2011 WL 249361 (M.D. Tenn. Jan. 26, 2011). Inadvertently disclosing the substance of a memorandum in discovery did not waive work product protection for the memorandum.*
>
> *Rajala v. McGuire Woods, LLP, No. 08-2638-CM-DJW, 2010 WL 2949582 (D. Kan. July 22, 2010). Federal Rule of Evidence 502 was enacted to address the conflict among courts regarding the effect of inadvertent disclosures and validates certain clawback agreements.*
>
> *Rhoads Indus., Inc. v. Bldg. Materials Corp. of Am., 254 F.R.D. 216, 226-27 (E.D. Pa. 2008). Court applied FRE 502 even though case was commenced prior to its enactment and found that although the precautions to prevent inadvertent disclosure were not reasonable and the number and extent of the inadvertent disclosure of 800 privileged emails favored a finding of waiver, the overriding interest of justice favored protecting the privilege.*
>
> *Heriot v. Byrne, 257 F.R.D. 645 (N.D. Ill. 2009). Court found that although the extent of the disclosure was broad, plaintiffs had been diligent both in initially reviewing the documents and in attempting to retrieve the documents promptly upon learning of the mistake. Under FRE 502, a party does not have to conduct a post-production review; it only has to take prompt steps to rectify an inadvertent disclosure after learning of the production error.*
>
> *Coburn Group, LLC v. Whitecap Advisors LLC, 640 F. Supp. 2d 1032, 1039–41 (N.D. Ill. 2009). Work product protection not waived by inadvertent production under FRE 502: "In light of the large number of documents to be reviewed, Whitecap's use of experienced paralegals who were given specific direction and supervision by a lawyer who is lead counsel in the case was not unreasonable."*

With:

> *Francisco v. Verizon S., Inc., ---F.Supp.2d---, 2010 WL 4909554 (E.D. Va. 2010). Defendant could not claw back a document that it had intentionally produced even though it subsequently learned that the document was privileged.*
>
> *Jeanes-Kemp, LLC v. Johnson Controls, Inc., No. 09CV723, 2010 WL 3522028 (S.D. Miss. Sept. 1, 2010). Judge declined to impose sanctions on an attorney for using an inadvertently produced attorney-client privileged communication as leverage to convince plaintiff to dismiss its lawsuit.*
>
> *Mt. Hawley Ins. Co. v. Felman Prod., Inc., 271 F.R.D. 125 (S.D. W. Va. 2010). Waiver found where privileged documents were inadvertently produced due to an error in a keyword search by an outside vendor where the disclosing party engaged in other discovery misconduct.*
>
> *Beyond Sys., Inc. v. Kraft Foods, Inc., No. PJM-08-409, 2010 WL 1568480 (Apr. 19, 2010). Plaintiff did not have to return a spreadsheet that defendant inadvertently disclosed twice.*
>
> *Alpert v. Riley, 267 F.R.D. 202 (S.D. Tex. 2010). Inadvertent disclosure of tens of thousands of files in a directory weighed in favor of finding waiver.*
>
> *MVB Mortg. Corp. v. Fed. Deposit Ins. Corp., No. 08-771, 2010 WL 582641 (S.D. Ohio Feb. 11, 2010). All information disclosed to a testifying expert witness, even inadvertently produced privileged materials, mist be provided to the opposing party.*
>
> *Roe v. Saint Louis Univ., No. 4:08CV1474 JCH, 2010 WL 199948 (E.D. Mo. Jan. 14, 2010). Inadvertent disclosure waived work product protection when the defendant took insufficient precautions to prevent disclosure of work product and disclosure was broad.*
>
> *Eden Isle Marina, Inc. v. United States, 89 Fed. Cl. 480, 520-21 (Fed. Cl. 2009). Finding government waived work product protection by inadvertent production where (1) government failed to provide the court with sufficient information to evaluate its screening procedures for preventing disclosure; (2) multiple disclosures of some of the documents suggested that government's screening procedures were inadequate; (3) government permitted witnesses to continue to testify at deposition about the privileged documents, even after lodging objections to such testimony; (4) government placed the documents at issue on its privilege log almost seven months after discovery of their disclosure, with some documents not added to the privilege log for nearly nine-and-one-half months and others not added to the privilege log at all; and (5) government never sought a protective order from the court to limit further disclosure of the documents.*

The enactment of Federal Rule of Evidence 502 was motivated in large part by the enormous expenditure of resources devoted to avoiding inadvertent disclosure in cases involving large volumes of electronic discovery. The Advisory Committee Note to Rule 502 explains that Rule 502 was enacted in response to "the widespread complaint that litigation costs necessary to protect against waiver of attorney-client privilege or work product have become prohibitive due to the concern that any disclosure (however innocent or minimal) will operate as a subject matter waiver of all protected communications or information," a concern that "is especially troubling in cases involving electronic discovery." FED. R. EVID. 502 advisory committee's note. Rule 502 relieves "litigants of the burden [of] a single mistake during the discovery process" by creating "a presumption for the return of inadvertently disclosed information." Kristine L. Roberts & Mary S. Diemer, *Rule of*

Evidence 502: Impact of Protective Orders and Subject Matter Waiver, 34 LITIG. NEWS 8, 8 (2008-2009).

7. "At Issue" Waiver

The work product doctrine may be deemed waived when the protected material is itself an issue in the litigation. *See* Minn. Specialty Crops, Inc. v. Minn. Wild Hockey Club, L.P., 210 F.R.D. 673, 677 (D. Minn. 2002); Hager v. Bluefield Reg'l Med. Ctr., 170 F.R.D. 70 (D.D.C. 1997); Charlotte Motor Speedway, Inc. v. Int'l Ins. Co., 125 F.R.D. 127 (M.D.N.C. 1989); 4 J. MOORE ET AL., MOORE'S FEDERAL PRACTICE ¶ 26.64[3-2] (2d ed. 1986). This usually occurs when the client alleges reliance on the advice of counsel or otherwise puts the attorney's advice into issue. Similarly, defenses that the attorney's assistance was ineffective, negligent or wrongful would also waive work product protection. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 92(1)(b) (2000). In these cases, the scope of the waiver extends only to the item disclosed, not to all related items. *See Partial Waiver: Extent of Waiver*, § IV.E.4, *supra*; *see also* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS§ 92 cmt. f (2000).

A client who claims to have acted pursuant to the advice of a lawyer cannot use the work product doctrine to immunize that advice from scrutiny. Such a defense places the advice "at issue" and removes the protection of work product even with respect to opinion work product. *See id.* § 92(1)(a). *See also*:

> *New Phx. Sunrise Corp. v. Comm'r of Internal Revenue, No. 09-2354, 2010 WL 4807077, at *8 (6th Cir. Nov. 18, 2010). Taxpayer, in asserting a reasonable cause defense that it relied on a privileged tax opinion, waived work product protection and attorney-client privilege with respect to any material concerning the same subject matter as the tax opinion.*
>
> *Conkling v. Turner, 883 F.2d 431, 434-35 (5th Cir. 1989). Plaintiff claimed that he did not know of the falsity of some information until his attorney notified him. Court found that plaintiff's attorney was subject to deposition since work product had been placed in issue by plaintiff.*
>
> *SEC v. McNaul, 271 F.R.D. 661 (D. Kan. 2010). The court ordered defendants' former counsel to produce work product documents that defendants claimed they relied on for advice as a defense in the instant case.*
>
> *Bowman v. Am. Homecare Supply, LLC, No. 07-3945, 2009 WL 1873667, at *4-5 (E.D. Pa., June 25, 2009). Party seeking contractual indemnification waived the work product protection over relevant work product prepared in the underlying action. Fairness and equity required production so that the plaintiff was not deprived of information that was critical to an evaluation of the reasonableness of the settlement and of counsel's fees.*
>
> *John Doe Co. v. United States, No 01-6079, 2003 WL 22461676, at *2 (S.D.N.Y. Oct. 30, 2003). Recognizing "at issue" waiver of work product protection arises out of a matter of fairness to party who must rebut a claim based on otherwise protected information.*
>
> *Nesse v. Pittman, 202 F.R.D. 344, 350 (D.D.C. 2001). Denying discovery of work product produced after plaintiff brought his claim even though prior work product was discoverable as being "at issue."*
>
> *Resolution Trust Corp. v. Mass. Mut. Life Ins. Co., 200 F.R.D. 183, 191 (W.D.N.Y. 2001). Discussing development of "at issue" waiver of work product protection in the Second Circuit.*

Granite Partners, L.P. v. Bear, Stearns & Co. Inc., 184 F.R.D. 49, 55 (S.D.N.Y. 1999). Work product protection waived with respect to documents generated and obtained during a corporate investigation because corporation's bankruptcy trustee placed the contents of the documents "at issue" by using the documents to impeach witnesses during depositions and by placing extensive excerpts from the documents into a published report. The published report served as a factual basis for many of the claims.

Charlotte Motor Speedway, Inc. v. Int'l Ins. Co., 125 F.R.D. 127, 129-31 (M.D.N.C. 1989). Where activities of counsel are directly in issue, discovery is allowed through an exception to work product immunity (even for opinion work product).

Coleco Indus., Inc. v. Universal City Studios, Inc., 110 F.R.D. 688, 690 (S.D.N.Y. 1986). Court noted that "a consistent line of cases has developed an exception to the work-product privilege where the party raises an issue which depends upon an evaluation of the legal theories, opinions and conclusions of counsel." Thus, court held that corporation's reliance on advice of counsel as a defense waived the work product privilege.

Donovan v. Fitzsimmons, 90 F.R.D. 583, 588 (N.D. Ill. 1981). In breach of fiduciary duty case, documents that would be presumptively entitled to work product protection were found to be discoverable.

But see:

Thorn EMI N.A., Inc. v. Micron Tech., Inc., 837 F. Supp. 616, 622-23 (D. Del. 1993). Opinion work product protection is not waived by relying on advice of counsel to defend a claim of willful patent infringement. Unless communicated to the client, such materials are not probative of intent and not discoverable.

In the context of patent infringement litigation, Courts have adopted differing approaches to deciding the scope of waiver as applied to the work product doctrine where a defendant relies on an "advice of counsel" defense. *See* Novartis Pharm. Corp. v. Eon Labs Mfg., Inc., 206 F.R.D. 396, 397-98 (D. Del. 2002). Adopting a narrow view, some courts hold that only communications between the attorney and accused infringer are probative of the accused infringer's state of mind, and thus discovery is limited to such communications and prohibits inquiry into counsel's work product not communicated to the alleged infringer. Novartis Pharm., 206 F.R.D. at 398 (citing Thorn EMI N. Am. v. Micron Tech., 837 F. Supp. 616, 622 (D. Del. 1993)). Alternatively, other courts have held that counsel's thoughts as reflected in work product are probative of what was communicated to the accused infringer and therefore permits discovery into counsel's work product, as well as any communications between counsel and the accused infringer. Novartis, 206 F.R.D. at 398 (citing Mosel Vitelic Corp. v. Micron Tech., Inc., 162 F. Supp. 2d 307 (D. Del. 2000)). Adopting the latter broad view, the court in Novartis held that rather than considering the relevance of the work product to advice of counsel defense as the touchstone of discoverability, courts should adopt a bright line rule that in adopting an "advice of counsel" defense, the client knowingly waives attorney-client privilege and the protection of the work product doctrine and thus "everything with respect to the subject matter of counsel's advice is discoverable." Novartis, 206 F.R.D. at 398. *See Patents*, § XI, below.

At least one court has held that an attorney can put work product "at issue" by making factual assertions regarding the party's or counsel's conduct during discovery. In re Intel Corp Microprocessor Anti-Trust Litig., No. 05-1717-JJF, 2008 WL 2310288, at *13-16

(D. Del. June 4, 2008) (factual assertions by Intel regarding an internal investigation of its noncompliance with document retention agreement in the case waived Intel's work-product privilege); *see also* Computer Network Corp. v. Spohler, 95 F.R.D. 500, 502-03 (D.D.C. 1982) (attorney-client privilege was waived where the general counsel signed an affidavit supporting the corporation's opposition to expedited discovery that asserted facts going to the merits of the case). *But see* Auto Alliance Int'l, Inc. v. United States, 558 F. Supp. 2d 1377, 1382 (Ct. Int'l Trade 2008) (holding that an affidavit signed by attorney for the defendant, in support of reopening a deposition in light of new legal theories, did not put privileged materials at issue).

8. Testimonial Use

At times, work product may constitute direct and substantial evidence of a material issue in a case before a tribunal. The testimonial use of work product will usually render it unprotected and permit the discovery of undisclosed portions of materials relating to the same subject matter. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 92(2) (2000); *see also*:

> *United States v. Nobles, 422 U.S. 225, 236-40 (1975). Defense counsel's use of the testimony of an investigator waived work product protection with respect to matters covered in the investigator's testimony.*
>
> *Chavis v. North Carolina, 637 F.2d 213, 224 (4th Cir. 1980). Court ruled State waived work product protection where State's witness referred to protected documents to bolster his credibility.*
>
> *United States v. Salsedo, 607 F.2d 318, 320-21 (9th Cir. 1979). Defense forfeited work product immunity for materials that were used to cross-examine a witness.*
>
> *SEC v. Bunt Rock, 217 F.R.D. 441, 447 (N.D. Ill. 2003). "Counsel necessarily makes use throughout trial of the notes, documents, and other materials prepared to adequately present his client's case and often relies on them in examining witnesses. When so used, there is normally no waiver. But where . . . counsel attempts to make testimonial use of these materials the normal rules of evidence come into play with respect to cross-examination and production of document." (internal quotations omitted)*
>
> *Ratke v. Comm'r of Internal Revenue, 129 T.C. 45, 57 (T.C. 2007) Holding that "although partial disclosure is not necessarily fatal to a claim of work product doctrine privilege, a 'testimonial use' of the disclosed materials may result in a conclusion that in fairness the related material must be disclosed even though it would otherwise be protected from disclosure."*

But see:

> *Duplan Corp. v. Deering Milliken, Inc., 540 F.2d 1215, 1222-23 (4th Cir. 1976). Work product waiver does not occur if the testimonial use involves only a partial or inadvertent disclosure.*
>
> *O'Connor v. Boeing N. Am., Inc., 216 F.R.D. 640, 644 (C.D. Cal. 2003). Holding "testimonial use" waiver inapplicable where counsel merely used information from witness interview to formulate questions used during a deposition of another witness.*
>
> *In re E.I. DuPont de Nemours & Co. -- (R) Litig., 918 F. Supp. 1524, 1548 (M.D. Ga. 1995), rev'd on other grounds, 99 F.3d 363, 368 (11th Cir. 1996). An expert's testimonial reliance on summary data waives any privilege that might protect the more detailed underlying data.*

Coleco Indus., Inc. v. Universal City Studios, Inc., 110 F.R.D. 688, 691-92 (S.D.N.Y. 1986). Where privileged documents were selectively disclosed in order to secure a partial new trial in a separate action, fairness dictated an implied waiver of all work product relevant to the same issue in the instant action.

9. Use Of Documents By Witnesses And Experts

a. Refreshing Recollection Of Fact Witnesses

Work product protection may be waived by using protected documents for the purpose of refreshing the recollection of a witness. The decisions in this area are balanced between the conflicting protection afforded by the work product doctrine and the requirement of Federal Rule of Evidence 612 to reveal items that a witness has used to refresh his recollection. Rule 612 requires a party to reveal any writing "if a witness uses a writing to refresh memory for the purpose of testifying . . . ." FED. R. EVID. 612. Rule 612 covers documents used to refresh a witness' memory for both in-court and deposition testimony. *See* Lawson v. U.S. Dep't of Veterans Affairs, No. 97 Civ. 9239, 1998 WL 312239 (S.D.N.Y. June 12, 1998). *But see* Omaha Pub. Power Dist. v. Foster Wheeler Corp., 109 F.R.D. 615 (D. Neb. 1986) (questioning whether Rule 612 applies to materials used to prepare a witness for deposition testimony).

Under Federal Rule of Evidence 612, if the witness uses the communication to refresh or aid his testimony while he is actually testifying before a tribunal, then the privilege is waived and the court must order disclosure. FED. R. EVID. 612(1); *see also* Chavis v. North Carolina, 637 F.2d 213, 223-24 (4th Cir. 1980) (when witness referred to work product material and used it to bolster his credibility at trial, court ordered the material produced); S & A Painting Co., Inc. v. O.W.B. Corp., 103 F.R.D. 407, 409-10 (W.D. Pa. 1984) (work product protection was waived when witness examined and referred to a portion of attorney's handwritten notes during his deposition). However, if the witness used the communication to refresh his recollection prior to testifying, then the court has discretion to order disclosure in the interests of justice. FED. R. EVID. 612(2).

Before exercising its discretion, the court should determine whether the protected document was used for the primary purpose of preparing to testify and not for another reason. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 92 cmt. e (2000). Most courts require a showing that the protected documents used to prepare a witness actually impacted the witness' testimony. *See* Sporck v. Peil, 759 F.2d 312, 317-318 (3d Cir. 1985) (applying three-part test to find no waiver: "(1) the witness must use the writing to refresh his memory; 2) the witness must use the writing for the purpose of testifying; and 3) the court must determine that production is necessary in the interests of justice."); In re Rivastigmine Patent Litig., 486 F. Supp. 2d 241 (S.D.N.Y. 2007) (applying a two-part "functional analysis" test to find no waiver: (1) a threshold showing that documents had sufficient impact on witness's testimony to trigger Rule 612; and (2) a balancing test, "considering such factors as whether production is necessary for fair cross-examination or whether the examining party is simply engaged in a 'fishing expedition'"); U.S. ex rel. Bagley v. TRW, Inc., 212 F.R.D. 554, 565 (C.D. Cal. 2003) (applying Sporck test). *But see* Audiotext Commc'ns Network, Inc. v. U.S. Telecom, Inc., 164 F.R.D. 250, 254 (D. Kan. 1996)

(although a party seeking work product must show that the documents "actually influenced the witness' testimony . . . [a]ctual refreshment of recollection is immaterial").

Courts have taken a number of different approaches to determining whether work product should be disclosed in the interests of justice pursuant to Rule 612(2). For example, in Sporck v. Peil, the Third Circuit held that Rule 612 does not infringe on the protection afforded work product if courts properly require the party seeking production to establish that the witness actually relied upon a particular document and that the document impacted the witness's testimony in order to obtain disclosure. 759 F.2d at 318. *See also* Omaha Pub. Power Dist. v. Foster Wheeler Corp., 109 F.R.D. 615, 616-17 (D. Neb. 1986) (following approach taken in Sporck).

Other courts have found that the deliberate use of protected documents to prepare a witness is sufficient in and of itself to satisfy the interests of justice standard. *See* James Julian, Inc. v. Raytheon Co., 93 F.R.D. 138, 144-146 (D. Del. 1982). Finally, some courts balance the interest of protecting work product with the interest of permitting an adverse party to obtain information necessary to conduct an effective cross-examination. *See* Lawson v. United States, No. 97 Civ. 9239 (AJP) (JSM), 1998 WL 312239, at *1 (S.D.N.Y. July 12, 1998).

> *Donjon Mar. Co. v. Buchanan Mar., L.P., No. 3:09CV1005, 2010 WL 2977044 (D. Conn. July 21, 2010). Plaintiff not allowed to discover a protected contemporaneous memorandum that a witness reviewed in preparation for his deposition. After reviewing the memorandum in camera, the court found that there was no need for defendant to produce the document where there was no information in the memorandum that was not included in the deponents testimony; there was nothing inconsistent between the memorandum and the testimony; the witness's testimony was more detailed than the memorandum; and it did not appear that the witness's review of the memorandum had a "significant impact" on the testimony.*
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> *Napolitano v. Omaha Airport Auth., No. 8:08CV299, 2009 WL 1393392 (D. Neb. May 11, 2009). Court ordered plaintiff to produce contemporaneous notes plaintiff had taken at the direction of counsel regarding the investigation that led to termination, where plaintiff reviewed the notes and refreshed his recollection prior to plaintiff's deposition. FRE 612 weighed in favor of a finding of substantial need to discover fact work product because a deposing attorney has a legitimate need to know whether a witness is testifying from personal memory or only from what he has memorialized.*
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> *Reed v. Advocate Health Care, No. 06 C 3337, 2008 WL 162760, at *2 (N.D. Ill. Jan. 17, 2008). The court adopted Raytheon approach and reopened a deposition to allow the plaintiff to question the defendant's employee regarding which documents counsel used to refresh their recollection in preparation for their deposition.*
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> *Lawson v. United States, No. 97 Civ. 9239, 1998 WL 312239, at *1 (S.D.N.Y. June 12, 1998). Court ordered the production of work product because the application of a three-factored balancing test indicated that the disclosure of the material would be in the interests of justice.*
>
> *In re Joint E. & S. Dist. Asbestos Litig., 119 F.R.D. 4, 5-6 (S.D.N.Y. 1988). The court found that an analysis of the facts of each case was necessary in order to determine whether the disclosure of work product would be in the interests of justice. The court identified three factors that should be considered in making the determination: (1) "whether the attorney using the work-product attempted 'to exceed limits of preparation on one hand and concealment on the other'"; (2) "whether the work-product is 'factual' work-product or 'opinion' work-product"; and (3) "whether the request [for production] constitutes a fishing expedition."*

In re Atl. Fin. Mgmt. Sec. Litig., *121 F.R.D. 141, 143-44 (D. Mass. 1988). Work product protection was waived for the extracts of deposition transcripts reviewed by deponent to refresh his recollection.*

Bloch v. Smithkline Beckman Corp., *No. Civ. A. 82-510, 1987 WL 9279 (E.D. Pa. Apr. 9, 1987). Use of protected documents to refresh a witness's recollection does not automatically waive work product protection, but such uses will be evaluated on a case by case basis to ensure that a party does not make "unfair use" of the work product doctrine.*

James Julian, Inc. v. Raytheon Co., *93 F.R.D. 138, 144-46 (D. Del. 1982). Court ordered production of a binder of documents compiled by counsel and used to refresh the recollection of deposition witnesses, even though it recognized that the binder constituted opinion work product.*

While a number of courts have removed protection for ordinary work product, many courts have attempted to protect opinion work product that is shown to a fact witness. *See* 3 JACK W. WEINSTEIN ET AL., WEINSTEIN'S FEDERAL EVIDENCE ¶ 612[04] (2d ed. 2004) (court should require showing of need before compelling disclosure of protected documents); *see also*:

Shelton v. Am. Motors Corp., *805 F.2d 1323, 1329 (8th Cir. 1986). In-house attorney would not be compelled to testify about even the existence of a document contained in a trial notebook that the attorney used to prepare to testify because the selection and compilation of the documents would reveal her mental impressions and opinion work product.*

In re Managed Care Litig., *415 F. Supp. 2d 1378, 1381 (S.D. Fla. Feb. 10, 2006). An attorney designated by the Office of the General Counsel for the AMA for Rule 30(b)(6) deposition, who did not have personal knowledge of the underlying facts, reviewed a report from the General Counsel's office to the Board of Trustees. The court held that Federal Rule of Evidence 612 and the accompanying advisory committee notes did not require automatic waiver of privilege where a witness reviews documents to refresh his recollection prior to a deposition. Instead, waiver determination should be left to the discretion of the court "in the interests of justice."*

Pepsi-Cola Bottling Co. Inc. v. Pepsico, Inc., *No. Civ.A. 01-2009, 2001 WL 1478659, at *2 (D. Kan. Nov. 8, 2001). Court requires identification of documents shown to witness in advance of deposition, and rejecting argument that selection of such documents constituted work product.*

Aguinaga v. John Morrell & Co., *112 F.R.D. 671, 683 (D. Kan. 1986). In denying motion to compel discovery of files reviewed by deponent prior to his deposition, court held that the purpose of Federal Rule of Evidence 612 is to allow an adverse party to have access to writings which "have an impact on the testimony of the witness." However, "[p]roper application of Rule 612 should never implicate an attorney's selection, in preparation for a witness' deposition, of a group of documents he believes critical to a case."*

But see:

Sporck v. Peil, *759 F.2d 312, 317-18 (3d Cir. 1985). In dictum, court interpreted Federal Rule of Evidence 612 to require the disclosure of documents that a deponent has used to refresh his memory only where opposing counsel lays a proper foundation. In such cases, counsel must first elicit specific testimony from deponent and then ask deponent which, if any, documents "informed that testimony." Deponent will be compelled to disclose only the documents that he actually used to refresh his memory, not all opinion work product that counsel showed him in preparation for his testimony.*

*In re Seroquel Prods. Liab. Litig., No. 6:06-md-1769-Orl-22DAB, 2008 WL 215707, at *3, 5 (M.D. Fla. Jan. 24, 2008). The court was critical of Spork v. Peil, 759 F.2d 312 (3d Cir. 1985), but nonetheless required disclosure of documents the attorney reviewed with the witness during extensive deposition preparation. The court found no evidence of "improper witness coaching" but ordered disclosure of the documents because extensive preparation by counsel may have influenced the witness: "[T]he only documents reviewed by a twenty-year employee over the course of* six days *of preparation are 42 documents out of 15,835 exclusively selected by counsel . . . ."*

Omaha Pub. Power Dist. v. Foster Wheeler Corp., 109 F.R.D. 615, 616-17 (D. Neb. 1986). The court doubted that Federal Rule of Evidence 612 is applicable to deposition testimony, but applied the Sporck standard which requires party to first elicit testimony from deponent and then ask the witness to identify which documents, if any, informed that testimony.

b. Use Of Documents By Experts

As discussed in this section, and in *Use of Documents By Experts*, § I.G(11)(b), *supra*, the 2010 amendments to Federal Rule of Civil Procedure 26 significantly change the landscape of expert discovery. Rule 26 now generally closes the door on discovery of attorney-expert communications and expert draft reports. The scope of discoverable information has been modified from "data or other information" to "facts or data," in order to protect the mental impressions and opinions of counsel. *See* FED.R.CIV.P. 26(a)(2)(B)(ii). However, the rule retains the broad "considered" standard, which allows discovery of not only what an expert "relies on," but all facts or data considered by the expert. *Id.* This section begins with a discussion of pre-2010 amendment case law followed by a discussion of the amended rule.

Prior to the 2010 amendments to Rule 26, courts struggled to define the extent and type of waiver that results from the disclosure of work product to expert witnesses. Due to the importance placed on discovering information considered by testifying experts, hardship and need were usually fairly easy to prove when the challenge involved ordinary work product. Thus, in most cases, ordinary work product was discoverable under regular application of pre-2010 Federal Rule of Civil Procedure 26(b)(3). However, due to the extra protection afforded opinion work product, the courts disagreed over the showing needed to discover opinion work product that was disclosed to experts. This tension was particularly acute, because of the conflicting rationales of Rule 26(b)(3), regarding the protection of opinion work product, and Rule 26(b)(4), regarding the discovery of materials on which expert testimony is based. *See* In re Cendant Corp. Sec. Litig., 343 F.3d 658, 665 (3d Cir. 2003); Bogosian v. Gulf Oil Corp., 738 F.2d 587 (3d Cir. 1984); Mfg. Admin. & Mgmt. Sys., Inc. v. ICT Grp., Inc., 212 F.R.D. 110, 113-14 (E.D.N.Y. 2002); Intermedics, Inc. v. Ventritex, Inc., 139 F.R.D. 384 (N.D. Cal. 1991).

The 1993 Amendments to Rule 26(a)(2)(B) added to the confusion regarding the treatment of opinion work product used to prepare expert witnesses. Under the 1993 Amendments, Rule 26(a)(2)(B) required parties to identify expert witnesses and to produce a "written report prepared and signed by the witness." The expert report had to include a description of the information that the expert considered while preparing to testify. This language created ambiguity as to whether opinion work product conveyed to the expert had to be included in the expert report. Further, the advisory committee note to the 1993 Amendments to Rule 26(a)(2)(B) provided that "[g]iven this obligation of disclosure,

litigants should no longer be able to argue that materials furnished to their experts to be used in forming their opinions . . . are privileged or otherwise protected from disclosure." FED. R. CIV. P. 26(a)(2)(B) (1993 Amendments) advisory committee's note.

Consequently, some courts concluded that the 1993 Amendments to Rule 26(a)(2)(B) were intended to require the disclosure of *all* documents reviewed by an expert witness while preparing to testify, including opinion work product. *See* Ling Nan Zheng v. Liberty Apparel Co., Inc., No. 99 Civ. 9033 RCCHBP, 2004 WL 1746772, at *2-3 (S.D.N.Y. Aug. 3, 2004); Mfg. Admin. & Mgmt. Sys., Inc. v. ICT Grp., Inc., 212 F.R.D. 110, 115 (E.D.N.Y. 2002) ("[B]ecause the attorney's mental impressions and opinion constitute information 'considered' by the expert once that information is shared, Rule 26 mandates disclosure of such work-product."); Aniero Concrete Co. v. N.Y.C. Sch. Constr. Auth., No. 94 Civ. 9111, 2002 WL 257685, at *2 (S.D.N.Y. Feb. 22, 2002); Suskind v. Home Depot Corp., No. Civ. A. 99-10575, 2001 WL 92183 (D. Mass. 2001); Musselman v. Phillips, 176 F.R.D. 194, 197 (D. Md. 1997); Karn v. Ingersoll Rand, 168 F.R.D. 633, 635 (N.D. Ind. 1996); Furniture World, Inc. v. D.A.V. Thrift Stores, 168 F.R.D. 61, 62 (D.N.M. 1996). *But see* Tikkun v. City of New York, No. 05-9901, 2010 WL 550542 (S.D.N.Y. Feb. 17, 2010) (finding that FRCP 26(a)(2) did not apply because plaintiff had not provided the privileged information at issue to the expert; instead, the knowledge was part of the expert's accumulated knowledge).

Other courts found that the 1993 amendments to Rule 26(a)(2)(B) were not intended to impose a bright-line rule requiring disclosure of all materials reviewed by experts while preparing to testify. *See* Magee v. Paul Revere Life Ins. Co., 172 F.R.D. 627, 642 (E.D.N.Y. 1997) (holding that the disclosure requirements of Rule 26(a)(2)(B) "extend[s] only to factual materials, and not to core attorney work product considered by an expert"); All W. Pet Supply Co. v. Hill's Pet Prods., 152 F.R.D. 634, 639 n.9 (D. Kan. 1993) (interpreting Rule 26(a)(2)(B) as requiring only the disclosure of facts and not entire documents considered by experts).

Courts generally took one of four different approaches in this area:

(1) Work product that is shown to experts is unprotected.

(2) Work product shown to experts is discoverable under a balancing approach.

(3) Particular work product documents that an expert relies upon are discoverable.

(4) Opinion work product is absolutely protected even if shown to experts.

Notwithstanding these differences, courts agreed that the factual basis of an expert's testimony is always discoverable, even in jurisdictions that provided absolute protection for opinion work product. *See* Bogosian v. Gulf Oil Corp., 738 F.2d 587 (3d Cir. 1984). Similarly, a document containing both opinions and facts could be discovered after *in camera* inspection and redaction to leave only the factual information. *Id.*

As a result of the uncertainty in this area, however, there was always a chance that counsel would be required to produce documents that were shown to an expert witness. Therefore, it was recommended that an attorney should not reveal to experts any documents containing important theories or thought processes. *See* 3 JACK W. WEINSTEIN ET AL., WEINSTEIN'S FEDERAL EVIDENCE ¶ 612[04] (2d ed. 2004).

(1) Pre-2010 Approach #1: Work Product Shown To Experts Not Protected.

Courts adopting this approach held that anything a lawyer gave to an expert was discoverable. *See* Reg'l Airport Auth. of Louisville v. LFG, LLC, 460 F.3d 697, 715-16 (6th Cir. 2006) (all information provided to testifying experts, even if containing attorney work product, must be disclosed); Karn v. Ingersoll Rand, 168 F.R.D. 633, 639 (N.D. Ind. 1996); James Julian, Inc. v. Raytheon Co., 93 F.R.D. 138 (D. Del. 1982); *see also*:

> *Ecuadorian Plaintiffs v. Chevron Corp., 619 F.3d 373 (5th Cir. 2010). To the extent that any work product was disclosed to the court-appointed testifying expert, the work product protection was waived.*
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> *Elm Grove Coal Co. v. Dir. of the Office of Worker's Comp. Programs, 480 F.3d 278, 301-02 (4th Cir. 2007). Materials disclosed to a party's testifying expert were available to the opposing side and not protected as opinion work product under the administrative rules governing worker's compensation claims.*
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> *MVB Mortg. Corp. v. Fed. Deposit Ins. Corp., No. 08-771, 2010 WL 582641 (S.D. Ohio Feb. 11, 2010). All information disclosed to a testifying expert witness, even inadvertently produced privileged materials, must be provided to the opposing party.*
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> *Oklahoma v. Tyson Foods, Inc., No. 05-CV-329, 2009 WL 1578937, at *3-4 (N.D. Okla. June 2, 2009). Consultant turned testifying expert was required to disclose all material to which he had access as a litigation consultant. The court found that FRCP 26(a)(2) creates a "bright-line" approach, mandating "full disclosure of those materials reviewed by an expert witness."*
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> *In re Commercial Money Ctr. Inc., Equip. Lease Litig., 248 F.R.D. 532, 535-41 (N.D. Ohio 2008). The court held that all documents from all parties relevant to the opinion of a shared expert retained pursuant to a common-interest agreement must be disclosed even though only one of the parties called the expert to testify.*
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> *Steppe v. Cleverdon, No. 06-144-JMH, 2007 WL 3354817, at *9 (E.D. Ky. Nov. 9, 2007) The court, applying Regional Airport Authority, ruled that privileged documents inadvertently disclosed to a testifying expert are discoverable because the expert reviewed them in forming his opinion. The court noted that whether the expert considered the material was immaterial: "Regional Airport Authority teaches that all information provided to a testifying expert, be disclosed, regardless of whether the expert considered or relied on this information in forming his opinions."*
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> *Sparks v. Seltzer, No. 05-CV-1061 (NG)(KAM), 2007 WL 295603, at *2 (E.D.N.Y. Jan. 29, 2007). Disclosure of all materials considered by a party's expert, including those protected by the work product doctrine, "creates a level playing field" by providing the opposing party with the information necessary to effectively cross-examine the witness.*

*Bitler Inv. Venture II v. Marathon Ashland Petroleum, No. 1:04-CV-477, 2007 WL 465444, at *3 (N.D. Ind. Feb. 7, 2007). Applying Karn and noting that common interest doctrine could not be applied to protect document disclosed to a co-party's expert because any attorney-client privilege or work product protection had been destroyed by the expert disclosure.*

*S. Scrap Material Co. v. Fleming, No. Civ. 01-2554, 2003 WL 21474516, at *20 (E.D. La. June 18, 2003), reconsideration denied, 2003 WL 21783318 (E.D. La. July 30, 2003). "[T]he plain language of Rule 26(a)(2)(B) and the accompanying Advisory Committee Note mandates the disclosure of any material, factual or otherwise, that is shared with a testifying expert, even if such material would otherwise be protected by the work-product privilege."*

*Baum v. Village of Chittenango, 218 F.R.D. 36, at *39-40 (N.D.N.Y. Oct. 16, 2003). Adopting bright line rule that all materials shown to expert are discoverable.*

Mfg. Admin. & Mgmt. Sys., Inc. v. ICT Grp., Inc., 212 F.R.D. 110, 115 (E.D.N.Y. 2002) "Notwithstanding the disagreement in the courts and the literature, the text of Rule 26 mandates disclosure of work-product given to a testifying expert. . . . Hence, because the attorney's mental impressions and opinion constitute information 'considered' by the expert once that information is shared, Rule 26 mandates disclosure of such work-product."

*Aniero Concrete Co., Inc. v. N.Y.C. Sch. Constr. Auth., No. 94 Civ. 9111, 2002 WL 257685, at *2 (S.D.N.Y. Feb. 22, 2002). Requiring disclosure of "core" work product provided to testifying expert.*

Musselman v. Phillips, 176 F.R.D. 194, 199 (D. Md. 1997). "[W]hen an attorney communicates otherwise protected work-product to an expert witness retained for the purposes of providing opinion testimony at trial – whether factual in nature or containing the attorney's opinions or impressions – that information is discoverable if it is considered by an expert."

Intermedics, Inc. v. Ventritex, Inc., 139 F.R.D. 384, 387 (N.D. Cal. 1991). The court set forth an "open balancing analysis" in which the court should:

- *(1) identify the interests that the work product doctrine is intended to promote,*
- *(2) make a judgment about how much these interests would be either:*
  - *(a) harmed by finding these kinds of communications discoverable, or*
  - *(b) advanced by a ruling they are not discoverable,*
- *(3) identify the relevant interests that are promoted by rules of civil procedure and evidence concerning experts (Fed. R. Civ. P. 26(b)(4) and FRE 702, 703 and 705), and then*
- *(4) make a judgment about how much these interests would either be:*
  - *(a) harmed by finding these kinds of communications discoverable, or*
  - *(b) advanced by a ruling they are not discoverable.*

The court concluded that the work product rationale is not damaged if lawyers know in advance that anything they send to an expert will be discoverable. The court felt that this "sunshine factor" would make documents shown to experts more objective and improve the truth-finding process. Thus, "absent an extraordinary showing of unfairness" all oral and written communications between counsel and a testifying expert would be discoverable if they are related to the subject of the expert's testimony.

Gall v. Jamison, 44 P.3d 233 (Col. 2002) (en banc). "[T]he weight of authority, and the more persuasive opinions, have held that disclosure of work-product to a testifying expert waives the work-product privilege."

But see:

> *Rail Intermodal Specialists, Inc. v. Gen. Elec. Capital Corp., 154 F.R.D. 218 (N.D. Iowa 1994). Court adopted the Intermedics open balancing analysis and concluded that the interests behind work product doctrine outweighed the interest in discovery of the documents.*

(2) Pre-2010 Approach #2: Work Product Shown To Experts Is Discoverable Under A Balancing Approach

Some courts balanced several factors to determine whether the production of work product materials was required in the interests of justice. Courts examined such factors as:

(1) the likelihood of coaching,

(2) the nature of the work product sought,

(3) the value of the information for impeachment, and

(4) the extent that the request was merely a fishing expedition.

See Lawson v. United States, No. 97 Civ. 9239 (AJP) (JSM), 1998 WL 312239 (S.D.N.Y. June 12, 1998) (adopting the "balancing standard" and ordering production of transcripts of interviews of government experts conducted by the government's attorney where the experts reviewed the transcripts prior to their depositions); Parry v. Highlight Indus., Inc., 125 F.R.D. 449 (W.D. Mich. 1989); N.C. Elec. Membership Corp. v. Carolina Power & Light Co., 108 F.R.D. 283, 286 (M.D.N.C. 1985); Berkey Photo, Inc. v. Eastman Kodak Co., 74 F.R.D. 613 (S.D.N.Y. 1977); *see also* Suss v. MSX Int'l Eng'g Servs., Inc., 212 F.R.D. 159, 163 (S.D.N.Y. 2002) (noting that balancing approach of Berkey is appropriate for claims of work product protection); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 92 cmt. e (2000).

(3) Pre-2010 Approach #3: Opinion Work Product Is Absolutely Protected Even If Shown To Experts.

Some courts refused to make an exception for opinion work product materials shown to experts. These courts found that opinion work product remains undiscoverable even when used by an expert to formulate his testimony. *See* United States v. 215.7 Acres of Land, 719 F. Supp. 273 (D. Del. 1989); Hamel v. Gen. Motors Corp., 128 F.R.D. 281 (D. Kan. 1989); John F. Wagner, Jr., *Protection from Discovery of Attorney's Opinion Work Product Under Rule 26(b)(3), Federal Rules of Civil Procedure*, 84 A.L.R. FED. 779 (1987); *see also*:

> *In re Cendant Corp. Sec. Litig., 343 F.3d 658, 664-65 (3d Cir. 2003). Citing Borgosian in support of holding that work product shown to non-testifying expert is not discoverable absent showing of extraordinary circumstances.*

> *Bogosian v. Gulf Oil Corp., 738 F.2d 587 (3d Cir. 1984). Absolute protection is given to core opinion work product provided to expert witnesses. Court concluded that the work product protections of Fed. R. Civ. P. 26(b)(3) outweigh the Fed. R. Civ. P. 26(b)(4) expert discovery provisions.*

Pritchard v. Dow Agro Scis., 263 F.R.D. 277, 290-93 (W.D. Pa. Nov. 12 2009). Court, applying Bogosian, held that defendants were not entitled to discover communications between plaintiffs' counsel and plaintiffs' testifying expert witness that contained core opinion work product. Further, the court found that Rule 26(a)(2)(B) required production of only factual data and information that had been provided to an expert, leaving Rule 26(b)(3)'s protection of opinion work product undisturbed.

Magee v. Paul Revere Life Ins. Co., 172 F.R.D. 627, 642 (E.D.N.Y. 1997). Core work product protection was not vitiated by an expert's use of the work product while preparing to testify. Federal Rule of Civil Procedure 26(a)(2)(B) required the disclosure of only "factual materials" and not core attorney work product considered by an expert.

Haworth, Inc. v. Herman Miller, Inc., 162 F.R.D. 289, 294 (W.D. Mich. 1995). "[N]othing in . . . [Fed. R. Civ. P. 26(b)(3) or Fed. R. Civ. P. 26(b)(4)] or the committee notes . . . suggests core attorney work product was discoverable under [Fed. R. Civ. P. 26(b)(4)]." Court concluded that core opinion work product provided to expert witness was protected.

Maynard v. Whirlpool Corp., 160 F.R.D. 85, 87-88 (S.D. W. Va. 1995). Opinion work product revealed to testifying expert did not defeat the nearly absolute protection afforded the opinions of counsel.

All W. Pet Supply Co. v. Hill's Pet Prods., 152 F.R.D. 634, 639 (D. Kan. 1993). The protection afforded work product materials, including opinion work product materials, was not avoided "simply because the attorney's work-product . . . was transmitted to his client's expert witness and considered in the course of preparing an expert opinion for purposes of testifying at trial." Fed. R. Civ. P. 26(a)(2)(B) only required the disclosure of the facts that an expert considered and not "the documents that transmitted the data or information." Id. at 639 n.9.

Bramlette v. Hyundai Motor Co., No. 91 C 3635, 1993 WL 338980 (N.D. Ill. Sept. 1, 1993). The showing of opinion work product to an expert witness did not waive protection; instead, the solution was to redact the document omitting the opinion work product.

Elco Indus., Inc. v. Hogg, No. 86 C 6947, 1988 WL 20055 (N.D. Ill. Feb. 29, 1988). Work product materials given to an expert were discoverable if they may have influenced and shaped expert's testimony. However, attorney's mental impressions remained protected and should be redacted.

But see:

*Doe v. Luzerne Cnty., No 3:04-1637, 2008 WL 2518131, at *2-4 (M.D. Pa. June 19, 2008). The court applied the In re Cendant test but held that privileged materials relied on by an expert in their report must be disclosed under Fed. R. Civ. P. 26(b)(4)(B). The court distinguished cases that refused to compel disclosure where privileged material was only disclosed to, and not relied on by, the expert.*

BroTech Corp. v. Thermax, Inc., No. 05-2330, 2008 WL 356928 (E.D. Pa. Feb. 7, 2008). The court required the disclosure of draft expert reports, rejecting the argument that the work-product doctrine protected draft reports of testifying experts.

*W. Res., Inc. v. Union Pac. R.R. Co., No. 00-2043, 2002 WL 181494, at *9 n.12 (D. Kan. Jan. 31, 2002). Distinguishing cases like 215.7 Acres of Land that precluded discovery of work product even when shown to expert by observing that those cases were decided under earlier version of the Federal Rules of Civil Procedure.*

(4) 2010 Amendments to Federal Rule of Civil Procedure 26

The 2010 Amendments to Federal Rule of Civil Procedure 26 that were first proposed in 2008, approved by the Judicial Conference Committee on Rules of Practice and Procedure in September 2009, and submitted to the Supreme Court for approval were subsequently adopted and became effective on December 1, 2010. These amendments resolve the current split of authority in favor of greater protection of information disclosed to experts in three principal ways. First, under the 2010 Amendments, Rule 26(a)(2)(B)(ii)'s language requiring the disclosure of "data or other information" in the expert report has been replaced with language requiring only the disclosure of "the facts or data" considered by the expert in forming his or her opinion, thereby clarifying that communications between counsel and experts are protected from disclosure. FED. R. CIV. P. 26(a)(2)(B)(ii). The advisory committee comments to amended Rule 26(a)(2)(B) explain that this amendment was designed specifically to alter case law that developed following the 1993 amendments to Rule 26:

> "This amendment is intended to alter the outcome in cases that have relied on the 1993 formulation in requiring disclosure of all attorney-expert communications and draft reports. The amendments to Rule 26(b)(4) make this change explicit by providing work-product protection against discovery regarding draft reports and disclosures or attorney-expert communications. The focus of disclosure on "facts or data" is meant to limit disclosure to material of a factual nature by excluding theories or mental impressions of counsel. At the same time, the intention is that "facts or data" be interpreted broadly to require disclosure of any material considered by the expert, from whatever source, that contains factual ingredients."

Advisory Committee notes to FED.R.CIV.P. 26(a)(2)(B) (2010 amendments). *See also Use of Documents by Experts*, § I.G.11.b, *supra*.

Second, the new Rule 26(b)(4)(B) protects draft expert reports:

> (B) *Trial-Preparation Protection for Draft Reports or Disclosures*. Rules 26(b)(3)(A) and (B) protect drafts of any report or disclosure required under Rule 26(a)(2), regardless of the form in which the draft is recorded.

Fed. R. Civ. P. 26(b)(4)(B).

Third, amended Rule 26(b)(4)(C) extends work product protection to most communications between attorneys and retained experts, subject only to three exceptions:

> (C) *Trial-Preparation Protection for Communications Between a Party's Attorney and Expert Witnesses*. Rules 26(b)(3)(A) and (B) protect communications between the party's attorney and any witness required to provide a report under Rule 26(a)(2)(B), regardless of the form of the communications, except to the extent that the communications:

(i) relate to compensation for the expert's study or testimony;

(ii) identify facts or data that the party's attorney provided and that the expert considered in forming the opinions to be expressed; or

(iii) identify assumptions that the party's attorney provided and that the expert relied on in forming the opinions to be expressed.

FED. R. CIV. P. 26(b)(4)(C).

The advisory committee notes to Rule 26(b)(4)(C) explain the intention of the new rule:

> "Rule 24(b)(4)(C) is added to provide work-product protection for attorney-expert communications, regardless of the form of communications, whether oral, written, electronic, or otherwise. The addition of Rule (b)(4)(C) is designed to protect counsel's work product and ensure that lawyers may interact with retained experts without fear of exposing those communications to searching discovery. . . . Protected "communications" include those between the party's attorney and assistants of the expert witness. . . . The rule does not exclude protection under other doctrines, such as privilege or independent development of the work-product doctrine.

Advisory Committee notes to FED.R.CIV.P. 26(b)(4) (2010 amendments).

Rule 26(b)(4)(C)(i) to (iii) provides for three specific exceptions in which discovery of attorney-expert communications are permissible. The advisory committee explained that discovery beyond these three narrow exceptions should be "rare." The advisory committee notes state:

> "Under the amended rule, discovery regarding attorney-expert communications on subjects outside the three exceptions in Rule 26(b)(4)(C), or regarding draft expert reports or disclosures, is permitted only in limited circumstances and by court order. A party seeking such discovery must make the showing specified in Rule 26(b)(3)(A)(ii) – that the party has a substantial need for the discovery and cannot obtain the substantial equivalent without undue hardship. It will be rare for a party to be able to make such a showing given the broad disclosure and discovery otherwise allowed regarding the expert's testimony. A party's failure to provide required disclosure or discovery does not show the need and hardship required by Rule 26(b)(3)(A); remedies are provided by Rule 37.

Advisory Committee notes to FED.R.CIV.P. 26(b)(4) (2010 amendments).

When proposed, the amendments sparked considerable debate among academics and practitioners. Academics who opposed the amendments expressed concern that the amendments "would further ratify the role of experts as paid, partisan advocates, rather than

independent, learned observers." Minutes of the January 13, 2009 Meeting of the Judicial Conference Committee on Rules of Practice and Procedure, 2009 WL 1974427, at *13. Further, they argued that, with the adoption of the 2010 Amendments, relevant information contained in draft reports and communications with experts will be now be concealed. *Id*. Practitioners stated that lawyers today avoid communications with their testifying experts and discourage drafting reports, often employing two experts, one to testify and another to assess candidly. *Id*. at *13-14. This has become particularly burdensome, and the new Rule will "help to reduce the costs of discovery without sacrificing any information that litigants truly need." *Id*. at 12. The Advisory Committee concluded that it is "vital to the legal process for lawyers to be able to interact freely with their experts without fear of having to disclose all their conversations and drafts to their adversaries." *Id*. at *13. *For further discussion on the implications of the new amendments, see generally* Gregory P. Joseph, *2010 Expert Witness Rule Amendments*, PRAC. LITIGATOR 51 (Nov. 2010).

As a result of the 2010 amendments, discovery of attorney-expert communications and draft expert reports is now generally out of bounds. However, the amended rule does not directly address disclosure of pre-existing work product to an expert, as opposed to attorney-expert communications. Where counsel provides pre-existing ordinary work product to a testifying expert, that is, work product that does not reveal mental opinions, impressions or legal theories, the rule may require disclosure of the work product to the extent that it reflects "facts or data" considered by the expert. This would be consistent with the advisory committee note ("facts or data" to be interpreted "broadly to require disclosure of any material considered by the expert, from whatever source, that contains factual ingredients"), so long as theories and mental impressions of counsel are excluded from discovery. Future case law may provide clarity on this issue.

F. EXCEPTIONS TO WORK PRODUCT PROTECTION

1. The Crime-Fraud Exception

a. Ordinary Work Product

Like the attorney-client privilege, the work product doctrine does not protect materials that were made when a client has consulted a lawyer for the purpose of furthering an illegal or fraudulent act. In re Antitrust Grand Jury, 805 F.2d 155, 162 (6th Cir. 1986); In re Grand Jury Subpoenas Duces Tecum, 773 F.2d 204, 206 (8th Cir. 1985); United States v. Bell, 217 F.R.D. 335, 344 (M.D. Pa. 2003) ("The work-product doctrine does not shield from discovery work-product created in furtherance of a crime or fraud."). In most respects, the work-product crime-fraud exception operates the same as the exception applied for the attorney-client privilege. (For a more detailed discussion *see The Crime-Fraud Exception*, § I.I.1, above.) *See*:

> *In re Green Grand Jury Proceedings, 492 F.3d 976 (8th Cir. 2007). Ordinary work product not protected under crime fraud exception even though attorney was innocent of any wrongdoing.*
>
> *In re Grand Jury Proceedings, 102 F.3d 748, 752 (4th Cir. 1996). Crime-fraud exception applies to vitiate work product privilege.*
>
> *In re Grand Jury Proceedings, 867 F.2d 539 (9th Cir. 1989). Court applied the crime-fraud exception to ordinary work product.*
>
> *In re Grand Jury Subpoena Duces Tecum, 731 F.2d 1032, 1038 (2d Cir. 1984). Advice sought to further a crime or fraudulent scheme renders any work product unprotected.*
>
> *In re Sealed Case, 676 F.2d 793, 811-13 (D.C. Cir. 1982). Crime-fraud exception applied to work product privilege.*
>
> *In re Int'l Sys. & Controls Corp. Sec. Litig., 693 F.2d 1235 (5th Cir. 1982). Crime-fraud exception applies to work product.*
>
> *In re Doe, 662 F.2d 1073, 1078 (4th Cir. 1981). Attorney cannot invoke work product immunity to cover his own crime or fraud.*
>
> *In re Special Sept. 1978 Grand Jury (II), 640 F.2d 49, 63 (7th Cir. 1980). Upon a prima facie showing of fraud, neither client nor attorney may assert work product protection for ordinary work product. A guilty client cannot assert the work product protection of her innocent attorney.*
>
> *In re Grand Jury Subpoena, 220 F.R.D. 130, 142 (D. Mass 2004). Court sets forth rationale for extending work product protection to non-attorney representatives.*
>
> *Lugosch v. Congel, 218 F.R.D. 41, 49 (N.D.N.Y. 2003). Recognizing application of crime-fraud exception to work product doctrine.*
>
> *United States v. Regan, 281 F. Supp. 2d 795, 804 (E.D. Va. 2002). Same.*
>
> *United States v. Ruhbayan, 201 F. Supp. 2d 682, 686 (E.D. Va. 2002). Crime-fraud exception applies to vitiate work product protection.*

Nesse v. Pittman, 202 F.R.D. 344, 352 (D.D.C. 2001). Finding that although the crime-fraud exception may vitiate the work product privilege, the exception was inapplicable here were where privileged materials post-dated alleged crime and were not part of any "cover-up."

The crime-fraud exception waives protection for materials concerning on-going or continuing crimes or frauds. *See* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 93 (2000). However, the exception does not encompass communications concerning crimes or frauds that occurred in the past. *See* United States v. Zolin, 491 U.S. 554, 562-63 (1989); Nesse v. Pittman, 202 F.R.D. 344, 352 (D.D.C. 2001) (finding crime-fraud exception inapplicable where documents post-dated alleged crime were not part of cover-up and thus were not in furtherance of a future ongoing crime); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 93 cmt. b (2000). In addition, the exception can only be invoked for materials created in furtherance of the crime or fraud. *See*:

In re Antitrust Grand Jury, 805 F.2d 155, 162-64 (6th Cir. 1986). When the on-going crime or fraud involves opinion work product, there must be a showing that the otherwise protected materials were made in furtherance of the crime or fraud to remove work product protection.

United States v. Davis, 131 F.R.D. 391, 407 (S.D.N.Y.), recons. granted, 131 F.R.D. 427(S.D.N.Y. 1990). Party seeking to invoke crime-fraud exception must show that the desired communications were made in furtherance of the alleged fraud.

A party seeking the production of work product documents based upon the crime-fraud exception has the burden to make out a *prima facie* case.

(1) The party must show by independent evidence that there is a reasonable basis for a good faith belief that the material involves obtaining assistance with a crime or fraud. Evidence gained from *in camera* inspection is not taken into account.

(2) If the first showing is made, it is within the trial judge's discretion to conduct an *in camera* examination of the entire communication. The judge is never required to conduct an *in camera* inspection.

See Zolin, 491 U.S. at 572; *see also* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 93 cmt. d (2000).

In addition, the person seeking to establish the crime-fraud exception must show that a reasonable relationship exists between the material sought and the crime or fraud. *See* Triple Five, Inc. v. Simon, 213 F.R.D. 324, 326 (D. Minn. 2002) (quoting In re Richard Roe, Inc., 68 F.3d 38, 40 (2d Cir. 1995)). "[T]he exception applies only when the court determines that the client communication or attorney work product in questions was itself in furtherance of the crime or fraud." Hercules Inc., v. Exxon Corp., 434 F. Supp. 136, 155 (D. Del. 1977) (even assuming a *prima facie* case, if there is no connection between the documents and the fraud, then the documents remain protected work product); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 93 cmt. d (2000). Courts differ on the degree to which the work product must be related to the crime or fraud. *See*:

Mattenson v. Baxter Healthcare Corp., 438 F.3d 763, 769 (7th Cir. 2006). Citing In re Richard Roe for the proposition that "a party seeking to invoke the crime-fraud exception must at least demonstrate that there is probable cause to believe that a crime or fraud has been attempted or committed and that the communications were in furtherance thereof."

In re John Doe Corp, 675 F.2d 482, 492 (2d Cir. 1982). Materials must be related to the crime or fraud.

In re Grand Jury Proceedings, 604 F.2d 798, 803 n.6 (3d Cir. 1979). Materials must have some relationship to the crime or fraud.

In re September 1975 Grand Jury Term, 532 F.2d 734, 738 (10th Cir. 1976). Materials must have a potential relationship to the crime or fraud.

United States v. Windsor Capital Corp., 524 F. Supp. 2d 74, 76 (D. Mass. 2007). In order to pierce the work product doctrine in the First Circuit, the government must demonstrate that "there is 'a reasonable basis to believe that the lawyer's services were used by the client to foster a crime or fraud'" (quoting In re Grand Jury Proceedings, 417 F.3d 18, 23 (1st Cir.2005)).

*Catton v. Def. Tech. Sys., Inc., No. 05 Civ. 6954(SAS), 2007 WL 3406928, at *2 (S.D.N.Y. Nov. 15, 2007). The privilege does not apply when there is probable cause to believe that the work product was intended in some way to facilitate or conceal the criminal activity.*

Cendant Corp. v. Shelton, 246 F.R.D. 401, 406-07 (D. Conn. 2007). The privilege will not be invaded unless there is a "purposeful nexus" between the privileged material and the alleged fraud.

In re Grand Jury (OO-2H), 211 F. Supp. 2d 564, 566 (M.D. Pa. 2002). "A party seeking to compel production under the crime-fraud exception bears the burden of proving a prima facie case of a crime or fraud."

b. Opinion Work Product

In general, the crime-fraud exception also applies to opinion work product in the same manner as ordinary work product. However, there are two major differences.

***Prima Facie* Showing:** First, some courts have imposed a higher burden on the *prima facie* showing when the material involves opinion work product. The courts require more than a reasonable basis for a good-faith belief that the material was involved with a crime or fraud. *See*:

In re Grand Jury Proceedings, 609 F.3d 909 (8th Cir. 2010). The crime-fraud exception allowed the government to discover an attorney's opinion work product where it demonstrated substantial need for the information and probable cause that the attorney was complicit in his clients' unlawful conduct.

In re John Doe Corp., 675 F.2d 482, 492 (2d Cir. 1982). Use of work product in aid of criminal scheme may be a "rare occasion" in which opinion work product is not immune.

Attorney's Knowledge Relevant: Second, unlike the attorney-client privilege, the attorney's knowledge of the crime or fraud can be relevant in determining the scope of the work product protection. Some courts have held that if the attorney is ignorant of the crime or fraud, then work product protection is waived only with respect to ordinary information furnished to the attorney and not to opinion work product. In re Grand Jury Subpoenas,

561 F.3d 408, 411 (5th Cir. 2009) (holding that where the crime-fraud exception applies, only an innocent attorney, and not his client, may assert work product protection); In re Green Grand Jury Proceedings, 492 F.3d 976 (8th Cir. 2007) (finding opinion work product of attorney was not subject to disclosure where the attorney was not complicit in client's fraud); In re Grand Jury Proceedings, 401 F.3d 247, 256 (4th Cir. 2005); In re Antitrust Grand Jury, 805 F.2d 155, 164 (6th Cir. 1986); In re Special Sept. 1978 Grand Jury (II), 640 F.2d 49, 63 (7th Cir. 1980) (client lost work product protection but attorney's impressions should remain protected since the lawyer's privacy is not justifiably invaded because she represented a fraudulent client); In re Grand Jury Subpoena, 220 F.R.D. 130, 151-52 (D. Mass 2004) (noting the near-universal agreement that attorney's knowledge of crime is necessary to invoke crime-fraud exception for opinion work product); In re Nat'l Mortg. Equity Corp. Mortg. Pool Certificates Litig., 116 F.R.D. 297 (C.D. Cal. 1987) (if attorney is unaware of crime or fraud then fact work product is not protected but opinion work product remains protected); In re Int'l Sys. & Controls Corp. Sec. Litig., 91 F.R.D. 552, 559-60 (S.D. Tex. 1981), vacated on other grounds, 693 F.2d 1235, 1242 (5th Cir. 1982) (where there is no allegation of attorney fraud, no intrusion will be allowed upon opinion work product) However, other cases and the Restatement have taken a different approach, which waives opinion work product even though the attorney did not know of the fraud. In re Grand Jury Proceedings, 102 F.3d 748, 751 (4th Cir. 1996); In re John Doe Corp., 675 F.2d 482, 491-92 (2d Cir. 1982); In re Doe, 662 F.2d 1073, 1079 (4th Cir. 1981); In re Sealed Case, 676 F.2d 793, 812 n.75 (D.C. Cir. 1982) (a guilty client would not have standing to assert the work product claim of his innocent attorney); RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 93 cmt. c (2000).

c. Cases Where Lawyer Is Involved With Fraud But Client Is Ignorant

In cases where it is the attorney who is involved with the crime or fraud and the client is innocent, then the client can assert work product protection for the materials despite the lawyer's complicity. *See* Moody v. I.R.S., 654 F.2d 795, 801 (D.C. Cir. 1981); In re Grand Jury Proceedings, 604 F.2d 798, 801-02 (3d Cir. 1979). *But see* In re Impounded Case (Law Firm), 879 F.2d 1211, 1214 (3d Cir. 1989) (crime-fraud exception applies in case where the lawyer rather than client is the object of criminal investigation, but this exception is limited to materials pertinent to the charge against the lawyer); Anderson v. Hale, 202 F.R.D. 548, 558 (N.D. Ill. 2001) (holding that attorney's unethical, surreptitious taping of a witness interview vitiated work product privilege).

2. Exception For Attorney Misconduct

Several commentators have proposed an exception to the work product doctrine for materials created through attorney misconduct. *See, e.g.*, G. Michael Halfenger, *The Attorney Misconduct Exception to the Work-product Doctrine*, 58 U. CHI. L. REV. 1079 (1991). This exception would remove protection when:

1) an attorney violates the law or an accepted norm of professional conduct and the resulting materials are tainted with information gathered through this misconduct; or

2) an attorney violates the law or an accepted norm of professional conduct and
   (a) revelation of the resulting materials would correct the asymmetry caused by misconduct,
   (b) no other action would be an effective remedy, and
   (c) disclosure will not adversely affect other parties.

Id. at 1091. Such an exception would extend the crime-fraud exception to include ethics violations in addition to crimes. Several courts have recognized this extension of the crime-fraud exception. *See*:

> *Parrott v. Wilson, 707 F.2d 1262 (11th Cir. 1983). Attorney secretly tape recorded meeting between plaintiff's attorney and defense witness. Court concluded that this recording was work product but found that a clandestine recording constitutes an ethical violation and such a violation abrogates the protection of the work product doctrine.*
>
> *Anderson v. Hale, 202 F.R.D. 548, 558 (N.D. Ill. 2001). Holding that attorney's unethical, surreptitious taping of a witness interview vitiated work product privilege.*
>
> *Haigh v. Matsushita Elec. Corp. of Am., 676 F. Supp. 1332, 1358-59 (E.D. Va. 1987). Client clandestinely recorded witnesses' conversation without his consent. Court found that attorney's acquiescence in the recording amounted to active participation and was therefore an ethical violation. As a result, the work product doctrine was vitiated for the recording.*

But see:

> *Moody v. I.R.S., 654 F.2d 795, 801 (D.C. Cir. 1981). In broad dicta, court stated that attorney misconduct does not necessarily implicate the crime-fraud exception to breach work product protection.*

3. Fiduciary Exception: The Garner Doctrine

As noted in the *Fiduciary Exception*, § I.H.3., *supra*, an exception to the attorney-client privilege has developed for actions involving an organization and the parties to whom it owes fiduciary duties. This exception had its roots in Garner v. Wolfinbarger, 430 F.2d 1093, 1102-03 (5th Cir. 1970). Garner was based on the rationale that a fiduciary relationship between the corporation and its shareholders creates a commonality of interest which precludes the corporation from asserting the attorney-client privilege against its shareholders. Courts have recognized that the policy rationale underlying the Garner exception does not readily mesh with the work product goal of protecting the adversary system. In In re International Systems & Controls Corp. Securities Litigation, 693 F.2d 1235 (5th Cir. 1982), the Fifth Circuit held that the Garner principle does not apply to the work product doctrine and refused to order the production of several binders of work product. In holding that Garner does not apply to work product materials, the court stated that the mutuality of interest rationale of Garner does not apply once there is sufficient anticipation of litigation to bring the documents within the work product doctrine.

Most courts are in accord with this reasoning and have not applied the Garner exception to work product. *See, e.g.*, Jicarilla Apache Nation v. United States, 88 Fed. Cl. 1,

13 (Fed. Cl. 2009) (holding the fiduciary exception does not apply to work product, which belongs to the litigator, not the litigant fiduciary); Sigma Delta L.L.C. v. George, Civil Action No. 07-5427, 2007 WL 4590097, at *2-3 (E.D. La. Dec. 20, 2007) ("once there is sufficient anticipation of litigation so as to trigger work product immunity the 'mutuality' upon which Garner was premised is destroyed"); Cobell v. Norton, 213 F.R.D. 1, 12 n.5 (D.D.C. 2003) (noting cases declining to extend Garner doctrine to work product); Strougo v. BEA Assocs., 199 F.R.D. 515, 524 (S.D.N.Y. 2001) ("[T]he logic of Garner does not require the disclosure of material that is protected under the work product doctrine."); Nellis v. Air Line Pilots Ass'n, 144 F.R.D. 68 (E.D. Va. 1992) (in dictum). However, at least one court has applied Garner to the work product doctrine. *See* Donovan v. Fitzsimmons, 90 F.R.D. 583, 588 (N.D. Ill. 1981) (Garner rationale must be addressed in the work product context "lest the work-product immunity swallow up the Garner exception in its entirety").

In practice, the fact that many courts do not recognize a Garner exception to the work product doctrine may make little difference because it would be easier to show hardship or burden under Fed. R. Civ. P. 26(b)(3). The Garner court identified a series of factors to show "good cause" to invoke the Garner exception. These included the "necessity of the shareholders" and the "availability from other sources." Garner, 430 F.2d at 1104. It can be argued that these criteria of necessity and availability are the same as the "substantial need" and "undue hardship" requirements of Fed. R. Civ. P. 26(b)(3). Under this reasoning, the Garner standard imposes a higher burden since it subsumes the two Fed. R. Civ. P. 26(b)(3) criteria and requires other criteria in addition. As a result, for ordinary work product the fact that the Garner exception does not apply will have little practical effect. However, in the case of opinion work product, the lack of a fiduciary exception will have the effect of protecting the mental impressions of corporate counsel from later discovery.

G. COMMON INTEREST EXTENSIONS OF WORK PRODUCT PROTECTION

As noted in *Selective Disclosure to Third Parties and Adversaries*, § IV.E.2, *supra*, the rationale of the work product doctrine is not necessarily compromised by the sharing of protected communications. In re Sealed Case, 676 F.2d 793, 818 (D.C. Cir. 1982). Under the work product doctrine, the concern is to protect trial preparation from adversaries, not from those with similar interests. Thus, courts have recognized a broad common interest extension for work product immunity which allows attorneys to pool work product with clients and other lawyers with the same interest in a matter. *See* Haines v. Liggett Grp., Inc., 975 F.2d 81, 90 (3d Cir. 1992) (common interest allows clients facing a common litigation opponent to exchange privileged communications and work product without waiving protection in order to prepare a common defense); In re Doe, 662 F.2d 1073 (4th Cir. 1981); Constar Int'l, Inc. v. Cont'l Pet Tech., Inc., No. Civ. A. 99-234-JJF, 2003 WL 22769044, at *1 (D. Del. Nov. 19, 2003); Gottlieb v. Wiles, 143 F.R.D. 241 (D. Colo. 1992); Weil Ceramics & Glass, Inc. v. Work, 110 F.R.D. 500, 502 (E.D.N.Y. 1986); *see also* RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 91 cmt. b (2000). Upon disclosure, a court will examine whether the originator and recipient of the protected information have common interests against a common adversary which would make disclosure to adversaries unlikely. The existence of a potential common interest, for example as between co-defendants in a criminal proceeding, does not compel the disclosure of privileged work product. *See* United States v. Jacques Dessange, Inc., No. S2 99 CR 1182, 2000 WL 310345 (S.D.N.Y. Mar. 27, 2000) (co-defendant's desire to review all possible material of use to his defense did not justify compelled disclosure of defendant's attorney's notes). *See Appendix A* for a sample joint/common defense agreement. *Compare*:

> *In re Grand Jury Subpoenas 89-3 & 89-4, 902 F.2d 244 (4th Cir. 1990). Parties with a common-defense or strategy may share work product materials prepared in the course of an ongoing common enterprise and intended to further the enterprise.*
>
> *United States v. AT&T, 642 F.2d 1285 (D.C. Cir. 1980). The government sued AT&T for antitrust violations. MCI had turned documents over to the government under a stipulation that they be used only in the litigation against AT&T. MCI then filed its own antitrust action against AT&T and sought to assert work product protection (as a nonparty) in the government's case to prevent AT&T from obtaining the materials that MCI had previously turned over. The D.C. Circuit held that MCI had not waived the protection by disclosing the materials to the government. The court recognized the government and MCI had a common interest against a common adversary and therefore no waiver had occurred from the sharing.*
>
> *Mainstreet Collection, Inc. v. Kirkland's, Inc., 270 F.R.D. 238 (E.D.N.C. 2010). The common interest doctrine applies not only to the attorney-client privilege, but also to work product protection.*
>
> *United States v. Duke Energy Corp., 214 F.R.D. 383, 387 (M.D.N.C. 2003). "Whether an action is ongoing or contemplated, whether the jointly interested persons are defendants or plaintiffs, and whether the litigation or potential litigation is civil or criminal, the rationale for the joint defense rule remains unchanged: persons who share a common interest in litigation should be able to communicate with their respective attorneys and with each other to more effectively prosecute or defend their claims."*
>
> *LaSalle Bank Nat'l Ass'n v. Lehman Bros. Holdings, Inc., 209 F.R.D. 112, 116 (D. Md. 2002). Recognizing "common interest" doctrine applicable to work product.*

Medinol, Ltd. v. Boston Scientific Corp., 214 F.R.D. 113, 115 (S.D.N.Y. 2002). "[I]t is clear that disclosure of work-product to a party sharing common litigation interests is not inconsistent with the policies of encouraging zealous advocacy and protecting privacy that underlie the work-product doctrine."

*McNally Tunneling Corp. v. City of Evanston, Ill., No. 00 C 6979, 2001 WL 1246630, at *2 (N.D. Ill. Oct. 18, 2001). Noting that "common interest" doctrine is not an independent source of confidentiality, "[r]ather, it simply extends the protection afforded by other doctrines, such as the attorney/client privilege and the work-product rule."*

Schachar v. Am. Acad. of Ophthalmology, Inc., 106 F.R.D. 187, 191 (N.D. Ill. 1985). Attorneys facing a common litigation opponent may exchange privileged communications and attorney work product in order to prepare a common defense without waiving either privilege.

In re Tribune Co., No. 08-13141 (KJC), 2011 WL 386827 (Bankr. D. Del. Feb. 3, 2011). Applying the "community of interest" or "common interest" doctrine to work product.

With:

Marciano v. Atl. Med. Specialties, Inc., No. 08-CV-305-JTC, 2011 WL 294487 (W.D.N.Y. Jan. 27, 2011). While a non-party aligned himself with defendants, disclosure of emails to the non-party with no legal interest in the ongoing litigation constituted a waiver; the common interest doctrine did not apply.

Samad Bros., Inc. v. Bokara Rug Co., Inc., 2010 WL 5095356 (S.D.N.Y. Dec. 13, 2010). Sharing emails with an independent third party witness waived work product protection because the third party did not share a common interest with the defendant such that they could reasonably expect that information revealed to the third party would not be disclosed to the adversary.

In re Aftermarket Filters Antitrust Litig., No. 08 C 4883, 2010 WL 4622527 (N.D. Ill. Nov. 4, 2010). Work product protection was waived as to documents disclosed by a qui tam relator to the Department of Justice and which were later provided by the relator to the plaintiffs in the action. There was no common interest between the relator, the DOJ, and the plaintiffs.

Schanfield v. Sojitz Corp. of Am., 258 F.R.D. 211, 216 (S.D.N.Y. 2009). Plaintiff could not establish that the common interest exception should apply; although he may have speculated that his former colleagues shared his interests in bringing suit against their employer, his emails with them did not provide facial support for that assumption, and there was no indication of "demonstrated cooperation in formulating a common legal strategy" between plaintiff and his colleagues.

Chubb Integrated Sys., Ltd. v. Nat'l Bank, 103 F.R.D. 52, 67 (D. D.C. 1984). Voluntary disclosure of work product to adversary in separate litigation waives the privilege with respect to adversaries in lawsuits concerning the same subject matter.

*Saito v. McKesson HBOC, Inc., No. 18553, 2002 WL 31657622, at *4-5 (Del. Ch. Nov. 13, 2002). For the purposes of waiving the work product privilege, a common interest does not exist between the SEC and the target of an SEC investigation despite the similar goal of the SEC and the company to seek out and rectify wrong-doing within the company.*

The broader common interest analysis applicable to work product may protect documents disclosed to government entities even where the attorney-client privilege may not. *See* In re Steinhardt Partners, 9 F.3d 230, 236 (2d Cir. 1993). In declining to adopt a per se rule of waiver for documents disclosed to government entities, courts in the Second Circuit have reasoned that the existence of a common interest between government agencies and

investigated companies might provide one rationale for finding waiver of work product did not apply. *Id.* (suggesting non-waiver agreements might act to protect documents from discovery); see also In re Cardinal Health, Inc. Sec. Litig., No. C2 04 575 ALM, 2007 WL 495150 (S.D.N.Y. Jan 26, 2007) (disclosure to DOJ of audit committee-ordered internal investigation by outside counsel did not waive work product protection because government and corporation shared a common interest in ensuring company accounting practices were clean, even absent waiver agreement). The Steinhart court did not squarely address the issue of attorney-client privilege of the shared information, but noted in dicta that the attorney-client privilege would likely be waived by such a disclosure to the government. In re Steinhardt, 9 F.3d at 235. Where, as in the Second Circuit, a doctrine of selective waiver is not recognized, corporations may increasingly seek to rely on work product protection under a common interest theory.

V. RECOMMENDATIONS FOR PRESERVING THE CONFIDENTIALITY OF WORK PRODUCT

In addition to the steps recommended to maximize the corporation's protection under the attorney-client privilege set forth above in § III, *Recommendations for Preserving the Attorney-Client Privilege*, above, some further precautions will maximize the protection afforded by the work product doctrine.

A. LEGAL COMMUNICATIONS

- Segregate work product materials and maintain their confidentiality. Disclosure of protected documents may result in waiver.

B. WITNESS STATEMENTS

- Counsel should conduct all interviews. Counsel's interview notes or interview memoranda should state that the documents contain counsel's "impressions and conclusions" concerning the interview. Do not include lengthy verbatim entries.

- Do not use work product materials to refresh the recollection of a witness.

C. LEGAL INVESTIGATIONS

- Stress that any legal investigation is being conducted in anticipation of litigation. If in-house counsel will conduct the legal investigation, she should receive a specific directive from the board of directors indicating that the investigation has been undertaken in anticipation of litigation. If outside counsel will conduct the investigation, the company should send a retention letter reciting these matters.

VI. SELF-CRITICAL ANALYSIS PRIVILEGE

Corporations and businesses often conduct internal investigations for a variety of different reasons, and the results of these investigations can be damaging, inculpatory or embarrassing. Investigating parties have therefore attempted to shield these reports from discovery by outside parties and civil litigants. *See* Note, *The Privilege of Self-Critical Analysis*, 96 HARV. L. REV. 1083, 1086 (1983); *see also* Note, *Self-Evaluative Privilege and Corporate Compliance Audits*, 68 S. CAL. L. REV. 621 (1995). The broadest protections are afforded by the attorney-client privilege and work product doctrine discussed throughout this outline. However, in order to provide additional protection, some courts have recognized a specific limited privilege to protect institutional self-analysis from outside discovery. The privilege is usually referred to as the "self-critical analysis" privilege, but is sometimes called the "self-investigative" or "self-evaluative" privilege. It was first recognized by the federal courts in the context of medical peer reviews in 1970. *See* Bredice v. Doctors Hosp., Inc., 50 F.R.D. 249 (D.D.C. 1970). Over the years, the federal courts, principally district courts, have created a confusing body of case law relating to the privilege. The privilege is defined differently in different jurisdictions, but in most cases the courts have found that the privilege did not apply to the facts before them. Some jurisdictions have cases with conflicting outcomes that are barely reconcilable. Broad application of the privilege was called into question in University of Pennsylvania v. EEOC, 493 U.S. 182 (1990). In that case, without specifically addressing the self-critical analysis privilege, but admonishing against the application of broad new privileges, the United States Supreme Court held that a university's internal peer review materials relating to tenure decisions were not privileged. However, the federal courts subsequently have gone on to discuss the privilege and to apply it in rare cases.

The purpose of the self-critical analysis privilege at its most general is to encourage organizations to conduct self-critical reviews regarding matters of importance to the public without being chilled by the possibility that the self-criticism will be discovered and used against the organization in some later proceeding. Recognizing that the privilege could create an enormous exception to the general rules of discovery, the courts have applied severe restrictions on the privilege.

A common statement of the self-critical analysis privilege is that it applies when:

(1) the information results from a critical self-analysis undertaken by the party seeking protection;
(2) the public has a strong interest in preserving the free flow of information sought;
(3) the information is of the type for which flow would be curtailed if discovery were allowed; and
(4) the document must have been created with the expectation that it would be kept confidential and must have remained so.

See Dowling v. Am. Hawaii Cruises, Inc., 971 F.2d 423 (9th Cir. 1992); *see also*, In re Salomon, Inc. Sec. Litig., Nos. 91 Civ. 5442 and 5471, 1992 WL 350762 (S.D.N.Y. Nov. 13, 1992) (applying first three factors but finding them not satisfied by the facts of the case). This articulation of the privilege applies particularly to tort cases. Tice v. Am. Airlines, Inc.,

192 F.R.D. 270, 272-73 (N.D. Ill. 2000). In tort actions, the rationale for the self-critical analysis privilege is to promote public safety through voluntary and honest self-analysis. Morgan v. Union Pac. R.R. Co., 182 F.R.D. 261, 265-66 (N.D. Ill. 1998).

Characterizing it as "perhaps the most cogent statement of a possible test" emerging from a line of cases decided in the Southern District of New York, one court put forth the following test:

> The party resisting discovery must make a detailed and convincing showing of the harm to be anticipated from the disclosure at issue in the particular case. . . . Where a party establishes that disclosure of requested information could cause injury to it or otherwise thwart desirable social policies, the discovering party will be required to demonstrate its need for the information, and the harm it would suffer from the denial of such information would outweigh the injury that disclosure would cause the other party or the interest cited by it.

In re Nieri, No. Civ.A. M12-329, 2000 WL 60214, at *4 (S.D.N.Y. Jan. 24, 2000) (quoting Trezza v. The Hartford, Inc., No. 98 Civ. 2205 (MBMKNF), 1999 WL 511673, at *2 (S.D.N.Y. July 20, 1999)).

Some have found that the self-critical analysis privilege is only qualified and can be overcome upon a showing of need. *See* U.S. ex rel. Sanders v. Allison Engine Co., 196 F.R.D. 310, 315 (S.D. Ohio 2000) (self-critical analysis privilege is a qualified privilege and it can be overcome by showing extraordinary circumstances or special need); In re Air Crash Near Cali, Colom., 959 F. Supp. 1529, 1535-36 (S.D. Fla. 1997) (self-critical analysis privilege is qualified and may be overcome by a showing of substantial need); .

Several courts require the compilation of the material to be mandated by the government (such as an EEOC report). *See* Zoom Imaging, L.P., v. St. Luke's Hosp. & Health Network, 513 F. Supp. 2d 411, 416-417 (E.D. Pa. 2007) (noting that "most of the federal cases that have recognized the privilege have done so in areas where the self-critical analysis is either compulsory or part of an effort to comply with legal or regulatory requirements" and refusing to apply it to the instant case because "there is no federal medical peer review statute"); Clark v. Pa. Power & Light Co., No. 98-3017, 1999 WL 225888 (E.D. Pa. Apr. 14, 1999) (subjective portions of affirmative action plans prepared by employer pursuant to OFCCP regulations protected from production to employee by self-critical analysis privilege); Culinary Foods, Inc. v. Raychem Corp., 151 F.R.D. 297, 304 (N.D. Ill.), order clarified, 153 F.R.D. 614 (N.D. Ill. 1993) (self- investigative privilege can protect materials prepared for mandatory government reports); Webb v. Westinghouse Elec. Corp., 81 F.R.D. 431, 434 (E.D. Pa. 1978); Vanek v. NutraSweet Co., No. 92 C 0115, 1992 WL 133162 (N.D. Ill. June 11, 1992) (finding material not privileged); *see also* Tice v. Am. Airlines, Inc., 192 F.R.D. 270, 272 (N.D. Ill. 2000) (requirement of government mandate applies in context of employment discrimination case, but not in a tort case); Morgan v. Union Pac. R.R. Co., 182 F.R.D. 261, 265 (N.D. Ill. 1998). *But see* In re Air Crash at Lexington, Kentucky, August 27, 2006, 545 F. Supp. 2d 618, 623–24 (E.D. Ky. 2008) (rejecting application of the privilege where the analysis resulted from an effort to comply

with the Fair Labor Standards Act and as a result of litigation); Lawson v. Fisher-Price, Inc., 191 F.R.D. 381 (D. Vt. 1999) (privilege not applicable where information mandated to be disclosed to government agency); In re Air Crash Near Cali, Colom., 959 F. Supp. 1529 (S.D. Fla. 1997) (declining to apply self-critical analysis privilege to voluntary pilot self-reporting documents, but applying a completely new common law privilege to protect the documents).

Most courts have held that where it applies, only the subjective portions of self-critical reports are protected by the privilege; the underlying objective data is not protected. *See, e.g.*, Berner v. Carnival Corp., No. 08-22569-CIV, 2009 WL 982621, at *1 (S.D. Fla. Apr. 10, 2009) (declining to adopt the privilege and noting that cases adopting the privilege limit it to subjective impressions and opinions); Gardner v. Johnson, No. 08 C 50006, 2008 WL 3823713, at *2 (N.D. Ill. Aug. 13, 2008) (requiring production of police investigation report but allowing department to redact any "subjective critique of the arresting officer's conduct or police department policies."); Goh v. CRE Acquisition, Inc., No. 02 C 4838, 2004 WL 765238, at *1 (N.D. Ill. Apr. 6, 2004) (noting that, assuming it exists, the "privilege protects only subjective evaluations, not objective data"); Freiermuth v. PPG Indus., Inc., 218 F.R.D. 694, 698 (N.D. Ala. 2003) (the self-critical analysis privilege does not apply to documents which "merely provide facts, statistics, and rankings"); Clark v. Pa. Power & Light Co., Inc., No. 98-3017, 1999 WL 225888 (E.D. Pa. Apr. 14, 1999); Shipes v. BIC Corp., 154 F.R.D. 301, 308 (M.D. Ga. 1994); Culinary Foods, Inc. v. Raychem Corp., 151 F.R.D. 297, 304 (N.D. Ill.), order clarified, 153 F.R.D. 614 (N.D. Ill. 1993) (self investigative privilege protects only subjective, evaluative materials and not objective data or reports); John v. Trane Co., 831 F. Supp. 855 (S.D. Fla. 1993) (employer was required to produce affirmative action plan but self-evaluative privilege protected portions containing subjective evaluations of management); In re Crazy Eddie Sec. Litig., 792 F. Supp. 197 (E.D.N.Y. 1992) (finding privilege to exist); Witten v. A.H. Smith & Co., 100 F.R.D. 446, 449 (D. Md. 1984) (finding privilege inapplicable to the facts); Resnick v. Am. Dental Ass'n, 95 F.R.D. 372, 374 (N.D. Ill. 1982) (privilege protects subjective and evaluative material prepared for mandatory government reports); Webb v. Westinghouse Elec. Corp., 81 F.R.D. 431, 434 (E.D. Pa. 1978).

Some courts have restricted the privilege to post-accident analyses and have held that the privilege is inapplicable to pre-accident internal safety analyses. *See* Dowling v. Am. Haw. Cruises, Inc., 971 F.2d 423, 427 (9th Cir. 1992) (refusing to apply the privilege to pre-accident safety reviews). *But see* Myers v. Uniroyal Chem. Co., Civ. A. No. 916716, 1992 WL 97822, at *4 (E.D. Pa. May 5, 1992) (self-critical analysis would not apply to post-accident investigation because manufacturer would have sufficient incentive without the privilege to investigate to prevent future accidents). Other courts have held that the privilege does not apply to government demands for documents. *See, e.g.*, In re Kaiser Aluminum & Chem. Co., 214 F.3d 586, 593 (5th Cir. 2000) (privilege does not apply where a government agency seeks pre-accident documents).

A typical analysis under the four-pronged Dowling standard, above, turns on the third element and whether the information would be subject to a chilling effect. Courts often determine that the information in a report would continue to be collected even if discoverable because other incentives would be sufficient to overcome any chilling effect. In In re

Salomon, Inc. Securities Litigation, Nos. 91 Civ. 5442 & 5471, 1992 WL 350762 (S.D.N.Y. Nov. 13, 1992), for example, Salomon Bros. was sued for misrepresentation of facts and concealment of treasury violations in a securities auction. Salomon had conducted internal audits of its controls and procedures for trading, and had commissioned an audit by Coopers & Lybrand. When a suit was brought, Salomon claimed a self-critical privilege for these audits. The court recognized the public's interest, but concluded that management control studies and internal audits would not be curtailed because economic efficiencies, accuracy in financial reporting, and improvement of business standards are integral to the success of a business. Thus, the court found that no self-investigative privilege applied. *Id.* *See also* Lewis v. Wells Fargo & Co., 266 F.R.D. 433, 439 (N.D. Cal. 2010) (rejecting the self-critical analysis privilege because allowing discovery of Fair Labor Standards Act audit results would not curtail such audits in the future); MacNamara v. City of New York, No. 04 Civ. 9612(KMK)(JCF), 2007 WL 755401, at *4 (S.D.N.Y. Mar. 14, 2007) (refusing to apply the privilege where there would be no chilling effect because "as a government agency, [the NYPD] has an obligation to the public to ensure that its operations are effective"); In re Winstar Commc'ns, No. 01 CV 3014(GBD), 2007 WL 4115812, at *2-3 (S.D.N.Y. Nov. 15, 2007) (holding that there would be no chilling effect because the auditor owes a duty to the investing public, and noting a trend that the privilege is inapplicable in securities fraud actions where an accounting firm is being sued for allegedly engaging in a massive accounting fraud); Cruz v. Coach Stores, Inc., 196 F.R.D. 228, 232 (S.D.N.Y. 2005) ("A company has an obvious economic interest in engaging in self-evaluations of employee misconduct: it hardly needs the additional protection of a shield of privilege to investigate its own employees' alleged derelictions."); Myers v. Uniroyal Chem. Co., Civ. A. No. 916716, 1992 WL 97822, at *4 (E.D. Pa. May 5, 1992) (manufacturer's interest in preventing future accidents sufficient incentive for post-accident investigation).

The self-investigative privilege has been employed most frequently to protect hospital internal review procedures and employer affirmative action reports. Hospital Review Committee notes protected: See KD ex rel. Dieffenbach v. United States, 715 F. Supp. 2d 587, 592 (D. Del. 2010); Granger v. Nat'l R.R. Passenger Corp., 116 F.R.D. 507, 509 (E.D. Pa. 1987); Gillman v. United States, 53 F.R.D. 316, 318 (S.D.N.Y. 1971). Affirmative action filings protected: See Coates v. Johnson & Johnson, 756 F.2d 524 (7th Cir. 1985) (affirmative action filings protected in dicta); Sheppard v. Consol. Edison Co. of N.Y., 893 F. Supp. 6, 8 (E.D.N.Y. 1995) ; Penk v. Or. State Bd. of Higher Educ., 99 F.R.D. 506, 507 (D. Or. 1982); Roberts v. Nat'l Detroit Corp., 87 F.R.D. 30, 32 (E.D. Mich. 1980). *But see* McDougal-Wilson v. Goodyear Tire & Rubber Co., 232 F.R.D. 246, 250 (E.D.N.C. 2005) (rejecting privilege for affirmative action documents); Witten v. A.H. Smith & Co., 100 F.R.D. 446, 449-54 (D. Md. 1984)(same).

The self-investigative privilege has also been invoked to protect internal corporate investigations. *See* In re LTV Sec. Litig., 89 F.R.D. 595, 618-622 (N.D. Tex. 1981) (finding that privilege existed); F.T.C. v. TRW, Inc., 628 F.2d 207 (D.C. Cir. 1980) (rejecting use of privilege to impair F.T.C.).

Compare:

*Hogan v. City of Easton, No. 04-759, 2006 WL 3702637, at *8 n.8 (E.D. Pa. Dec. 12, 2006). Self-critical analysis privilege applied to post-incident police evaluations. The privilege applies "where the compelling public interest that individuals and businesses comply with the law outweighs the needs of litigants and the judicial system for access to information relevant to the litigation."*

Joiner v. Hercules, Inc., 169 F.R.D. 695, 699 (S.D. Ga. 1996). Self-critical analysis privilege protected documents created by company to evaluate its compliance with environmental laws and regulations.

Reichhold Chems., Inc. v. Textron, Inc., 157 F.R.D. 522 (N.D. Fla.1994). Self-critical analysis privilege protected retrospective analyses of past conduct, practices, and occurrences, and the resulting environmental consequences. The privilege applies only to reports prepared after the fact for the purpose of candid self-evaluation and analysis of the cause and effect of past pollution.

Shipes v. BIC Corp., 154 F.R.D. 301 (M.D. Ga. 1994). Applying Georgia law, the court held that the self-critical analysis privilege protected self-evaluation disclosures sent to the Consumer Products Safety Commission, but only to the extent that they reflected critical analysis of BIC products, testing, or procedures.

In re Crazy Eddie Sec. Litig., 792 F. Supp. 197 (E.D.N.Y. 1992). Court recognized that a self-investigative privilege serves the public interest by encouraging self-improvement through uninhibited self-analysis and evaluation. However, court also noted that the privilege is not absolute and applies only to the evaluation itself, and not to the underlying facts on which the evaluation is based.

Granger v. Nat'l R.R. Passenger Corp., 116 F.R.D. 507, 509 (E.D. Pa. 1987). Railroad claimed privilege for internal investigation documents. Court found that a self-investigative privilege applied to prevent a chilling of company's efforts at self analysis and evaluation. Court concluded that the privilege served to protect the public by leading to safer practices.

With:

Dowling v. Am. Hawaii Cruises, Inc., 971 F.2d 423 (9th Cir. 1992). Court addressed the self-investigative privilege without specifically adopting it since it concluded that even if a self-critical privilege exists it would not apply to routine safety reviews. It reasoned that these routine reviews would not be curtailed by discovery since other incentives for conducting such interviews (i.e., avoiding liability) continue to exist. In addition, court found that safety reviews are not always performed with an expectation of confidentiality. The court also found that fairness did not require protection since the company was not legally required to conduct these reviews.

*In re Digitek Prod. Liab. Litig., MDL No. 1968, 2010 WL 519860, at *5-6 (S.D. W. Va. Feb. 10, 2010). The court did not acknowledge or accept the self-critical analysis privilege, but found that even if it had, the privilege would not apply to the type of internal audit in question. The purpose of the audit was to determine if a pharmaceutical company's packaging and testing operations were in compliance with federal regulations. This assessment, the court reasoned, would not be the type whose flow would be curtailed should discovery be allowed because these types of audits are essential to the success of pharmaceutical companies, which are often in competition with one another and they are stringently regulated by the federal government.*

U.S. ex rel. Sanders v. Allison Engine Co., 196 F.R.D. 310 (S.D. Ohio 2000) Self-critical analysis privilege would not protect from discovery by qui tam relator internal audits conducted to assess quality control deficiencies and potential improvements in the fabrication of base and enclosure assemblies for generator sets that were installed in United States Arleigh Burke class destroyers. First, with apparent uniformity, courts have refused to apply the privilege where the documents in

question have been sought by a government agency. There is a "strong public interest in allowing governmental investigations to proceed efficiently and expeditiously." Second, the court was skeptical that disclosure would chill future quality control audits. Third, the documents were not created with the expectation that they would remain confidential because the company was required to make the reports available to the prime contractor.

Mason v. Stock, 869 F. Supp. 828 (D. Kan. 1994). City could not invoke self-critical analysis privilege to block discovery of police internal affairs investigation because it would interfere with the constitutional rights of citizens and discovery was not likely to chill police cooperation with internal investigations.

In re Grand Jury Proceedings, 861 F. Supp. 386 (D. Md. 1994). Company was served a grand jury subpoena for the results of an internal audit conducted by a private consultant. Court held that the privilege of self-critical analysis did not apply in the criminal context.

Steinle v. Boeing Co., No. 90-1377-C, 1992 WL 53752 (D. Kan. Feb. 4, 1992). Employee complained to company's internal EEOC office which conducted an investigation and concluded that there was no misclassification. In a subsequent lawsuit, the employee requested documents from the investigation, and the court found there was no privilege. It reasoned that self evaluation of individual grievances will not be affected by disclosure since such an investigation is consistent with the business interests of management.

Vanek v. NutraSweet, Co., No. 92 C 0115, 1992 WL 133162 (N.D. Ill. June 11, 1992). Employee sued under Title VII when she was laid off while on maternity leave. Before the lawsuit, company had formed a task force to set goals for diversity. In addition, an outside consultant had performed an audit and made recommendations to key personnel in human resources. Court held that no self-evaluative privilege applied since these activities were voluntary.

Some courts have expressed skepticism and have refused to recognize a self-critical privilege for internal corporate investigations.

See:

Alaska Elec. Pension Fund v. Pharmacia Corp., 554 F.3d 342, 351 n.12 (3d Cir. 2009). "The self-critical analysis privilege has never been recognized by this Court and we see no reason to recognize it now."

Burden-Meeks v. Welch, 319 F.3d 897, 899 (7th Cir. 2003). Noting that the Seventh Circuit has not recognized the self-critical analysis privilege.

Union Pac. R.R. v. Mower, 219 F.3d 1069, 1076 n.7 (9th Cir. 2000). Noting that the Ninth Circuit "has not recognized this novel privilege" and the court was unable to identify any Oregon case law adopting or even discussing "this supposed privilege."

*Jewell v. Polar Tankers Inc., No. C 09-1669, 2010 WL 1460165, at *1 (N.D. Cal. Apr. 8, 2010). Noting that there is no basis for applying the self-critical analysis privilege in the Northern District of California; to the contrary, there is a "well recognized federal policy of promoting broad pre-trial discovery."*

*Cochran v. Nat'l Processing Co., No. 5:09-364-KKC, 2010 WL 820943, at *3 (E.D. Ky. Mar. 4, 2010). Finding that the Sixth Circuit has never explicitly adopted the privilege, and furthermore, that "no circuit court of appeals has explicitly recognized the self-critical analysis privilege."*

Lindley v. Life Investors Ins. Co. of Am., 267 F.R.D. 382, 387 (N.D. Okla. 2010). Noting that the privilege is not recognized in Oklahoma or the Tenth Circuit.

Smith v. Life Investors Ins. Co., *No. 2:07-cv-681, 2009 WL 3364933, at *8 (W.D. Pa. Oct. 16, 2009). Noting that the privilege is not recognized by Pennsylvania or the Third Circuit and declining to apply it to undated report prepared by outside counsel absent demonstration report was communication to client.*

Gordon v. Sunrise Senior Living Mgmt., Inc., *No. 08-cv-02299-REB-MJW, 2009 WL 2959213, at *1 (D. Colo. Sept. 10, 2009). Noting that the privilege is not recognized by the Tenth Circuit or under Colorado law.*

Ovesen v. Mitsubishi Heavy Indus. of Am. Inc., *No. 04 Civ. 2849, 2009 WL 195853, at *2 (S.D.N.Y. Jan. 23, 2009). Noting that the continued viability of the privilege "is an open question" and declining to apply it to internal correspondence relating to an airplane crash because defendants failed to establish that the information would not have been generated had its authors believed it would be disclosed.*

Kreger v. Gen. Steel Corp., *No. 07-575, 2008 WL 782767, at *3 (E.D. La. Mar. 20, 2008). Stating the Fifth Circuit has not recognized the privilege.*

EEOC v. City of Madison, *No. 07-C-349-S, 2007 WL 5414902, at *1 (W.D. Wis. Sep. 20, 2007). Refusing to recognize the privilege.*

Mitchell v. Fishbein, *227 F.R.D. 239, 251–52 (S.D.N.Y. 2005). Noting the privilege has not been recognized in the Second Circuit.*

Freiermuth v. PPG Indus., Inc., *218 F.R.D. 694, 697 (N.D. Ala. 2003). Noting the privilege has not been recognized in the Eleventh Circuit.*

Spencer Sav. Bank v. Excell Mortg. Corp., *960 F. Supp. 835 (D.N.J. 1997). Recognizing split of authority and rejecting self-critical analysis privilege.*

Tharp v. Sivyer Steel Corp., *149 F.R.D. 177, 182 (S.D. Iowa 1993). Rejecting privilege in employment discrimination context.*

United States v. Dexter Corp., *132 F.R.D. 8 (D. Conn. 1990). Rejecting privilege in environmental context.*

Siskonen v. Stanadyne, Inc., *124 F.R.D. 610 (W.D. Mich. 1989). Michigan has not adopted a statutory self-critical analysis privilege, nor has any Michigan court recognized such a privilege.*

See also:

Abbott v. Harris Publ'ns, *97 Civ. 7648, 1999 WL 549002, at *2 (S.D.N.Y. July 28, 1999). "In light of the Supreme Court opinion in [University of Pennsylvania v. EEOC, 493 U.S. 182 (1990)], it is clear that to the extent a self-critical analysis privilege has any continued validity, the party seeking to invoke it bears a heavy burden of establishing that public policy strongly favors the type of review at issue and that disclosure in the course of discovery will have a substantial chilling effect on the willingness of parties to engage in such reviews."*

One commentator has noted that development of a self-investigative privilege has taken place almost entirely at the district court level. *See* Note, *Making Sense of Rules of Privilege Under the Structural (Il)logic of the Federal Rules of Evidence*, 105 HARV. L. REV. 1339, n.74 (1992). This lack of appellate guidance has created unpredictability and difficulty in determining which courts will acknowledge such a privilege. For example, within one year, one federal court in the Southern District of New York refused to find a self-

investigative privilege under facts similar to those in which another federal court in the Eastern District of New York recognized such a privilege. *Compare* In re Salomon Inc. Sec. Litig., Nos. 91 Civ. 5442 & 5471, 1992 WL 350762 (S.D.N.Y. Nov. 13, 1992); *with* In re Crazy Eddie Sec. Litig., 792 F. Supp. 197 (E.D.N.Y. 1992).

State law relating to privileges is often governed by statute, and many states have statutes adopting forms of a self-evaluative privilege in a very limited context. For example, most states afford some confidentiality to medical peer reviews of patient care. *See, e.g.*, ALA. CODE § 22-21-8 (2010); FLA. STAT. ANN. § 766.101 (West 2010); GA. CODE ANN. §§ 31-7-133, 31-7-143 (West 2010); IOWA CODE ANN. § 147.135 (West 2010); MASS. GEN. LAWS ANN. ch. 111, § 204 (West 2010). A number of states have adopted statutes that create privilege for environmental audits, generally covering reports or audits that constitute voluntary evaluations designed to identify or prevent non-compliance with environmental laws. *See, e.g.*, ALASKA STAT. ANN. § 09.25.450 (West 2010); KY. REV. STAT. ANN. § 224.01-040 (West 2010); MISS. CODE ANN. § 49-2-71 (West 2010). State courts, however, have generally declined to recognize a more general self-evaluative privilege. *See, e.g.*, Lara v. Tri-State Drilling, Inc., 504 F. Supp. 2d 1323, 1328 (N.D. Ga. 2007) ("Georgia law does not allow for such a privilege."); Jolly v. Super. Ct., 112 Ariz. 186, 540 P.2d 658, 662-63 (Ariz. 1975) (refusing to apply privilege to materials relating to internal investigation of possible violation of company safety standards); Cloud v. Super. Ct. (Litton Indus., Inc.), 50 Cal. App. 4th 1552, 58 Cal. Rptr. 2d 365 (Cal. Ct. App. 1996) (privilege does not exist under California law); Combined Commc'ns Corp. v. Pub. Serv. Co., 865 P.2d 893, 898 (Colo. Ct. App. 1993); S. Bell Tel. & Tel. Co. v. Beard, 597 So. 2d 873, 876 n.4 (Fla. Ct. App. 1992); Rockford Police Benev. & Protective Ass'n, Unit No. 6 v. Morrissey, 925 N.E.2d 1205, 1212 (Ill. App. Ct. 2010) ("The self-critical analysis privilege has not been adopted by the Illinois courts."); Scroggins v. Uniden Corp. of Am., 506 N.E.2d 83, 86 (Ind. Ct. App. 1987); Roman Catholic Diocese of Jackson v. Morrision, 905 So. 2d 1213, 1245 (Miss. 2005) (declining to "recognize or establish" the self-critical analysis privilege).

VII. GOVERNMENTAL DELIBERATIVE PROCESS PRIVILEGE

Freedom of Information Act. The Freedom of Information Act, 5 U.S.C. § 552 (West 2011) ("FOIA"), enacted in 1966, implemented a "general philosophy of full agency disclosure unless information is exempted under clearly delineated statutory language." Dep't of the Air Force v. Rose, 425 U.S. 352, 360-61 (1976) (quoting S. Rep. No. 89-813 (1965)); *see also* Dep't of the Interior v. Klamath Water Users Protective Ass'n, 532 U.S. 1, 7 (2001).

FOIA commands disclosure of certain information held by federal (not state or local) agencies. *See* 5 U.S.C. § 552(a) (West 2011); Grand Cent. P'ship, Inc. v. Cuomo, 166 F.3d 473, 484 (2d Cir. 1999). Except with respect to the records that an agency must automatically disclose or publish under § 552(a)(1)-(2), and intelligence information, exempted under § 552(a)(3)(E), each agency, upon receiving a request that reasonably describes the records sought, shall make its records promptly available to any person. 5 U.S.C. § 552(a)(3)(A). The agency is required to respond whether it will provide the information within 20 days of the receipt of the request. *Id.* § 552(a)(6)(A). An agency presented with a request for records under FOIA is required to produce only the records that were either created or obtained by the agency and are subject to the control of the agency at the time the FOIA request is made. Ethyl Corp. v. U.S. EPA, 25 F.3d 1241, 1247 (4th Cir. 1994) (citing U.S. Dep't of Justice v. Tax Analysts, 492 U.S. 136, 144-45 (1989)). The public right of access to federal agency records created by FOIA is enforceable in court. Audubon Soc'y v. U. S. Forest Serv., 104 F.3d 1201, 1203 (10th Cir. 1997). Under FOIA, districts courts are given jurisdiction to enjoin the agencies from "withholding agency records and to order the production of any agency records improperly withheld." 5 U.S.C. § 552(a)(4)(B) (West 2011). If an agency has been sued by an individual because the agency has refused to release documents, the agency bears the burden of justifying nondisclosure. Herrick v. Garvey, 298 F.3d 1184, 1189 (10th Cir. 2002).

An agency must promptly make available any records requested by members of the public, unless the agency can establish that the information is properly withheld under any of the nine exemptions set forth in the statute. *See* 5 U.S.C. § 552(a)-(b) (West 2011); Casad v. U.S. Dep't of Health & Human Servs., 301 F.3d 1247, 1250-51 (10th Cir. 2002). The enumerated exemptions, which include defense and foreign policy secrets, personnel rules and practices of federal agencies, trade and commercial secrets, the deliberative process, personal privacy, law enforcement, financial institutions and geological information privileges, however, should not "obscure the basic policy that disclosure, not secrecy, is the dominant objective of the Act." Klamath, 532 U.S. at 8. The Act's "purpose is to ensure an informed citizenry, vital to the functioning of a democratic society, needed to check against corruption and to hold the governors accountable to the governed." Herrick, 298 F.3d at 1189.

Deliberative Process Exemption. Exemption 5 of FOIA establishes the deliberative process privilege for federal agencies. The privilege shields from mandatory disclosure "inter-agency or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency." 5 U.S.C. § 552(b)(5) (West 2011); N.L.R.B. v. Sears, Roebuck & Co., 421 U.S. 132, 148-49 (1975) (holding that

exemption 5 withholds from members of the public documents that a private party could not discover in litigation with the agency).

Exemption 5 of FOIA has been held to incorporate the deliberative process, the attorney-client and the work product privileges. *See* Sears, Roebuck & Co., 421 U.S. at 149; Tax Analysts v. I.R.S., 294 F.3d 71, 76 (D.C. Cir. 2002); Tigue v. U.S. Dep't of Justice, 312 F.3d 70, 76-77 (2d Cir. 2002) (deliberative process privilege is a "sub-species" of the work product privilege); United States. v. Fernandez, 231 F.3d 1240, 1246 (9th Cir. 2000); Schell v. U.S. Dep't of Health & Human Servs., 843 F.2d 933, 939 (6th Cir. 1988). This part of the outline focuses on the deliberative process privilege only.

The deliberative process privilege protects from disclosure certain documents reflecting an agency's internal decision-making. The privilege rests on the proposition that officials will not communicate candidly among themselves if each remark is a potential item of discovery and front-page news, and the purpose of the privilege is to enhance the quality of agency decisions by protecting open and frank discussion among those who make them within the government. Klamath, 532 U.S. at 8-9; United States v. Nixon, 418 U.S. 683, 705 (1974) (recognition of the privilege relies on the notion that "those who expect public dissemination of their remarks may well temper candor with a concern for appearances and for their own interests to the detriment of the decision-making process"); Sears, Roebuck & Co., 421 U.S. at 151 (the general purpose of the deliberative-process privilege is to prevent injury to the quality of agency decisions); United States v. Farley, 11 F.3d 1385, 1389 (7th Cir.1993) (same); *see also* Judicial Watch v. Dep't of the Army, 466 F. Supp. 2d 112, 120 (D.D.C. 2006) (noting three part rationale for privilege: (1) to encourage frank discussions in government agencies, (2) to protect government policies from public disclosure prior to being finalized, and (3) to prevent public confusion regarding the ultimate rationale for an agency's adopted policy).

However, because the public generally "has a right to every man's evidence," the courts narrowly construe constitutional, common law, and statutory privileges "for they are in derogation of the search for truth." Nixon, 418 U.S. at 709-10; U.S. Dep't of State v. Ray, 502 U.S. 164, 173 (1991) (admonishing that, in applying the deliberative process privilege, at all times courts must bear in mind that FOIA mandates a "strong presumption in favor of disclosure"); U.S. Dep't of Justice v. Tax Analysts, 492 U.S. at 151 ("[c]onsistent with the Act's goal of broad disclosure, these exemptions have been consistently given a narrow compass"); Rose, 425 U.S. at 361 (limited exemptions do not obscure the basic policy that disclosure, not secrecy, is the dominant objective of the Act).

A. ELEMENTS OF THE PRIVILEGE

To qualify under the express terms of Exemption 5, a document must originate from a government agency and fall within the ambit of a privilege against discovery under judicial standards that would govern litigation against the agency that holds the document. Dep't of the Interior v. Klamath Water Users Protective Ass'n, 532 U.S. 1, 2 (2001) (discussing the agency-origin requirement). Having examined whether the documents sought constitute "inter-agency or intra-agency communications," a court must determine whether the documents sought would be "normally privileged in the civil discovery context." NLRB v. Sears, Roebuck & Co., 421 U.S. 132, 149 (1975). The relevant inquiry is "whether the documents would be 'routinely' or 'normally' disclosed upon a showing of relevance" in civil discovery. FTC v. Grolier, Inc., 462 U.S. 19, 26 (1983). If a document is protected work product, it is also protected by Exemption 5 without reaching the issue of whether it is also protected by the deliberative process privilege. Such materials are not "routinely" or "normally" available to parties in litigation and hence are exempt under Exemption 5. *Id*. at 27-28; *see also* Hanson v. U.S. Agency for Int'l Dev., 372 F.3d 286, 292-94 (4th Cir. 2004).

Building upon the Supreme Court guidelines, federal courts of appeals developed judicial standards governing the assertion of deliberative process privilege. Under these principles, in order to assert the privilege, an agency must show that the information sought is (1) an inter-agency or intra-agency document; (2) predecisional; and (3) deliberative. Carter v. U.S. Dep't of Commerce, 307 F.3d 1084, 1089 (9th Cir. 2002); Tigue v. U.S. Dep't of Justice, 312 F.3d 70, 76-77 (2d Cir. 2002) (deliberative process privilege covers "documents reflecting advisory opinions, recommendations and deliberations comprising part of a process by which governmental decisions and policies are formulated"); Texaco P.R., Inc. v. Dep't of Consumer Affairs, 60 F.3d 867, 884 (1st Cir. 1995); Becker v. IRS, 34 F.3d 398, 403 (7th Cir. 1994); City of Virginia Beach v. U.S. Dep't of Commerce, 995 F.2d 1247, 1254 (4th Cir. 1993); Local 3, Int'l Bhd. of Elec. Workers v. NLRB, 845 F.2d 1177, 1180 (2d Cir.1988). The failure to specify the relevant final decision to which the predecisional communication refers constitutes a sufficient ground for remanding this aspect of the case to the district court. Senate of the Commonwealth of P.R. v. U.S. Dep't of Justice, 823 F.2d 574, 585 (D.C. Cir. 1987). *But see* City of Virginia Beach, 995 F.2d at 1253 (stating that the government need not identify a specific decision in connection with which a memorandum is prepared because agencies are deemed to be engaged in a continuing process of examining their polices that can generate memoranda that do not ripen into final agency decisions).

1. Intra- And Inter-Agency Communications

The deliberative process privilege embodied in Exemption 5 of FOIA extends to inter- or intra-agency communications. In this context, "agency" means each authority of the government of the United States, and includes any executive department, military department, government corporation, government controlled corporation, or other establishment in the executive branch of the government, or any independent regulatory agency. Dep't of the Interior v. Klamath Water Users Protective Ass'n, 532 U.S. 1, 9 (2001) (quoting 5 U.S.C. §§ 551(1) and 552(f)). While "intra-agency" documents are those that remain inside a single federal agency, and "inter-agency" documents are those that go from

one governmental agency to another, they are treated identically by courts interpreting FOIA. Renegotiation Bd. v. Grumman Aircraft Eng'g Corp., 421 U.S. 168, 188 (1975) ("Exemption 5 does not distinguish between inter-agency and intra-agency memoranda."). The Supreme Court has cautioned, however, that the term "intra-agency" is not "just a label to be placed on any document the Government would find it valuable to keep confidential." Klamath, 532 U.S. at 12. In this context, "agency" means each authority of the government of the United States and includes any executive department, military department, government corporation, government controlled corporation, or other establishment in the executive branch of the government, as well as any independent regulatory agency. *Id.* at 9 (quoting 5 U.S.C. §§ 551(1) and 552(f)). Entities within the executive branch set up solely to advise the President are not considered "agencies," however. *See* Judicial Watch, Inc. v. Nat'l Energy Policy Dev. Group, 219 F. Supp. 2d 20, 56 (D.D.C. 2002) (holding that the Vice President and his staff were not subject to FOIA), *rev'd on other grounds*, Cheney v. U.S. Dist. Ct., 540 U.S. 1088 (2003); Meyer v. Bush, 981 F.2d 1288, 1298 (D.C. Cir. 1993) (holding that a task force created by the President to study regulatory relief is not an "agency" under FOIA). The privilege is available to government officials who seek to preclude disclosure of documents that reflect discussions within or between agencies concerning policy or other decisional choices and that contain analyses or suggestions designed to assist a government decision-maker in reaching a decision about a specific issue. Klamath, 532 U.S. at 8; Grumman Aircraft, 421 U.S. at 186-88; Tigue v. U.S. Dep't of Justice, 312 F.3d 70, 76 (2d Cir. 2002); In re Sealed Case, 121 F.3d 729, 737 (D.C. Cir. 1997) (quoting Sears, Roebuck & Co., 421 U.S. at 150). Also, Exemption 5 likely does not extend to information shared between the Executive Branch and Congress as the communications would not be considered "inter-agency" or "intra-agency." *See* Elec. Frontier Found. v. Office of the Dir. of Nat'l Intelligence, No. 09-17235, 2010 WL 1407955, at *11 (9th Cir. Apr. 9, 2010) ("After the district court's disclosure order, the Solicitor General chose not to appeal the Exemption 5 ruling as it pertained to the documents exchanged between the Executive Branch and Congress . . . .")

Although documents qualify as "inter-agency" or "intra-agency" if communicated between or within a government agency, some courts recognize a "consultant corollary" which extends the exemption to communications between government agencies and outside consultants acting on behalf of the agency. *See* Nat'l Inst. of Military Justice v. U.S. Dep't of Def., 512 F.3d 677, 682 (D.C. Cir. 2008). *Compare* Tigue, 312 F.3d at 78 & n.2 (report prepared by Assistant United States Attorney for task force commission established by IRS and relied upon by commission in providing recommendation to IRS constituted inter-agency communication under FOIA); Hoover v. U.S. Dep't of the Interior, 611 F.2d 1132, 1138 (5th Cir. 1980) (independent cave appraiser); Lead Indus. Ass'n v. OSHA, 610 F.2d 70, 83 (2d Cir. 1979) (applying Exemption 5 to cover draft reports "prepared by outside consultants who had testified on behalf of the agency rather than agency staff"); Gov't Land Bank v. Gen. Servs. Admin., 671 F.2d 663, 665 (1st Cir. 1982) (independent property appraisal); Wu v. Nat'l Endowment for Humanities, 460 F.2d 1030 (5th Cir. 1972) (evaluation by Chinese history experts); *and* Citizens for Responsibility & Ethics in Wash. v. U.S. Dep't of Homeland Sec., 514 F. Supp.2d 36 (D.D.C. 2007) (materials drafted by independent contractors in connection with developing FEMA's new catastrophic planning initiative privileged because they were analyses of Government's ongoing response to Hurricane Katrina); *with* Klamath, 532 U.S. at 12 (holding that documents submitted by

Native American at request of Department of the Interior in the course of administrative and adjudicative proceedings did not qualify as intra-agency communication because the tribes had direct interests in the outcome of proceedings and this did not qualify as consultants); Meyer v. Bush, 981 F.2d 1288, 1298 (D.C. Cir. 1993) (holding that a task force created by the President to study regulatory relief is not an "agency" under FOIA); Dow Jones & Co. v. Dep't of Justice, 917 F.2d 571, 574 (D.C. Cir. 1990) (U.S. Congress is not an agency for purposes of FOIA); People for the Am. Way Found. v. U.S. Dep't of Educ., 516 F. Supp.2d 28 (D.D.C. 2007) (documents exchanged between U.S. Department of Education and contractors regarding voucher program not privileged when contractor was statutorily required to provide independent evaluation of the program and was not hired in an advisory capacity).

The U.S. Supreme Court suggested documents created by outside consultants for the agency may be considered privileged when "the records submitted by outside consultants played essentially the same part in an agency's process of deliberation as documents prepared by agency personnel may have done." Klamath, 532 U.S. at 10 (citing U.S. Dep't of Justice v. Julian, 486 U.S. 1, 18 n.1 (1988) (Scalia, J., dissenting). For example, in National Institute of Military Justice, the Department of Defense solicited opinions from legal experts and former high-ranking government officials on the proper procedures for military commissions trying accused terrorists. 512 F.3d at 688. The D.C. Circuit held that the opinions of these uncompensated experts were inter- or intra-agency communications. The court in National Institute of Military Justice held that outside experts consulted for their opinion need not be paid, where their opinions were specifically solicited by the Department of Defense and the individuals consulted were not advocating their own interests, or the interests of clients, when they provided the advice. *Id.* at 682-88.

In a recent ruling, the Fifth Circuit in Hunton & Williams v. United Department of Justice, articulated an extension of the reach of Exemption 5, holding that under the common interest doctrine certain communications with private litigants with whom a federal agency shared a common interest could constitute protected "inter-agency" or "intra-agency" communications. 590 F.3d 272, 283-85 (5th Cir. 2010). The Fifth Circuit held that the test to be applied in determining when communications with a private litigant would be potentially protected is "the point in time when [the agency] decided it was in the public interest for [the private litigant] to prevail in the litigation ***and*** [the agency] agreed to partner with [the private litigant] to do so." *Id.* at 285 (emphasis added). The court was clear that although the common interest doctrine allowed the agency to assert privilege over communications with a private litigant satisfying the "inter-agency" or "intra-agency" requirement under Exemption 5, the agency also had to establish the elements of a recognized privilege. *Id.* at 280.

2. Predecisional Communications

Courts have held that only predecisional documents fit within the bounds of deliberative process privilege, while post-decisional memoranda and communications designed to explain a decision already made do not. *See e.g.* NLRB v. Sears, Roebuck & Co., 421 U.S. 132, 151 (1975). A document qualifies as predecisional if it is "prepared in order to assist an agency decision-maker in arriving at his decision." Carter v. U.S. Dep't of

Commerce, 307 F.3d 1084, 1089 (9th Cir. 2002) (material that predates a decision chronologically, but did not contribute to that decision, is not predecisional in any meaningful sense); Providence Journal Co. v. U.S. Dep't of the Army, 981 F.2d 552, 557 (1st Cir.1992) ("A document will be considered 'predecisional' if the agency can [also] (i) pinpoint the specific agency decision to which the document correlates . . . and (ii) verify that the document precedes, in temporal sequence, the 'decision' to which it relates.") (internal quotations and citations omitted); FTC v. Warner Commc'ns, Inc., 742 F.2d 1156, 1161 (9th Cir. 1984) (a predecisional document must have been generated before the adoption of an agency policy or decision); *see also* Grand Cent. P'ship, Inc. v. Cuomo, 166 F.3d 473, 482 (2d Cir. 1999) (a document is predecisional if it is prepared in order to assist an agency decision-maker in arriving at his decision); Nat'l Wildlife Fed'n v. U.S. Forest Serv., 861 F.2d 1114, 1121 (9th Cir. 1988) ("Recommendations on how best to deal with a particular issue are themselves the essence of the deliberative process"); Senate of the Commonwealth of P.R. v. U.S. Dep't of Justice, 823 F.2d 574, 585 (D.C. Cir. 1987) ("[To] approve exemption of a document as predecisional, a court must be able to pinpoint an agency decision or policy to which the document contributed"). *But see* Judicial Watch v. Dep't of the Army, 466 F. Supp. 2d 112, 120 (D.D.C. 2006) (holding that agency need not point to specific final decision by agency to establish deliberative process privilege).

Drafts of agency orders, regulations, or official histories are routinely deemed to be predecisional and protected by the privilege. *See, e.g.*, Dudman Commc'ns Corp. v. Dep't of the Air Force, 815 F.2d 1565 (D.C. Cir. 1987) (protecting draft manuscript of official history of Air Force involvement in Vietnam); Arthur Andersen & Co. v. IRS, 679 F.2d 254, 257-58 (D.C. Cir. 1982) (protecting draft of IRS revenue ruling); Pies v. IRS, 668 F.2d 1350, 1354 (D.C. Cir. 1981) (protecting draft of proposed IRS regulations). The privilege covers recommendations, draft documents, proposals, suggestions, and other subjective documents, which reflect the personal opinions of the writer rather than the policy of the agency. *See* Williams & Connolly LLP v. SEC, 729 F. Supp. 2d 202, 212-13 (D.D.C. 2010) (handwritten interview notes taken by SEC enforcement staff during a criminal prosecution that reflected the mental impressions of the SEC staff, their recommendations, and thoughts concerning the investigation qualified as "deliberative" and fell within the deliberative process privilege); Judicial Watch, 466 F. Supp. 2d at 121-22 (protecting document that had "the appearance of a final copy," but had blank space to be signed by military official and attached to email that referred to document as a "draft"); Dipace v. Goord, 218 F.R.D. 399, 404-06 (S.D.N.Y. 2003) (letter from commissioner of correctional services to commissioner of mental health discussing inpatient psychiatric care of inmates and proposal relating to number of beds at state psychiatric center was protected from disclosure as predecisional plan rather than final agency decision); Hunt v. U.S. Marine Corp., 935 F. Supp. 46, 51-52 (D.D.C. 1996) (withholding drafts, recommendations, and subjective memos as predecisional and deliberative). Moreover, "notes taken by government officials often fall within the deliberative process privilege." Baker & Hostetler LLP v. U.S. Dep't of Commerce, 473 F.3d 312, 321 (D.C. Cir. 2006); *see also* Carter, Fullerton & Hayes LLC v. FTC, 520 F. Supp.2d 134 (D.D.C. 2007) (handwritten notes and outline created by senior FTC employee in preparation for an "industry speech" were privileged when they "[were] 'deliberative aids' in deciding the final content of a Commission sanctioned speech").

Likewise, legal opinions provided to assist an agency official in making an official decision before an agency decision is made are also protected by the privilege. Elec. Privacy Info. Ctr. v. U.S. Dep't of Justice, 584 F. Supp. 2d 65, 74-78 (D.D.C. 2008) (legal opinions prepared by the Department of Justice's Office of Legal Counsel for the Attorney General and the head of another executive agency were protected by the deliberative process privilege); *accord* Citizens for Responsibility & Ethics in Wash. v. Office of Admin., 249 F.R.D. 1, 5-8 (D.D.C. 2008). *But see* Tax Analysts v. IRS, 294 F.3d 71, 76 (D.C. Cir. 2002) (undisclosed legal opinions representing the "final statement of agency policy" are not protected by the privilege).

Although some courts have held that documents to which the deliberative process privilege applies should temporally precede the related specific agency decisions, *see, e.g.*, Cuomo, 166 F.3d at 482, the privilege can also apply although no agency decision has yet been reached. In Sears, Roebuck & Co., the Supreme Court noted that agencies are engaged in a continuing process of examining their policies; this process will generate memoranda containing recommendations that do not ripen into agency decisions, and, therefore, the lower courts should be wary of interfering with this process. 421 U.S. at 153 n.18 (taking notice that the lower courts have uniformly drawn a distinction between predecisional communications, which are privileged, and communications made after the decision and designed to explain it, which are not). At the same time, the Court noticed the difficulty of drawing a bright line between predecisional and post-decisional documents. *Id.* at 153 n.19. The final opinion of an agency serves a dual function of explaining the decision just made and providing guidelines for decisions of similar cases arising in the future. *Id.* In this latter guiding function, the agency opinion is predecisional because it may affect decisions in later cases. *Id*. In this context, some courts have held that the deliberative process privilege can also extend to recommendations and decisions concerning follow-up or lingering issues. *See, e.g.*, City of Virginia Beach v. U.S. Dep't of Commerce, 995 F.2d 1247, 1254 (4th Cir. 1993) (protecting documents discussing past decision as it impacts on future decision).

However, courts deny protection to information that articulates a policy previously adopted as agency policy so as to prevent the creation of "secret law" that is unavailable to the public. *See* Tax Analysts v. IRS, 117 F.3d 607, 617 (D.C. Cir. 1997) ("A strong theme of our [deliberative process] opinions has been that an agency will not be permitted to develop a body of 'secret law'. . . .") (quoting Coastal States Gas Corp. v. Dep't of Energy, 617 F.2d 854, 866 (D.C. Cir. 1980)). For example, established guidelines such as the prosecutorial guidelines issued to United States Attorney's offices are not protected from disclosure by the deliberative process privilege because the guidelines "express the settled and established policy of the U.S. Attorney's Office." Jordan v. U.S. Dep't of Justice, 591 F.2d 753, 774 (D.C. Cir. 1997); *accord* Pub. Citizens, Inc. v. Office of Mgmt. & Budget, 598 F.3d 865, 875 (D.C. Cir. 2010) (materials identifying and explaining why certain federal agencies were not subject to an OMB legislative clearance process were not predecisional).

The deliberative process exemption similarly does not cover explanations of agency action or decisions that have already been made as they are not considered predecisional. Fulbright & Jaworski v. U.S. Dep't of Treasury, 545 F. Supp. 615, 617 (D.D.C. 1982). For this reason, drafts of press releases, communications explaining a policy decision to another executive agency, and training materials, prepared after the decision was made, may not be

privileged. Mayer, Brown, Rowe, & Maw LLP v. IRS, 537 F. Supp. 2d 128, 136, 138-41 (D.D.C. 2008). *But see* ACLU v. U.S. Dep't of Homeland Sec., 738 F. Supp. 2d 93, 112 (D.D.C. 2010) (talking points prepared before formal public statements were predecisional); Ford Motor Co. v. U.S., 94 Fed. Cl. 211, 223-24 (Fed. Cl. 2010) (distinguishing Mayer, Brown, Rowe, & Maw and holding that *draft* press releases were predecisional).

Moreover, "even if the document is predecisional at the time it is prepared, it can lose that status if it is adopted, formally or informally, as the agency position on an issue or is used by the agency in its dealings with the public." Coastal States, 617 F.2d at 866. In Sears, Roebuck & Co., the Court required express adoption of a predecisional document as a prerequisite to finding waiver under Exemption 5. 421 U.S. at 161 (refusing to equate reference to a report's conclusions with adoption of its reasoning; it is only the latter that destroys the privilege). In addition, the Fifth Circuit has held that a document explaining the disposition of informal or routine matters can be exempt from disclosure, and that only documents that explain the formal adjudication of matters committed to the agency are the type of final opinions that must be disclosed. Skelton v. U.S. Postal Serv., 678 F.2d 35, 40-41 (5th Cir. 1982).

3. Deliberative Documents

In order to qualify for the deliberative process privilege, a document must also be deliberative. A document is "deliberative when it is actually . . . related to the process by which policies are formulated." Grand Cent. P'ship, Inc. v. Cuomo, 166 F.3d 473, 482 (2d Cir. 1999); Hopkins v. U.S. Dep't of Hous. & Urban Dev., 929 F.2d 81, 84 (2d Cir. 1991); Williams & Connolly LLP v. SEC, 729 F. Supp. 2d 202, 212-213 (D.D.C. 2010) (handwritten interview notes taken by SEC enforcement staff during a criminal prosecution that reflected the mental impressions of the SEC staff, their recommendations, and thoughts concerning the investigation qualified as "deliberative" and fell within the deliberative process privilege). The exemption's coverage is not limited to recommendations that result in a final decision. *See* NLRB v. Sears, Roebuck & Co., 421 U.S. 132, 151 n18 (1975) ("Agencies are, and properly should be, engaged in a continuing process of examining their policies; this process will generate memoranda containing recommendations which do not ripen into agency decisions; and the lower courts should be wary of interfering with this process."); Cal. Native Plant Soc'y v. U.S. E.P.A., 251 F.R.D. 408, 411-413 (N.D. Cal 2008) ("deliberative process privilege does not require final agency action"); Judicial Watch v. Dep't of the Army, 466 F. Supp. 2d 112, 120 (D.D.C. 2006) (holding that an agency need not point to specific final decision by agency to establish deliberative process exception). However, implicit in the name of the privilege is the assumption that there must have been a specific decision-making process, in which the information at issue played a role. *See* Coastal States, 617 F.2d at 868 ("It is also clear that the agency has the burden of establishing what deliberative process is involved, and the role played by the documents in issue in the course of that process.") (citing Vaughn v. Rosen, 523 F.2d 1136, 1146 (D.C. Cir. 1975)). It is not enough to show that the information was conveyed during the deliberative process; instead, the statement or document must have been a direct part of the deliberative process in that it makes recommendations or expresses opinions on legal or policy matters. Cuomo, 166 F.3d at 482 (citing Ethyl Corp.); Ethyl Corp. v. EPA, 25 F.3d 1241, 1248 (4th Cir. 1994) (the privilege protects "recommendations, draft documents,

proposals, suggestions, and other subjective documents which reflect the personal opinions of the writer rather than the policy of the agency"); Vaughn, 523 F.2d at 1144 ("[P]re-decisional materials are not exempt merely because they are predecisional; they must also be a part of the agency give-and-take of the deliberative process by which the decision itself is made."); Allen v. Woodford, No. CV-F.05-1104, 2007 WL 309945, at *5, 9 (E.D. Cal. Jan. 30, 2007) (to obtain privilege, communication must relate to a larger policy formulation, not a single, trivial decision, such as whether to fire a single employee); *see also* Cal. Native Plant Soc'y, 251 F.R.D. at 416 (requiring an agency to respond to interrogatories seeking information on the mechanics of the agency's decision making process but not the substance of the decision).

The privilege does not protect documents that are merely peripheral to actual policy formation. Cuomo, 166 F.3d at 482; *see* Jones v. Murphy, 256 F.R.D. 510, 517-18 (D. Md. 2008) (rejecting privilege where memoranda consisted of statements of law and assessments of existing policy, noting that the Fourth Circuit has adopted the "give-and-take test to determine whether documents are deliberative" meaning that there is "an actual back-and-forth in the documents . . . among agencies and parties"); Mayer, brown, Rowe & Maw LLP v. IRS, 537 F. Supp. 2d 128, 136, 136-37 (D.D.C. 2008) (holding an anonymous memo was not privileged because it was "not shared with anyone else [who] would contribute to the decision process of agency policy making"); Tortorici v. Goord, 216 F.R.D. 256, 258-59 (S.D.N.Y. 2003) (quality assurance documents produced pursuant to New York statute requiring formal review following inmate suicide were not predecisional, and thus were not protected by deliberative process privilege, even though documents may have been considered in making ultimate determination whether to forcibly medicate inmates at risk of suicide, where documents were not created for that purpose, but for purposes of measuring compliance with existing procedures); *see also* ACLU v. U.S. Dep't of Homeland Sec., 738 F. Supp. 2d 93, 112-13 (D.D.C. 2010) (final report and expert report related to immigration detainee suicides were not protected because the agency failed to establish that the reports recommend any action or were considered as part of an agency decision-making process).

Similarly, there is authority that documents that explain "the reasons behind existing policy . . . are not deliberative," and to the extent that an agency seeks to shield from disclosure a document that explains "existing policy and current state of affairs, [the agency] may withhold only those portions that provide candid and evaluative commentary." Pub. Citizens, Inc. v. Office of Mgmt. & Budget, 598 F.3d 865, 875 (D.C. Cir. 2010) (materials identifying and explaining why certain federal agencies were not subject to OMB legislative clearance process were not deliberative).

Case law identifies two additional non-conclusive factors that may assist courts in determining whether an opinion or recommendation is "deliberative": (1) the "nature of the decision-making authority vested in the officer or person issuing the disputed document," and (2) "the relative positions in the agency's chain of command occupied by the document's author and recipient." Senate of the Commonwealth of P.R. v. U.S. Dep't of Justice, 823 F.2d 574, 585 (D.D.C. 1987); *see also* Casad v. U.S. Dep't of Health & Human Servs., 301 F.3d 1247, 1252 (10th Cir. 2002). Thus, for example, "[i]ntra-agency memoranda from subordinate to superior on an agency ladder are likely to be more deliberative in character

than documents emanating from superior to subordinate." Schlefer v. United States, 702 F.2d 233, 238 (D.C. Cir. 1983). Conversely, a memorandum from a superior agency official to a subordinate official is less likely to be considered deliberative. *Id.*; *accord* Casad, 301 F.3d at 1252.

Other courts have looked at similar factors such as whether the document "(i) formed an essential link in a specified consultative process, (ii) reflect[s] the personal opinions of the writer rather than the policy of the agency, and (iii) if released, would inaccurately reflect or prematurely disclose the views of the agency," Cuomo, 166 F.3d at 482 (internal citations and quotations omitted); *see also* Hopkins, 929 F.2d at 84, or whether "the disclosure of the materials would expose an agency's decisionmaking process in such a way as to discourage candid discussion within the agency and thereby undermine the agency's ability to perform its functions." Lahr v. Nat'l Transp. Safety Bd., 569 F.3d 964, 982 (9th Cir. 2009).

4. Factual Material May Not Be Privileged.

The courts must distinguish the exempted deliberative process information from the factual material that is not protected. It is well-established that discussions of objective facts, as opposed to opinions and recommendations, are not protected by the privilege. *See e.g.*, Trentadue v. Integrity Comm., 501 F.3d 1215, 1229 (10th Cir. 2007) (factual material not privileged unless 1) inextricably intertwined with deliberative materials or 2) disclosure would reveal deliberative materials); Grand Cent. P'ship, Inc. v. Cuomo, 166 F.3d 473, 482 (2d Cir. 1999) (as a general matter, the privilege does not cover purely factual material); Local 3, Int'l Bhd. of Elec. Workers v. NLRB, 845 F.2d 1177, 1180 (2d Cir. 1988) ("Purely factual material not reflecting the agency's deliberative process is not protected"); In re Subpoena Served Upon the Comptroller of the Currency & Sec'y of the Bd. of Governors of the Fed. Reserve Sys., 967 F.2d 630, 634 (D.C. Cir. 1992) (the bank examination privilege, like the deliberative process privilege, shields from discovery only agency opinions or recommendations; it does not protect purely factual material).

Even if some materials from the requested record are exempt from disclosure, FOIA still requires that any "reasonably segregable" factual information from those documents must be disclosed after redaction, unless the nonexempt portions are inextricably intertwined with the exempt portions. 5 U.S.C. § 552(b) (West 2011); *see also* Mo. Coal. for the Env't Found. v. U.S. Army Corps of Eng'rs, 542 F.3d 1204, 1211-12 (8th Cir. 2008); Trentadue, 501 F.3d at 1231 (ordering disclosure of first seven pages of a memo when the introduction of the memo contained purely factual information related to the hanging death of an inmate); Judicial Watch, Inc. v. Dep't of Justice, 432 F.3d 366, 369 (D.C. Cir. 2005); Army Times Publ'g Co. v. Dep't of Air Force, 998 F.2d 1067, 1071 (D.C. Cir. 1993) ("Exemption 5 applies only to the deliberative portion of a document and not to any purely factual, non-exempt information the document contains; non-exempt information must be disclosed if it is reasonably segregable from exempt portions of the record, and the agency bears the burden of showing that no such segregable information exists"); ACLU v. U.S. Dep't of Homeland Sec., 738 F. Supp. 2d 93, 108-11 (D.D.C. 2010) (upholding redactions of memos to protect analysis and opinion of inspectors investigating immigration detainee suicides but requiring further disclosure or justification as to the complete redaction of a challenged email that potentially contained segregable factual information); Williams & Connolly LLP v. SEC,

729 F. Supp. 2d 202, 213 (D.D.C. 2010) (deliberative process privilege did not cover factual material contained in handwritten interview notes taken by SEC enforcement staff to the extent that the factual material was not "inextricably intertwined with deliberative notes"); Keeper of the Mountains Found. v. U.S. Dep't of Justice, 514 F. Supp.2d 837, 856 (S.D. W. Va. 2007) ("The unsworn assertion by counsel cannot overcome the DOJ's failure to conduct an inquiry into whether segregable information may be disclosed. . . ."); United States v. Exxon Corp., 87 F.R.D. 624, 636-37 (D.D.C. 1980) (ordering the Department of Energy to excise factual materials from information protected by the privilege and provide the factual information to the opposing party); *see also* Sanchez v. Johnson, No. C-00-1593 CW (JCS), 2001 WL 1870308, at *5 (N.D. Cal. Nov. 19, 2001) ("[T]he fact/opinion distinction should not be applied mechanically. Rather, the relevant inquiry is whether revealing the information exposes the deliberative process.") (internal citations and quotations omitted). Further, some circuits require the district court to make a specific finding on the issue of segregability. Mo. Coal. for the Env't Found., 542 F.3d at 1212. In order to demonstrate that all reasonably segregable material has been released, the agency must provide a "detailed justification" for its non-segregability. Johnson v. Executive Office for U.S. Attorneys, 310 F.3d 771, 776 (D.C. Cir. 2002) (citing Mead Data Cent., Inc. v. Dep't of the Air Force, 566 F.2d 242, 260 (D.C. Cir. 1977)); *see also* Mo. Coal. for the Env't Found., 542 F.3d at 1212. However, the agency is not required to provide so much detail that the exempt material would be effectively disclosed. Johnson, 310 F.3d at 776.

In the course of governmental business, many federal agencies are required to collect scientific facts and reach expert scientific conclusions based on these facts. Documents that contain factual information may be protected if "the manner of selecting or presenting those facts would reveal the deliberative process, or if the facts are 'inextricably intertwined' with the policymaking process." Ryan v. Dep't of Justice, 617 F.2d 781, 790 (D.C. Cir. 1980) (citing Montrose Chem. Corp. v. Train, 491 F.2d 63, 68 (D.C. Cir. 1974) and Soucie v. David, 448 F.2d 1067, 1078 (D.C. Cir. 1971)); *see also* Moye v. Nat'l R.R. Passenger Corp., 376 F.3d 1270, 1280-82 (11th Cir. 2004) (Amtrak's financial audit work papers and internal memoranda relating to contract for design and construction of high-speed rail electrification system were protected by deliberative process privilege, where entire body of collaborative work performed by Amtrak's auditors, including advisory opinions, recommendations, and deliberations comprised part of process by which Amtrak auditing policies were formulated); Nat'l Wildlife Fed'n v. U.S. Forest Serv., 861 F.2d 1114, 1118-19 (9th Cir 1988) (application of the privilege is not tied to the type of information secreted in a document; the privilege applies if disclosure of factual information would reveal the agency's decision-making process); N.Y. Pub. Interest Research Group v. U.S. EPA, 249 F. Supp. 2d 327 (S.D.N.Y 2003) (holding that information submitted by polluter regarding less expensive alternatives for cleaning up a site was not protected from disclosure, but the EPA official's notes of meetings with polluter were protected under the deliberative process privilege because the notes reflected the priorities and interest of the agency and disclosing the notes would expose the agency's decision-making process).

However, the fact that the agency's scientific expertise is brought to bear does not necessarily transform interpretations of facts into communications protected by the deliberative process privilege. Greenpeace v. Nat'l Marine Fisheries Serv., 198 F.R.D. 540, 544 (W.D. Wash. 2000) (holding that documents prepared to determine effect of groundfish

fisheries on Stellar sea lion and its habitat were not protected from disclosure by the deliberative process privilege); Seafirst Corp. v. Jenkins, 644 F. Supp. 1160, 1163 (W.D. Wash. 1986) (holding that reports produced by the national bank examiners of the Office of Comptroller of Currency with respect to financial condition of the corporation's principal subsidiary, though containing expert interpretations of facts, did not contain advisory opinions, recommendations and deliberations comprising part of the process by which government formed its decisions and, hence, were not protected from discovery); Petroleum Info. Corp. v. U.S. Dep't of the Interior, 976 F.2d 1429, 1437-38 (D.C. Cir. 1992) (information collected by the Bureau of Land Management, if not associated with a significant policy decision, is not "deliberative"); Playboy Enters. v. Dep't of Justice, 677 F.2d 931, 935 (D.C. Cir. 1982) (holding that fact report was not within the privilege because the compilers' mission was simply to "investigate facts," and because the report was not "intertwined with the policy-making process"); Parke, Davis & Co. v. Califano, 623 F.2d 1, 6 (6th Cir. 1980) (expert opinions of agency scientists and medical personnel applying FDA regulations were unconnected to policy decisions of agency and not protected); Pac. Molasses Co. v. NLRB, 577 F.2d 1172, 1183 (5th Cir. 1978) (holding privilege inapplicable to "mechanically compiled statistical report" which contained no subjective conclusions); Allocco Recycling, Ltd. v. Doherty, 220 F.R.D. 407, 412 (S.D.N.Y 2004) (holding that commercial waste management study and notes were not protected by deliberative process privilege because the consultant's role was limited to obtaining, recording and analysis of factual material).

On the other hand, even purely factual information may be protected if "the manner of selecting or presenting those facts would reveal the deliberative process, or if the facts are 'inextricably intertwined' with the policymaking process." Ryan, 617 F.2d at 790 (citing Montrose Chem. Corp. v. Train, 491 F.2d 63, 68 (D.C. Cir. 1974) and Soucie v. David, 448 F.2d 1067, 1078 (D.C. Cir. 1971)); *see also* In re United States, 321 F. App'x 953, 959 (Fed Cir. 2009) (factual information may be protected from disclosure if it reveals the deliberative process and is intertwined with the policymaking process); FTC v. Warner Commc'ns, Inc., 742 F.2d 1156, 1161 (9th Cir. 1984) (purely factual material that does not reflect deliberative processes is not protected; however, factual material that is so interwoven with the deliberative material that it is not severable is protected); Nat'l Wildlife Fed'n, 861 F.2d at 1118-19 (application of the privilege is not tied to the type of information secreted in a document; the privilege applies if disclosure of factual information would reveal the agency's decision-making process); Reliant Energy Power Generation Inc. v. Fed. Energy Regulatory Comm'n, 520 F. Supp. 2d 194, 203 (D.D.C. 2007) ("[A]n agency may withhold a factual portion of a document if, in creating the document, the author undertook to separate significant facts from insignificant facts.").

B. LIMITATIONS OF THE PRIVILEGE

Even if a document satisfies the criteria for protection under the deliberative process privilege, nondisclosure is not automatic. Unlike the attorney-client privilege, the deliberative process privilege is a qualified one, and can be overcome by a sufficient showing of need outweighing the harm that might result from disclosure. In re Sealed Case, 121 F.3d 729, 737-38 (D.C. Cir. 1997); United States v. Farley, 11 F.3d 1385, 1389 (7th Cir. 1993); FTC v. Warner Commc'ns Inc., 742 F.2d 1156, 1161 (9th Cir. 1984); Coastal States Gas Corp. v. Dep't of Energy, 617 F.2d 854, 868 (D.C. Cir. 1980).

1. Balancing Test

Once all elements of the privilege have been shown by the governmental agency, the burden shifts to the party opposing the privilege to establish that its need for the information outweighs the interest of the government in preventing disclosure of the information. *See* In re Sealed Case, 121 F.3d 729, 737 (D.C. Cir. 1997) (the deliberative process privilege can be overcome by a sufficient showing of need); Northrop Corp. v. McDonnell Douglas Corp., 751 F.2d 395, 404 (D.C. Cir. 1984) ("[U]nlike the absolute state secrets privilege, [the deliberative process privilege] is relative to the need demonstrated for the information."); FTC v. Warner Commc'ns Inc., 742 F.2d 1156, 1161 (9th Cir. 1984) (unless the privilege is overcome, it protects from disclosure materials that are both predecisional and reflective of a government official's deliberative process); Modesto Irrigation Dist. v. Guiterrez, No. 1:06-CV-00453 OWW DLB, 2007 WL 763370, at *6 (E.D. Cal. Mar. 9, 2007) (even if a document is presumptively protected, the discovering party may obtain its disclosure if he makes an adequate showing of need); Martin v. Valley Nat'l Bank, 140 F.R.D. 291, 303 (S.D.N.Y. 1991) (same); In re Franklin Nat'l Bank Sec. Litig., 478 F. Supp. 577, 583 (E.D.N.Y. 1979) (same).

Courts determine "need" on a case-by-case basis. "[E]ach time [the deliberative process privilege] is asserted the district court must undertake a fresh balancing of the competing interests," taking into account factors such as: (i) the relevance of the evidence sought to be protected, (ii) the availability of other evidence, (iii) the 'seriousness' of the litigation, (iv) the role of the government in the litigation, and (v) the possibility of future timidity by government employees who will be forced to recognize that their secrets are violable. In re Sealed Case, 121 F.3d at 737-38. *Accord* Redland Soccer Club, Inc. v. Dep't of Army, 55 F.3d 827, 854 (3d Cir. 1995); Gen. Motors Corp. v. United States, No. 07-14464, 2009 WL 5171806, at *6-7 (E.D. Mich. Dec. 23, 2009). *See also* Warner, 742 F.2d at 1161 ("Among the factors to be considered in making this determination are: 1) the relevance of the evidence; 2) the availability of other evidence; 3) the government's role in the litigation; and 4) the extent to which disclosure would hinder frank and independent discussion regarding contemplated policies and decisions."). Lower courts sometimes consider additional factors, such as the interest of the litigants, and ultimately society, in accurate judicial fact-finding; the seriousness of the issues involved; the presence of issues concerning alleged governmental misconduct; and the federal interest in the enforcement of federal law. *See, e.g.* N. Pacifica, LLC, v. City of Pacifica, 274 F. Supp. 2d 1118, 1122 (N.D. Cal. 2003) (listing the additional factors); United States v. Irvin, 127 F.R.D. 169, 173 (C.D. Cal. 1989) (enumerating the factors and collecting cases). A court must balance the

party's need against the harm that may result from disclosure. In re Sealed Case, 121 F.3d at 737-38; Texaco P.R., Inc. v. Dep't of Consumer Affairs, 60 F.3d 867, 885 (1st Cir. 1995) (considering the interests of the litigants, society's interests in accuracy and integrity of fact-finding, and the public's interest in honest, and effective government); First E. Corp. v. Mainwaring, 21 F.3d 465, 468 n.5 (D.C. Cir. 1994) (admonishing that, at minimum, the district courts should consider the five aforesaid factors); MacNamara v. City of New York, 249 F.R.D. 70, 82-83 (S.D.N.Y. 2008) (applying a balancing test in ordering disclosure of memoranda related to planning for the arrest of protestors because the protective order mitigated risk of disclosure and the planning bore on the plaintiffs' claims that the city intentionally violated their civil rights).

2. Exceptions To Balancing Test

In certain circumstances, courts may deny the protection of the deliberative process privilege by either finding an exception to the balancing test, or holding that the balancing does not apply at all. *See, e.g.*, Texaco P.R., Inc. v. Dep't of Consumer Affairs, 60 F.3d 867, 885 (1st Cir. 1995) (where the documents sought may shed some light on alleged government malfeasance, the privilege is routinely denied); In re Subpoena Duces Tecum Served on the Office of the Comptroller of the Currency, 145 F.3d 1422, 1425 (D.C. Cir. 1998), *on reh'g in part* 156 F.3d 1279 (D.C. Cir. 1998) (clarifying that if the governmental deliberations are in issue, the privilege does not apply, and the balancing test is unnecessary).

a. Governmental Misconduct

Where there is reason to believe the documents sought may shed light on the government's misconduct, the privilege is usually denied on the grounds that shielding internal government deliberations in this context does not serve "the public's interest in honest, effective government." In re Sealed Case, 121 F.3d 729, 746 (D.C. Cir. 1997) (analyzing the differences between the executive and deliberative process privileges, and explaining that appeals to the deliberative process privilege are denied "where there is reason to believe that the documents sought may shed light on government misconduct"); Texaco P.R., Inc. v. Dep't of Consumer Affairs, 60 F.3d 867, 885 (1st Cir. 1995) (where the documents sought may shed light on alleged government malfeasance the public interest under such circumstances is not the agency's interest but the citizens' interest in due process); Allen v. Woodford, No. CV-F-05-1104 OWW LJO, 2007 WL 309945, at *4-5 (E.D. Cal. Jan. 30, 2007) (documents not privileged where government used doctor with history of alleged incompetence for plaintiff-inmate's surgery); Waters v. U.S. Capitol Police Bd., 216 F.R.D. 153, 162-63 (D.D.C. 2003) (stating that "it is inconceivable" that Congress intended the deliberative-process privilege to apply to information bearing on whether an agency engaged in discrimination).

Once the party seeking disclosure makes an initial showing of government misconduct, courts applying the exception do not engage in the usual balancing test, but simply conclude that the privilege does not "enter the picture at all." In re Subpoena Duces Tecum Served on the Office of the Comptroller of the Currency, 145 F.3d 1422, 1425 (D.C. Cir. 1998), *on reh'g in part*, 156 F.3d 1279 (D.C. Cir. 1998); *see also* Alexander v. FBI, 186 F.R.D. 170, 177 (D.D.C. 1999) (rejecting as "incorrect" the government's argument

that the balancing test applies in the face of identifiable government misconduct). To invoke the government misconduct exception, the party seeking discovery must provide an adequate factual basis for believing that the requested discovery would shed light upon government misconduct. *Compare* Judicial Watch of Fla. v. Dep't of Justice, 102 F. Supp.2d 6, 15-16 (D.D.C. 2000) (finding that the plaintiff, who did not show any evidence suggesting government malfeasance, failed to provide the requisite "discrete factual basis" for believing that the documents could shed light on government misconduct); *with* Alexander v. F.B.I., 186 F.R.D. 154, 164-66 (D.D.C. 1999) (presence of misinformation in earlier drafts of executive branch officials' statements to Congressman on same topic, and the Clinton Administration's allegedly improper use of Reagan/Bush appointees' FBI files, provide basis to believe documents would shed light on government misconduct).

b. Decision-Making Process At Issue

In addition, the privilege may be inapplicable where the agency's decision-making process is itself at issue. *See* Mr. "B" v. Bd. of Educ. of Syosset Cent. Sch. Dist., 35 F. Supp. 2d 224, 230 (E.D.N.Y. 1998) (the deliberative process privilege may be inapplicable where the agency's deliberations are among the central issues in the case); Dominion Cogen, D.C., Inc. v. District of Columbia, 878 F. Supp. 258, 268 (D.D.C. 1995) (finding that the privilege does not apply where the plaintiff's allegations "place the deliberative process itself directly in issue"); Burka v. N.Y.C. Transit Auth., 110 F.R.D. 660, 667 (S.D.N.Y. 1986) (where the decision-making process itself is the subject of the litigation, the deliberative privilege may not be raised as a bar against disclosure of critical information). Some courts have held that the privilege does not apply at all when the claim in the case goes to the government's subjective intent or where the deliberations themselves constitute part of the alleged wrongdoing. In re Subpoena Duces Tecum Served on the Office of the Comptroller of the Currency, 145 F.3d 1422, 1424 (D.C. Cir. 1998), *on reh'g in part*, 156 F.3d 1279, 1279-80 (D.C. Cir. 1998) (noting that "if the plaintiff's cause of action is directed at the government's intent . . . it makes no sense to permit the government to use the privilege as a shield"). For instance, the courts have not applied the privilege in actions arising under Title VII, or in constitutional claims for discrimination. *Id.* (citing Crawford-El v. Britton, 523 U.S. 574 (1998) and Webster v. Doe, 486 U.S. 592 (1988)) (explaining that the deliberative process privilege is not available where the cause of action is directed at the agency's subjective motivation). In Crawford-El and Webster the Supreme Court faced governmental claims that discovery in such a proceeding should be limited, but neither of those cases ever suggested that the privilege applied. Some courts have noted that the argument is absent because if either the Constitution or a statute makes the nature of governmental officials' deliberations the issue, the privilege is a *non sequitur*. *See id.* (noting that if Congress creates a cause of action that deliberatively exposes government decision-making to the light, the reason for the privilege's evaporates); Williams v. City of Boston, 213 F.R.D. 99, 101-02 (D. Mass. 2003) (governmental or deliberative process privilege was not applicable to preclude disclosure of final reports of hearing officers in disciplinary proceedings investigating plaintiff's allegations of racial discrimination against police superintendent and sergeant); Soto v. City of Concord, 162 F.R.D. 603, 612 (N.D. Cal. 1995) (finding deliberative process privilege inappropriate for use in civil rights cases against police departments); Burka, 110 F.R.D. at 667 (where the "decision-making process itself is the subject of the litigation," it is inappropriate to allow the deliberative process privilege to preclude discovery of relevant

information); *but see* First Heights Bank, FSB v. United States, 46 Fed. Cl. 312, 322 (Fed. Cl. 2000), *clarified in part by* 46 Fed. Cl. 827 (Fed. Cl. 2000) (declining to follow In re Subpoenas to the extent that it supports an automatic bar on assertions of deliberative process privilege in any case where the government's intent is potentially relevant; instead, privilege might be overcome after a showing of evidentiary need to outweigh the harm that may result from disclosure).

C. WAIVER OF THE PRIVILEGE

Exemption 5 of FOIA applies to "inter-agency or intra-agency memorandums or letters which would not be available by law to a party other than an agency in litigation with the agency." 5 U.S.C. § 552(b)(5) (West 2011). An agency may be required to disclose a document otherwise entitled to protection under the deliberative process privilege if the agency has chosen "expressly to adopt or incorporate by reference [a]. . . memorandum previously covered by Exemption 5 in what would otherwise be a final opinion." NLRB v. Sears, Roebuck & Co., 421 U.S. 132, 161 (1975); *accord* Nat'l Council of La Raza v. Dep't of Justice, 411 F.3d 350 (2d Cir. 2005) (Department of Justice's repeated references to internal legal memorandum, as exclusive statement and justification for its new civil immigration enforcement policy, incorporated the memo into what would otherwise be a final opinion to which deliberative process privilege no longer applied). An agency may waive the protection of the deliberative process privilege through voluntary, authorized release of material to a non-governmental recipient. City of Virginia Beach v. U.S. Dep't of Commerce, 995 F.2d 1247, 1253 (4th Cir. 1993); Fla. House of Representatives v. U.S. Dep't of Commerce, 961 F.2d 941, 946 (11th Cir. 1992); Coastal States Gas Corp. v. Dep't of Energy, 617 F.2d 854, 866 (D.C. Cir. 1980) (exemption may be lost when material is formally or informally adopted as the agency's position or used by the agency in its dealings with the public); North Dakota ex rel. Olson v. Andrus, 581 F.2d 177, 180-82 (8th Cir. 1978) (finding waiver of Exemption 5 by voluntary release to counsel in unrelated litigation); Shell Oil Co. v. IRS, 772 F. Supp. 202, 209-11 (D. Del. 1991) (holding that waiver of deliberative process privilege does not depend on receipt of a physical copy of the disclosed information – a public reading or viewing of the document is sufficient; finding waiver where I.R.S. employee read from draft notice of proposed rulemaking at a public meeting of government and industry officials). *But see* Elec. Privacy Info. Ctr. v. Dep't of Justice, 584 F. Supp. 2d 65, 74-79 (D.D.C. 2008) (Acting-Attorney General's congressional testimony that undisclosed DOJ Office of Legal Counsel opinions served as a basis for declining to certify a domestic spying program did not waive the deliberative process privilege).

There is authority that the doctrine of subject matter waiver does not apply to documents protected by the deliberative process privilege and "[t]hus, the Government's release of a document waives the privilege only for the document specifically released, not for related materials." Ford Motor Co. v. United States, 94 Fed. Cl. 211, 223-24 (Fed. Cl. 2010) (citing In re Sealed Case, 121 F.3d 729, 741 (D.C. Cir. 1997)).

D. PROCESS OF INVOKING THE PRIVILEGE

As a general matter, the invocation of the privilege requires: (1) a formal claim of privilege by the head of the department possessing control over the requested information, (2) an assertion of the privilege based on actual personal consideration by that official, and (3) a detailed specification of the information for which the privilege is claimed, along with an explanation why it properly falls within the scope of the privilege. *See* Landry v. Fed. Deposit Ins. Corp., 204 F.3d 1125, 1135 (D.C. Cir. 2000); Northrop Corp. v. McDonnell Douglas Corp., 751 F.2d 395, 405 n.11 (D.C. Cir. 1984) (assertion of the deliberative process privilege requires a formal claim of privilege by the head of the department with control over the information; that formal claim must include a description of the documents involved, a statement by the department head that she has reviewed the documents involved, and an assessment of the consequences of disclosure of the information).

1. Delegation Of Authority To Assert The Privilege

Some courts have not allowed the delegation of authority to lower-level officials and held that the deliberative process privilege can be invoked only by the head of an agency, after personal consideration. *See e.g.* United States v. O'Neill, 619 F.2d 222, 225 (3d Cir. 1980). However, most courts have not required so high a level of authorization. *See, e.g.*, Marriott Int'l Resorts, L.P. v. United States, 122 App'x 490 (Fed. Cir. 2005) (noting split of authority); Landry v. Fed. Deposit Ins. Corp., 204 F.3d 1125 (D.C. Cir. 2000) (affidavit from the head of a regional division sufficient to invoke the deliberative process privilege); Branch v. Phillips Petroleum Co., 638 F.2d 873, 882-83 (5th Cir. 1981) (same); Kerr v. U.S. Dist. Ct. for the N. Dist. of Cal., 511 F.2d 192, 198 (9th Cir. 1975) (although the privilege is generally available, it was not available on the facts of the case because it was not invoked by any official of the agency); Proctor & Gamble Co. v. United States, No. 1:08-cv-608, 2009 WL 5219726, at *9 (S.D. Ohio Dec. 31, 2009) (noting that "the requirement that the agency head or his or her independent, high-level subordinates are the only persons authorized to assert the privilege is not simply an empty formality," but refusing to find waiver where IRS trial counsel initially asserted the privilege because it would "reward form over substance"); Gen. Elec. Co. v. Johnson, No. 00-2855 (JDB), 2007 WL 433095, at *7 (D.D.C. Feb. 5, 2007) (allowing invocation of privilege when lower level employees combed all documents during privilege review and head of department sampled forty-eight documents of more than 800 to ensure that privilege was properly asserted); Grossman v. Schwarz, 125 F.R.D. 376, 381 (S.D.N.Y. 1989) (governmental privilege may be invoked by an agency official other than the head of a department).

In Landry, the D.C. Circuit explained that it would be counterproductive to read "head of the department" in the narrowest possible way. 204 F.3d at 1135. The procedural requirements are designed to ensure that the privileges are presented in "a deliberate, considered, and reasonably specific manner." *Id.* This requirement calls for "actual personal consideration" by the asserting official. *Id.* Insistence upon an affidavit from the very head of the agency could erode this actual personal involvement and lead to an increased number of privilege claims made only after perfunctory review of subordinates' decisions. *Id.* at 1136. On the other hand, the gains from imposing demands upon personal consideration must also be balanced against the losses that would result from imposing super-stringent

procedures. *Id.* Applying this standard, the Landry court permitted the regional director of the FDIC's division, rather than the head of the FDIC, to assert the deliberative process and law enforcement privileges. *Id.; see also*:

> *Tuite v. Henry, 98 F.3d 1411, 1417 (D.C. Cir. 1996). Counsel for the Justice Department's Office of Professional Responsibility, rather than the Attorney General, was permitted to invoke the law enforcement investigatory privilege, the formal requirements of which are virtually identical to those of the deliberative process privilege.*
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> *Cobell v. Norton, 213 F.R.D. 1, 8 (D.D.C. 2003). It is unnecessary for the Secretary of the Interior herself to file an affidavit in order to assert the deliberative process privilege; it is sufficient for the head of the bureau or office within the Interior Department that possesses control over the requested information to file the necessary affidavit.*
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> *Koehler v. United States, No. Civ. A. 90-2384(RCL), 1991 WL 277542, at *5 (D.D.C. Dec. 9, 1991). Court permitted the commanding general of the U.S. Army Criminal Investigation Command, rather than the Secretary of the Army, to invoke the criminal investigation privilege, the requirements of which are similar to those of the deliberative process privilege.*

Over the years, while interpreting the relevant statutory provisions, courts have developed a host of procedural rules governing the assertion of the privileges under FOIA. This subchapter concentrates upon the burden of proof, *in camera* review, and the "Vaughn index" requirements.

2. Burden Of Proof

In response to a FOIA request, an agency must make a good faith effort to conduct a search for the requested records using methods reasonably expected to produce the requested information. Campbell v. U.S. Dep't of Justice, 164 F.3d 20, 27-28 (D.C. Cir. 1998) (FOIA requires a reasonable search tailored to the nature of the request). At all times, the burden is on the agency to establish the adequacy of its search. Patterson v. IRS, 56 F.3d 832, 840 (7th Cir. 1995); Steinberg v. U.S. Dep't of Justice, 23 F.3d 548, 551 (D.C. Cir. 1994) (quoting Weisberg v. U.S. Dep't of Justice, 745 F.2d 1476, 1485 (D.C. Cir. 1984)). In discharging this burden, the agency may rely on affidavits or declarations that provide reasonable detail of the scope of the search. Bennett v. Drug Enforcement Admin., 55 F. Supp. 2d 36, 39 (D.D.C. 1999) (citing Perry v. Block, 684 F.2d 121, 127 (D.C. Cir. 1982)). Blanket assertions are insufficient. Senate of the Commonwealth of P.R. v. U.S. Dep't of Justice, 823 F.2d 574, 585 (D.C. Cir. 1987) (stating that conclusory assertions of the privilege will not suffice to carry the agency's burden; government must show by specific and detailed proof that disclosure would defeat, rather than further, the purposes of FOIA); Greenpeace v. Nat'l Marine Fisheries Serv., 198 F.R.D. 540, 543 (W.D. Wash. 2000) (the agency must provide precise and certain reasons for preserving the confidentiality of designated material); Exxon Corp. v. Dep't of Energy, 91 F.R.D. 26, 43-44 (N.D. Tex. 1981) (rejecting Department of Energy's blanket refusal to produce construction evidence on grounds of deliberative process privilege).

In a FOIA action, a court may award summary judgment to the agency on the basis of affidavits when the affidavits describe "the documents and the justifications for nondisclosure with reasonably specific detail, demonstrate that the information withheld

logically falls within the claimed exemption, and are not controverted by either contrary evidence in the record nor by evidence of agency bad faith." Military Audit Project v. Casey, 656 F.2d 724, 738 (D.C. Cir. 1981); *see also* Vaughn v. Rosen, 484 F.2d 820, 826 (D.C. Cir. 1973). In the absence of countervailing evidence or apparent inconsistency of proof, affidavits will suffice to demonstrate compliance with the obligations imposed by FOIA. Bennett, 55 F. Supp. 2d at 39.

Such affidavits, however, are not sufficient where the party seeking disclosure presents adequate evidence that the agency did not conduct an adequate search or conducted an unreasonable search. Miccosukee Tribe of Indians of Fla. v. United States, 516 F.3d 1235, 1251-55 (11th Cir. 2008) (holding the government did not met its burden of proof that it conducted a reasonable search because (a) deposition testimony contradicted the agency's assertion that a specific employee coordinated a search for documents, and (b) it unilaterally excluded publicly available documents). Likewise, where the agency has failed to produce responsive documents and the agency has not presented sufficient detail regarding its search, the court may deny an agency's motion for summary judgment and order an *in camera* review. Hiken v. U.S. Dep't of Def., 521 F. Supp. 2d 1047, 1054-55 (N.D. Cal. 2007) (ordering *in camera* review because of an agency's failure to uncover responsive documents, failure to specify search terms used in an electronic search, and failure to provide assurances that all relevant files were searched). However, the question focuses on the agency's search, not on whether additional documents exist that might satisfy the request. Steinberg, 23 F.3d at 551 (quoting Weisberg, 745 F.2d at 1485).

3. Affidavits And "Vaughn Index"

Ordinarily, the agency may justify its claims of exemption through detailed affidavits, which are entitled to a presumption of good faith. Jones v. FBI, 41 F.3d 238, 242 (6th Cir. 1994) (citing U.S. Dep't of State v. Ray, 502 U.S. 164, 179 (1991)). Evidence of bad faith on the part of the agency can overcome this presumption, even when the bad faith concerns the underlying activities that generated the FOIA request rather than the agency's conduct in the FOIA action itself. *Id*. at 242-43. Unless evidence contradicts the government's affidavits or establishes bad faith, the court's primary role is to review the adequacy of the affidavits and other evidence. Silets v. U.S. Dep't of Justice, 945 F.2d 227, 231 (7th Cir. 1991); Cox v. U.S. Dep't of Justice, 576 F.2d 1302, 1312 (8th Cir. 1978). This posture creates a situation in which a plaintiff must argue that the agency's withholdings exceed the scope of the statute, although only the agency is in a position to know whether it has complied with the FOIA unless the court reviews a potentially massive number of documents *in camera*. Jones, 41 F.3d at 242.

One means developed to address this problem is the use of a "Vaughn" index, a routine device through which the agency describes the documents responsive to a FOIA request and indicates the reasons for redactions or withholdings in sufficient detail to allow a court to make an independent assessment of the claims for exemptions from disclosure under the Act. Jones, 41 F.3d at 241-42; Vaughn v. Rosen, 484 F.2d 820, 828 (D.C. Cir. 1973). The term "Vaughn index" arose out of the District of Columbia Circuit decision in Vaughn v. Rosen. Although Vaughn indices and affidavits are not necessarily required by all courts, a judge, depending on the circumstances, might order the production of either the affidavit or

the index in a particular case. Fiduciaa v. U.S. Dep't of Justice, 185 F.3d 1035, 1042 (9th Cir. 1999) (holding that a Vaughn index is not necessarily required); *but see* Natural Res. Def. Council, Inc. v. Nuclear Regulatory Comm'n, 216 F.3d 1180, 1190 (D.C. Cir. 2000) (judicial rule mandates an agency to provide a plaintiff with a Vaughn index, but the rule governs only litigation in court and not proceedings before the agency).

Likewise, when an agency denies a request for information under any FOIA exemption, it bears the burden of justifying its refusal with a sufficiently detailed description of the materials and reasons for the denial. Johnson v. Exec. Office for U.S. Attorneys, 310 F.3d 771, 774 (D.C. Cir. 2002) (applying Exemption 7); Fiduciaa, 185 F.3d at 1042 (applying Exemption 5 and 7); Ethyl Corp. v. EPA, 25 F.3d 1241, 1244 (4th Cir. 1994) (applying Exemption 5). An agency may meet its burden of demonstrating that the requested documents are protected by the deliberative process privilege by providing the requester with a "Vaughn" index, which must adequately describe each withheld document, state which exemption the agency claims for each withheld document, and explain the exemption's relevance. Johnson, 310 F.3d at 774; Rein v. U.S. Patent & Trademark Office, 553 F.3d 353, 370 (4th Cir. 2009) ("When examining the adequacy of a Vaughn index entry, the focal point is whether it contains an adequate factual basis to support the claimed exemption . . . to be adequate, each entry must provide enough facts for the district court to determine that the document was 'predecisional' and 'deliberative.'"); Citizen Comm'n on Human Rights v. FDA, 45 F.3d 1325, 1326 n.1 (9th Cir. 1995) (determining that a "Vaughn" index must identify each document withheld; state the statutory exemption claimed; and explain how disclosure would damage the interests protected by the claimed exemption); *see also* Ethyl Corp., 25 F.3d at 1244 n.1 (noting that a Vaughn index must describe each document withheld with sufficiently detailed information to enable a district court to rule whether it falls within an exemption provided by FOIA, and holding that information provided in EPA's Vaughn list describing the documents as "personal" without any additional identification except the note that they consisted of calendars, telephone logs, and personal notes from telephone conversations and meetings, was not sufficient to permit determination as to whether the withheld documents were protected under the deliberative process privilege); Church of Scientology Int'l v. U.S. Dep't of Justice, 30 F.3d 224, 236-37 (1st Cir. 1994) (finding that the Vaughn index and declarations submitted by the government did not sufficiently describe the withheld documents or sufficiently justify withholding, as opposed to redaction).

The majority of courts hold that if the government's "Vaughn" index and/or other declarations fairly describe the content of the material withheld, and adequately state the grounds for nondisclosure, the district court should grant summary judgment upholding the government's position. *See, e.g.,* In re Wade, 969 F.2d 241, 246 (7th Cir. 1992) (holding that without evidence of bad faith, the veracity of the government's submissions regarding reasons for withholding the documents should not be questioned); Lewis v. IRS, 823 F.2d 375, 378 (9th Cir. 1987) ("If the affidavits contain reasonably detailed descriptions of the documents and allege facts sufficient to establish an exemption, the district court need look no further); Cox, 576 F.2d at 1312. Some courts, however, remain unpersuaded, and in situations where the governmental record exists, they require that district courts do more to assure themselves of "the factual basis and bona fides of the agency's claim of exemption than rely solely upon an affidavit." *See e.g.* Stephenson v. I.R.S., 629 F.2d 1140, 1146 n.16

(5th Cir. 1980) (noting the danger inherent in reliance upon agency affidavit in an investigative context outside national security).

4. *In Camera* Review

When a challenge is made to an agency's decision to withhold information, the burden of proof rests on the agency to sustain its decision, and the reviewing court is directed to "determine the matter *de novo*." 5 U.S.C. § 552(a)(4)(B) (West 2011); Becker v. IRS, 34 F.3d 398, 403 (7th Cir. 1994). To ensure the breadth of disclosure, the Act authorizes courts to examine documents *in camera* when reviewing the propriety of an agency's withholdings. 5 U.S.C. § 552(a)(4)(B) (West 2011). *In camera* review is a discretionary measure taken after consideration of: (1) judicial economy; (2) actual agency bad faith, either in the FOIA action or in the underlying activities that generated the records requested; (3) strong public interest; and (4) whether the parties request *in camera* review. Mo. Coal. for the Env't Found. v. U.S. Army Corps of Eng'rs, 542 F.3d 1204, 1210 (8th Cir. 2008) ("in camera inspection should be limited as it is contrary to the traditional judicial role of deciding issues in an adversarial context upon evidence openly produced in court") (internal citations and quotations omitted); Rugioro v. U.S. Dep't of Justice, 257 F.3d 534, 543 (6th Cir. 2001) (encouraging sparing use of *in camera* review, when no other procedure allows review of the agency's response to a FOIA request); O'Keefe v. Dep't of Def., 463 F. Supp. 2d 317, 329 (E.D.N.Y. 2006) ("*In camera* review is considered the exception, not the rule.").

E. EXTENSIONS OF THE DELIBERATIVE PROCESS PRIVILEGE

Section 551(1) of the Administrative Procedure Act ("APA"), of which FOIA is a subsection, defines agency as "each authority of the Government of the United States." 5 U.S.C. § 551(1) (West 2011). Section 552(f) of FOIA incorporates the definition of "agency" contained in section 551(1) of the APA by reference. *See* § 552(f)(1). However, some courts have extended the deliberative process privilege to encompass other areas, going beyond the precise ambit of the statutory deliberative process privilege. The most notable examples encompass local legislators, state agencies, mental processes of decision-makers and bank examinations.

1. Local Legislators

Some courts have extended the deliberative process privilege to protect the decision-making processes of local legislators, reasoning that, in terms of the alleged need for secrecy surrounding deliberations, there is no principled distinction between local legislators and those government officials who currently enjoy a deliberative process privilege. United States v. Irvin, 127 F.R.D. 169, 172 (C.D. Cal. 1989); *see also* In re Grand Jury, 821 F.2d 946, 958-59 (3d Cir. 1987) (in dictum, stating that deliberative process privilege for executive officials "provides a useful analogy for a confidentiality-based privilege for state legislators because executive agencies, like state legislators, engage in a wide variety of activities, including factual investigations for quasi-legislative rulemaking"). However, other courts have disagreed. *See*, *e.g*,. Corporacion Insular de Seguros v. Garcia, 709 F. Supp. 288, 298 (D.P.R. 1989) (declining to apply the deliberative process privilege to state legislators and directing the disclosure of documents because the legislature is the "part of the governmental branch that historically has been subjected to the greatest degree of public accountability").

2. State Agencies

Under FOIA, the majority of federal courts hold that the deliberative process privilege does not apply to state agencies. *See*, *e.g.*, Grand Cent. P'ship, Inc. v. Cuomo, 166 F.3d 473, 484 (2d Cir. 1999) (holding that Exemption 5 of FOIA applies to federal agencies only); Philip Morris, Inc., v. Harshbarger, 122 F.3d 58, 83 (1st Cir. 1997) ("FOIA . . . applies only to federal executive branch agencies"); Day v. Shalala, 23 F.3d 1052, 1064 (6th Cir.1994) (holding that Administrative Procedures Act pertains only to federal agencies); St. Michael's Convalescent Hosp. v. California, 643 F.2d 1369, 1373 (9th Cir. 1981) (definition of "agency" under FOIA "does not encompass state agencies or bodies"); Johnson v. Wells, 566 F.2d 1016, 1018 (5th Cir. 1978) (state board of parole not agency within meaning of FOIA). Some lower federal courts, however, have found that the deliberative process privilege could be invoked by a state agency. *See*, *e.g.*, Tumas v. Bd. of Educ., No. 06 C 1943, 2007 WL 2228695, at *5 (N.D. Ill. July 31, 2007) (holding that the deliberative process privilege applied to a township's Board of Education, despite the Illinois Supreme Court's refusal to recognize the privilege under Illinois state law, because federal common law, not state law, governs questions of privilege in a federal question case); Bobkoski v. Bd. of Educ. of Cary Consol. Sch. Dist. 26, 141 F.R.D. 88 (N.D. Ill. 1992) (court applied the federal common law privilege to protect school board meeting notes relating to

employment issues from discovery); N.O. v. Callahan, 110 F.R.D. 637, 640-41 (D. Mass. 1986).

Note, however, that where state privilege law applies, courts may refuse to extend the deliberative process privilege to state agencies. *Compare* Kyle v. La. Pub. Serv. Comm'n, 878 So.2d 650, 656 (La. Ct. App. 2004) (permitting the Louisiana Public Service Commission to claim the deliberative process privilege to protect the Commission's email exchanges), *with* People ex rel. Birkett v. City of Chicago, 705 N.E.2d 48, 54 (Ill. 1998) (refusing to recognize a deliberative process privilege under Illinois law because adoption of a new privilege should be left to the legislature), *and* Sands v. Whitnall Sch. Dist., 754 N.W.2d 439, 456-58 (Wis. 2008).

3. Decisional And Mental Processes

Apart from the deliberative process privilege itself, some federal courts have recognized that other considerations, equally implicating the public interest, may justify a government agency in withholding information sought by discovery or subpoena. Although not necessarily falling within the precise ambit of the deliberative process privilege, such protection may also apply, *inter alia*, to claims that the information sought would disclose "mental processes of those engaged in investigative or decisional functions . . . ." Drukker Commc'ns, Inc. v. NLRB, 700 F.2d 727, 731 (D.C. Cir. 1983); *see also* Hoeft v. MVL Group, Inc., 343 F.3d 57, 67 (2d Cir. 2003) (*overruled on other grounds by* Hall St. Assocs., L.L.C., v. Mattel, Inc., 552 U.S. 576 (2008) (stating that it is "wholly improper" to permit parties to cross-examine members of a state administrative board regarding the thought processes underlying their decisions); Carl Zeiss Stiftung v. V.E.B. Carl Zeiss, Jena, 40 F.R.D. 318, 325 (D.D.C. 1966) (noting that "the immunity of intra-governmental opinions and deliberations . . . rests upon another policy of equal vitality and scope" – i.e., the protection of the mental processes of executive or administrative officials).

This related privilege, which involves uncommunicated motivations for a policy or decision, has been applied in both the adjudicative and legislative context. For example, in United States v. Morgan, 313 U.S. 409, 421-22 (1941), the Supreme Court admonished that the Secretary of Agriculture should never have been forced to testify about the process by which he reached his conclusions about the proper rates to be charged by market agencies for their services at stockyards. "[I]t was not the function of the court to probe the mental processes of the Secretary." *Id.* Similarly, in City of Las Vegas v. Foley, 747 F.2d 1294, 1297 (9th Cir. 1984), the Ninth Circuit emphasized that inquiry into the motives of legislators (e.g. the purpose behind a challenged ordinance) is a hazardous task. Individual legislators may vote for a particular statute for a variety of reasons; the diverse character of such motives, and the impossibility of penetrating into the hearts of men and ascertaining the truth, precludes all such inquiries as impracticable and futile. *Id.*

The mental processes privilege, like the deliberative process privilege, is qualified – i.e. it may be overcome. *See* Citizens to Preserve Overton Park, Inc. v. Volpe, 401 U.S. 402, 420 (1971), *abrogated on other grounds by* Califano v. Sanders, 430 U.S. 99, 105 (1977) (stating that inquiry into mental processes is usually to be avoided but recognizing that inquiry can be made under certain circumstances); Vill. of Arlington Heights v. Metro. Hous.

Dev. Corp., 429 U.S. 252, 268 (1977) (stating that, in certain circumstances, members of a decision-making body can be called to testify regarding the purpose behind decision or policy); Drukker, 700 F.2d. at 731-34 (same). The factors listed above as to whether the deliberative process privilege should be overcome may be used as guidance in determining whether the mental process privilege should be defeated.

However, the level of intrusiveness entailed when a person's mental processes are probed may be greater than when objective indicia of deliberation (*e.g.*, communications) are disclosed. Thus, the two privileges may be subject to different outcomes depending on the circumstances. This is borne out by the Supreme Court's cautionary language in Overton Park and Arlington Heights. In Overton Park, the Supreme Court cautioned not only that "inquiry into the mental processes of administrative decision-makers is usually to be avoided" but also that, where there are administrative findings available, "there must be a strong showing of bad faith or improper behavior before such inquiry may be made." 401 U.S. at 420. In Arlington Heights, the Supreme Court indicated that, even in a case in which a plaintiff had to prove invidious purpose or intent, as in a racial discrimination case, only "[i]n some extraordinary instances might members of the decision-making body be called to the stand at trial to testify concerning the purpose of the official action." 429 U.S. at 268; *see also* Foley, 747 F.2d at 1298 (noting same).

4. Bank Examinations

Although the Supreme Court has not explicitly recognized a bank examination privilege, many courts have inferred that the bank examiner's privilege falls within the ambit of the deliberative process privilege. *See e.g.*, In re Bankers Trust Co., 61 F.3d 465, 471 (6th Cir. 1995); In re Subpoena Served upon the Comptroller of the Currency & the Sec'y of the Bd. of Governors of the Fed. Reserve Sys., 967 F.2d 630, 633-34 (D.C. Cir. 1992) (the bank examination privilege extends to predecisional and deliberative process and is analogous to the deliberative process privilege); Raffa v. Wachovia Corp., No. 8:02-CV-1443-T-27EAJ, 2003 WL 21517778, at *2 (M.D. Fla. May 15, 2003) (holding that privilege attached to a copy of the examination document produced by the United States Office of the Comptroller of the Currency and received by plaintiff from the defendant's auditor); In re Bank One Sec. Litig., 209 F.R.D. 418, 426 (N.D. Ill. 2002) (the bank examination privilege protects the banking industry by promoting and protecting the integrity of candid relations between banks and government regulatory agencies). The bank examination privilege belongs to the regulatory agency and not to the banks the agency regulates. Bank of China v. St. Paul Mercury Ins. Co., No. 03 Civ. 9797, 2004 WL 2624673, at *4 (S.D.N.Y. Nov. 18, 2004). Moreover, the bank examination privilege protects only agency opinions and recommendations and can therefore be asserted only by a regulatory agency. In re Bankers Trust, 61 F.3d at 471. Any materials pertaining to purely factual matters fall outside the scope of the privilege and if proven to be relevant, must be produced. *Id.* The subpoenaed documents must be produced when the agency fails to establish such privilege. *Id.*

The bank examination privilege is qualified, shielding from discovery only agency opinions or recommendations; it does not protect purely factual material. In re Subpoena, 967 F.2d at 634 (citations omitted). The bank examination privilege may be overridden upon a showing of "good cause." *See* In re Bank One, 209 F.R.D. at 427. Courts have applied the

five factors test to assess the competing interests of the privilege versus that of the disclosure: (1) the relevance of the evidence sought to be protected; (2) the availability of other evidence; (3) the seriousness of the litigation and the issues involved; (4) the role of the government in the litigation; and (5) the possibility of future timidity by government employees who will be forced to recognize that their secrets are voidable. *Id.*

VIII. PRESERVING THE ATTORNEY-CLIENT PRIVILEGE AND THE CONFIDENTIALITY OF WORK PRODUCT DURING DEPOSITION PREPARATION AND TESTIMONY

Although the practitioner needs to be aware of the principles of the attorney-client privilege and work product doctrine throughout the course of litigation, it is never more important than in the preparation for and defending of depositions. During the course of a deposition, usually with only a few seconds notice, an attorney must decide whether to instruct a witness not to answer a question on the grounds of privilege and articulate the basis for the privilege. Just as important, an attorney must have prepared the witness with privilege issues in mind – to avoid waiver and to ensure that a witness is prepared to lay the proper foundation for an asserted privilege.

A. INSTRUCTIONS NOT TO ANSWER

As a general matter, it is improper during a deposition to instruct a witness not to answer a question unless the basis is that the answer would reveal privileged information. This rule is currently set out in Federal Rule of Civil Procedure 30(c)(2) (it was moved to Rule 30(d)(1) between 1993 and 2007):

> An objection must be stated concisely in a nonargumentative and nonsuggestive manner. A person may instruct a deponent not to answer only when necessary to preserve a privilege, to enforce a limitation ordered by the court, or to present a motion under Rule 30(d)(3).

An instruction not to answer a question on grounds of privilege should be accompanied by sufficient information to ensure that the court will be able to determine whether the asserted privilege is well-founded. *See* FED. R. CIV. P. 26(b)(5). Although it is probably not necessary to specify the type of protection asserted (*i.e.*, attorney-client privilege or work product doctrine), the better practice is to identify one or both of the protections to ensure that the protection is not waived on review by the trial court. *Compare* Delco Wire & Cable, Inc. v. Weinberger, 109 F.R.D. 680, 691 (E.D. Pa. 1986) (failure to specify work product doctrine during deposition does not waive the protection absent equitable reasons requiring waiver); *with* Gerrits v. Brannen Banks of Fla., Inc., 138 F.R.D. 574, 576 n.2 (D. Colo. 1991) (failure to identify work product doctrine in response to motion to compel waives the protection).

Although it is common practice in many jurisdictions to require the party taking the deposition to move to compel deposition answers, some courts require the objecting party, immediately following the deposition, to move the court for a protective order regarding the matters to which the attorney has objected and about which she has instructed the witness not

to testify. *See, e.g.*, Redwood v. Dobson, 476 F.3d 462, 468 (7th Cir. 2007) (counsel violated the federal rules when he instructed the witness not to answer, but never presented a subsequent motion for a protective order); Indus. Risk Insurers v. D.C. Taylor Co., No. C06-0171, 2008 WL 936881, at *2 (N.D. Iowa Apr. 7, 2008) ("Generally, the party who instructs the witness not to answer should immediately seek a protective order."); Geico Cas. Co. v. Beauford, No. 805-CV-697-24EAJ, 2006 WL 2789013, at *4 (M.D. Fla. Sept. 26, 2006) (same); Tuerkes-Beckers, Inc. v. New Castle Assocs., 158 F.R.D. 573, 575 (D. Del. 1993) (if answering a question would require the witness to disclose privileged information, then "counsel shall immediately call the Court to request a time to present [a] motion" under Rule 30(d)); Hisaw v. Unisys Corp., 134 F.R.D. 151, 152 (W.D. La. 1991) ("it is the duty of the attorney instructing the witness not to answer to immediately seek a protective order."); ; Am. Hangar, Inc. v. Basic Line, Inc., 105 F.R.D. 173, 175 (D. Mass. 1985) (same); Int'l Union of Elec., Radio & Mach. Workers v. Westinghouse Elec. Corp., 91 F.R.D. 277, 280 n.4 (D.D.C. 1981) ("The objecting attorney should normally also seek a protective order under Rule 30(d).").

An attorney should be careful not to instruct a witness not to answer questions calling for background information which is itself not privileged. For example, a witness may identify who participated in an allegedly privileged conversation, where and when the conversation took place, and the general context of the conversation without revealing the substance of the communication. *See, e.g.*, Nycomed U.S. Inc. v. Glenmark Generics Ltd., No. 08-CV-5023 (CBA)(RLM), 2009 WL 3334365, at *3 (E.D.N.Y. Oct. 14, 2009) (noting that deposition testimony that defendant's IP department developed strategies to avoid patent infringement in conjunction with counsel did not reveal the principal substance of the attorney-client communications); New Jersey v. Sprint Corp., 258 F.R.D. 421, 428 (D. Kan. 2009) (holding that deposition testimony disclosing the fact that legal advice was received did not waive attorney-client privilege because only the general subject nature of the defendants' communications with counsel, rather than the substance of those communications, was revealed); Pucket v. Hot Springs Sch. Dist. No. 23-2, 239 F.R.D. 572, 582 (D.S.D. 2006) (finding that a deposition question concerning when the attorney-client relationship had been established did not require disclosure of privileged communications); Potts v. Allis-Chalmers Corp., 118 F.R.D. 597, 604 (N.D. Ind. 1987) (fact that attorney advised client on a particular occasion is not privileged). These are the types of information that would be included on a privilege log for documents and is the sort of information that the court requires to determine whether the objection is well-founded. However, an attorney may instruct his client not to answer questions that relate to the witness's preparation for the deposition, such as "were you instructed not to speculate in this deposition by anyone" or "were you instructed not to provide any information unless you knew it for a fact?" *See* Christy v. Pa. Turnpike Comm'n, 160 F.R.D. 51, 54 (E.D. Pa. 1995).

With respect to attorney-client conversations or written communications, a witness should provide the general contextual information about the communication. With respect to work product, a witness should identify information regarding the foundation for the doctrine, that is, the person who prepared the work product and, if not an attorney, the attorney who authorized the creation of the work product. It is also well-settled that a witness must testify about the facts contained in work product, even if the document itself is protected from discovery by the work product doctrine. *See Underlying Facts by Themselves*

Are Not Protected, § IV.B.2.a, *supra*. However, a witness should be instructed not to answer questions that would elicit his attorney's mental impressions, conclusions, opinions, or legal theories about the litigation.

See:

> *Oklahoma v. Tyson Foods, Inc., No. 05-CV-329-GRF-PJC, 2009 WL 3682757, at *10 (N.D. Okla. Nov. 4, 2009). The mental processes of the attorney are protected by the work product doctrine, but the work product doctrine does not protect underlying facts, "even if those facts are attained due to the efforts of the attorney."*
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> *Smith v. Gen. Mills, Inc., No. C2 04 705, 2009 WL 2525462, at *4 (S.D. Ohio Aug. 13, 2009). Defendants were obligated to name a corporate representative for a 30(b)(6) deposition in which plaintiffs sought only to discover the factual bases supporting cross-claim allegations and not the mental impressions of defendants' counsel, although defendants' counsel may have provided the facts to defendants or to the corporate representative.*
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> *Taylor v. Shaw, No. 2:04-cv-01668-LDG-LRL, 2007 WL 710186 (D. Nev. Mar. 7, 2007). Plaintiffs sought a protective order to prevent 30(b)(6) depositions that plaintiffs claimed "would effectively result in the deposition of plaintiffs' attorneys" because noticed topics included the basis of plaintiffs' contentions. The Court denied the motion on the grounds that the facts underlying privileged communications and work product are not protected; "work product privilege is not implicated unless the inquiring party asks the organizational deponent questions which improperly tend to elicit the mental impressions of the parties' attorneys."Barrett Indus. Trucks, Inc. v. Old Republic Ins. Co., 129 F.R.D. 515, 518 (N.D. Ill. 1990). The work product doctrine does not protect discovery of the underlying facts of a particular dispute, even if the deponent's answer to a question is based upon information provided by counsel.*
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> *Hydramar, Inc. v. Gen. Dynamics Corp., 119 F.R.D. 367, 372 (E.D. Pa. 1988). The work product doctrine "does in a very limited way operate to circumscribe the scope of depositions upon oral examination." A deponent may not be asked questions that would reveal his attorney's mental impressions, conclusions, opinions, or legal theories concerning the litigation. However, application of the work product doctrine to oral depositions must be limited, otherwise litigants would use the doctrine unfairly to restrict "the open discovery process envisioned by the Federal Rules of Civil Procedure." Therefore, the work product doctrine furnishes no shield against discovery of the facts that the adverse party's attorney has learned, or the persons from whom he has learned such facts, or the existence or non-existence of documents.*

See also Prot. Nat'l Ins. Co. v. Commonwealth Ins. Co., 137 F.R.D. 267, 279-80 (D. Neb. 1989) (finding nothing wrong with asking a deponent for facts that were communicated to the deponent by the deponent's counsel so long as there is no danger of indirect disclosure of an attorney's mental impressions or theories of the case); Nutmeg Ins. Co. v. Atwell, Vogel & Sterling, 120 F.R.D. 504, 509 (W.D. La. 1988) (same).

B. SPECIAL CIRCUMSTANCES – RULE 30(b)(6) DEPOSITIONS AND DEPOSITIONS OF COUNSEL

Depositions taken pursuant to Federal Rule of Civil Procedure 30(b)(6) present unique problems regarding privilege issues. Rule 30(b)(6) provides in pertinent part:

> In its notice or subpoena, a party may name as the deponent a public or private corporation, a partnership, an association, a governmental agency, or other entity and must describe with reasonable particularity the matters for examination. The named organization must then designate one or more officers, directors, or managing agents, or designate other persons who consent to testify on its behalf; and it may set out the matters on which each person designated will testify. . . . The persons designated must testify about information known or reasonably available to the organization.

The Notes of the Advisory Committee on Rules regarding the 1970 Amendment to Rule 30 indicate that the purpose of Rule 30(b)(6), among other things, is to "curb the 'bandying' by which officers or managing agents of a corporation are deposed in turn but each disclaims knowledge of facts that are clearly known to persons in the organization and thereby to it."

Thus, Rule 30(b)(6) witnesses are expected to be adequately prepared regarding the topics identified in the notice for deposition and the subjects that the entity should reasonably know, to the extent information on such matters is reasonably available. *See, e.g.*, State Farm Mut. Ins. Co. v. New Horizont, Inc., 250 F.R.D. 203, 216 (E.D. Pa. 2008) (ordering monetary sanctions for corporate party's failure to adequately prepare the witness); *see also* 8A CHARLES ALAN WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 2103 (2d ed. 1994 & Supp. 2009).

Generally, courts do not consider a Rule 30(b)(6) witness's testimony to be a judicial admission that absolutely binds the corporate party. *See* AstenJohnson, Inc. v. Columbia Cas. Co., 562 F.3d 213, 229 n.9 (3d Cir. 2009) (noting that a Rule 30(b)(6) representative's interpretation of a contract did not contain factual admissions or discuss the defendant's intentions and was therefore a legal conclusion; the deponent's testimony was not binding on the corporate defendant, which was allowed to produce contrary evidence at trial); A.I. Credit Corp. v. Legion Ins. Co., 265, F.3d 630, 637 (7th Cir. 2001) (stating that a corporate party is not absolutely bound to the 30(b)(6) witness's recollection); R&B Appliance Parts, Inc. v. Amana Co., 258 F.3d 783, 786 (8th Cir. 2001) (noting that a corporate party is no more bound by its 30(b)(6) witness's deposition testimony "than any witness is by his or her prior deposition testimony"); State Farm, 250 F.R.D. at 212 (noting the "better rule," which states that the testimony of a 30(b)(6) representative is not a judicial admission that absolutely binds the corporate party, and rejecting defendants' motion for summary judgment argument that plaintiff had no facts to support its claims after plaintiff's 30(b)(6) witness testified that he had no knowledge of facts "[o]ther than [those facts learned through] discussion with counsel" by pointing to the thousands of documents supporting plaintiff's allegations that plaintiff cited in response to defendants' interrogatories); Jerold S. Solovy & Robert L. Byman, *Baying at the Rule*, 31 NAT'L L.J. 24 (Nov. 3, 2008). *But see* Rainey v. Am. Forest

& Paper Ass'n, 26 F. Supp. 2d 82, 94 (D.D.C. 1998) (holding that "a corporation cannot later proffer new or different allegations that could have been made at the time of the 30(b)(6) deposition" unless it can prove the information was not known or accessible at that time); United States v. Taylor, 166 F.R.D. 356, 362 (M.D.N.C. 1996) ("[I]f a party states it has no knowledge or position as to a set of alleged facts or area of inquiry at a Rule 30(b)(6) deposition, it cannot argue for a contrary position at trial without introducing evidence explaining the reasons for the change."); Ierardi v. Lorillard, Inc., Civ. A. No. 90-7049, 1991 WL 158911, at *3 (E.D. Pa. Aug. 13, 1991) ("If the designee testifies that [the corporation] does not know the answer . . . [it] will not be allowed to effectively change its answer by introducing evidence during trial.").

Courts may impose sanctions under Federal Rule of Civil Procedure 37 for a corporate party's failure to adequately prepare a Rule 30(b)(6) witness. *See* Banco Del Atlantico, S.A. v. Woods Indus. Inc., 519 F.3d 350, 354 (7th Cir. 2008) (affirming the district court's order granting defendants' motion to dismiss after plaintiff's 30(b)(6) witnesses failed to respond to defendants' questions, except with presumably scripted "talking points"); State Farm, 250 F.R.D. at 219 (ordering monetary sanctions); Kyoei Fire & Marine Ins. Co. v. M/V Mar. Antalya, 248 F.R.D. 126, 152 (S.D.N.Y. 2007) (preventing defendant from offering evidence on subjects for which its 30(b)(6) deponent claimed to have no knowledge); *see generally* Jerold S. Solovy & Robert L. Byman, *Baying at the Rule*, 31 NAT'L L.J. 24 (Nov. 3, 2008).

Several courts have held that Rule 30(b)(6) witnesses are required to testify regarding facts that they learned from conversations with counsel and from the review of work product, even if the witness has no first-hand knowledge regarding the information. Otherwise, the only alternative may to be depose a party's attorney to learn the basis of a party's allegations or defenses. However, the courts attempt to protect legitimately privileged information by prohibiting questions the answers to which would elicit the mental impressions of counsel.

See:

> *Smith v. Gen. Mills, Inc., No. C2 04-705, 2009 WL 2525462, at *3–4 (S.D. Ohio Aug. 13, 2009). Although 30(b)(6) deposition was for the purpose of discovering factual bases for claims, rather than legal opinions, court cautioned against asking questions intended to elicit counsel's advice or views as to the significance of particular facts or any other matter revealing counsel's mental impressions.*
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> *Oklahoma v. Tyson Foods, Inc., 262 F.R.D. 617, 631 (N.D. Okla. 2009). In response to a Rule 30(b)(6) notice, a corporation must make a good faith effort to designate representatives having knowledge of the matters listed in the notice and to prepare those representatives so that they can answer fully, completely, and not evasively. "The rules require that the corporation select an officer or employee to gather and obtain from books, records, other offices or employees, or other sources, the information necessary to answer . . . on behalf of the corporation." This may require that a designated deponent testify regarding facts which the witness has learned from counsel or from his/her review of work product. However, particular care must be taken to protect against the indirect disclosure of opinion work product. This would include counsel's view as to the significance or lack thereof of particular facts, or any other matter that reveals counsel's mental impressions concerning the case.*
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> *Kelley v. Microsoft, No. C 07-475, 2009 WL 168258 (W.D. Wash. Jan. 23, 2009). Accounting consultant designated by defendant as 30(b)(6) witness fell outside of both the attorney-client privilege and the work product protection. Defendant's designation of accountant as 30(b)(6) witness to*

interpret data that a lay person would not be able to analyze was akin to the designation of the accountant as an expert witness.

State Farm Mut. Ins. Co. v. New Horizont, Inc., 250 F.R.D. 203, 215 (E.D. Pa. 2008). Facts supporting State Farm's allegations that were communicated to State Farm's 30(b)(6) deponent by counsel were discoverable.

*Lockheed Martin Corp. v. L-3 Commc'ns Corp., No. 6:05-cv-1580-Orl-31KRS, 2007 U.S. Dist. LEXIS 52658, at *11-13(M.D. Fla. July 22, 2007). Counterclaim defendant LMC objected to certain of the 30(b)(6) deposition topics noticed to it by Defendant Mediatech because, among other reasons, LMC representatives did not have access to some "attorney's eyes only information" produced by defendant L-3. LMC was ordered to produce representatives prepared to testify regarding the facts called for by the deposition notices, "even though those facts may have been provided by counsel." But the court also admonished Mediatech to "avoid asking questions that are intended to elicit LMC's counsel's advice, view of the significance of particular facts, or mental impressions regarding the case." The court did not require that LMC's attorneys educate a witness with the attorney's-eyes-only information, ordering that information could be provided in sworn supplemental responses to defendants' contention interrogatories.*

*Taylor v. Shaw, No. 2:04-cv-01668-LDG-LRL, 2007 WL 710186, at *1-3 (D. Nev. Mar. 7, 2007). Plaintiff was obligated to produce a witness or witnesses who were "thoroughly educated about the noticed deposition topics with respect to any and all facts known to [Plaintiff] or [its] counsel," although counsel argued that because Plaintiff was a trust, there was no one who could properly represent the party. The court noted that it "fully expect[ed]" that the deposing party had "no intention of exploring any matters protected by plaintiffs' work product privilege."*

Sec. Ins. Co. of Hartford v. Trustmark Ins. Co., 218 F.R.D. 29, 33-34 (D. Conn. 2003). A witness designated pursuant to Rule 30(b)(6) has an obligation to be prepared as a spokesperson for the organization he represents. The witness must be prepared to recite the facts upon which the organization has relied to support the allegations of its answer and counterclaim, even if those facts have been provided by corporate counsel. However, the witness should not be asked questions which are intended to elicit counsel's advice, counsel's view as the significance or lack thereof of particular facts, or any other matter that reveals counsel's mental impressions concerning the case.

But see:

In re Linerboard Antitrust Litig., 237 F.R.D. 373, 380, 384-85 (E.D. Pa. 2006). A party could not circumvent the attorney-client privilege or work product protection that applied to an attorney's internal investigation by noticing a Rule 30(b)(6) deposition for a witness to testify about facts discovered in the course of the investigation. Although facts are discoverable, and "facts 'discovered' by corporate counsel during an internal investigation are inherently a part of the corporation's knowledge," "the process by which a corporation 'accumulates' its knowledge—namely, an internal investigation—affords certain protections that can preclude the disclosure of confidential communications and documents created by and recollection of counsel as part of that investigation effort." Where a party did not show that the information was unavailable elsewhere or crucial to their case, it would be protected as core work product.

Where the threat to attorney-client privilege or work product is too great, however, courts may require that other methods of discovery be used before or in place of depositions.

*SEC v. Rosenfeld, No. 97 Civ. 1467 (RPP), 1997 WL 576021, at *3-4, Fed. Sec. L. Rep. (CCH) P90,116 (S.D.N.Y. Sept. 16, 1997). A 30(b)(6) deposition "would undoubtedly place an undue burden on the SEC and the court, which would have to make a multitude of otherwise unnecessary decisions about issues of attorney work product and law enforcement privilege, whereas no prejudice to defendant … has been shown if he is required to conduct discovery by" first using interrogatories and*

document requests, "and then taking the necessary oral discovery from the witnesses with knowledge of the facts alleged in the complaint."

At least one court has held that where a corporate party objects to an entire category of requested testimony, the proper procedure is to seek a protective order prior to the deposition rather than instruct the witness not to answer at the deposition. *See* Nutmeg Ins. Co. v. Atwell, Vogel & Sterling, 120 F.R.D. 504, 508 (W.D. La. 1988) (holding that because the corporate party could have sought a protective order or moved to quash the 30(b)(6) deposition and did not, its representative had the duty to answer).

A second type of deposition presents unique difficulties for the practitioner: defending the deposition of a party's counsel. *See* Steven W. Simmons, Note, *Deposing Opposing Counsel Under the Federal Rules: Time for a Unified Approach*, 38 WAYNE L. REV. 1959 (1992). Several courts have commented that there appears to be a trend in favor of deposing opposing counsel. These courts have almost universally condemned the trend as injecting unnecessary animosity into litigation, increasing the risk that an attorney will become a witness at trial and therefore be disqualified as counsel, and potentially chilling attorney-client communication. As a result, the courts increasingly are requiring that the parties use contention interrogatories instead of deposing counsel. *See* Dunkin' Donuts Inc. v. Mary's Donuts, Inc., 206 F.R.D. 518 (S.D. Fla. 2002).

In N.F.A. Corp. v. Riverview Narrow Fabrics, Inc., 117 F.R.D. 83 (M.D.N.C. 1987), the court imposed substantial restrictions on the ability of one party to depose opposing counsel. The court in N.F.A. Corp. barred defendant from deposing plaintiff's patent counsel. Defendant apparently noticed the deposition in retaliation for plaintiff's deposing defendant's attorney, upon whose advice defendant relied. The court began by explaining that, although protective orders totally prohibiting a deposition rarely should be granted absent extraordinary circumstances, a request to depose a party's attorney constitutes a circumstance justifying departure from the normal rule. The court stated "experience teaches that countenancing unbridled depositions of attorneys constitutes an invitation to delay, disruption of the case, harassment, and perhaps disqualification of the attorney." 117 F.R.D. at 85.

In response to the potential evil of free access to opposing counsel, the court held that "the mere request to depose a party's attorney constitutes good cause for obtaining a [Rule 26(c) protective order] unless the party seeking the deposition can show both the propriety and need for the deposition." *Id.* (citations omitted). In seeking to depose a party's attorney, the movant must demonstrate that the deposition "is the only practical means available" of obtaining the desired information. 117 F.R.D. at 86. In addition, the movant must show that the information sought will not invade the attorney-client privilege or the attorney's work product.

Many courts follow the test described by the Eighth Circuit in Shelton v. American Motors Corp., 805 F.2d 1323, 1327 (8th Cir. 1986), requiring that the party who seeks to depose opposing counsel on matters related to the litigation must show that (1) no other means exist to obtain the information; (2) the information sought is relevant and non-privileged; and (3) the information is crucial to the preparation of the case. *See, e.g.,*

Nationwide Mut. Ins. Co. v. Home Ins. Co., 278 F.3d 621, 629 (6th Cir. 2002) (upholding district court's denial of motion to compel deposition of opposing counsel because movant had not explained why the information was crucial to the preparation of its case); Thiessen v. Gen. Elec. Capital Corp., 267 F.3d 1095, 1112 (10th Cir. 2001) (upholding district court's refusal to allow deposition of party's in-house counsel because the information sought was available through other means); Nguyen v. Excel Corp., 197 F.3d 200, 208-09 (5th Cir. 1999) (applying the Shelton factors but concluding that the district court did not abuse its discretion in authorizing depositions of defense counsel); Guantanamera Cigar Co. v. Corp. Habanos, S.A., No. 08-0721 (RCL), 2009 WL 2514082, at *6-7 (D.D.C. Aug. 18, 2009) (applying the Shelton factors and quashing subpoena for defense counsel's deposition); Asbury v. Litton Loan Servicing, LP, No. 3:07-0500, 2009 WL 973095, at *3 & n.4 (S.D.W. Va. Apr. 9, 2009) (noting that "[a]lthough the Shelton criteria has not been specifically adopted by the Fourth Circuit, it has been applied by courts within this Circuit and by some other circuits" and denying defendant's objections to the magistrate judge's decision to quash subpoenas issued for the deposition of counsel); Fausto v. Credigy Serv. Corp., No. C 07-5658 JW (RS), 2008 WL 4793467, at *1 & n.2 (N.D. Cal. Nov. 3, 2008) (noting that there is no published Ninth Circuit decision adopting the Shelton test but that district courts within the Ninth Circuit have used it when analyzing whether to permit the deposition of counsel and finding that defendant's arguments fail to satisfy Shelton); Pastrana v. Local 9509, Commc'ns Workers of Am., No. 06cv1779 W(AJB), 2007 WL 2900477, at *5-6 (S.D. Cal. Sep. 28, 2007) (applying Shelton to hold that deposition of counsel could be taken because information was not available elsewhere); Newell v. Wis. Teamsters Joint Council No. 39, No. 05-C-552, 2007 WL 2874938 (E.D. Wis. Sep. 28, 2007) (adopting Shelton and noting that although the Seventh Circuit has not addressed the issue, numerous district courts within the Circuit have applied the Shelton test); SEC v. Buntrock, No. 02 C 2180, 2004 WL 1470278, at *2-3 (N.D. Ill. June 29, 2004) (following Shelton and prohibiting deposition of SEC brought pursuant to Rule 30(b)(6), which effectively required investigating attorneys to submit for deposition); FTC v. U.S. Grant Res., LLC, No. Civ.A. 04-596, 2004 WL 1444951, at *9-11 (E.D. La. Jun. 25, 2004 (same).

See also:

> *In re Dow Corning Corp., 261 F.3d 280, 284 (2d Cir. 2001). In denying mandamus and remanding for further proceedings, the court found that the district court, which had ordered production of unredacted minutes of Dow's board of directors, "may well have erred" when it directed Dow's general counsel to submit to questioning about his communications with the board of directors.*
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> *In re Linerboard Antitrust Litig., 237 F.R.D. 373, 385 (E.D. Pa. 2006). Applying Shelton to find that there was no compelling need to allow plaintiffs to depose counsel indirectly through a 30(b)(6) designee.*

But see:

> *Coffeyville Res. Ref. & Mktg. v. Liberty Surplus Ins. Corp., No. 08-1204-WEB, 2009 WL 3007125, at *7 (D. Kan. Sept. 16, 2009). Insurer entitled to depose insured's general counsel when counsel was designated as insured's 30(b)(6) deposition witness and where counsel was a fact witness to the flood giving rise to insured's claims and to the insured's submission of insurance requests.*

*Phillips v. Indianapolis Life Ins. Co., No. 1:06-CV-1544-WTL-JMS, 2009 WL 156484, at *3 (S.D. Ind. June 3, 2009). The court rejected the Shelton test, finding no support in the Federal Rules of Civil Procedure for Shelton's heightened burden of proof. The court also found that "the Shelton rule [was] unnecessary given the rarity of attorney depositions in this District and given the Court's ability to sanction counsel for proceeding with a frivolous deposition." The court denied defendants' motion to compel deposition testimony of plaintiffs' counsel, however, after noting that interrogatories would be less expensive and less burdensome.*

Kaiser v. Mutual Life Ins. Co., 161 F.R.D. 378, 381-82 (D. Ind. 1994). The concerns raised by depositions of opposing counsel do not justify a court "deviating from the framework provided in the rules for raising and resolving such concerns." Because the court did not believe that depositions of counsel "are so rarely justified or so great a phenomenon as to warrant imposing a stricter standard for their allowance," it held there was "no basis for adopting a general presumption that relevant information which a party seeks from his opponent's counsel during a deposition is overwhelmingly likely to be privileged or immune from discovery."

Boston Edison Co. v. United States, 75 Fed. Cl. 557, 563 (Fed. Cl. 2007). The court distinguished Shelton and permitted deposition of trial counsel where the focus of the deposition would be counsel's non-legal responsibilities as a consultant in the transaction underlying the litigation and the government was not seeking to discover Boston Edison's litigation strategy or counsel's mental impressions of that strategy.

In a non-binding opinion that some courts have found persuasive, the Second Circuit agreed with the Shelton court that depositions of counsel were disfavored but rejected rigid application of the Shelton test. In re Subpoena Issued to Dennis Friedman, 350 F.3d 65 (2nd Cir. 2003). The Court reasoned: "the standards set forth in Rule 26 require a flexible approach to lawyer depositions whereby the judicial officer supervising discovery takes into consideration all of the relevant facts and circumstances to determine whether the proposed deposition would entail an inappropriate burden or hardship." *Id.* at 72. Factors to consider may include: "the need to depose the lawyer, the lawyer's role in connection with the matter on which discovery is sought and in relation to the pending litigation, the risk of encountering privilege and work-product issues, and the extent of discovery already conducted." *Id.*; *see* N.Y. Indep. Contractors Alliance, Inc. v. Highway, Rd. & St. Constr. Laborers Local Union 1010, No. 07-CV-1830 (ERK)(VVP), 2008 WL 5068870, at *6-7 (E.D.N.Y. Nov. 24, 2008) (applying the Friedman factors and concluding that a deposition of defendants' counsel was not warranted); In re Application of Chevron Corp., No. 10 MC 00002 (LAK), slip op. at 38-51 (S.D.N.Y. Nov. 5, 2010) (applying the Friedman factors and holding that counsel must sit for a deposition and could assert privilege on a question-by-question basis); Tailored Lighting, Inc. v. Osram Sylvania Prods., Inc., 255 F.R.D. 340, 346 (W.D.N.Y. 2009) (applying the Friedman factors to permit a narrowly-circumscribed deposition of in-house counsel); In re Tyco Int'l Ltd., No. 02-md-1335-PB, 2007 WL 2682763 (D.N.H. Sep. 7, 2007) (applying Friedman factors to permit deposition of trial counsel as to an internal investigation report he had filed with the SEC but forbidding questions about drafts of the report); Resqnet.Com, Inc. v. Lansa, Inc., No. 01 Civ.3578(RWS), 2004 WL 1627170, at *6 (S.D.N.Y. Jul. 21, 2004) (applying Friedman factors to quash deposition of counsel); *see also* Argo Sys. FZE v. Liberty Ins. PTE Ltd., No. Civ. A. 04-00321-CGB, 2005 WL 1355060, at *3-4 (S.D. Ala. Jun. 7, 2005) (comparing Friedman and Shelton standards and concluding that, under either standard, trial counsel could be deposed, by written questions, where he had also been retained to investigate insurance claim and acted as adjuster, rather than as an attorney, in that process).

Where the attorney whose deposition is sought is not trial counsel for a party to the litigation, courts are less likely to restrict the deposition. *See* Van Den Eng v. Coleman Co., No. 03-C-0504, No. 03-C-1392, 2005 U.S. Dist. LEXIS 41748, at *5-6 (E.D. Wis. Sep. 23, 2005) ("Depositions of trial counsel implicate concerns such as disrupting the effective operation of the adversarial system and disqualification of counsel due to their testimony as witnesses that are not present when in-house counsel is deposed."); United States Fid. & Guar. Co. v. Braspetro Oil Servs. Co., 97 Civ. 6124 (JGK)(THK), 98 Civ. 3099 (JGK)(THK), 2000 WL 1253262, at *2 (S.D.N.Y. Sep. 1, 2000) (taking depositions of transactional lawyers "will not be disruptive of the litigation, or raise significant privilege issues, as would be more likely if they were they acting as trial counsel"). *But see* In re Air Crash at Belle Harbor, N.Y. on Nov. 12, 2001, 490 F.3d 99, 106-08 (2d Cir. 2007) (refusing to exercise appellate jurisdiction over a non-party lawyer's appeal from the district court's order compelling him to produce documents and appear for a deposition because proper course to protect privilege was to appeal from a citation for contempt, despite adverse consequences for an attorney).

Designating an attorney as Rule 30(b)(6) witness is rife with danger. Although courts generally hold that the mere designation of an attorney pursuant to Rule 30(b)(6), without more, does not waive any privilege, the witness may waive privileges by straying into privileged areas. *See, e.g.*, In re Pioneer Hi-Bred Int'l, Inc., 238 F.3d 1370, 1375 (Fed. Cir. 2001) ("Counsel is often a fact witness with respect to various events, and may testify on deposition by the opposing party as to such matters without waiver."); Motley v. Marathon Oil Co., 71 F.3d 1547, 1552 (10th Cir. 1995) (designating a lawyer as 30(b)(6) witness "is a wholly insufficient ground to hold that [the party] waived its attorney-client privilege"); Natural Res. Def. Council, Inc. v. Cnty. of Dickson, Tenn., No. 3:08-0229, 2010 WL 5300871, at *4 (M.D. Tenn. Dec. 20, 2010) (finding that although the attorney-client privilege and the work product doctrine may be waived in the proper case, there was no basis to conclude that these privileges were waived merely because the plaintiff designated one of its staff attorneys as a 30(b)(6) deponent); Colonial Gas Co. v. Aetna Cas. & Surety Co., 139 F.R.D. 269, 273 (D. Mass. 1991) (refusing to find an automatic and general waiver by virtue of designating an attorney pursuant to Rule 30(b)(6)); *see also* L.S.S. Realty Corp. v. Vanchlor Catalysts, LLC., No. Civ.A. 04-197, 2005 WL 638056, at *2 (E.D. Pa. Mar. 16, 2005) (refusing to prohibit designation of corporate counsel as 30(b)(6) witness and declining to prohibit her from invoking privilege if warranted).

C. DEPOSITION PREPARATION

Preparing a witness for his or her deposition can be a particularly perilous time for attorney-client privileged communications and attorney work product. For example, protection may be waived if a corporate officer who serves as in-house counsel conducts the preparation without adequately separating her legal role from her business role; if counsel reveals legal strategy to a witness who may not be a privileged party, such as a former employee of the client; or if attorney work product or privileged communications are used to refresh the witness's recollection. *See generally Waiving The Attorney-Client Privilege*, § I.G, and *Waiver of Work Product Protection*, § IV.E, above. Waiver as to one small aspect of privileged communications may result in a broad opportunity for opposing counsel to inquire into privileged areas during a deposition. *See generally The Extent of Waiver*, § I.G.6.

Attorneys who represent clients during depositions must remember that any discussions with the client during the deposition that do not relate to the assertion of a privilege are not privileged. Under Federal Rule of Civil Procedure 30(c), depositions are to be conducted in the same manner as trial examination. As with trial testimony, off-the-record discussions between counsel and the deponent regarding matters other than privilege are not privileged and may be discovered by the opposing party. *E.g.*, Ngai v. Old Navy, Civil Action No. 07-5653 (KSH)(PS), 2009 WL 2391282, at *4-5 (D.N.J. July 31, 2009) (holding that text messages sent between a deponent and her attorney during a video deposition were not protected by the attorney-client privilege, although text messages exchanged before the deposition began remained privileged).

In many cases it may be necessary to prepare an outside corporate attorney or in-house attorney to testify regarding their communications with the corporate client. As discussed above, communications with an attorney are privileged only if the attorney is acting in her official capacity as a lawyer. *See Privilege Applies Only to Communications Made for the Purpose of Securing Legal Advice*, § I.D, *supra*. When an attorney has acted primarily as a business person, the communications are not privileged. Therefore, deposition preparation should include discussing the nature of the attorney's work and whether she used her legal skills and training at relevant times. Otherwise, the deponent may be caught off guard and inadvertently fail to provide an otherwise available basis for privilege.

Preparing a client's former employees to testify may also present potential pitfalls. In Peralta v. Cendant Corp., 190 F.R.D. 38 (D. Conn. 1999), an employment discrimination case, the court rejected the "wholesale application of the Upjohn principles to former employees as if they were no different than current employees" because it was not justified by the underlying reasoning of Upjohn. Although the Court noted that courts generally have applied the attorney-client privilege to communications with former employees (*see generally Former Employees of Organizational Clients*, § I.B.1.b(3), *supra*), it distinguished certain communications from others. Any privileged information obtained by the witness during her employment remained privileged upon termination of employment, and counsel's communications with the witness during deposition preparation were privileged if their purpose were to learn facts that the witness became aware of during her employment. 190 F.R.D. at 41. But to the extent that the deposition preparation went beyond the witness's

knowledge of events developed during her employment, those communications would not be protected by the attorney-client privilege. For example, if counsel informed the witness of facts developed during litigation, such as testimony of other witnesses, of which the former employee would not have had prior or independent knowledge, such communications would not be privileged. The court also held, however, that the work product protection would cover conclusions or opinions that counsel communicated to the witness, because disclosure of work product to non-adverse third parties does not waive the protection.

See also:

> *Hynix Semiconduct Inc. v. Rambus Inc.*, *Nos. CV-00-20905 RMW, C-05-00334 RMW, C-06-00244 RMW, 2008 WL 397350, at *4 (N.D. Cal. Feb. 10, 2008). The court, applying In re Cedant Corp. Sec. Lit., allowed cross-examination at trial regarding a former employee's (and paid consultant's) meeting with a jury consultant, but limited more specific questions under FRE 403.*
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> *Wade Williams Distrib. v. ABC, No. 00 Civ. 5002 (LMM), 2004 WL 1487702, at *1 (S.D.N.Y. June 30, 2004). Permitting deposition questions about what corporate counsel told a former employee in preparing for his deposition: "The mere volunteered representation by corporate counsel of a former employee should not be allowed to shield information which there is no independent basis for including within the attorney-client privilege."*
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> *City of New York v. Coastal Oil N.Y., Inc., No. 96 Civ. 8667 (RPP), 2000 WL 145748, at *2 (S.D.N.Y. Feb. 7, 2000). Attorney-client privilege does not apply to communications between in-house corporate counsel and a corporate subsidiary's former employee during deposition preparation where in-house counsel was not conducting an investigation and the former employee did not regard in-house counsel as his attorneys. Because the Second Circuit had not ruled in the area, the court limited questioning to in-house counsel's activities which aided the witness in preparing to be deposed, and prohibited questioning into conversations which were not related to the witness's upcoming testimony or testimony of other potential witnesses in the case).*

In the context of a deposition, the principal hazard regarding work product is waiving work product protections by showing work product to a witness during deposition preparation or allowing the deponent to review work product during the deposition. As discussed in detail above, the work product protection may be waived by using protected documents for the purpose of refreshing the recollection of a witness. *See Use of Documents by Experts and Witnesses*, § IV.E.9, *supra*. However, the waiver may be limited solely to the portions of material that were actually used to refresh recollection. *See, e.g.*, Mattel, Inc. v. MGA Entm't, Inc., No. CV 04-9049 DOC (RNBx), 2010 WL 3705782, at *5 (C.D. Cal. Aug. 3, 2010) (finding that where a witness reviews written materials prior to a deposition, "any privilege or work product protection against disclosure is deemed waived as to those portions so reviewed"); Nutramax Labs., Inc. v. Twin Labs. Inc., 183 F.R.D. 458, 468 (D. Md. 1998) (disclosure under Rule 612 "is limited only to those writings which may fairly be said in part to have an impact upon the testimony of the witness"); S & A Painting Co. v. O.W.B. Corp., 103 F.R.D. 407, 409 (W.D. Pa. 1984) (where deponent referred to only portions of 24 pages of notes during deposition, disclosure required of only those portions, not the entire set of notes); *see also* Laxalt v. McClatchy, 116 F.R.D. 438, 454 (D. Nev. 1987) (where court ordered deponent to review attorney work product to refresh her recollection for deposition, the work product protection would not be waived pursuant to Federal Rule of Evidence 612).

A related risk involves the potential disclosure of notes taken by a party or client during one deposition that are intended to be used to prepare for another deposition. In Schwarz & Schwarz of Virginia, LLC v. Certain Underwriters at Lloyd's, Civil Action No. 6:07cv042, 2009 WL 1913234, at *2 (W.D. Va. July 1, 2009), the court rejected the defendant insurers' argument that, because the representative did not share the notes with counsel, they were not protected by the work product doctrine and stated that, because the notes were taken during the litigation process by a party representative, they were "plainly subject to work product protection." The insurers had not shown substantial need for the representative's notes, as they were able to depose the corporate party representative himself and actually did so.

It is important that the practitioner be aware of possible waiver before preparing a witness to testify. There may be cases in which the risk of waiver of some work product is outweighed by the benefit of refreshing the witness's recollection. There are, however, certain precautions that can be employed to avoid waiver in most cases:

- Do not show a witness notebooks or other compilations of documents that have been assembled by counsel. Using only the specific non-work product documents contained in the compilations that are relevant to the witness's testimony will serve the purpose of preparation, but will not waive the protection of the attorney's organization and related thought processes.

- Use the non-work product underlying a compilation or analysis instead of the resulting work product whenever possible.

- Instruct the witness not to bring notes or other documents to the deposition, unless the documents are otherwise called for by a document request or court order.

IX. INTERNAL INVESTIGATIONS

It is common for corporations to conduct internal investigations regarding matters that come to the attention of management. Investigations may involve seemingly mundane matters, such as rumors about employee inefficiency or petty wrongdoing, or obviously serious matters, such as alleged criminal misconduct. Corporations may delegate the task of conducting such investigations to outside counsel, to in-house counsel, or to non-legal personnel. Often, the materials assembled and created during an investigation are sought by government subpoena or civil document request.

Whether communications and documents relating to an investigation will be discoverable will depend on the same issues that are discussed throughout this outline relating to the attorney-client privilege and work product doctrine. Essentially, the court will want to know: (1) whether the investigation was conducted primarily or solely for the purpose of rendering legal advice or, instead, was conducted largely for business reasons; (2) whether the investigation was conducted by counsel or by non-legal personnel; and (3) whether the investigation was conducted in anticipation of imminent litigation or, instead, as a routine matter in response to the ever-present concern with the possibility of litigation. The less routine and more "special" the internal investigation, the more likely it is that a court will protect materials relating to the investigation.

A. THE COURTS' ANALYSIS OF ASSERTIONS OF PRIVILEGE OVER INVESTIGATIVE MATERIALS

Corporations may protect the products of internal investigations through both the attorney-client privilege and the work product doctrine. Each presents its own benefits and its own challenges. The attorney-client privilege provides the best protection, but it is also more difficult to establish. As discussed above, once established, the attorney-client privilege is almost absolute. Barring waiver or the crime-fraud exception, a communication deemed privileged is simply off-limits in discovery. However, establishing the privilege is difficult in the context of an internal investigation. There must be communications with counsel that are intended to secure or communicate legal advice and that are intended to be and remain privileged. As discussed below, each of these elements presents difficulties in internal investigations. In addition, it is far easier to waive the attorney-client privilege than work product protection.

The products of internal investigations are more often protected by the work product doctrine. The protection provided is far less absolute than the attorney-client privilege, but it is easier to establish that investigative materials are work product, and waiver is more difficult to prove. Ordinary work product, such as verbatim or near verbatim witness statements of company employees, is discoverable upon a showing of substantial need and undue hardship by an opposing party. As discussed below, many courts do not require very substantial need or very much hardship to allow a party to discover ordinary work product, particularly when the work product is primarily a recitation of facts. Opinion work product, as discussed above, enjoys far more protection, even "absolute" protection in some jurisdictions.

In order to maximize the chance that internal investigative materials will not be discovered in litigation, it is important that a company attempt to place the materials under both umbrellas.

B. THE ATTORNEY-CLIENT PRIVILEGE

Admiral Insurance Co. v. U.S. District Court for the District of Arizona, 881 F.2d 1486 (9th Cir. 1989), presents an excellent example of a corporation successfully conducting an internal investigation and prevailing in its assertion of attorney-client privilege over interviews conducted with corporate employees. In anticipation of litigation regarding certain real estate investment transactions, Admiral hired outside counsel. *Id.* at 1488. Shortly thereafter, a securities fraud action was filed against it, and Admiral's senior management directed outside counsel to interview the two Admiral officers with the most knowledge regarding the transactions. *Id.* at 1488-89. At the beginning of the interviews, which a stenographer transcribed, counsel advised the employees that Admiral had retained outside counsel to investigate the circumstances of the transactions for the purpose of rendering legal advice to their employer regarding its potential interests and liabilities; that counsel represented Admiral and not the employees personally; that Admiral would claim attorney-client privilege and work product protection with respect to the interviews; that the two officers were selected for interviews because they knew the most about the transactions at issue in the lawsuit; and that the employees should treat the interviews as confidential communications. *Id.* at 1489. Both employees resigned shortly after their interviews. *Id.*

When the plaintiffs noticed the two officers' depositions, both officers stated that they would invoke the Fifth Amendment privilege against self-incrimination if they were deposed. *Id.* Plaintiffs subsequently served a subpoena duces tecum on Admiral for production of the officers' statements, which Admiral moved to quash. *Id.* In response to the motion to quash, plaintiffs asserted that the documents were discoverable because plaintiffs were unable to obtain the information in the statements from any other source. *Id.* The district court denied Admiral's motion and held that Admiral must produce the statements if the witnesses refused to testify at their depositions. *Id.*

A panel of the Ninth Circuit, however, granted the petition for a writ of mandamus to vacate the part of the district court's order compelling production of one of the officer's statements. *Id.* at 1495. Applying Upjohn, the court held that the communications between counsel and the corporate employees were privileged because: (1) counsel was retained in anticipation of litigation; (2) the officers were the management-level employees with the most knowledge about the transactions; (3) Admiral instructed the officers to give the statements; (4) the information that the officers provided related directly to the officers' roles in the transactions and therefore was within the scope of their corporate duties; and (5) the officers knew that the purpose of the interviews was for counsel to provide Admiral with legal advice regarding the litigation. *Id.* at 1492-93. "These circumstances fall squarely within Upjohn." *Id.* at 1493; *see also* Yurick v. Liberty Mut. Ins. Co., 201 F.R.D. 465, 468 (D. Ariz. 2001) (applying Admiral criteria); Costco Wholesale Corp. v. Super. Ct., 219 P.3d 736, 766 (Cal. 2009) (holding that an opinion letter prepared by outside counsel that contained employee interview statements was privileged, in part, because counsel was acting in a legal capacity when she interviewed the employees); Shew v. Freedom of Info. Comm'n,

714 A.2d 664, 670-71 (Conn. 1998) (concluding that employee interviews conducted by outside counsel are privileged when attorney acts in legal capacity and not as mere investigator, employees are currently employed by entity, and the interviews relate to the requested legal advice and are made in confidence). The Admiral court directly rejected an "unavailability" exception to the attorney-client privilege, which would apply when privileged materials are not available from any unprivileged source. 881 F.2d at 1494-95.

The Admiral case demonstrates the importance of having internal investigation interviews conducted by counsel. As discussed below, although the interviews may have qualified as work product, there is a good chance that the court would have found both substantial need and undue hardship based on the witnesses' refusal to submit to discovery and would have compelled production of the interview transcripts.

In contrast to Admiral, Claude P. Bamberger International, Inc. v. Rohm & Haas Co., No. Civ. 96-1041(WGB), 1997 WL 33762249 (D.N.J. Dec. 29, 1997), is an excellent example of an internal investigation where the attorney-client privilege was not established because it did not appear to the court that investigative materials had been created for the primary purpose of obtaining legal advice. Rohm & Haas attempted to withhold from production – on the grounds of attorney-client privilege and work product protection – a memorandum containing the results from an in-house investigation conducted by non-attorney Davis at the request of in-house counsel Stroebel. *Id.* at *1-2. Stroebel asserted to the court that he had reviewed and approved the memo before circulation and that the purpose of the memo was to assist the legal department in providing management with legal advice. *Id.* at *1. Rohm & Haas refused to produce the memo on the grounds of attorney-client privilege and the work product doctrine. *Id.* at *2.

The district court affirmed the magistrate judge's earlier ruling that the memo fell outside the attorney-client privilege because it did not appear to have been created for the primary purpose of obtaining legal advice. *Id.* at *4. (The court also affirmed that the documents were not protected by the work product doctrine. *Id.* at *5.) The court stated in support of its position that a non-attorney conducted the investigation; that Davis sent the memo to a non-attorney and only copied in-house counsel on the document; and that the memo was "the end result of a business investigation into the justifications for a business decision, not a tool to be used by Stroebel or the legal department to help render legal advice." *Id.* at *3. The court cited Hercules, Inc. v. Exxon Corp., 434 F. Supp. 136, 147 (D. Del. 1977), for the following principles:

> If the primary purpose of a communication is to solicit or render advice on non-legal matters, the communication is not within the scope of the attorney-client privilege. Only if the attorney is "acting as a lawyer" giving advice with respect to the legal implications of a proposed course of conduct may the privilege be properly invoked. In addition, if a communication is made primarily for the purpose of soliciting legal advice, an incidental request for business advice does not vitiate the attorney-client privilege.

Claude P. Bamberger Int'l, 1997 WL 33762249, at *2. *Cf.* In re Buspirone Antitrust Litig., 211 F.R.D. 249, 253 (S.D.N.Y. 2002) ("[T]he fact that a request to counsel was sent simultaneously to non-legal personnel should not by itself dictate the conclusion that the document was not prepared for the purpose of obtaining legal advice.").

The Claude P. Bamberger International case demonstrates the importance of: (1) having counsel conduct investigations directly; (2) limiting the focus of the investigation to providing legal advice; (3) limiting the distribution of investigative materials to those with a need to know; and, (4) weaving impressions, opinions, and strategies into memoranda so that it is clear that the purpose of the investigation is to obtain legal advice.

Unlike the work product protection, which most courts allow even if a substantial portion of the document relates to business matters, the attorney-client privilege does not exist unless the predominant intention of the party is to obtain legal advice. *See* Diversified Indus., Inc. v. Meredith, 572 F.2d 596, 603 (8th Cir. 1977) (report prepared by outside counsel based on interviews with corporate employees not protected by attorney-client privilege because counsel "was employed solely for the purpose of making an investigation of facts and to make business recommendations with respect to the future conduct of Diversified"; the work done by counsel could just as easily have been performed by non-lawyers); In re Syncor ERISA Litig., 229 F.R.D. 636, 645 (C.D. Cal. 2005) (documents prepared during internal investigation were created with intent to disclose to government and thus were never privileged) (citations omitted); Navigant Consulting, Inc. v. Wilkinson, 220 F.R.D. 467, 476 (N.D. Tex. 2004) (where attorney was retained primarily as an investigator, communications were held to be made for a business, rather than legal, purpose and were not privileged); Cataldo v. Nat'l Grid USA, No. 20065120, 2008 WL 496718, at *6 (Mass. Super. Ct. 2008) (concluding that investigation report prepared under the direction of in-house counsel was not privileged because the substance of the report was very similar to a parallel investigation report prepared by business personnel, members of the two investigation teams overlapped, and the independence of the teams was questionable). *Cf.* Picard Chem. Inc. Profit Sharing Plan v. Perrigo Co., 951 F. Supp. 679, 685-86 (W.D. Mich. 1996) (investigation report commissioned by board of directors and conducted by disinterested independent director and outside counsel in response to shareholder demand held privileged despite mixture of legal and business considerations, because the report contained a legal analysis of the securities fraud claims and discussed legal theories; "legal and business considerations may frequently be inextricably intertwined. . . . The mere fact that business considerations are weighed in the rendering of legal advice does not vitiate the attorney-client privilege.") (quoting Coleman v. Am. Broad. Co., 106 F.R.D. 201, 206 (D.D.C. 1985)). For this reason, an engagement letter that expressly states that outside counsel performing the investigation are providing legal advice in connection with the representation may be key to preserve the privilege. *See* Sandra T.E. v. S. Berwyn Sch. Dist. 100, 600 F.3d 612, 619-20 (7th Cir. 2010) (reversing order to disclose privileged communications from an investigation into sexual abuse at a school district, where the engagement letter between the school district and the law firm conducting the investigation stated that the firm was retained to provide legal services). Whether the predominant intention of the party is to obtain legal advice is a fact-intensive inquiry and courts will demand a high level of detail from the party. In re Aqua Dots Prods. Liab. Litig., 270 F.R.D. 322, 327-28 (N.D. Ill. 2010).

See:

Musa-Muremi v. Florists' Transworld Delivery, Inc., 270 F.R.D. 312, 317-19 (N.D. Ill. 2010). The privilege as to investigative materials was waived because the employer asserted the Faragher-Ellerth defense.

Lewis v. Wells Fargo & Co., 266 F.R.D. 433, 441-43 (N.D. Cal. 2010). Interview notes and a questionnaire completed by employees to determine compliance with the Fair Labor Standards Act were not privileged. "The [company's] fatal flaw [ ] was that it did not clarify to the employees completing the questionnaire that it needed the information to obtain legal advice." The questionnaire indicated that it was being administered as part of a routine review, not to seek legal advice, and it did not contain a confidentiality warning.

Reitz v. City of Mt. Juliet, 680 F. Supp. 2d 888, 892-93 (M.D. Tenn. 2010). In a hostile work environment lawsuit, the employer waived the attorney-client privilege with respect to its investigative materials by asserting that it had conducted an adequate investigation, also known as the Faragher-Ellerth defense. Specifically, in moving for summary judgment, the employer asserted that the employee's internal complaint "was fully, completely, and exhaustively investigated by an outside investigator retained by the City. Over 25 witness interviews were conducted. . . . The investigator found [plaintiff's] complaint to be without merit." The court ordered the production of the investigative materials even though, in the meantime, the hostile work environment claim to which the materials related had been dismissed, leaving only an improper retaliation claim.

Treat v. Tom Ketty Buick Pontiac GMC, Inc., No. 08-CV-173, 2009 WL 1543651 (N.D. Ind. June 2, 2009). Outside counsel investigation materials privileged. Although defendant asserted on affirmative defense of reasonable case and prompt corrective action regarding plaintiff's claims of discrimination, defendant clarified that it did not intend to rely on the reasonableness of its investigation as a defense.

Cline v. Advanced Med. Optics, Inc., No. 2:08-CV-62, 2009 WL 585507 (E.D. Tex. Mar. 6, 2009). Defendant's "root cause" analysis conducted at direction of in-house counsel following product recall was protected by both attorney-client privilege and work product doctrine.

Marceau v. Int'l Bhd. of Elec. Workers Local 1269, 246 F.R.D. 610 (D. Ariz. 2007). Internal investigation report conducted by outside counsel, detailing manipulation of sales performance calculations to favor union agents, was undertaken for a business, not legal, purpose and thus not covered by the attorney-client or work product privileges.

*Amco Ins. Co. v. Madera Quality Nut LLC, No. 1:04-cv-06456-SMS, 2006 WL 931437, at *8-9 (E.D. Cal. April 11, 2006). Communications between company employees to in-house counsel and counsel's agents were privileged communications as a part of an internal investigation, the dominant purpose of which was to obtain factual information in order to give legal advice.*

Lawrence E. Jaffe Pension Plan v. Household Int'l, Inc., 244 F.R.D. 412- 426-28 (N.D. Ill. 2006). All communications and documents related to law firm's internal investigation were privileged where corporation's audit committee retained law firm to investigate the quantitative and qualitative aspects of restructuring policies and to provide legal advice as to whether corporation should take correction action.

*In re Subpoena Duces Tecum Served on Wilkie Farr & Gallagher, No. M8-85 (JSM), 1997 WL 118369, at *2-3 (S.D.N.Y. Mar. 14, 1997). Law firm was compelled to produce audit committee documents generated in connection with internal investigation. Court concluded that attorney-client privilege was waived when the audit committee disclosed the results of the internal investigation to auditors Ernst & Young in an attempt to obtain an unqualified audit opinion. Court also ruled that "[t]he investigation was necessary to maintain the integrity of the financial reports of a publicly-held corporation and the documents were prepared primarily for business purposes. Where primary*

motivation for the creation of work-product is other than litigation, the work-product doctrine does not apply."

Costco Wholesale Corp. v. Super. Ct., 219 P.3d 736 (Cal. 2009). Where outside counsel conducted factual investigation and prepared opinion letter, the entire opinion letter was privileged. The California Supreme Court held that the discovery referee and trial court had erred by redacting counsel's legal advice and directing that factual portions of the letter be produced.

State v. Toledo-Lucas Cty. Port Auth., 905 N.E.2d 1221 (Ohio 2009). Ohio Supreme Court held that outside counsel's investigation report was privileged because it was "related to the rendition of legal services."

1. Only Communications Protected

Although the attorney-client privilege will protect a communication with counsel, it will not protect the facts communicated. "Facts gathered by counsel in the course of investigating a claim or preparing for trial are not privileged and must be divulged if requested in the course of proper discovery." Andritz Sprout-Bauer, Inc. v. Beazer East, Inc., 174 F.R.D. 609, 632 (M.D. Pa. 1997) (citations omitted). "Opposing counsel is entitled to obtain through discovery the names of witnesses, facts underlying the cause of action, technical data, the results of studies, investigations and testing to be used at trial, and other factual information." *Id.* (citation omitted). Including such facts in documents prepared by, or circulated to, counsel does not make the facts privileged. *Id.* The court in Andritz stated in dicta: "To the extent that purely factual material can be extracted from privileged documents without divulging privileged communications, such information is obtainable." *Id.* at 633. *See also* Pfizer Inc. v. Ranbaxy Labs. Ltd., No. 03-209-JJF, 2004 WL 2323135, at *1 (D. Del. Oct. 7, 2004); *but note* Lawrence E. Jaffe Pension Plan v. Household Int'l, Inc., 244 F.R.D. 412, 430 (N.D. Ill. 2006) (fact that defendants produced strictly factual documents from counsel engaged to perform internal investigation did not constitute waiver of privilege over *all* documents produced by counsel in connection with investigation); Costco Wholesale Corp. v. Super. Ct., 219 P.3d 736, 743 (Cal. 2009) (attorney-client privilege protected entire opinion letter from outside counsel to corporate client even though the letter contained factual information that counsel learned during employee interviews it conducted during an internal investigation in order to provide legal advice).

As a result, although a witness may properly be instructed not to testify regarding what he told the company's attorney, he will be required to testify about factual information that he knows. *See, e.g.*, Upjohn v. United States, 449 U.S. 383, 395-96 (1981). However, where counsel conducts an internal investigation and prepares a report, the entire report may be deemed privileged unless the factual aspects of the report are easily segregated from counsel's legal work and thinking. Sandra T.E. v. S. Berwyn Sch. Dist. 100, 600 F.3d 612, 620 (7th Cir. 2010) (when a law firm is hired to provide legal services, its internal investigation of the factual circumstances surrounding the allegations of illegal activity is protected by the attorney-client privilege); United States v. Rowe, 96 F.3d 1294, 1297 (9th Cir. 1996) (determining that communications were privileged between law firm partner and the two associates who engaged in fact-finding activities in internal investigation of another partner's handling of client funds). SEC v. Brady, 238 F.R.D. 429, 439 (N.D. Tex. 2006) (where outside counsel's report was "laced with underlying facts, legal opinions, and business advice," and "was the result of many . . . officer and director interviews" with

counsel, report was protected attorney-client communication prior to waiver caused by disclosure). *But see* Abel v. Merrill Lynch & Co., No. 91 Civ. 6261 (RPP), 1993 WL 33348, at *3 (S.D.N.Y. Feb. 4, 1993) (in employment disparate impact case, demographic analysis prepared for in-house counsel not privileged, because the underlying facts to the analysis are not privileged and the corporation chose to destroy the underlying data; the communication with counsel was the only remaining form in which the factual data was available). SEC v. Brady, 238 F.R.D. 429, 439 (N.D. Tex. 2006) (where outside counsel's report was "laced with underlying facts, legal opinions, and business advice," and "was the result of many . . . officer and director interviews" with counsel, report was protected attorney-client communication prior to waiver caused by disclosure).

2. Privilege May Extend To Consultants

The attorney-client privilege may protect not only communications between the attorney and client, but also between the attorney and consultants hired by the attorney to enable the attorney to render legal advice. Olson v. Accessory Controls & Equip. Corp., 735 A.2d 881 (Conn. App. Ct. 1999). In Olson, Accessory Controls received an order from the state requiring it to submit a report regarding how it intended to respond to a hazardous waste site. Accessory Controls hired outside counsel to provide it with legal advice regarding how to proceed with the order. Counsel in turn hired an environmental consulting company and its subcontractor to conduct an investigation and to provide Accessory Controls and counsel with information. *Id.* at 883. In counsel's retention letter to the consulting company, counsel made it clear that all communications between the consultant and counsel or Accessory Controls were to be treated as confidential and for the sole purpose of enabling counsel to give Accessory Controls legal advice. *Id.* at 890-91. The court concluded that the attorney-client privilege was broad enough to cover the communications with the consultant under these circumstances. *Id.* at 889; *see also* Davis v. City of Seattle, No. C06-1659Z, 2007 WL 4166154, at *4 (W.D. Wash. Nov. 20, 2007) (holding attorney-client privilege precluded outside counsel, who was hired by the City's legal department to investigate employee misconduct, from disclosing communications she had with the City's legal department before she issued her final investigation report, because the communications were solely for the purpose of allowing the legal department to formulate legal advice for the City); In re Hardwood P-G, Inc., 403 B.R. 445, 458–59 (Bankr. W.D. Tex. 2009) (holding that communications to third-party professionals hired by a bankruptcy trustee for the purpose of facilitating attorney-client communications were privileged because the Bankruptcy Code requires such professionals to be hired by the bankruptcy estate, not the estate's attorney); First Fed. Savs. Bank v. United States, 55 Fed. Cl. 263, 268-69 (Fed. Cl. 2003) (privilege applied to unredacted board minutes when accounting firm investigated complicated accounting issues such that accounting firm's role was related to rendering legal advice but did not apply to the unredacted board minutes accounting firm used for audits). *But see* Allied Irish Banks, PLC v. Bank of Am., 240 F.R.D. 96 (S.D.N.Y. 2007) (holding that where a bank hired a consultant to perform an investigation, and the consultant in turn hired a law firm, there was no privilege created between the law firm and the bank because there was no evidence that the law firm actually provided legal advice to the bank, nor was there any evidence that the investigation was driven by the impending litigation).

The court in U.S. Postal Service v. Phelps Dodge Refining Corp., 852 F. Supp. 156 (E.D.N.Y. 1994), came out with exactly the opposite result from Olson, in somewhat different circumstances. In Phelps, defendant Phelps hired outside environmental consultants to formulate a remediation plan and to oversee remedial work. *Id.* at 161. The court held that the consultants' communications with Phelps' in-house counsel were not privileged because the consultants had not been hired for the purpose of analyzing the client's data and putting it in a form which would enable counsel to provide legal advice. *Id.* Instead, the consultants had undertaken their own "factual and scientific" study – "information that did not come through client confidences." *Id.* at 162. The court stated: "Such underlying factual data can never be protected by the attorney-client privilege and neither can the resulting opinions and recommendations. There are few, if any, conceivable circumstances where a scientist or engineer employed to gather data should be considered an agent within the scope of the privilege since the information collected will generally be factual, obtained from sources other than the client." *Id.*; *see also* Merck Eprova AG v. Ginosis S.p.A., No. 07 Civ. 5898(RJS)(JCF), 2010 WL 3835149 (S.D.N.Y. Sept. 24, 2010) (finding the facts of the case close to those in Phelps and thus ordering disclosure of a draft "Generally Recognized as Safe" report that reflected input from an attorney); Int'l Bhd. of Elec. Workers Local 212 v. Am. Laundry Mach., Inc., No. 1:07-CV-324, 2009 WL 81114, at *2-3 (S.D. Ohio Jan. 9, 2009) (adopting Phelps and compelling disclosure of environmental advice and technical data); In re N.Y. Renu with Moistureloc Prod. Liab. Litig., No. 766,000/2007, MDL. 1785, C/A 2:06-MN-77777-DC, 2009 WL 2842745, at *2-3 (D.S.C. July 6, 2009) (holding that consultant report regarding firm's compliance with FDA regulations was privileged "only to the extent that the findings in the report [were] derived from confidential communications made by corporate employees . . . factual findings based on a view of conditions, drawings, etc." were not privileged); In re Grand Jury Matter, 147 F.R.D. 82, 85-86 (E.D. Pa. 1992) (holding that documents compiled by expert environmental consultant were not privileged because they constituted part of the expert's environmental services and were not for purpose of assisting outside counsel with legal advice to the company); Carter v. Cornell Univ., 173 F.R.D. 92, 94 (S.D.N.Y. 1997) (associate dean of human resources who conducted interviews at "request of counsel and for the exclusive use of counsel in rendering legal representation" was attorney's representative for privilege purposes).

The case law demonstrates the importance of setting forth in an engagement letter the foundation for asserting the attorney-client privilege: the work is intended to enable counsel to render legal advice, and the consultant should treat all communications as confidential. *See also* Sandra T.E. v. S. Berwin Sch. Dist. 100, 600 F.3d 612, 619-20 (7th Cir. 2010) (court gave weight to engagement letter that stated counsel was hired to provide legal services); Sullivan v. Warminster Twp., ---F.Supp.2d---, 2011 WL 780543 (E.D. Pa. Mar. 4, 2011) (same, but finding partial waiver); Regions Fin. Corp. v. United States, No. 2:06-CV-00895-RDP, 2008 WL 2139008, at *8 (N.D. Ala. May 8, 2008) (finding it significant that general counsel's engagement letter with an accounting firm included a confidentiality agreement for all privileged communications and documents).

3. Intended Beneficiary Of The Privilege

Where the organization conducting an internal investigation is a law firm, courts may be less inclined to protect investigative materials. For example, in Burns v. Hale & Dorr

LLP, 242 F.R.D. 170, 171 (D. Mass. 2007), Plaintiff had obtained a medical malpractice judgment of $2.5 million and had hired Hale and Dorr to create a trust for plaintiff's benefit. Hale and Dorr distributed $1.6 million of the trust funds to plaintiff's father, without requiring him to demonstrate that the money would be used for plaintiff's benefit. *Id.* at 172. When Hale and Dorr learned that the father was incarcerated, it conducted an internal investigation to evaluate its potential liability to plaintiff, but continued to manage plaintiff's trust. *Id.* In a subsequent lawsuit, plaintiff sought materials relating to the investigation and Hale and Dorr asserted attorney-client privilege and work-product protection. *Id.* Plaintiff argued that Hale and Dorr could not assert the privilege against one to whom they had a fiduciary duty. *Id.* at 173. The court declined to determine who was the true client, finding that the firm owed a fiduciary duty to plaintiff as a trust beneficiary. *Id.* at 173-74. The court reasoned that the purpose of the attorney client privilege – to encourage clients who might be deterred from seeking legal advice, to promote full disclosure by clients to their attorneys, and to enable attorneys to act more effectively, justly, and expeditiously – were not served where the "client" invoking the privilege was the firm itself. *Id.*; *see also* Asset Funding Grp., LLC v. Adams & Reese, LP, No. 07-2965, 2008 WL 4948835, at *4 (E.D. La. Nov. 17, 2008) ("A law firm's communication with [its own] in-house counsel is not protected by the attorney-client privilege if the communication implicates or creates a conflict between the law firm's fiduciary duties to itself and its duties to the client seeking to discover the communications."); In re Sonicblue Inc., Ad. No. 07-5082, 2008 WL 170562, at *9 (Bankr. N.D. Cal. Jan. 18, 2008) ("[A] law firm cannot assert the attorney-client privilege against a current outside client when the communications that it seeks to protect arise out of self-representation that creates an impermissible conflicting relationship with that outside client."); *Internal Communications with Law Firm In-House Counsel*, § I.I.4, *supra*; *but see* TattleTale Alarm Sys., Inc. v. Calfee, Halter & Griswold, LLP, No. 2:10-cv-226, 2011 WL 382627, at *7-8 (S.D. Ohio Feb. 3, 2011) (declining to follow the holdings of Burns, Asset Funding Group, LLC, and In re Sonicblue, Inc. and holding that under Ohio law, law firm's communications with outside counsel for loss prevention efforts once it realized it may be sued for malpractice were privileged).

Determining who the client is may also become important when an employee was not properly "Mirandized" – i.e., given an "Upjohn warning" – before being interviewed. The attorney must ensure before beginning an interview that the employee understands that the attorney represents the company, not the employee, and the employee's communications are confidential only to the extent the company chooses to assert the privilege. If the employee is later able to show that he or she reasonably believed that the lawyer represented the employee individually, the employee may be able to prevent the company from waiving its privilege, for example, to cooperate with the government or to sue the employee. *See Representation of Individual Employees by Organizational Counsel*, § I.B.1.b.2, *supra*. This is a very real concern during an internal investigation, when employees may be facing personal liability and their interests may not align with those of the company. In addition, the fact that attorneys conducting an investigation gave Upjohn warnings during interviews may help to establish that the investigators were performing legal services protected by the privilege. *See* Sandra T.E. v. S. Berwyn Sch. Dist. 100, 600 F.3d 612 (7th Cir. 2010) (citing Upjohn warnings given during employee interviews as evidence supporting position that investigators were acting as attorneys, and reversing order to disclose privileged communications).

C. WORK PRODUCT DOCTRINE

The work product doctrine will generally apply with respect to an internal investigation that is undertaken in anticipation of litigation, whether it is conducted by counsel or by other agents of the corporation. *See, e.g.*, Wagoner v. Pfizer, Inc., No. 07-1229-JTM, 2008 WL 821952, at *3-5 (D. Kan. Mar. 26, 2008) (holding notes and summaries prepared by a non-attorney at the direction of in-house counsel following an employment discrimination claim were protected); Jeffers v. Russell Cty. Bd. of Educ., Civil Action No. 3:06cv685-CSC, 2007 WL 2903012, at *2 (M.D. Ala. Oct. 4, 2007) ("The mere fact that the documents were gathered and/or created by the Superintendent or the Assistant Superintendent does not strip the documents of the protection offered by the work product doctrine."); Peterson v. Wallace Computer Servs., Inc., 984 F. Supp. 821, 824 (D. Vt. 1997) (notes and memoranda from investigation undertaken by director of human resources and plant manager constituted work product prepared in anticipation of litigation); Covington v. Calvin, No. CL96-30, 1996 WL 1065647 (Va. Cir. Ct. Nov. 25, 1996) (accident reconstruction prepared by insurer's agent may be work product because agent of insurer is a party's "representative" as defined by Virginia's corollary to FRCP 26(b)(3)).

To be considered work product, investigative documents must be prepared in anticipation of litigation and not as part of a routine investigation conducted in the ordinary course of business.

Compare:

> *Galvin v. Pepe, Civil Action No. 09-cv-104-PB, 2010 WL 2720608, at *4 (D.N.H. July 8, 2010). Court refused to extend work product protection to documents contained in insurer's claim file that were created during insurer's investigation of insured's car accident. Although noting that the documents might aid insurer in the event of litigation, they appeared to have been created during the ordinary course of business, and not in anticipation of litigation.*
>
> *Sajda v. Brewton, 265 F.R.D. 334, 339-40 (N.D. Ind. 2009). Work product doctrine did not apply to an accident report submitted by an employee to his supervisor because such reports are "regular occurrences in the transportation industry."*
>
> *SEC v. Microtune Inc., 258 F.R.D. 310, 318–19 (N.D. Tex. 2009). Work product doctrine did not apply because the defendant "and its lawyers would have created most of the documents at issue for business purposes, regardless of the prospects of litigation."*
>
> *Milder v. Farm Family Cas. Ins. Co., C.A. No. 08-310S, 2008 WL 4671003, at *1-2 (D.R.I. Oct. 21, 2008). Work product protection did not apply to a loss investigation report prepared for an insurance company, although plaintiff's claim was significant and plaintiff had engaged in extensive litigation related to the same property, because there was no evidence the report was prepared in anticipation of litigation.*
>
> *Marceau v. Int'l Bhd. of Elec. Workers (IBEW) Local 1269, 246 F.R.D. 610, 614 (D. Ariz. 2007). Work product protection did not apply to documents generated as part of an audit conducted a year before litigation was initiated after observing that the letter sent to outside counsel characterized the purpose of the investigation as business management recommendations.*

*Elec. Data Sys. Corp. v. Steingraber, No. 4:02 CV 225, 2003 WL 21653414, at *5-6 (E.D. Tex. July 9, 2003). Investigation into employee misconduct was based on business decision whether to terminate employee and not in anticipation of litigation.*

*Scott v. Litton Avondale Indus., No. Civ.A. 01-3334, 2003 WL 1913976, at *3 (E.D. La. April 17, 2003). Certain employee-witness statements were not subject to work product protection because they were not taken in anticipation of litigation when the matter had not been referred to an attorney, the statements were not taken subject to an attorney's request, and the human resources employee taking the statements did not have the belief that litigation was imminent.*

Fulton DeKalb Hosp. Auth. v. Miller & Billips, 667 S.E.2d 455, 456–58 (Ga. Ct. App. Sept. 19, 2008). Affirming trial court's ruling that internal investigation notes were not protected as work product because, despite the legal department's involvement, "the investigation was merely a routine inquiry."

With:

Sandra T.E. v. S. Berwyn Sch. Dist. 100, 600 F.3d 612, 622 (7th Cir. 2010). Work product doctrine applied although investigation of sexual abuse at school district may have had additional purposes, such as quelling public outrage, where chronology demonstrated that investigation was begun in response to filing of a lawsuit. It was not dispositive that the law firm conducting the investigation was not litigation counsel.

Sullivan v. Warminster Twp., ---F.Supp.2d---, 2011 WL 780543 (E.D. Pa. March 4, 2011). Internal investigation conducted by outside counsel was protected work product where engagement letter expressly stated that counsel was engaged to provide legal advice and to represent client in future claims, and the report discussed legal strategy regarding the incident being investigated.

*Treat v. Tom Kelley Buick Pontiac GMC, Inc., No. 1:08-CV-173, 2009 WL 1543651, at *6-7 (N.D. Ind. June 2, 2009). Outside counsel's investigation materials were protected work product because the purpose of the investigation was to respond to EEOC charges.*

*In re Vecco Instruments, Inc. Sec. Litig., No. 05 MD 1695(CM)(GAY), 2007 WL 210110, at *1-2 (S.D.N.Y. Jan 25, 2007). Internal investigation of a company's financial statements by outside counsel and a forensic accounting firm protected where it was anticipated that a restatement would be required that would result in litigation.*

*Ott v. Ind. Dep't. of Corr., No. 3:05-CV-059 AS, 2005 U.S. Dist. LEXIS 11315, at *4 (N.D. Ind. June 7, 2005). Investigative reports that come into existence because of a claim that is likely to lead to litigation may be protected under work product doctrine.*

The work product doctrine also protects materials prepared by consultants hired by counsel to undertake an investigation in anticipation of litigation. Equal Rights Ctr. v. Post Props., Inc., 247 F.R.D. 208, 211 (D.D.C. 2008) (holding compliance reviews conducted by outside consultants were protected by work product doctrine); Hertzberg v. Veneman, 273 F. Supp. 2d 67, 77 n.4 (D.D.C. 2003) ("If one wants to assure work-product protection for factual or investigatory material or witness interviews, it surely is the better practice to have the agent who collects the information or conducts the investigation employed by the client's attorney rather than by the client directly because there is a stronger presumption that the work-product of an agent of a lawyer retained for litigation or potential litigation (or the agent of an in-house or government agency lawyer with litigation responsibilities) was prepared 'in anticipation of litigation.'") (citations omitted); Pacamor Bearings, Inc. v. Minebea Co., 918 F. Supp. 491, 513 (D.N.H. 1996) ("When a party or the party's attorney has an agent do work for it in anticipation of litigation, one way to ensure that such work will

be protected under the work product doctrine is to provide '[c]larity of purpose in the engagement letter. . . .'") (citation omitted); Bituminous Cas. Corp. v. Tonka Corp., 140 F.R.D. 381, 389 (D. Minn. 1992); Henderson v. Newport Cty. Reg'l YMCA, 966 A.2d 1242, 1245, 1248-49 (R.I. 2009) (holding outside consultant's report regarding staff policies and procedures was protected work product where the engagement letter specifically indicated the consultant was being retained in anticipation of litigation). *But see* Hexion Specialty Chems., Inc. v. Huntsman Corp., 959 A.2d 47, 52 (Del. Ch. 2008) (holding that work product of corporation's pre-litigation financial advisor could not be shielded from discovery by later agreeing to have the financial advisor act as a litigation consultant once a lawsuit was filed against the corporation).

However, the involvement of counsel is useful for several reasons. First, use of counsel is a contemporaneous indication that the corporation was contemplating the initiation of specific litigation. Second, when counsel prepares the written materials, they are more likely to contain opinion work product and, therefore, enjoy a high level of protection.

The primary limitation in invoking the work product doctrine with respect to internal investigative materials is that ordinary work product may be discovered upon a showing of substantial need and undue hardship. To prove need and hardship, the party seeking production must show why the desired materials are relevant and that prejudice will result from the non-disclosure of those materials. *See, e.g.*, Loctite Corp. v. Fel-Pro, Inc., 667 F.2d 577, 582 (7th Cir. 1981); Condon v. Petacque, 90 F.R.D. 53, 54-55 (N.D. Ill. 1981) (noting that the burden of showing substantial need is lessened the farther the material is from the attorney's mental processes and impressions). Courts have considered a variety of factors in determining need and hardship. *See Protection of Ordinary Work Product*, § IV.D.1., *supra*. Undue hardship most often is proven when materials are unavailable elsewhere. *Id. Compare* Castaneda v. Burger King Corp., 259 F.R.D. 194, 197–99 (N.D. Cal. 2009) (ordering production of measurements and photographs taken of certain restaurants by defendant's consultants because plaintiffs had "no other way of obtaining the information" after defendants altered the restaurant sites at issue in the litigation). *with* Friends of Hope Valley v. Frederick Co., 268 F.R.D. 643, 648-49 (E.D. Cal. 2010) (defendant did not show substantial need for questions asked and factual responses provided by third-party witnesses to questionnaires prepared by plaintiff's counsel and administered by plaintiff's board members, especially when plaintiff agreed to increase the number of depositions defendant could take).

Like the attorney-client privilege, the work product doctrine does not protect the discovery of facts contained in work product. "Rule 26(b)(3)'s work-product protection 'furnishes no shield against discovery,' by interrogatory and deposition, of the facts that an adverse party's representative has amassed and accumulated in documents prepared for litigation." Carver v. Allstate Ins. Co., 94 F.R.D. 131, 136 (S.D. Ga. 1982) (citation omitted). Many courts have held that where the factual information contained in work product may be obtained by an opposing party by means of deposing the witness who provided the factual information, there is no showing of substantial need or undue hardship. *See id.*; Stampley v. State Farm Fire & Cas. Co., 23 F. App'x 467, 471 (6th Cir. 2001); SEC v. Brady, 238 F.R.D. 429, 439 (N.D. Tex. 2006); In re Natural Gas Commodities Litig., 232 F.R.D. 208, 213 (S.D.N.Y. 2005). *But see* Underwriters Ins. Co. v. Atl. Gas Light Co.,

248 F.R.D. 663, 668-69 (N.D. Ga. 2008) (finding substantial need and allowing discovery of insurance company files when facts contained in the files could contradict the deposition testimony of certain witnesses).

1. Witness Statements

A critical component of most internal investigations is interviewing employees about their knowledge of relevant events. Memoranda generated by interviews conducted in anticipation of litigation are generally deemed to be work product. These memoranda can take the form of (1) verbatim statements (*e.g.*, statements that are stenographically produced and signed); (2) near verbatim statements (*e.g.*, handwritten notes that attempt to track the actual statements made by the witness); or (3) summaries of witness statements that do not attempt to recite any statements verbatim. Such summaries are often drafted by counsel and weave in the mental impressions of counsel as well as the substance of the witness' statements. Categories (1) and (2) constitute ordinary work product. Category (3), to the extent that it includes opinions and impressions of counsel, constitutes opinion work product. As discussed below, courts commonly find that an opposing party demonstrates substantial need and undue hardship with respect to witness statements. It is therefore preferable that all witness interview memoranda be in the form of opinion work product, which is almost absolutely protected from discovery.

Many federal and state courts have compelled the production of witness statements, despite finding them to be work product. These courts find that parties demonstrate substantial need and undue hardship when witness statements are contemporaneous with relevant events, witness memories have dimmed, and/or where the party is effectively unable to obtain the information by other means.

In National Union Fire Insurance Co. of Pittsburgh v. Murray Sheet Metal Co., 967 F.2d 980 (4th Cir. 1992), a panel of the Fourth Circuit considered the discoverability of employee witness statements taken by non-legal personnel during an internal investigation immediately after a fire. The court did not consider the attorney-client privilege, because counsel did not interview the employees and was not involved in the investigation. In remanding the case for further proceedings, the court instructed the trial court to consider the following issues, assuming that the statements were determined by the trial court to be ordinary work product:

> When evaluating a party's need for statements taken immediately after an accident, we have observed: Statements of either the parties or witnesses taken immediately after the accident and involving a material issue in an action arising out of that accident, constitute "unique catalysts in the search for truth" in the judicial process; and where the parties seeking their discovery was disabled from making his own investigation at the time, there is sufficient showing under the amended Rule to warrant discovery.

Id. at 985 (quoting with approval McDougall v. Dunn, 468 F.2d 468, 474 (4th Cir. 1972)); *see also* Sanford v. Virginia, Civil Action No. 3:08cv835, 2009 WL 2947377, at *2-6 (E.D. Va. Sept. 14, 2009) (citing National Union and ordering discovery of witness

statements taken immediately after the events giving rise to the litigation because those statements "constitute unique catalysts in the search for truth.") (quoting McDougall, 468 F.2d at 474); Cohen v. City of New York, 255 F.R.D. 110, 125–26 (S.D.N.Y. 2008) (ordering the production of handwritten notes taken by attorneys during a political demonstration that resulted in numerous arrests and subsequent litigation because "the notes [were] the product of contemporaneous observations" that could not be replicated).

In In re John Doe Corp., 675 F.2d 482, 492-93 (2d Cir. 1982), the court held that notes taken by an attorney of a witness interview during an internal investigation were discoverable because the government demonstrated substantial need. In John Doe, a company conducted an internal "business ethics review" through its legal department, apparently in response to allegations of criminal wrongdoing. Among other things, in-house counsel conducted interviews of high-level employees and took notes of those meetings. After determining that the attorney-client privilege was inapplicable due to the crime-fraud exception, the court turned its attention to the work product doctrine. The court found that notes relating to one high-level employee were work product but, based on an *in camera* inspection, found that the notes did not reflect the mental processes of counsel. The court ruled that the notes had to be produced because, among other things, the notes may have been the only available evidence of what Doe Corp. knew and when it knew it. *Id.* at 492. The court noted that one employee's memory was hazy and that other potential witnesses had invoked the Fifth Amendment against self-incrimination. *Id.* at 486, 488, 492 n.10; *see also* In re Grand Jury Subpoenas 89-3 & 89-4, 734 F. Supp. 1207, 1215 (E.D. Va. 1990), vacated in part on other grounds, 902 F.2d 244 (4th Cir. 1990). In In re Grand Jury Subpoenas 89-3 & 89-4, the court cited John Doe and held that employee witness interview materials created by in-house counsel were discoverable, even though the interviews took place approximately four years after the alleged wrongdoing because: (1) the interviews would "constitute the most accurate and the principal, if not sole, source of evidence of Movant's state of knowledge"; (2) time had faded memories; and (3) several employee witnesses had invoked the Fifth Amendment. 734 F. Supp. at 1215. The court indicated it would conduct an *in camera* inspection and "may order appropriate redactions to protect against any unwarranted or unnecessary disclosure of attorneys' mental processes.").

State courts have come to the same conclusion. *See, e.g.*, Tracanna v. Midstate Med. Ctr., No. CV 000443739S, 2001 WL 752702, at *2 (Conn. Super. Ct. June 12, 2001) (defendant established substantial need for plaintiff's notes because there was no practical way to obtain equivalent information); Powers v. City of Troy, 184 N.W.2d 340 (Mich. Ct. App. 1970) (witness statement taken four days after incident, but six years before trial, was discoverable); Brugh v. Norfolk & W. Ry. Co., Nos. 1240, 1260, 1979 Va. Cir. LEXIS 38, at *5-6 (Va. Cir. Ct. Feb. 15, 1979) (witness statements taken by company's claims department immediately after incident discoverable at least in part because the company prohibited employees from making statements to plaintiff's attorney and deposition discovery would be expensive and time consuming). *See also* Coito v. Super. Ct., 106 Cal. Rptr.3d 342, 351 (Cal. Ct. App. 2010) (holding that written and recorded witness statements, even if taken by counsel, are not attorney work product).

Other courts have found that parties have not demonstrated substantial need under similar circumstances. *See, e.g.*, Sandra T.E. v. S. Berwyn Sch. Dist. 100, 600 F.3d 612,

622-23 (7th Cir. 2010) (finding that use for impeachment of notes and memoranda of attorneys' interviews with school district employees during investigation of sexual abuse was not substantial need); Treat v. Tom Kelley Buick Pontiac GMC, Inc., No. 1:08-CV-173, 2009 WL 1543651, at *6-7 (N.D. Ind. June 2, 2009) (holding witness interview notes "reflecting counsel's mental impressions about what [counsel] deemed important" were protected work product); SEC v. Schroeder, No. C07-03798 JW (HRL), 2009 WL 1125579, at *7 (N.D. Cal. Apr. 7, 2009) (finding defendant had not shown need for draft interview memoranda prepared by outside counsel during an internal investigation); Feacher v. Intercont'l Hotels Grp., Civil Action No. 3:06-CV-0877 (TJM/DEP), 2007 WL 3104329, at *3 (N.D.N.Y. Oct. 22, 2007) (holding that the transcript of a witness interview conducted by a non-attorney investigator was protected work product, and reasoning that courts that permit disclosure of purely factual witness statements ignore that, in addition to creating a "zone of privacy" in which an attorney can prepare for litigation, the work product doctrine encourages "vigorous investigation…unfettered by fear that the products of such efforts will…fall into an adversary's hands."); Warmack v. Mini-Skools Ltd., 297 S.E.2d 365, 367 (Ga. Ct. App. 1982) (where party took extensive interrogatory and deposition discovery, the court found no substantial need for contemporaneous witness statements, despite the fact that memories were probably fresher at the time that the statements were made); Fireman's Fund Ins. Co. v. McAlpine, 391 A.2d 84, 91-92 (R.I. 1978) (witness statements taken two weeks to a number of months after incident not "contemporaneous" to incident and not discoverable absent a showing of injustice or undue hardship); Smith v. Nat'l R.R. Passenger Corp., No. LS-1343-3, 1991 WL 834705, at *4-6 (Va. Cir. Ct. Jan. 2, 1991) (investigation reports made within a few days of incident not discoverable where party was given the names of all persons having knowledge of the injury).

The lesson to be taken from these cases is that, to the extent possible, counsel should take statements from witnesses and should create memoranda that weave in mental impressions and opinions as much as possible. Unless there is some compelling reason to do so, the company should not take verbatim statements or have statements signed by the employee witnesses.

2. Employment Discrimination Cases: "At Issue" Waiver

One category of internal investigation presents particular problems: investigations into allegations of sexual harassment and racial discrimination in the workplace. In these cases, a company often alleges in its answer to a complaint that it has conducted a thorough investigation and found no wrongdoing and/or that the company has taken appropriate remedial action to ensure no future wrongdoing. In these cases, the company is putting the merits of the internal investigation at issue in the litigation and courts often hold that the work product protection has been waived. *See, e.g.*, Nelsen v. Green, No. 08-CV-1424-ST, 2010 WL 3491360, at *4-5 (D. Or. Aug. 31, 2010) (compelling the production of two interim draft reports prepared by an investigating officer regarding sexual harassment and discrimination claims made by a former employee of the U.S. Army Corps of Engineers, except for the mental impressions, conclusions, opinions, or legal theories of defendant's attorney contained therein, when defendant put its investigation at issue); Musa-Muaremi v. Florists' Transworld Delivery, Inc., 270 F.R.D. 312, 318-19 (N.D. Ill. 2010) (defendant waived privilege over in-house counsel's edits to an internal investigation report where

defendant asserted an affirmative defense of reasonable investigation and thereby put the adequacy of the investigation in issue); Reitz v. City of Mt. Juliet, 680 F. Supp. 2d 888, 892-95 (M.D. Tenn. 2010) (although plaintiff dropped her hostile work environment claim, the court found that defendant had waived attorney-client privilege and work product protection over interview memoranda prepared by outside counsel investigating plaintiff's sexual harassment claims after defendant, in seeking summary judgment, asserted that the outside investigator had "fully, completely, and exhaustively investigated" plaintiff's claims, but defendant was allowed to redact opinion work product, which was irrelevant to the remaining retaliation claim); Emps. Committed for Justice v. Eastman Kodak Co., 251 F.R.D. 101, 107-08 (W.D.N.Y. 2008) (assertion that employee appraisal process is overseen by legal department, which confers with HR on matters of racial disparities, waived privilege for those communications and analysis); Walker v. Cnty of Contra Costa, 227 F.R.D. 529, 535 (N.D. Cal. 2005) (holding that while attorney's investigation would normally be protected by both work product and attorney-client privilege, defendants' intention to rely upon it as a defense to a discrimination claim resulted in waiver); Sedillos v. Bd. of Educ. of Sch. Dist. 1 in the City & Cnty. of Denver, 313 F. Supp. 2d 1091, 1094 (D. Colo. 2004) (decision to place advice of counsel as an issue in retaliatory transfer claim resulted in waiver of attorney-client privilege); EEOC v. Rose Casual Dining, L.P., No. Civ.A. 02-7485, 2004 WL 231287, at *3-4 (E.D. Pa. Jan. 23, 2004) (work product protection waived for investigation into dismissal where party placed the investigation at issue); McGrath v. Nassau Cnty Health Care Corp., 204 F.R.D. 240, 245-46 (E.D.N.Y. 2001) (employer waived work product protection by invoking investigation in its defense); Brownell v. Roadway Package Sys., Inc., 185 F.R.D. 19, 25 (N.D.N.Y. 1999) (same); Harding v. Dana Transp., Inc., 914 F. Supp. 1084, 1090-1100 (D.N.J. 1996) (in case of first impression regarding discoverability of investigative materials obtained by counsel in sexual discrimination case founded on allegations of hostile work environment, the court held that the employer waived both the attorney-client privilege and work product protection as to all of outside counsel's investigative materials by raising the fact of the employer's investigation as a defense to plaintiff's allegations); Alberts v. Wickes Lumber Co., No. 93 C 4397, 1995 WL 31577, at *1–2 (N.D. Ill. Jan. 26, 1995) (holding that because the defendant intended to use evidence of its investigation into plaintiff's allegations to establish its own good faith, it waived privilege for all documents contained in outside counsel's investigation file). *But see* Malin v. Hospira, Inc., No. 08 C 4393, 2010 WL 3781284, at *2 (N.D. Ill. Sept. 21, 2010) (declining to find waiver of attorney-client privilege and work product protection as it related to defendant's internal investigation of plaintiff's EEOC charge, even though defendant raised affirmative defense that it attempted to comply with applicable antidiscrimination laws, because the defense related only to plaintiff's inability to recover punitive damages and because defendant claimed that it did not intend to use the investigation at trial); Treat v. Tom Kelley Buick Pontiac GMC, Inc., No. 1:08-CV-173, 2009 WL 1543651, at *12-13 (N.D. Ind. June 2, 2009) (employer's affirmative defense that it "exercised reasonable care" to prevent discrimination did not place its investigation into plaintiff's allegations at issue because plaintiff failed to take advantage of the employer's policies regarding discrimination, making it impossible for the employer to conduct an investigation of her claims prior to commencement of the litigation).

The district court decision in Peterson v. Wallace Computer Services, Inc., 984 F. Supp. 821 (D. Vt. 1997), illustrates the particular difficulty companies have in maintaining

the work product privilege in the context of employment discrimination claims. In Peterson, Barry White, Wallace's Director of Human Resources, undertook an investigation of Peterson's allegations of sexual harassment after Peterson informed him that she intended to file a claim. *Id.* at 823. Wallace consulted both in-house and outside counsel during the course of the investigation. *Id.* Wallace prepared three memoranda regarding White's conversations with counsel and his interviews with several employees. *Id.* Wallace raised as a defense that it had conducted an adequate investigation of Peterson's allegations. *Id.* In response to Peterson's discovery requests, Wallace asserted the attorney-client privilege and work product immunity over notes and memoranda, but it did not object to depositions of White and other Wallace employees. *Id.*

The Magistrate Judge found that both privileges applied to the investigation memoranda and that Wallace had not waived those privileges. *Id.* at 824. The district court agreed that the privileges applied, but set aside the Magistrate Judge's opinion because the court found that the privileges had been waived by Wallace by putting the investigation "at issue" in the litigation. *Id.* at 826-27. For her hostile work environment claim, Peterson had to show that Wallace "provided no reasonable avenue for complaint or knew of the harassment but did nothing about it." *Id.* at 825 (internal quotation and citation omitted). "Wallace must have taken 'immediate and corrective action' in response to Peterson's allegations in order to avoid liability." *Id.* (citations omitted). The court stated that, in order to enable the finder of fact to evaluate Wallace's investigation with respect to timeliness, thoroughness and employer bias, Peterson had to be able to present evidence on these aspects of Wallace's investigation. *Id.* at 826. Peterson's ability to do so would have been "impaired severely" if the investigation notes and memoranda were not disclosed to her. *Id.* The court held that both the attorney-client privilege and work product protection had been waived by Wallace's interjecting the investigation into the case, and ordered that the investigative materials be disclosed. *Id.* However, the court instructed the Magistrate Judge to conduct an *in camera* review of the materials to protect against the disclosure of opinion work product. *Id.* at 826-27.

Two cases decided by California appellate courts indicate that very little of an internal investigation into employment discrimination claims can be protected from discovery when the company raises the investigation as a defense. In Wellpoint Health Networks, Inc. v. Superior Court, 59 Cal. App. 4th 110, 125-28 (Cal. Ct. App. 1997), the court held that pre-litigation investigative materials prepared by outside counsel were discoverable because Wellpoint had waived its privileges by putting the investigation at issue in litigation. Prior to plaintiff's filing of an employment discrimination action, Wellpoint hired outside counsel to conduct an investigation into charges plaintiff had brought to Wellpoint's attention. *Id.* at 117. Wellpoint's counsel then sent a letter to plaintiff asserting that each charge that he had filed "ha[d] been fully investigated and taken seriously." *Id.* (alteration in original).

The court held that both the attorney-client privilege and work product doctrine applied to the investigative materials. *Id.* at 121-24. However, the court held that Wellpoint would waive those protections if it chose to defend the action based on the adequacy of the investigation. The court explained the unique situation that is presented by employment discrimination cases:

> The adequacy or thoroughness of a defendant's investigation of plaintiff's claim is simply irrelevant in the typical civil action. In an employment discrimination lawsuit based on hostile work environment, on the other hand, the adequacy of the employer's investigation of the employee's initial complaints could be a critical issue if the employer chooses to defend by establishing that it took reasonable corrective or remedial action.

Id. at 126 (citations omitted). A party cannot use the investigation as both sword and shield by "fusing the roles" of internal investigator and attorney:

> By asking [the attorney] to serve multiple duties, the defendants have fused the roles of internal investigator and legal advisor. Consequently, [the employer] cannot now argue that its own process is shielded from discovery. Consistent with the doctrine of fairness, the plaintiffs must be permitted to probe the substance of [the employer's] alleged investigation to determine its sufficiency.

Id. at 127 (quoting Harding, 914 F. Supp. at 1096) (alterations appear in quoted language). "[T]he employer's injection into the lawsuit of an issue concerning the adequacy of the investigation . . . undertaken by an attorney . . . must result in waiver of the attorney-client privilege and work-product doctrine." *Id.* at 128.

A later California appellate court decision limited the scope of Wellpoint somewhat, but made it clear that the vast majority of investigative materials must be produced when they are put at issue by a defendant in an employment discrimination case. Kaiser Found. Hosps. v. Super. Ct., 66 Cal. App. 4th 1217 (Cal. Ct. App. 1998). In Kaiser, the employer, Kaiser, prior to the initiation of litigation, directed its human resources consultant, Diaz, to investigate allegations regarding a physician's allegedly "inappropriate sexual conduct." *Id.* at 1220. Diaz obtained advice from Kaiser's legal department regarding the process and progress of the investigation. *Id.* After filing suit, plaintiffs sought discovery of Kaiser's "complete investigation files." *Id.* In response to plaintiff's document request, Kaiser agreed to produce the majority of Diaz's work, including several investigation reports and investigation notes that did "not refer or relate to communication with counsel." *Id.* at 1221. Kaiser withheld or partially redacted on grounds of attorney-client privilege, work product protection, and the California right to privacy 38 pages of documents, less than 10 percent of the investigative materials. *Id.* at 1221, 1225.

The court in Kaiser held that "[w]here a defendant has produced its files and disclosed the substance of its internal investigation conducted by nonlawyer employees, and only seeks to protect specified discrete communications which those employees had with their attorneys, disclosure of such privileged communications is simply not essential for a thorough examination of the adequacy of the investigation or a fair adjudication of the action." *Id.* at 1227 (citations omitted). The court distinguished Wellpoint, where the court was confronted with an assertion of complete privilege over all materials prepared by counsel who undertook the investigation for the employer. *Id.* at 1225-26.

There are at least two lessons to be derived from Wellpoint and Kaiser. First, where a company intends to put its internal investigation at issue in litigation, it should expect to produce at least the majority of the investigative materials. *See* Baez v. Super. Ct., No. B208294, 2008 WL 5394067, at *4 (Cal. Ct. App. Dec. 22, 2008) (unpublished) (ordering production of defendant's investigation file and reconciling Kaiser and Wellpoint on the basis that the defendant in Kaiser produced the majority of its investigation file from an investigation conducted by non-lawyer employees and only sought to protect discrete communications, whereas the defendant in Wellpoint claimed privilege over all documents relating to an investigation conducted by employer's attorney, which was the only investigation cited as a defense to the charges against it). This principle may apply to cases other than employment discrimination actions, where the internal investigation is put at issue by the assertion of a claim or defense. *See, e.g.*, Picard Chem. Inc. Profit Sharing Plan v. Perrigo Co., 951 F. Supp. 679 (W.D. Mich. 1996) (court upheld privilege asserted over internal investigation in securities class action, but warned that the privilege would be waived if the investigation report were to be used as a defense in a separate stockholder derivative action then pending before the court).

Second, employment discrimination investigations should be carefully structured to comply with local jurisdiction privilege rulings. In California, for example, the company would have to weigh the advantages and disadvantages of attorney-led investigations (*e.g.*, care in drafting, but risk of complete loss of privilege) versus the merits of non-attorney investigations (*e.g.*, potentially less care in the conduct of the investigation and less careful draftsmanship, but a chance of preserving the privilege over some limited communications and materials).

D. RECOMMENDATIONS FOR PROTECTING INTERNAL INVESTIGATION MATERIALS

The following are some suggestions to maximize the protection of internal investigation materials.

Counsel Should Request Formal Authorization.
Prior to commencement of an investigation, General Counsel or other corporate counsel should request from the Board of Directors or other high level management formal authorization to conduct an investigation. Counsel's written request should establish that communications generated in the course of the investigation will be privileged. The request should state that the purpose of the investigation is to render legal advice to the corporation and, to achieve that purpose, confidential communications between the attorney and client are necessary. In addition, the request should detail the forms of litigation, such as civil and criminal proceedings and subpoena compliance that corporate counsel anticipates.

Corporate Management Should Formally Authorize.
For the most significant and sensitive investigations, the Board of Directors should officially direct the General Counsel to initiate an investigation, authorize the General Counsel to take the steps necessary to conduct the investigation, e.g., hire outside counsel and consultants, and clearly state that the purpose of the investigation is to obtain sufficient information to enable counsel to render legal advice to the Board. The Board should articulate that the investigation is being commissioned in anticipation of litigation, identifying the specific forms of litigation anticipated to the extent possible. For less sensitive or smaller matters, high level management may provide formal authorization.

General Counsel Should Instruct Counsel Who Will Be Conducting Investigation.
General Counsel should retain outside counsel or instruct in-house counsel to conduct the investigation for the purpose of obtaining information necessary to render legal advice to the company. General Counsel should authorize counsel to interview personnel who have necessary information to enable the rendering of legal advice. The retention letter to outside counsel and the instruction to in-house counsel should state that the investigation is being conducted in anticipation of litigation, identifying the specific forms of litigation anticipated to the extent possible, and should state that the purpose of the investigation is to provide legal advice. Use of outside counsel to conduct an investigation may reduce the likelihood that communications will be perceived as business advice rather than legal advice.

Counsel Should Prepare Guidelines for Specific Investigation.
To maintain confidentiality of the investigation, particularly a large-scale investigation, counsel should prepare guidelines identifying the nature and scope of the investigation and its purpose (e.g., obtaining information necessary to provide legal advice to the company in anticipation of litigation). The guidelines should state that they are for the use of attorneys in the investigation, that only attorneys and necessary support staff at counsel's office and client's senior management should discuss the investigation, and that any discussions should not take place in public. In addition, the guidelines should require that all confidential documents be marked with the appropriate privilege designation and be distributed in envelopes marked "Confidential." The guidelines should also state that all investigation files should be stored in a secure place and be maintained personally by the attorneys and their secretaries and that, for employee interviewing purposes, information about the investigation should be revealed to employees only to the extent that is necessary to conduct the interviews.

Non-Legal Personnel Should be Used Sparingly.
If possible, management personnel should not conduct a legal investigation. If non-legal personnel must be used, counsel should direct their work. Where non-legal personnel are used, instruct them to address work product directly to counsel and not to copy it for any other non-lawyer. Any non-legal experts should be hired by counsel, not the corporation, and it is preferable to use experts not regularly retained by the corporation in a business capacity. Counsel should provide a non-legal expert with a retention letter stating that the expert is retained by and is responsible only to counsel conducting the investigation, identifying the nature of the expert's obligation and the necessity of the expert's services to render legal advice to the corporation, and specifying that all information and communications are to be maintained and designated as confidential.

In-House Counsel Should Document Providing Legal Advice.
When in-house counsel who is working on an investigation has business as well as legal responsibilities, work prepared as part of an internal investigation should reflect that it was prepared within the scope of counsel's legal duties.

Maintain a Separate Investigation File.
A separate file should be maintained for the investigation. Only those involved in the investigation should have access to the file. Segregate privileged communications from non-privileged business documents. Business advice and legal advice should not be commingled in the same communication. For electronic data, it may be preferable to place privileged data relating to an investigation on one server to avoid later difficulties in separating privileged and non-privileged data. All privileged documents should be clearly labeled with the applicable privilege.

Management Should Direct Employee Cooperation.
Management should formally direct the cooperation of employees who will be contacted in the course of the investigation. Counsel, a high-ranking corporate official, or a special litigation committee may wish to advise employees in writing that counsel represents the corporation and not the employee and is conducting the investigation and interviewing the employee solely to formulate legal advice for the corporation and to prepare for anticipated litigation. Employees should also be advised that the investigation is highly confidential and that information the employee provides will be maintained in confidence but that the corporation determines whether the information should remain confidential. Employee witnesses should be the most senior sources available for the information sought in the investigation, subject to the requirements of the particular jurisdiction.

Witness Statements Should Be Made Opinion Work Product.
Notes and other memoranda of witness interviews should incorporate and weave throughout the impressions, analyses and opinions of counsel. Counsel should avoid recording lengthy verbatim statements. Counsel's notes and memoranda should specifically state that they contain counsel's "impressions and conclusions" regarding the interview. Generally, employees should not sign interview statements or transcripts.

Summary Reports Should Reference Privileges.
Any report that summarizes the results of an internal investigation should reference the initial request for authorization to conduct the investigation. Rather than merely summarizing the investigation, the report should include legal advice, recommendations, and analyses. Counsel may choose to create separate reports for confidential and non-confidential portions of the investigation.

X. SPECIAL PROBLEM AREAS

A. CHOICE OF LAW: IDENTIFYING THE APPLICABLE LAW

Because each jurisdiction may apply different rules regarding privilege, it is important to identify which law will most likely be applied to discovery disputes arising from each deposition in a case. Where depositions of third parties will be taken in several different jurisdictions, several different rules of law may be applied to the same case.

Rule 501 of the Federal Rules of Evidence provides in pertinent part:

> [T]he privilege of a witness, person, government, State, or political subdivision thereof shall be governed by the principles of the common law as they may be interpreted by the courts of the United States in the light of reason and experience. However, in civil actions and proceedings, with respect to an element of a claim or defense as to which State law supplies the rule of decision, the privilege of a witness, person, government, State, or political subdivision thereof shall be determined in accordance with State law.

Thus, in cases based solely on diversity, privilege claims will be based on state attorney-client privilege law. *See* In re Avantel, S.A., 343 F.3d 311, 318 n.6 (5th Cir. 2003); Pamida, Inc. v. E.S. Originals, Inc., 281 F.3d 726, 731 (8th Cir. 2002); 1550 Brickell Assoc. v. Q.B.E. Ins. Co., 253 F.R.D. 697, 699 (S.D. Fl. 2008) ("Attorney-client privilege is governed by state law in diversity actions."); Pal v. N.Y. Univ., No. 06 Civ. 5892(PAC)(FM), 2007 WL 4358463, at *3 (S.D.N.Y. Dec. 10, 2007); Navigant Consulting, Inc. v. Wilkinson, 220 F.R.D. 467, 473 (N.D. Tex. 2004); RCN Corp. v. Paramount Pavilion Grp. LLC, No. Civ. A. 03-CV-1706, 2003 WL 23112381, at *3 (E.D. Pa. Dec. 19, 2003), Roberts v. Carrier Corp., 107 F.R.D. 678, 685 (N.D. Ind. 1985) (recognizing that the law of the forum state governs the availability of privilege in a diversity action). The scope of the work product protection, however, will be determined under federal procedural law. FED. R. CIV. P. 26(b)(3). *See also* Royal Marco Point 1 Condo. Ass'n, Inc. v. QBE Ins. Corp., No. 2:07-cv-16-FtM-99SPC, 2010 WL 5161111, at *2 (M.D. Fla. Dec. 14, 2010) ("Unlike the attorney-client privilege, which is controlled by state law in diversity cases, the work-product privilege is controlled by Rule 26 of the Federal Rules of Civil Procedure.").

Federal Rule of Evidence 502 governs the scope of waiver of the attorney-client privilege and work product protection for all federal court proceedings that occur through disclosure in a federal proceeding or to a federal office or agency. FED. R. EVID. 502(f). This includes cases arising under state law brought in federal court based on diversity jurisdiction. FED. R. EVID. 502(f) advisory committee's note.

In determining which state's law will be applied, federal district courts sitting in diversity cases apply the conflict of laws rules prevailing in the state in which they are situated. Klaxon Co. v. Stentor Elec. Mfg. Co., 313 U.S. 487, 496-97 (1941); Connolly Data Sys., Inc. v. Victor Tech., Inc., 114 F.R.D. 89, 91 (S.D. Cal. 1987); 3Com Corp. v. Diamond II Holdings, Inc., C.A. No. 3933-VCN, 2010 WL 2280734, at *5-6 (Del. Ch. May 31, 2010)

(applying forum state privilege law because that state had the more significant interest in the challenged communications, but noting that in the event that a non-forum state has the more significant relationship to the communications, that state's privilege law should be applied unless doing so would contravene the forum state's public policy). Where a third party witness's deposition is being taken, federal courts have applied the privilege law of the forum where the deposition takes place. Wolpin v. Philip Morris Inc., 189 F.R.D. 418, 423 (C.D. Cal. 1999); Tartaglia v. Paul Revere Life Ins., 948 F. Supp. 325, 326-27 (S.D.N.Y. 1996); Roberts v. Carrier Corp., 107 F.R.D. 678, 685-86 (N.D. Ind. 1985).

When jurisdiction is based on a federal question, privilege claims are governed by federal common law rather than state law. *See* Reed v. Baxter, 134 F.3d 351, 355 (6th Cir. 1998); Gray v. Bicknell, 86 F.3d 1472 (8th Cir. 1996); William T. Thompson Co. v. Gen. Nutrition Corp., Inc., 671 F.2d 100, 103 (3d Cir. 1982); Guzman v. City of Chi., No. 09 C 7570, 2011 WL 55979, at *3 (N.D. Ill. Jan 7, 2011) (rejecting plaintiff's argument that Illinois privilege law should apply to her federal civil rights law claim); Pei-Hreng Hor v. Ching-Wu Chu, No. 4:08-cv-3584, 2010 WL 4284902, at *3 (S.D. Tex. Oct. 22, 2010) (applying federal privilege law to communications occurring in patent law context); Dagdagan v. City of Vallejo, 263 F.R.D. 632, 638 (E.D. Cal. 2009); Cappetta v. GC Servs. Ltd. P'ship, 266 F.R.D. 121, 125 (E.D. Va. 2009); Clemmer v. Office of the Chief Judge, 544 F. Supp. 2d 722, 725 (N.D. Ill. 2008); SEC v. Beacon Hill Asset Mgmt. LLC, 231 F.R.D. 134, 138 (S.D.N.Y. 2004); In re Copper Mkt. Antitrust Litig., 200 F.R.D. 213, 217 (S.D.N.Y. 2001). The federal common law of privilege will apply in federal questions cases, at least to federal claims, even if the challenged testimony is relevant to a pendent state law count. *See* Hancock v. Hobbs, 967 F.2d 462, 466-67 (11th Cir. 1992) (Georgia psychiatrist-patient privilege not applicable since federal law does not recognize such a privilege); von Bulow v. von Bulow, 811 F.2d 136 (2d Cir. 1987); William T. Thompson Co., 671 F.2d at 103-04; Mem'l Hosp. for McHenry Cnty. v. Shadur, 664 F.2d 1058, 1061 n.3 (7th Cir. 1981); Babych v. Psychiatric Solutions, Inc., 271 F.R.D. 603, 610 (N.D. Ill. 2010) (noting that the fact that the disputed materials related to pendant state law claims, in addition to the federal question claims that occasioned the removal of the entire action to federal court did "not make the state privilege law applicable because 'it would be meaningless to hold the communication privileged for one set of claims and not the other'") (internal citation omitted); FSP Stallion 1, LLC v. Luce, No. 2:08-cv-01155-PMP-PAL, 2010 WL 3895914, at *14 (D. Nev. Sept. 30, 2010) (applying federal common law of privilege to federal question and pendant state law claims consistent with Ninth Circuit law); In re Zyprexa Prods. Liab. Litig., 254 F.R.D. 50, 52 (E.D.N.Y. 2008); Keen v. Hancock Cnty. Job & Family Servs., 581 F. Supp. 2d 893, 895 (N.D. Ohio 2008); HPD Labs., Inc. v. Clorox Co., 202 F.R.D. 410, 413 (D.N.J. 2001); Audritz Sprout-Bauer, Inc. v. Beazer E., Inc., 174 F.R.D. 609, 632 (M.D. Pa. 1997). Where, however, the privilege covers matters related solely to a pendent claim, state privilege law will apply to privilege issues related to that claim. *See* Motorola, Inc. v. Lemko Corp., No. 08 C 5427, 2010 WL 2179170, at *2 (N.D. Ill. June 1, 2010) (distinguishing von Bulow because federal law applied narrower privilege protection than state law in that case, and applying Illinois privilege law to state Whistleblower Act claim); Lego v. Stratos Lightwave, Inc., 224 F.R.D. 576, 578-79 (S.D.N.Y. 2004) (applying federal common law of privilege law to federal claims and state accountant's privilege to pendent state claims). In federal question cases, work product is also determined under federal procedural law (FED. R. CIV. P. 26(b)(3)).

Where a communication occurs in a foreign country, courts may apply the law of the foreign country out of principles of comity. *See* Tulip Computers Int'l, B.V. v. Dell Computer Corp., 210 F.R.D. 100, 104 (D. Del. 2002); Odone v. Croda Int'l PLC, 950 F. Supp. 10, 13 (D.D.C. 1997); Duplan Corp. v. Deering Milliken, Inc., 397 F. Supp. 1146, 1169 (D.S.C. 1974). Where, however, the communication "touches base" with the United States, some courts will limit the extent to which foreign law will provide protection over a foreign communication. *See* Gucci Am., Inc. v. Guess?, Inc., 271 F.R.D. 58, 66, 68 (S.D.N.Y. 2010) (applying American privilege law because (1) communications at issued "touch[ed] base," that is, had a "more than incidental connection," with the United States, and (2) application of foreign law absent definitive evidence that foreign country recognized an analogous privilege scheme would violate the forum's public policy); Tulip Computers, 210 F.R.D. at 104. *But see* Aktiebolag v. Andrx Pharms., Inc., 208 F.R.D. 92, 102 (S.D.N.Y. 2002) (applying federal privilege law notwithstanding the fact that communications at issue did not "touch base" with the United States where application of Korean law could result in disclosure of documents that would be protected by the privilege under domestic law). Other courts, however, will continue to accord deference to foreign privilege principles where doing so extends the privilege to communications with non-attorneys, at least where the non-attorney is acting in a capacity similar to an American attorney. *See* SmithKline Beecham Corp. v. Apotex Corp., No. 98 C 3952, 2000 WL 1310668, at *3 (N.D. Ill. Sept. 13, 2000).

B. SHAREHOLDER LITIGATION

Shareholder litigation can create special problems when shareholders seek privileged or work product documents from the corporation. Many courts have recognized an exception to the attorney-client privilege that allows the shareholders of the corporation to access materials prepared by corporate counsel. For a more detailed discussion, see *Exceptions to the Attorney-Client Privilege: Fiduciary Exception*, § I.I.3, *supra*. On the other hand, courts have not generally found a similar exception for work product protection. They recognize that the mutuality of interest is destroyed between shareholders and the corporation when litigation arises. For a more detailed discussion on the fiduciary exception and the work product doctrine, see *Fiduciary Exception: The Garner Doctrine*, § IV.F.3, *supra*.

C. ETHICAL CONSIDERATIONS

1. Dual Representation

One issue which often arises in the organizational context is whether a corporation's counsel should represent corporate employees, and if not, the extent to which corporate counsel should inform employees about their individual legal rights. When a corporation believes it is in its best interest to waive the attorney-client privilege for employee communications, such communications are subject to discovery unless the employee may assert an individual attorney-client privilege. Commodity Futures Trading Comm'n v. Weintraub, 471 U.S. 343, 348 (1985); United States v. Int'l Bhd. of Teamsters, 119 F.3d 210, 216-17 (2d Cir. 1997); In re Bevill, Bresler & Schulman Asset Mgmt. Corp., 805 F.2d 120, 124-25 (3d Cir. 1986); United States v. Keplinger, 776 F.2d 678 (7th Cir. 1985); In re Bounds, 443 B.R. 729, 733 (Bankr. W.D. Tex. 2010) (declining to allow bankruptcy trustee, the current holder of the corporation's privilege, to waive the debtor-former owner's personal

privilege). An employee may do so only if the communication satisfies each element of the privilege. *See Representation of Individual Employees by Organizational Counsel*, § I.B.1.b(2), *supra*. If counsel represents only the corporation and has informed the employee of that fact, no individual privilege arises to protect the employee. *See, e.g.*, United States v. Graf**,** 610 F.3d 1148, 1162 (9th Cir. 2010) (adopting standard set forth in In re Bevill, Bresler & Schulman Asset Mgmt. Corp., 805 F.2d 120, 123 (3d Cir. 1986), for determining whether corporate employee holds a personal attorney-client privilege and finding that defendant held no individual privilege because he never requested or made clear to the attorneys that he sought personal representation, the retainer agreement was signed by another party, the bills were paid only by the company, and the substance of the communications at issue related solely to the defendant's official duties); In re Grand Jury Subpoena: Under Seal, 415 F.3d 333, 339 (4th Cir. 2000); Keplinger, 776 F.2d at 700-01.

Under certain circumstances, a corporation may choose to have its counsel also represent its employees. For example, where corporate officers, directors, or employees are the targets of a grand jury investigation a corporation may wish to offer joint representation in order to retain control over the case and enable counsel to plot joint strategy. Joint representation may provide counsel with increased information and facilitate interviewing grand jury witnesses.

Multiple representation may, however, lead to disqualification of counsel on motion of the government in a criminal case, or an adverse party in a civil case, and could result in disqualifying the lawyer and the lawyer's firm from participating in the litigation. *See* Doe v. A Corp., 709 F.2d 1043 (5th Cir. 1983) (attorney disqualified from representing class in action against former client where he would have had opportunity to use confidential information against former client); In re Coordinated Pretrial Proceedings in Petroleum Prods. Antitrust Litig., 658 F.2d 1355, 1361 (9th Cir. 1981) (Cannon 9 is sufficient ground for disqualification in itself, but appellate court will affirm a disqualification order "only where the impropriety is clear and is one that would be recognized as such by all reasonable persons"); Lieberman v. City of Rochester, 681 F. Supp. 2d 418, 423, 427 (W.D.N.Y. 2010) (noting that Second Circuit has declined to adopt a "'single representation' rule requiring independent representation in all cases involving actual or potential conflicts between multiple clients" and finding inappropriate the disqualification of counsel from defending both a municipality and municipal employees in the same action); Emmis Operating Co. v. CBS Radio Inc., 480 F. Supp. 2d 1111 (S.D. Ind. 2007) (disqualifying counsel who had consulted for a former executive in his contract negotiations with a company from representing the company in a subsequent action); Smith v. City of New York, 611 F. Supp. 1080, 1091 (S.D.N.Y. 1985) (Canon 5 is satisfied by the clients' informed consent); United States v. Occidental Chem. Corp., 606 F. Supp. 1470 (W.D.N.Y. 1985) (corporate counsel may also represent former employees where there is no actual conflict of interest); United States v. Linton, 502 F. Supp. 871, 877 (D. Nev. 1980) (consent to and waiver of objections to conflict of interest not sufficient if confidential information involved: "the ethical requirement to utilize on behalf of one client confidential information obtained from another client could conceivably result in counsel's disqualification to represent both clients"). *But see* United States v. Turner, 594 F.3d 946, 954-55 (7th Cir. 2010) (finding error in disqualification of attorney from concurrent representation of multiple criminal defendants based on the "mere possibility" of conflict and discussing protective measures short of

disqualification to insure that all defendants received effective assistance); Vegetable Kingdom, Inc. v. Katzen, 653 F. Supp. 917, 925-26 (N.D.N.Y. 1987) (noting that motions for disqualification are increasingly filed merely to harass opposing counsel, the court denied the motion and imposed sanctions on movant).

Even if counsel is not disqualified, counsel may have difficulty adequately representing an individual's interests, which may conflict with those of the corporation or those of other individuals represented by corporate counsel. For example, it may be in an individual's best interest to accept an offer of immunity from the government, but such an offer may undermine the corporation's case. In certain circumstances, the rules of professional responsibility may prohibit the representation of more than one client in this situation. *See* ABA CODE OF PROF'L RESPONSIBILITY DR 5-105, EC 5-14, 5-15, 9-1, 9-2; MODEL RULES OF PROF'L CONDUCT R. 1.7(b); *see also* United States v. Marshall, 488 F.2d 1169, 1193-94 (9th Cir. 1973). In criminal cases, moreover, this joint representation by counsel may also increase the possibility that counsel will be subpoenaed by the grand jury, which may lead to disqualification.

Even if a corporation decides that its attorneys will not represent its directors, officers, and employees, there are a number of ethical questions unanswered. In conducting interviews with employees what should an attorney tell the employees or directors about their individual rights? Should an attorney merely inform interviewees that she represents the company and does not represent them, or should the attorney explain that the corporation has the right to waive the privilege and that disclosure may expose the employee to criminal or civil liability? Should an attorney suggest that an interviewee consult separate counsel before speaking to him or her? Corporate counsel's task obviously becomes more difficult in such a case, because such admonitions may chill employees' willingness to provide complete information, and the corporation's best interests may be thwarted.

A special circumstance may arise when a law firm seeks its own internal counsel's advice with regard to whether its current client may have a malpractice or other claim against the firm. In such a case, the firm's duty as a fiduciary to its client may conflict with its interest in investigating and preventing litigation against it. *See, e.g.*, Burns ex rel. Office of Pub. Guardian v. Hale & Dorr LLP, 242 F.R.D. 170, 173 (D. Mass. 2007) (finding the purpose of the privilege was not served where the firm sought to invoke the privilege to withhold internal investigation information from a client claiming against it); *see also Internal Communications with Law Firm In-House Counsel*, § I.I.4, *supra*. While courts recognize that "law firms should and do seek advice about their legal and ethical obligations" to their clients, "once a firm learns that a client may have a claim against the firm or that the firm needs client consent in order to commence or continue another client representation, then the firm should disclose to the client the firm's conclusions with respect to those ethical issues." Thelen Reid & Priest, LLP v. Marland, No. C 06-2071 VRW, 2007 WL 578989, at *7, *8 (N.D. Cal. Feb. 21, 2007) (citing ABA MODEL RULES OF PROF'L CONDUCT R. 1.7). *But see* Landmark Screens, LLC v. Morgan, Lewis & Bockius, LLP, No. C08-02581 JF (HRL), 2010 WL 289858, at *2-3 (declining to extend Thelen principles to communications with outside counsel (as they did not constitute *internal* communications) or those concerning *former* (as opposed to current) clients or conflicts). A court may order disclosure of internal law firm communications in order to allow the client access information where

ethics requires. *See* Thelen Reid & Priest, 2007 WL 578989, at *8 (ordering disclosure); In re Bounds, 443 B.R. 729, 734-35 (Bankr. W.D. Tex. 2010) (ordering disclosure to creditor and trustee of documents relating to potential malpractice claims against debtor's counsel because of the potential for thereby reducing counsel's claim on the bankrupt estate and increasing recovery sought by other creditors). *But see* TattleTale Alarm Sys., Inc. v. Calfee, Halter & Griswold, LLP, No. 2:10-cv-226, 2011 WL 382627, at *7-10 (S.D. Ohio Feb. 3, 2011) (declining to follow Thelen, *inter alia*, as inconsistent with forum-specific privilege principles).

2. Former Employees

Ethics rules will also affect the ability of lawyers to contact former employees of an adversary corporation. Courts have reached conflicting results under the ethical canons. *See* Brian J. Redding, *The Perils of Litigation Practice*, 18 LITIG. No. 4 at 10 (Summer 1992) (summarizing opinions on communicating with former employees). Some courts have found that ethical rules prohibit interviews with the former client of an adversary. *See* Am. Prot. Ins. Co. v. MGM Grand Hotel-Las Vegas, Inc., No. CV-LV 82-26-HDM, 1986 WL 57464, at *3-4 (D. Nev. Mar. 11, 1986) (*ex parte* contact with former employee involved with legal activities was improper). Other courts allow a lawyer to communicate with these former employees without the consent of opposing counsel. *See* Arista Records LLC v. Lime Grp. LLC, 715 F. Supp. 2d 481, 499-500 (S.D.N.Y. 2010) (declining to restrict *ex parte* communications with former employees of opposing party, but placing limitations on elicitation of confidential information); Goff v. Wheaton Indus., 145 F.R.D. 351, 353-54 (D.N.J. 1992); Nalian Truck Lines, Inc. v. Nakano Warehouse & Transp. Corp., 8 Cal. Rptr. 2d 467, 470 (Cal. Ct. App. 1992). *See generally* ABA Comm'n on Ethics & Prof'l Responsibility, Formal Op. 91-359 (Mar. 22, 1991) (contacts with former employees are not prohibited if the employee is unrepresented); D.C. Bar Op. 287 (2007) (lawyers may contact former employees without their adversary's consent, but must disclose their identities and may not solicit privileged information of the party opponent).

Still other courts restrict interviews if the former employee was significantly involved in the events of the case. *See* Colborn v. Hardee's Food Sys., Inc., No. 2:10cv59-P-S, 2010 WL 4338353, at *1-2 (N.D. Miss. Oct. 27, 2010) (allowing *ex parte* contact with former employees of defendant *except* the employee whose conduct could be imputed to defendant to establish liability in the pending litigation); Serrano v. Cintas Corp., No. 04-40132, 2009 WL 5171802, at *3 (E.D. Mich. Dec. 23, 2009) (precluding party from conducting *ex parte* interviews with defendant's former decision makers because their conduct could be imputed to defendant to establish liability in the very litigation in which the interviews were sought); Chancellor v. Boeing, Co., 678 F. Supp. 250, 253 (D. Kan. 1988) (*ex parte* interviews with former employees are not permitted without the corporation's consent if the former employee's acts or admissions can be imputed to the corporation); Lang v. Super. Ct., 826 P.2d 1228, 1233 (Ariz. Ct. App. 1992) (former employee interviews permitted unless the acts or omissions of the former employee give rise to the underlying litigation, or the former employee has an ongoing relationship with the former employer in connection with the litigation).

In any case, even if the court allows the interview to take place, the attorney is prohibited from discussing any privileged communications of which the former employee is aware. *See* Arista Records, 715 F. Supp. 2d at 499-500 (placing limitations on elicitation of confidential information during otherwise permissible *ex parte* communications with former employees of opposing parties); Weber v. Fujifilm Med. Sys., U.S.A., No. 3:10 CV 401(JBA), 2010 WL 2836720, at *4 (D. Conn. July 19, 2010) (forbidding counsel from attempting to discover confidential information during *ex parte* communications with former employees of party-opponent); Arnold v. Cargill Inc., No. 01-2086, 2004 WL 2203410, at *8-9 (D. Minn. Sept. 24, 2004) (noting that majority of courts allow attorneys to interview former employees *ex parte*, but disqualifying counsel due to failure to take precautions against the exchange of privileged matter); Dubois v. Gradco Sys., Inc., 136 F.R.D. 341, 347 (D. Conn. 1991); In re Home Shopping Network, Inc. Sec. Litig., No. 87-248-CIV-T-13A, 1989 WL 201085, at *2 (M.D. Fla. June 22, 1989) (counsel can question about non-privileged matters but must advise former employees (1) that the attorney-client privilege belongs to the company and cannot be waived by the employees and (2) that the employees are prohibited from discussing matters where the privilege belongs to the company); Amarin Plastics, Inc. v. Md. Cup Corp., 116 F.R.D. 36, 42 (D. Mass. 1987) (cannot try to get strategy or opinions of other lawyer from interviews with employees or former employees).

D. POST-ENRON CONSIDERATIONS

In 2002, in response to the collapse of Enron and other publicized incidents of corporate malfeasance, the federal government enacted the Sarbanes-Oxley Act ("SOX") to impose stricter standards of accountability on public companies and accounting practices. Section 307 of SOX authorizes the SEC to issue rules "setting forth minimum standards of professional conduct for attorneys appearing and practicing before the Commission in any way in the representation of issuers," specifically including a requirement that an attorney report evidence of corporate wrongdoing "up the ladder" within a client company. 15 U.S.C.A. § 7245 (West 2011). This reporting provision applies to both domestic and foreign attorneys. *See* Carnero v. Bos. Scientific Corp., 433 F.3d 1, 10 n.8 (1st Cir. 2006) (citing 17 C.F.R. § 205.2(a)(2)(ii), (c), and (j)).

After the announcement of a proposed rule regarding attorneys' obligations under SOX, there was considerable uproar in the legal community regarding a "noisy withdrawal" provision that required outside counsel who did not receive an "appropriate response" after reporting up the ladder to withdraw from the representation, report the withdrawal to the SEC (citing "professional considerations"), and disaffirm any SEC filings the attorney helped prepare that the attorney reasonably believed might be materially false or misleading. (In-house counsel would be subject to the requirement to disaffirm but would not have to resign.) This proposed rule, which has been criticized because it could result in violations of some states' ethics rules and might damage client confidence in the attorney-client relationship, has not been promulgated but remains under SEC consideration. *See* Giovanni P. Prezioso, Speech by SEC Staff: Remarks Before the ABA Section of Business Law 2004 Spring Meeting (April 3, 2004), http://www.sec.gov/news/speech/spch040304gpp.htm (last visited Mar. 8, 2011) ("At a staff level we are continuing our consideration of whether to recommend that the Commission also adopt a mandatory 'noisy withdrawal' rule."); *see also* Ashby Jones, *Sizing Up Thomas Sjoblom's 'Noisy Withdrawal,'* WALL ST. J. L. BLOG

(Feb. 19, 2009, 4:16 PM), http://blogs.wsj.com/law/2009/02/19/sizing-up-thomas-sjoblomss-noisy-withdrawal (last visited Mar. 8, 2011) (quoting attorney making "noisy withdrawal" as stating "I disaffirm all prior oral and written representations made by me and my associates to the SEC staff regarding Stanford Financial Group and its affiliates"); SEC Unified Agenda: Long-Term Actions, 71 FR 74326-01, 2006 WL 3741820 (Dec. 11, 2006) (stating that noisy withdrawal rule is still under consideration). Also still under consideration is an alternative proposal that requires the corporate client, after outside counsel withdraws from the representation for "professional considerations," to report the withdrawal to the SEC.

Instead of implementing either of these controversial rules, in 2003 the SEC opted for a rule that does not demand the disclosure of privileged information. Effective August 5, 2003, Rule 205 governs attorney conduct when an attorney appearing and practicing before the SEC becomes aware of evidence of a "material violation" of securities laws, breach of fiduciary duty, or similar violation by a company or its agent. 15 U.S.C.A. § 7245 (West 2011); 17 C.F.R. § 205.1 *et seq.* (2011). The legal community raised concerns about the broad reach of the language in the rule, especially regarding which attorneys appear and practice before the SEC and what constitutes sufficient wrongdoing to warrant up-the-ladder reporting. Despite these uncertainties, the rule does not mandate the disclosure of privileged information, as the attorney's representation is of the entity, not a particular employee, officer, or director, and the attorney is only required to report the violation within the client. *See* 17 C.F.R. § 205.3(b)(1) (2011) ("By communicating such information to the issuer's officers or directors, an attorney does not reveal client confidences or secrets or privileged or otherwise protected information related to the attorney's representation of an issuer.").

However, SEC Rule 205 permits – although it does not require – the reporting of privileged information outside the corporation without client consent under certain circumstances, and these permitted disclosures under Rule 205 differ in many instances from states' rules of professional responsibility. If an attorney's compliance with the SEC standards is at issue in any investigation, proceeding, or litigation, the attorney may disclose any report or response made under Rule 205. *Id.* § 205.3(d)(1). The SEC rules also permit an attorney to disclose to the SEC without client consent confidential information the attorney reasonably believes necessary: (1) "[t]o prevent the issuer from committing a material violation that is likely to cause substantial injury to the financial interest or property of the issuer or investors"; (2) to prevent the issuer from committing or suborning perjury in an SEC investigation or administrative proceeding or from perpetrating a fraud upon the SEC; or (3) "[t]o rectify the consequences of a material violation by the issuer that caused, or may cause, substantial injury to the financial interest or property of the issuer or investors in the furtherance of which the attorney's services were used." *Id.* § 205.3(d)(2).

Because the interaction between the SEC standards and the respective states' standards for attorney conduct is not completely clear, states may attempt to clarify attorneys' obligations to maintain client confidences. The SEC has taken the position that the SEC standards of professional conduct for attorneys appearing and practicing before the SEC supplement state rules and "are not intended to limit the ability of any jurisdiction to impose additional obligations on an attorney not inconsistent with [the SEC standards]," but that the SEC rules "shall govern" when state professional responsibility rules conflict with the SEC rules. *See id.* § 205.1. *See also* Cohen v. Telsey, Civ No. 09-2033 (DRD), 2009

WL 3747059, at *18 (D.N.J. Nov. 2, 2009) (holding that New Jersey law provides a cause of action for negligent misrepresentation when an issuer's attorney responsible for SEC filings allegedly made misrepresentations as to the issuer's financial situation, even though 17 C.F.R. § 205.7 does not allow for such private right of action).

The Washington State Bar Association ("WSBA") Board of Governors on July 26, 2003 approved and adopted an Interim Formal Ethics Opinion to explain the impact of the SEC rules on Washington attorneys. In a July 23, 2003 letter to the WSBA, the SEC opined that SEC rules in areas covered by SEC regulations preempt conflicting state ethics rules, including when "a state rule prohibits an attorney from exercising the discretion provided by a federal regulation." Giovanni P. Prezioso, Public Statement by SEC Official: Letter Regarding WSBA's Proposed Opinion on the Effect of the SEC's Attorney Conduct Rules (July 23, 2003), http://www.sec.gov/news/speech/spch072303gpp.htm (last visited Mar. 8, 2011). However, the WSBA Ethics Opinion concluded that Washington lawyers were obligated to adhere to Washington's stricter rules regarding the preservation of client confidences, despite the SEC's more permissive rules, and that an attorney acting contrary to the opinion cannot assert as a defense that he acted in "good faith" pursuant to the SEC rule's safe harbor provision. *See* 17 C.F.R. § 205.6(c) (2011) ("An attorney who complies in good faith with the provisions of this part shall not be subject to discipline or otherwise liable under inconsistent standards imposed by any state or other United States jurisdiction where the attorney is admitted or practices."). It is critical that an attorney making a disclosure under Rule 205.3(d)(2) be aware that he could be subject to disciplinary action under state standards of professional responsibility to the extent that there is conflict between the SEC and state standards.

The ABA House of Delegates responded to public concerns about corporate and attorney wrongdoing by amending Model Rules of Professional Conduct ("MRPC") 1.6 and 1.13 in August 2003. Amended MRPC 1.6, governing an attorney's obligation to keep information relating to representation of a client in confidence, permits (but does not require) an attorney to reveal confidential information "to prevent the client from committing a crime or fraud that is reasonably certain to result in substantial injury to the financial interests or property of another and in furtherance of which the client has used or is using the lawyer's services" or "to prevent, mitigate or rectify substantial injury to the financial interests or property of another that is reasonably certain to result or has resulted from the client's commission of a crime or fraud in furtherance of which the client has used the lawyer's services." MODEL RULES OF PROF'L CONDUCT R. 1.6(b)(2)-(3) (2010).

Amended MRPC 1.13, governing an attorney's representation of an organizational client, contains an up-the-ladder provision for an attorney with knowledge of "a violation of a legal obligation to the organization, or a violation of law that reasonably might be imputed to the organization" that will likely result in substantial injury to the organization, requiring the attorney to, if in the best interest of the corporation, report the matter up the ladder within the organization. *Id.* 1.13(b). Under certain circumstances, the attorney is permitted (but not required) to disclose information outside of the organization "only if and to the extent the lawyer reasonably believes necessary to prevent substantial injury to the organization." *Id.* 1.13(c).

It remains to be seen whether the states will adopt these amended Model Rules. Some states have already adopted these provisions. *E.g.*, IND. RULES OF PROF'L CONDUCT 1.13(b). Adoption of the rules will close the space between SEC rules and state rules, providing more uniformity and clarity to attorneys, but could have the effect of significantly reducing the scope of applicable privileges.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") was signed into law. Designed to further regulate the financial industry and curb other perceived abuses, the Dodd-Frank Act also contained a provision allowing federal authorities to share information without waiving the attorney-client, work product or any other governmental privilege. Specifically, section 929K of the Dodd-Frank Act allows for the SEC to share information with federal agencies, the Public Company Accounting Oversight Board ("PCAOB"), state securities and law enforcement authorities, foreign securities or law enforcement authorities, and self-regulatory organizations without waiving privilege. Similarly, federal agencies, PCAOB, state securities and law enforcement authorities, and self-regulatory organizations may share information with the SEC without waiving any applicable privilege.

In addition, section 922 of the Dodd-Frank Act allows for certain persons who submit "original information" to the SEC the opportunity to receive 10-30% of the total recovery if such information results in a successful enforcement by the SEC of such action. The definition of "original information" under the SEC proposed rules implementing these "whistleblower" provisions does not include any information subject to the attorney-client privilege or information obtained due to the legal representation of the client, and therefore an attorney cannot financially benefit from the disclosure of privileged information unless the disclosure of such information is permitted under 17 C.F.R. § 205(d)(2) or state attorney conduct rules, or otherwise permitted. *See Proposed Rules for Implementing the Whistleblower Provisions of Section 21F of the Securities Exchange Act of 1934*, Release No. 34-63237, at 129, http://www.sec.gov/rules/proposed/2010/34-63237.pdf (last visited Mar. 8, 2011). In other words, under the proposed rules, attorneys will not be able to use privileged information to obtain a bounty unless that information falls under an exception to the SEC standards as discussed above.

E. LOBBYING

Lobbying presents a particular challenge because it can be difficult to separate legal advice from political advice. The attorney-client privilege and the attorney work product doctrine may apply where the lobbyist is a lawyer or where the lobbyist is acting as an agent of a lawyer or a client.

1. Attorney-Client Privilege

Communications that relate solely to political advice or strategizing are not protected by the attorney-client privilege. For example, in In re Grand Jury Subpoenas Dated March 9, 2001, 179 F. Supp. 2d 270, 289-91 (S.D.N.Y. 2001), the court held that the attorney-client privilege did not protect communications between March Rich and Pincus Green and the lawyers who were lobbying for presidential pardons on their behalf. The court granted the government's motion to compel, stating "[c]ommunications about non-legal issues such as public relations, the solicitation of prominent individuals or persons with access to the White House (such as Denise Rich and Beth Dozoretz) to support the Petition, and strategies for persuading the President to grant the petition are not privileged." *Id.* at 291.

See:

> *Black v. Sw. Water Conservation Dist., 74 P.3d 462, 468-69 (Colo. App. 2003). In taxpayers' action under Colorado's Open Records Act seeking documents related to water district project, documents that were related to lobbying activities, including letters and memoranda to and from state and national public officials, records of Colorado Senate hearings, Senate bills, and comments of Colorado's Attorney General, were not privileged. Documents containing legal advice on how to proceed with lobbying efforts or how to respond to plaintiffs' Open Records Act requests were privileged, however, because "they represent[ed] legal advice regarding . . . negotiations and lobbying efforts and [were] not communications made to a public official for the purpose of influencing legislation."*

Legal advice provided by lobbyists is protected, particularly where the legal nature of services provided is made explicit in a retainer agreement. *See* Vacco v. Harrah's Operating Co., Civil Action No. 1:07-CV-0663 (TJM/DEP), 2008 WL 4793719, at *7-8 (N.D.N.Y. Oct. 29, 2008) (denying motion to compel production of communications with lobbyists where retainer agreement supported conclusion that services were predominately legal); United States v. Ill. Power Co., No. 99-cv-0833-MJR, 2003 WL 25593221, at *3 (S.D. Ill. Apr. 24, 2003) (denying government's motion to compel production of defendants' communications with an industry coalition). Privileged communications do not lose their privileged character merely because they are with a lobbyist or because they relate to legislation that is the subject of lobbying efforts. *Id.* If a lobbyist gives advice that requires legal analysis, such as interpretation or application of proposed legislation, it falls within the intended purpose of the privilege and should be protected. *Id.*

Information that is provided to lobbyists to be disclosed to third parties in the course of lobbying efforts is not protected by the attorney-client privilege. *See* U.S. Postal Serv. v. Phelps-Dodge Ref. Corp., 852 F. Supp. 156, 164 (E.D.N.Y. 1994) (letter from in-house counsel describing current status of certain matters to disclose in response to concerns raised by a legislator fell outside the bounds of the privilege because it contemplated disclosure to a

third party). But privileged information provided to lobbyists for their own information and kept confidential will not necessarily lose the protection of the attorney-client privilege. *See* Hope for Families & Cmty. Serv., Inc., v. Warren, No. 3:06-CV-1113-WKW, 2009 WL 1066525, at *12-13 (M.D. Ala. Apr. 21, 2009) (holding that disclosure of privileged documents to consultant hired to provide government relations and campaign consulting to secure a license to operate bingo did not destroy the privilege); Vacco, 2008 WL 4793719, at *7-8 (extending attorney-client privilege to counsel's letter to lobbyists setting forth the position of his clients on a legal issue).

Status reports on lobbying activities are not protected by the attorney-client privilege. *See* Wolf Creek Ski Corp. v. Leavell-McCombs Joint Venture, No. CA04CV010099 JLKDLW, 2006 WL 1119031, at *2 (D. Colo. Apr. 25, 2006) (lobbying firms' invoices identifying legislative meetings not protected by the attorney-client privilege or work product doctrine); In re Grand Jury Subpoenas Dated Mar. 9, 2001, 179 F. Supp. 2d at 291 ("The lawyers' reports to the clients on these non-legal items and lobbying efforts are not privileged (or protected by the work product doctrine)."); N.C. Elec. Membership Corp. v. Carolina Power & Light Co., 110 F.R.D. 511, 517 (M.D.N.C. 1986) (although coordinated by the legal department, summaries of town meetings and progress reports describing defendant's activities coordinating opposition to proposed government action was not legal advice for purposes of the attorney-client privilege because they did not refer to legal problems). *But see* In re Brand Name Prescription Drugs Antitrust Litig., No. 94 C 897, 1995 WL 557412, at *3 (N.D. Ill. Sept. 19, 1995) (general counsel's memorandum summarizing and providing legal advice regarding a conference call among general counsels of six pharmaceutical companies for purpose of discussing lobbying initiatives was protected by the attorney-client privilege).

2. Attorney Work Product

The work product doctrine may protect materials produced by or provided to lobbyists where the materials relate to a threat of litigation. *See* Cambrians for Thoughtful Dev., U.A., v. Didion Milling, Inc., No. 07-C-246-C, 2007 WL 5618671, at *2 (W.D. Wis. Nov. 27, 2007) (denying motion to compel production of emails exchanged with lobbyists where the emails discussed a notice of violation from the Wisconsin Department of Natural Resources). In In re Grand Jury Subpoenas Dated March 9, 2001, 179 F. Supp. 2d 270, 290 (S.D.N.Y. 2001), the court rejected the application of the work product doctrine because "the lawyers were being used principally to put legal trappings on what was essentially a lobbying and political effort. . . . [T]he lawyers were engaged primarily in lobbying activity, working with and sometimes at the direction of non-lawyer public relations consultants and lobbyists."

Some courts have held that even where the materials at issue relate to a specific threat of litigation, the work product doctrine could not apply because lobbying is an effort to avoid litigation. *See* P. & B. Marina, L.P. v. Logrande, 136 F.R.D. 50, 58-59 (E.D.N.Y. 1991) (ordering production of documents because defendant's use of a lobbyist "appears to have been intended to avert litigation by applying political pressure to federal agencies"), *aff'd mem.*, 983 F.2d 1047 (2d Cir. 1992); Harper-Wyman Co. v. Conn. Gen. Life Ins. Co., No. 86 C 9595, 1991 WL 62510, at *3 (N.D. Ill. Apr. 17, 1991) ("While the insurance industry's

lobbying efforts may have been sparked by lawsuits against insurers, a motivation to avoid potential claims does not supply the necessary foundation for a finding that the work product privilege applies.").

XI. PATENTS

A. PATENTS AND LEGAL ADVICE

The majority rule prior to 1963 held that the attorney-client privilege did not extend to discussions between clients and patent attorneys because such attorneys were not regarded as being involved in "legal work." *See* McCook Metals L.L.C. v. Alcoa Inc., 192 F.R.D. 242, 248 (N.D. Ill. 2000) (reviewing the history of attorney-client privilege in the patent arena); Zenith Radio Corp. v. Radio Corp. of Am., 121 F. Supp. 792, 793 (D. Del. 1954). The Supreme Court's decision in Sperry v. Florida, 373 U.S. 379 (1963), proved a watershed event, however, as the court detailed the capacities in which the patent attorney undertook to practice law.

Even after Sperry, however, the courts remained of two schools in extending the protection of the attorney-client privilege to information relayed to patent attorneys. In Jack Winter, Inc. v. Koratron Co., 50 F.R.D. 225, 227 (N.D. Cal. 1970), the court held that factual information provided to an attorney as part of the patent prosecution process could not be protected by the privilege because such communications were made simply to be relayed to the Patent Office. Because the attorney acted as a mere "conduit" and lacked any discretion as to what information to pass on, there was no expectation of privacy in the communication, which precluded its privileged status. *See id.* at 228.

The Court of Claims, in Knogo Corp. v. United States, 213 U.S.P.Q. (BNA) 936, 939 (Ct. Cl. 1980), took a more expansive approach to the issue of attorney-client privilege in the patent context, holding that nearly all communications with such attorneys are privileged. S*ee also* McCook, 192 F.R.D. at 250. The Knogo court reasoned that the patent attorney, in preparing the patent, is actively involved in securing the greatest possible protection for the client, and therefore the "conduit" theory oversimplified the attorney's role. 213 U.S.P.Q. at 940.

In In re Spalding Sports Worldwide, Inc., 203 F.3d 800, 805-806 (Fed. Cir. 2000), the Federal Circuit adopted the Knogo line of cases, holding that communications provided to a patent attorney for the purpose of obtaining legal advice, as embodied in an invention record, constitute protected communications. Even though the invention record contained portions not relevant to legal advice, such as the listing of prior art, the court held the entire communication protected, refusing to "dissect" the document to evaluate each part. *Id.* at 806.

Federal Circuit law is applied to privilege and work product issues when the materials sought to be discovered relate to an issue of substantive patent law. In re Spalding Sports Worldwide, Inc., 203 F.3d at 803-804. Thus the Spalding Sports decision is controlling precedent in other Circuits with regard to documents that only appear in the patent law context, such as patent records; for other communications, the procedural law of the

individual Circuits controls the availability of the privilege. *See e.g.*, McCook, 192 F.R.D. at 248-52 (acknowledging Spalding Sports and detailing the historic treatment of attorney-client privilege, but predicting that the Seventh Circuit would continue to apply a narrow construction to such issues); *see also* Nycomed U.S. Inc. v. Glenmark Generics Ltd., No. 08-CV-5023 (CBA)(RLM), 2009 WL 3334365, at *1(E.D.N.Y. Oct. 14, 2009) (acknowledging that Federal Circuit law governs the scope of waiver where advice of counsel has been raised as a defense to an assertion of willful infringement, but applying Second Circuit law to determine whether a waiver of privilege has occurred).

Nonetheless, the majority position is now that communications between clients and patent attorneys are protected to the same extent that the privilege would attach to conversations with non-patent attorneys. *See, e.g.*, Info-Hold, Inc. v. Trusonic, Inc., No. 1:06CV543, 2008 WL 2949399, at *3-4 (S.D. Ohio July 30, 2008) (applying Federal Circuit law and following Spalding Sports to protect communications between plaintiff and plaintiff's attorney regarding patentability determination and invention protection); Kellogg v. Nike, Inc., No. 8:07CV70, 2007 WL 4570871, at *5-7, 11 (D. Neb. Dec. 26, 2007) (finding under general patent principles that documents created by defendant's patent attorney or at his direction and sent to defendant's in-house patent and litigation specialists were protected by attorney client privilege); SmithKline Beecham Corp. v. Apotex Corp., 232 F.R.D. 467, 473, 480-81 (E.D. Pa. 2005) (following Spalding Sports); Softview Computer Prods. Corp. v. Haworth, Inc., No. 97 Civ. 8815 KMWHBP, 2000 WL 351411, at *2-3 (S.D.N.Y. Mar. 31, 2000) (same); MessagePhone, Inc. v. SVI Sys., Inc., No. 3-97-1813 H, 1998 WL 812397, at *1 (N.D. Tex. Nov. 18, 1998) ("[T]he current and more widely accepted view is that communications between an inventor and his attorney are privileged to the same extent as any other attorney-client communication."); Applied Telematics, Inc. v. Sprint Commc'ns Co., Civ. A. No. 94-4603, 1996 WL 539595, at *2 (E.D. Pa. Sept. 18, 1996) ("The majority of courts have rejected the rationale of the [Jack Winter line of cases] and recognize that attorneys render legal advice in the traditional sense when helping inventors apply for patents.").

B. WAIVER OF PRIVILEGE AND THE GOOD FAITH RELIANCE ON ADVICE OF COUNSEL DEFENSE TO WILLFUL INFRINGEMENT

In infringement cases, a finding of willfulness can result in an award of trebled damages. *See* 35 U.S.C. § 284. To rebut an assertion of willfulness, a party may raise a defense of good faith reliance on the opinion of counsel that the conduct at issue was not infringing. Because a party may not use privilege as both sword and shield, "[w]here a party relies upon an advice of counsel defense, the assertion of that defense gives rise to potential waiver of attorney-client privilege and work product immunity based on fairness concerns." Verizon Cal. Inc. v. Ronald A. Katz Tech. Licensing, L.P., 266 F. Supp. 2d 1144, 1148 (C.D. Cal. 2003) (citing Chevron Corp. v. Pennzoil Co., 974 F.2d 1156, 1162-63 (9th Cir. 1992); Chiron Corp. v. Genentech, Inc., 179 F. Supp. 2d 1182, 1186 (E.D. Cal. 2001)). *See also* Optimumpath, LLC v. Belkin Int'l, Inc., No. C 09-1398 CW (MEJ), 2010 WL 2348665, at * 4 (N.D. Cal. June 8, 2010) (denying party's request for further production of privileged documents because no showing had been made that the party holding the privilege had relied upon the communications at issue in attempting to secure a legal right or supporting its position in the current litigation); Pall Corp. v. Cuno Inc., 268 F.R.D. 167, 170 (E.D.N.Y.

2010) (finding that the assertion of a "good faith" reliance on patent counsel's "thoughts and mental impressions" as a "shield" to allegations of inequitable conduct precluded the use of such communications as a "sword" as well); Solomon v. Kimberly-Clark Corp., No. 98 C 7598, 1999 WL 89570, at *2 (N.D. Ill. Feb. 12, 1999).

For years, the Federal Circuit's decisions in Underwater Devices Inc. v. Morrison-Knudsen Co., 717 F.2d 1380 (Fed. Cir. 1983), *overruled by* In re Seagate Tech., LLC, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (*en banc*), and Kloster Speedsteel AB v. Crucible Inc., 793 F.2d 1565 (Fed. Cir. 1986), *overruled by* Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp., 383 F.3d 1337 (Fed. Cir. 2004) (*en banc*), established an affirmative duty for alleged infringers to obtain competent legal advice before commencing or continuing the allegedly infringing activity. Failure to rely on the advice of counsel defense and waive attorney-client privilege could lead to an adverse inference of willful infringement. *See, e.g.*, Electro Med. Sys., S.A. v. Cooper Life Scis., Inc., 34 F.3d 1048, 1056 (Fed. Cir. 1994) ("[W]e have held that when an infringer refuses to produce an exculpatory opinion of counsel in response to a charge of willful infringement, an inference may be drawn that either no opinion was obtained or, if an opinion was obtained, it was unfavorable.") (citations omitted).

In 2004, the Federal Circuit began an extensive overhaul of its decisions in this area. First, the Court expressly overruled the adverse inference that had applied when a party relied on the advice of counsel defense but did not produce any opinion of counsel, holding that the failure to obtain such an opinion, or a refusal to produce the opinion after relying on it, should not give rise to an inference of willful infringement. *See* Knorr-Bremse Systeme Fuer Nutzfahrzeuge GMBH v. Dana Corp., 383 F.3d at 1344-45; Insituform Techs., Inc. v. Cat Contracting, Inc., 518 F. Supp. 2d 876, 893-95 (S.D. Tex. 2007) (finding, in light of Knorr-Bremse's elimination of the adverse inference, that plaintiff, an owner of a patent for underground pipe repair method, did not meet its burden of proving defendant's willful infringement under the totality-of-the-circumstances analysis when plaintiff did not introduce evidence of the opinions defendant obtained or challenge the competency of those opinions). After Knorr-Bremse, however, there was still confusion about whether the duty of due care standard announced in Underwater Devices, which included "the duty to seek and obtain competent legal advice from counsel," still applied. Indeed, some courts still permit a party's failure to obtain opinions as one factor in evaluating the existence of willful infringement. *See* Broadcom Corp. v. Qualcomm Inc., 543 F.3d 683, 697-702 (Fed. Cir. 2008) (finding that a defendant's failure to obtain non-infringement opinion letters could be considered, along with other factors, to support an induced infringement claim, even though such evidence could not be used to create an adverse inference of an unfavorable opinion to support a willful infringement claim). The Federal Circuit resolved the issue in 2007 with In re Seagate, abandoning the affirmative obligation to obtain opinion of counsel. Overruling Underwater Devices, the court held that a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent, and that this objective risk was either known or so obvious that it should have been known to the accused infringer. In re Seagate, 497 F.3d at 1371.

Some courts continue to use a party's failure to seek advice of counsel as a factor in the second prong of the Seagate test for determining willful infringement. *See*:

> *Presidio Components, Inc. v. Am. Technical Ceramics Corp., 723 F. Supp. 2d 1284, 1323-25 (S.D. Cal. 2010). The court adopted the approach that the failure to seek advice of counsel, while not grounds for an adverse inference, was a factor the jury could consider in determining willful infringement. However, the court reversed the jury's previous finding on that issue because that one factor (failure to seek advice of counsel) was not alone sufficient to demonstrate by clear and convincing evidence that infringement was willful.*
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> *Creative Compounds, LLC v. Starmark Labs. Inc., No. 07-22814-CIV, 2010 WL 2757196, at *5 (S.D. Fla. July 13, 2010). In finding an absence of willful infringement, the court noted that competent and objective patent counsel was consulted prior to the alleged infringing activities, and counsel had opined that the other party's patent, if ever issued, would likely be unenforceable.*
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> *Kellogg v. Nike, Inc., 592 F. Supp. 2d 1166, 1171 (D. Neb. 2008). Court rejected defendant's claim that an alleged infringer's due care was no longer an issue after Seagate.*
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> *Eastman Kodak Co. v. AGFA-GEV Avert N.V., 560 F. Supp. 2d 227, 301-05 (W.D.N.Y. 2008). Defendants were found not to have willfully infringed on plaintiff's patents even though they did not seek advice of counsel because they did make conscious efforts to design their products around claimed inventions, and plaintiff had a group monitoring its competitors' products but did not inform defendant of infringing activities for six years.*
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> *Energy Transp. Group, Inc. v. William Demant Holding, No. 05422GMS, 2008 WL 114861, at *1 (D. Del. Jan. 7, 2008). On the issue of willful infringement, the court found that the Seagate decision did not prevent a jury from considering, under the totality-of-the-circumstances approach, whether defendant obtained the advice of counsel.*
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> *Franklin Elec. Co. v. Dover Corp., No. 05C598S, 2007 WL 5067678, at *8 (W.D. Wis. Nov. 15, 2007). In patent infringement case involving underground fuel storage tank components, defendant moved for summary judgment on the issue of willful infringement, stating that the court's initial order for summary judgment of non-infringement as to the patent in question, later reversed and remanded, served as conclusive evidence that defendant's sales of its product did not constitute an objectively high likelihood of infringement under the first prong of the Seagate test. The court granted defendant's motion, noting that plaintiff's evidence – namely, defendant's failure to seek advice from counsel before selling its products, its efforts to obtain a license from plaintiff's predecessor, customer demands, and patentee's letters accusing defendant of infringement – all went to defendant's subjective state of mind, which was not to be considered until plaintiff proved objective recklessness.*

1. Scope Of The Waiver

Generally, as the Federal Circuit affirmed in In re EchoStar Communications Corp., 448 F.3d 1294 (Fed. Cir. 2006), reliance on the advice of counsel results in the waiver of the privilege for any attorney-client communications relating to the same subject matter; even communications with counsel upon whose opinion the party ultimately does not rely. EchoStar provided much-needed guidance on several issues related to the scope of the waiver in this context. First, the court held that the advice of counsel defense waived privilege equally "[w]hether counsel is employed by the client or hired by outside contract." *Id.* at 1299. *See also:*

> *Reedhycalog UK, Ltd. v. Baker Hughes Oilfield Operations Inc., 251 F.R.D. 238, 242-43 (E.D. Tex. 2008). Court ordered defendant who asserted an advice-of-counsel defense to produce unredacted*

portions of its email correspondence with counsel. Redacted versions of the email correspondence related to the issue of whether defendant acted with objective recklessness when it relied on counsel's opinion that plaintiff's patents were invalid or unenforceable.

V. Mane Fils S.A. v. Int'l Flavors & Fragrances, Inc., 249 F.R.D. 152 (D.N.J. 2008). Patent infringement defendant's disclosure of patent counsel opinion letters to potential customers waived the attorney-client privilege for all documents surrounding the opinions. Before the litigation commenced, defendant showed the opinion letters to potential customers to induce them to switch from plaintiff's product to defendant's product. After initiating a patent infringement suit against defendant, plaintiff sought production of the opinion letters as well as all documents, statements, and communications surrounding defendant's solicitation and direction regarding the opinions, including in-house patent counsel's discussions regarding the opinions. Plaintiff argued that defendant waived the privilege by trying to use it as both a "sword and a shield." Defendant, relying on Seagate, argued that the defendant's state of mind regarding willfulness should be bifurcated and was not currently relevant. The court rejected defendant's argument, finding that disclosure of the opinions had resulted in a broad subject matter waiver, requiring immediate production of the requested documents.

Second, EchoStar held that despite the broad subject matter waiver triggered by the advice of counsel defense, an opposing party cannot obtain attorney opinion work product that was never given to the client. 448 F.3d at 1304. The court reasoned: "if a legal opinion or mental impression was never communicated to the client, then it provides little if any assistance to the court in determining whether the accused knew it was infringing, and any relative value is outweighed by the policies supporting the work-product doctrine." *Id*. Therefore, documents that discuss a communication between attorney and client concerning the subject matter of the case but that were not themselves communicated to the client—such as an internal memorandum referencing a phone call with the client in which the client's potential infringement was discussed—must be produced because they "will aid the parties in determining what communications were made to the client and protect against intentional or unintentional withholding of attorney-client communications from the court." *Id.* Yet, the court noted that redaction of legal analysis not communicated to the client may be appropriate. *Id*. *See also*:

In re Smirman, 267 F.R.D. 221, 225 (E.D. Mich. 2010) (citations omitted). Echoing EchoStar and noting that the assertion of the advice of counsel defense results in the waiver of privilege only with respect to "communications that the client received," and that, as such, the communications between defendant and any lawyer regarding potential infringement were discoverable. This is the case even when the advice on which defendant claims it relied was provided through an intermediary such that counsel and defendant can be said never to have actually directly communicated with each other.

SPX Corp. v. Bartec USA, L.L.C., 247 F.R.D. 516 (E.D. Mich. 2008). In patent infringement case over a handheld tool used to service tires, the court found that scope of discovery did not extend to all documents possessed by defendant's attorney once defendant asserted an advice-of-counsel defense. Attorney-client privilege continued to attach to communications that did not relate to the patent at issue. Work product privilege continued to protect work product not communicated to the client that did not record lawyer-client conversations. Work product privilege also protected communications with defendant's trial counsel that occurred after litigation was filed. However, because defendant had the duty to show that communications and documents fell outside the scope of waiver and failed to do so, even after three submitted versions of the privilege log, the court granted plaintiff's motion to compel production of the requested documents.

Third, Echostar weighed in on a disagreement among courts regarding the temporal scope of the waiver—some courts extended the waiver to trial counsel in the ongoing

litigation, whereas others drew distinctions to preserve protection during litigation. *Compare* Akeva L.L.C. v. Mizuno Corp., 243 F. Supp. 2d 418, 423 (M.D.N.C. 2003) ("once a party asserts the defense of advice of counsel, this opens to inspection the advice received during the entire course of the alleged infringement"); *with* Sharper Image Corp. v. Honeywell Int'l Inc., 222 F.R.D. 621, 643 (N.D. Cal. 2004) ("disabling a defendant from having a confidential relationship with its lead trial counsel about matters central to the case would cause considerable harm to the values that underlie the attorney-client privilege and the work product doctrine," placing a defendant at a "considerable disadvantage"); *see also* Intex Recreation Corp. v. Team Worldwide Corp., 439 F. Supp. 2d 46, 52 (D.D.C. 2006) (where opinion counsel and trial counsel are the same, "waiver extends only to those trial counsel work product materials that have been communicated to the client and which contain conclusions or advice that contradict or cast doubt on the earlier opinions") (citation and internal quotation marks omitted). The Echostar court noted without discussion that the waiver extends to opinions created after litigation begins "when the advice is relevant to ongoing willful infringement, so long as that ongoing infringement is at issue in the litigation." *Id.* at 1302 n.4 (citing Akeva 243 F. Supp. 2d at 423). *See also*:

> *Tyco Healthcare Grp. LP v. E-Z-EM, Inc., No. 2:07-CV-262 (TJW), 2010 WL 2079920, at *3 (E.D. Tex. May 24, 2010). The court differentiated between trial counsel and patent opinion counsel on the basis that they "typically serve separate and distinct functions." That is, "opinion counsel serves to provide an objective assessment for making informed business decisions" and "trial counsel focuses on litigation strategy and evaluates the most successful manner of presenting a case to a judicial decision maker"(quoting In re Seagate, 497 F.3d at 1373). However, because defendant in this case "blurred that distinction by allowing opinion counsel to join the trial team" and asserted an advice of counsel defense, privilege was waived as to all communications with opinion counsel on the same subject matter included in the opinion letter, including those communications involving the rest of the trial team.*
>
> *Se-Kure Controls, Inc. v. Diam USA, Inc., No. 06C4857, 2008 WL 169029, at *2-3 (N.D. Ill. Jan. 17, 2008). In light of defendant's advice-of-counsel defense, court compelled the deposition of the employee of defendant who determined that defendant's product was different from plaintiff's product and provided technical information to defendant's opinion counsel. Court also compelled production of CDs and email attachments relevant to the patent at issue that defendant's trial counsel provided to defendant's opinion counsel before opinion counsel's deposition and prior to litigation being filed.*
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> *Convolve, Inc. v. Compaq Computer Corp., No. 00CIV5142(GBD)(JCF), 2007 WL 4205868, at *4-5 (S.D.N.Y. Nov. 26, 2007). In a willful infringement case, the court determined that plaintiff was not entitled to discover the post-litigation opinions of defendant's in-house counsel. With respect to pre-litigation information, defendant had already allowed discovery of communications between in-house counsel and outside opinion counsel, and the court denied plaintiff's motion to take further discovery of information possessed by in-house counsel that was not communicated to outside opinion counsel. However, in Convolve, Inc. v. Compaq Computer Corp., No. 00CIV5142(GBD)(JCF), 2008 WL 190588, at *1-2 (S.D.N.Y. Jan. 22, 2008), the court allowed discovery of communications between defendant's engineering staff and in-house counsel.*

Although Echostar resolved several questions, it left open just as many. The Federal Circuit decided *sua sponte* to hear In re Seagate *en banc* in order to resolve them. In addition to revising the standard for willful infringement, the court addressed: (1) whether the waiver extends to communications with a party's trial counsel; and (2) the effect of the waiver on work product immunity. The court answered the first question in the negative; absent "chicanery," "asserting the advice of counsel defense and disclosing opinions of opinion

counsel do not constitute waiver of the attorney-client privilege for communications with trial counsel." In re Seagate, 497 F.3d at 1374-75. The decision was based on the differing functions of opinion and trial counsel: "Whereas opinion counsel serves to provide an objective assessment for making informed business decisions, trial counsel focuses on litigation strategy and evaluates the most successful manner of presenting a case to a judicial decision maker . . . in an adversarial process." *Id.* at 1373. Such situation is not one in which a party is trying to use the privilege as both a shield and a sword. Moreover, the zone of privacy that the attorney-client privilege creates should not lightly be denied: "[i]n most cases, the demands of our adversarial system of justice will far outweigh any benefits of extending waiver to trial counsel." *Id.*

The Seagate court also held that reliance on opinion counsel's work product does not waive protection for trial counsel's work product. *Id.* at 1376. The court noted that the work product doctrine's importance to the adversarial process is even greater than that of the attorney-client privilege, and the scope of work product waiver must be narrowly construed. *Id*. Therefore, work product immunity for trial counsel is not waived by asserting the advice of counsel defense and need not be produced absent the usual showing of hardship and need. *See id*. The court did reserve space, however, for a court's discretion: "situations may arise in which waiver may be extended to trial counsel, such as if a party or his counsel engages in chicanery." *Id*.

2. Bifurcating Trial And Staying Discovery

Although Seagate's heightened standard for willfulness will likely reduce the frequency with which the advice of counsel defense will be asserted and the narrowed scope of the waiver that results will make a finding of waiver less severe, accused infringers may still find themselves facing the choice of risking treble damages or disclosing privileged material. In such cases, the possible prejudice from discovery of privileged information may be reduced by a bifurcated trial. The accused infringer can request separate trials for liability and damages and a stay of willfulness discovery unless and until there is a finding of liability. In Johns Hopkins Univ. v. CellPro, 160 F.R.D. 30 (D. Del. 1995), the court described the standard scenario occurring in such cases wherein a bifurcated trial is requested:

> The current convention in patent litigation strategy is as follows: the patent owner opens with a claim for willful infringement; the alleged infringer answers by denying willful infringement and asserts good faith reliance on advice of counsel as an affirmative defense; then the owner serves contention interrogatories and document requests seeking the factual basis for that good faith reliance defense and the production of documents relating to counsel's opinion; the alleged infringer responds by seeking to defer responses and a decision on disclosure of the opinion; the owner counters by moving to compel; and the alleged infringer moves to stay discovery and for separate trials.

Id. at 34.

The Federal Circuit has stated that under certain circumstances separate trials are warranted: "An accused infringer . . . should not, without the trial court's careful consideration, be forced to choose between waiving the privilege in order to protect itself from a willfulness finding, in which case it may risk prejudicing itself on the question of liability, and maintaining the privilege, in which case it may risk being found to be a willful infringer if liability is found. Trial courts thus should give serious consideration to a separate trial on willfulness whenever the particular attorney-client communications, once inspected by the court *in camera*, reveal that the defendant is indeed confronted with this dilemma." Quantum Corp. v. Tandon Corp., 940 F.2d 642, 643-44 (Fed. Cir. 1991) (citation omitted). *See also* Belden Techs. Inc. v. Super. Essex Commc'ns LP, 733 F. Supp. 2d 517, 523 n.2 (D. Del. 2010) (noting the court's standard practice of bifurcating discovery and trial on the issues of willfulness and damages). *But see* Nielsen v. Alcon, Inc., No. 3:08-CV-02239-B, 2010 WL 1063429, at *1-2 (N.D. Tex. Mar. 22, 2010) (citation omitted) (finding that, other than cost and potential time consumption, there were no extenuating circumstances, including waiver of privilege shadowing the determination of liability, that would normally justify the bifurcation of a patent trial); Trading Techs. Int'l, Inc. v. eSpeed, Inc., 431 F. Supp. 2d 834, 841 (N.D. Ill. 2006) (declining to bifurcate trial because plaintiff would be irreparably prejudiced by "substantial delay in final determination of action" and by having to "present the same evidence in two separate trials").

Factors that a court may consider when determining whether to bifurcate trial and stay discovery include: (1) "whether a stay of discovery is uneconomical and a waste of judicial resources," (2) "whether a needless delay will be created," (3) "the complexity of the case," (4) "potential juror confusion," (5) "the stage of the litigation at which the request is made," (6) "whether any delay in filing such motion was a tactical strategy," (7) "the overlap of evidence and witnesses between liability and willfulness," (8) "the prejudice to patent owner by delaying the ultimate conclusion of the case," (9) "the risk of prejudice as to the liability issues which may result from disclosure," and (10) "the prejudice of having counsel who wrote the opinions disqualified as trial counsel." Valois of Am., Inc. v. Risdon Corp., No. 3:95 CV 1850 AHN, 1998 WL 1661397, at *3 (D. Conn. Dec. 18, 1998) (citing cases denying and granting bifurcation).

Some courts have denied motions to bifurcate trial and stay discovery on willfulness but have spoken favorably of multi-phase trials before the same jury for which evidence of willfulness would not be introduced until the damages portion of the trial. *See* CellPro, 160 F.R.D. at 36; Belmont Textile Mach. Co. v. Superba, S.A., 48 F. Supp. 2d 521, 526 (W.D.N.C. 1999).

See also:

> *Static Control Components, Inc. v. Lexmark Int'l, Inc., Nos. 5:02-571, 5:04-84, ---F.Supp.2d----, 2010 WL 4366130, at *4-5 (E.D. Ky. Oct. 28, 2010). In considering post-trial motion for new trial, the court determined that the bifurcation of trial into two phases (the first covering infringement-related affirmative claims and defenses, and the second covering damages-related issues, including willfulness) had not been in error. Noting that a district court has broad discretion to bifurcate issues of liability and damages, the court reiterated its previous view that, after consideration of principles of "fairness to the parties," bifurcation of that matter "served the interests of convenience, efficiency,*

and economy, without prejudicing [defendant] or any other party." The court therefore denied the motion for new trial on that basis,

*WebXchange Inc. v. Dell Inc., Nos. 08-132-JJF, 08-133-JJF, 2009 WL 5173485, at *3 (D. Del. Dec. 30, 2009). The court denied defendants' motion to bifurcate trial of issue of inequitable conduct from trial of issues of infringement and invalidity because such bifurcation "[would] not promote the efficient adjudication of the parties' disputes" (citations omitted). The court expressly declined to credit defendants' contention that they would succeed in their inequitable conduct defense, which would thereby make the presentation of evidence on all other issues irrelevant, and found that the potential for the presentation of duplicative evidence weighed against bifurcation.*

*Intervet Inc. v. Merial Ltd., No. 06658(HHK/JMF), 2008 WL 2411276, at * 1-2 (D.D.C. June 11, 2008). In a patent action for a declaratory judgment, the court denied plaintiff's motion to stay discovery of information protected by attorney-client privilege until after a ruling on its dispositive motions. The court noted that plaintiff's motion to stay discovery was premature when plaintiff had yet to file its dispositive motions, had not yet decided whether it would waive attorney-client privilege in favor of an advice-of-counsel defense to defendant's charge of willful infringement, and had yet to ask the court to bifurcate the trial.*

Computer Assocs. Int'l, Inc. v. Simple.com, Inc., 247 F.R.D. 63, 67, 69 (E.D.N.Y. 2007). In a declaratory judgment action, court denied plaintiff's motions for bifurcation of trial and stay of discovery. Court considered three factors when determining whether to grant bifurcation: (1) efficient use of resources; (2) benefit of bifurcation on juror comprehension; and (3) repetition of evidence presented. In deciding whether to stay discovery on plaintiff's opinion of counsel defense pending motion for summary judgment, the court considered five factors: (1) the merit of the claim; (2) the burden of discovery; (3) the risk of unfair prejudice; (4) the nature and complexity of litigation; and the posture of litigation.

C. THE INEQUITABLE CONDUCT DEFENSE AND THE CRIME-FRAUD EXCEPTION

Parties asserting the affirmative defense of inequitable conduct in a patent action often seek discovery of privileged communications between the patent holder and its counsel under the crime-fraud exception. A patent applicant's breach of the duty of candor, good faith, and honesty constitutes inequitable conduct. Molins PLC v. Textron, Inc., 48 F.3d 1172, 1178 (Fed. Cir. 1995) (citations omitted). "Inequitable conduct includes affirmative misrepresentation of a material fact, failure to disclose material information, or submission of false material information, coupled with an intent to deceive." *Id.* (citations omitted). *See also* Brigham & Women's Hosp. Inc. v. Teva Pharm. USA, Inc., No. 08-464, --- F. Supp. 2d ----, 2011 WL 63895, at *9-10 (D. Del. Jan. 7, 2011) (declining to find inequitable conduct where misunderstanding of duty to disclose was plausible, and thus, that an intent to deceive was not the "single most reasonable inference to be drawn from all the evidence"); *see also* Rothschild v. Cree, Inc., 711 F. Supp. 2d 173, 214 (D. Mass. 2010) (finding that an alleged "pattern of mischaracterization or omission of material information before the Patent and Trademark Office (PTO) was not "blatant" enough to allow for the inference of deceptive intent sufficient to find inequitable conduct). If proven, the defense can render a patent unenforceable. Molins, 48 F.3d at 1178. (citation omitted).

A party asserting the defense must demonstrate "unlawful conduct, not mere inequity," to pierce attorney-client privilege. Research Corp. v. Gourmet's Delight Mushroom Co., 560 F. Supp. 811, 820 (E.D. Pa. 1983) (citing Am. Optical Corp. v. United

States, 179 U.S.P.Q. 682, 684 (Ct. Cl. 1973)). "The court in American Optical recognized that inequitable conduct may be sufficient to render a patent unenforceable; but it expressly disavowed that standard as a test for piercing the attorney-client privilege." *Id.* The privilege is vitiated by nothing less than a *prima facie* showing of common law fraud. Stryker Corp. v. Intermedics Orthopedics, Inc., 148 F.R.D. 493, 497 (E.D.N.Y. 1993) (citations omitted). Like the crime-fraud exception in other contexts, the privilege is abrogated by "(1) a *prima facie* showing of fraud, and (2) [a showing that] the communications in question are in furtherance of the misconduct." Vardon Golf Co. v. Karsten Mfg. Corp., 213 F.R.D. 528, 535 (N.D. Ill. 2003) (citation omitted). *See also* Spalding Sports, 203 F.3d at 807.

The following elements constitute common law fraud: "(1) a representation of a material fact, (2) the falsity of that representation, (3) the intent to deceive or, at least, a state of mind so reckless as to the consequences that it is held to be the equivalent of intent (scienter), (4) a justifiable reliance upon the misrepresentation by the party deceived which induces him to act thereon, and (5) injury to the party deceived as a result of his reliance on the misrepresentation." *Id.* (quoting Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059, 1069-70 (Fed. Cir. 1998)).

A finding of inequitable conduct is insufficient to satisfy this standard because inequitable conduct "is a lesser offense than common law fraud, and includes types of conduct less serious than 'knowing and willful' fraud.'" Nobelpharma, 141 F.3d at 1069; *see also* WebXhange, Inc. v. Dell, Inc., 264 F.R.D. 123, 129 (D. Del. 2010) (explaining that defendants' inequitable conduct allegations were "insufficient for a *prima facie* showing of fraud"). A finding of fraud "requires higher threshold showings of both intent and materiality than does a finding of inequitable conduct" and "must be based on independent and clear evidence of deceptive intent together with a clear showing of reliance, *i.e.*, that the patent would not have issued but for the misrepresentation or omission." Nobelpharma, 141 F.3d at 1070; *see also* Abbott Lab. v. Andrx Pharm., 241 F.R.D. 480 (N.D. Ill. 2007) (noting that in the patent context, a court may find inequitable conduct by balancing the materiality of the nondisclosure against evidence of intent, while in order to find fraud, intent may not be balanced). For example, the Federal Circuit has stated that a patent applicant's mere failure to cite a reference to the Patent Office is insufficient to meet this standard. Leviton Mfg. Co., Inc. v. Universal Sec. Instruments, Inc., 606 F.3d 1353, 1363-64 (Fed. Cir. 2010) (declining to affirm summary judgment on issue of inequitable conduct absent evidence of intent to deceive that went beyond the failure to disclose a commonly owned application or related litigation, and noting that there were other plausible explanations for the omission); Optium Corp. v. Emcore, Corp., 603 F.3d 1313, 1320-21 (Fed Cir. 2010) (reiterating principle that materiality of omission alone did not suffice to prove that omission at issue was intentional); Spalding Sports, 203 F.3d at 807 (quoting Nobelpharma, 141 F.3d at 1070-71) ("[F]or an omission such as a failure to cite a piece of prior art to support a finding of . . . fraud, the withholding of the reference must show evidence of fraudulent intent."). *But see* Avid Identification Sys., Inc. v. Crystal Imp. Corp., 603 F.3d 967, 973, 977 (Fed. Cir. 2010) (affirming district court's judgment of unenforceability due to inequitable conduct where actions of party imputed to patent holder before the PTO were intentionally deceptive and breached the duty of candor); Sabasta v. Buckaroos, Inc., 683 F. Supp. 2d 937, 978 (S.D. Iowa 2010) (finding inequitable conduct because plaintiff did not disclose

information to the PTO "despite knowledge of the prior art and its materiality"). *See also* Avery Dennison Corp. v. Cont'l Datalabel, Inc., No. 10 C 2744, 2010 WL 4932666, at *3 (N.D. Ill. Nov. 30, 2010) (finding no material omission, and therefore, no inequitable conduct, where a party disclosed a prior art reference, as the content thereof was presumed to be before the examiner); Info-Hold, Inc. v. Trusonic, Inc., No. 1:06CV543, 2008 WL 2949399, at *6-7 (S.D. Ohio July 30, 2008) (finding that patent inventor's use of digital announcers more than one year before filing its patent applications and plaintiff's failure to notify the Patent Office of a competitor's issued and pending patents in the same patent family may qualify as inequitable conduct but do not constitute *prima facie* evidence of fraud to trigger disclosure under the crime-fraud exception); Unigene Labs., Inc. v. Aptoex Inc., No. 06CV5571(RPP), 2008 WL 356482, at *4-10 (S.D.N.Y. Feb. 4, 2008) (finding no fraud to trigger disclosure under the crime-fraud exception when plaintiff failed to cite a non-material patent in its patent application for nasal spray and when an error in data submitted to the Patent Office was both honest and immaterial to patentability).

An example of a court allowing the disclosure of otherwise privileged materials under the crime-fraud exception is Monon Corp. v. Stoughton Trailers, Inc., 169 F.R.D. 99 (N.D. Ill. 1996). In that case, the plaintiff-patentee did not cite relevant prior art during a patent prosecution despite plaintiff's counsel's familiarity with the prior art through another patent application with which he was simultaneously involved. *Id.* at 102-03. The plaintiff also did not disclose a sale of the patented invention that the Court determined triggered the on-sale bar because the sale was a commercial, not experimental, transaction. *Id.* at 103-04. The Court found that the defendant established a *prima facie* showing of fraud by plaintiff and that the defendant demonstrated a compelling need for the requested documents to prove its exceptional case argument for attorney's fees pursuant to 35 U.S.C. § 285. *Id.* at 104. Therefore, the Court ordered the plaintiff to produce for *in camera* inspection all documents and information relevant to the uncited prior art and sale, "including any relevant work-product of [plaintiff's] attorneys regarding their knowledge and conduct in bringing the present suit." *Id.*; *see also* Specialty Minerals, Inc. v. Pleuss-Stauffer AG, No. 98 Civ. 7775(VM)(MHD), 2004 WL 42280, at *1 (S.D.N.Y. Jan. 7, 2004) (granting motion to compel when plaintiff met burden of showing probable cause to believe that defendant's communications "were made to facilitate a fraud on the Patent Office"). *But see* Ergo Licensing, LLC v. CareFusion 303, Inc., 263 F.R.D. 40, 45 (D. Me. 2009) (declining to order production of documents under the crime-fraud exception because the "documents [did] not show any evidence that [the clients] were 'involved' in the 'continuation' of the alleged fraud; rather, the issue in the documents [was] how to correct" previous misstatements and their effects).

D. APPLICATION OF PRIVILEGE TO FOREIGN PATENT AGENT COMMUNICATIONS

Increased globalism in the world economy has caused United States courts to confront privilege issues as they relate to foreign patent agents who may assist in the prosecution of foreign patents. Because foreign patent agents are not licensed attorneys, their communications may not be subject to attorney-client privilege. Courts considering whether such communications are privileged may take into account a variety of factors, such as the privilege and discovery rules in the particular foreign country, the parties' intentions and expectations that the communications would be protected, the foreign countries' interests in the communications being protected, the patent agents' functions in representing clients, and the nature of the communications with the patent agents. When litigating the issue, it is important to note how the particular jurisdiction approaches the issue as well as how courts generally have ruled regarding the communications of patent agents from a particular country.

In the past, some courts have applied a strict rule that the communications of foreign patent agents not acting under the direction of a United States attorney are not protected by attorney-client privilege. In Status Time Corp. v. Sharp Electronics Corp., 95 F.R.D. 27 (S.D.N.Y. 1982), the defendant filed a motion to compel plaintiff to produce documents regarding plaintiff's foreign patent applications. The court took the view that attorney-client privilege did not apply, noting that the foreign patent agents were not licensed United States attorneys and were not agents of United States attorneys. *Id.* at 33. The court declined to recognize that foreign patent agent communications were privileged, analogizing patent agents to professionals such as accountants, bankers, and investment advisors, and stating that "the necessity for 'unrestricted and unbounded confidence' between a client and his attorney which justifies the uniquely restrictive attorney-client privilege simply does not exist in the other relationships." *Id.*; *see also* Novamont N. Am. Inc. v. Warner-Lambert Co., No. 91 Civ. 6482 (DNE), 1992 WL 114507, at *3 (S.D.N.Y. May 6, 1992) (refusing to recognize privilege for foreign patent agent communications).

However, the majority of courts today apply some variation of a choice-of-law/comity analysis to determine whether communications with a foreign patent agent are privileged. Often referred to as the "touching base" approach, it originated in Duplan Corp. v. Deering Milliken, Inc., 397 F. Supp. 1146, 1169-70 (D.S.C. 1974). The court first determines whether the communication involves, or "touches base" with, United States or foreign law, and then examines the applicable law for privilege. *See, e.g.*, Gucci Am., Inc. v. Guess?, Inc., 271 F.R.D. 58, 66, 68 (S.D.N.Y. 2010) (applying American privilege law because (1) communications at issued "touch[ed] base," that is, had a "more than incidental connection," with the United States, and (2) application of foreign law absent definitive evidence that foreign country recognized an analogous privilege scheme would violate the forum's public policy); In re Rivastigmine Patent Litig., 239 F.R.D. 351, 356 (S.D.N.Y. 2006) ("Where, as here, a communication with a foreign patent agent or attorney involves a foreign patent application, as a matter of comity, courts look to the law of the country where the patent application is pending to examine whether that country's law provides a privilege comparable to U.S. attorney-client privilege. That country's law will be followed unless doing so offends U.S. policy considerations.") (citations omitted); Golden Trade, S.r.L. v.

Lee Apparel Co., 143 F.R.D. 514, 520 (S.D.N.Y. 1992) ("[A]ny communications touching base with the United States will be governed by the federal discovery rules while any communications related to matters solely involving [a foreign country] will be governed by the applicable foreign statute.") (citation omitted); Burroughs Wellcome Co. v. Barr Labs., Inc., 143 F.R.D. 611, 616-17 (E.D.N.C. 1992) ("[T]he privilege may extend to communications with foreign patent agents related to foreign patent activities *if* the privilege would apply under the law of the foreign country and that law is not contrary to the law of this forum.") (emphasis in original) (citations omitted). *See generally* Daiske Yoshida, *The Applicability of the Attorney-Client Privilege to Communications with Foreign Legal Professionals*, 66 FORDHAM L. REV. 209 (1997).

This approach requires an examination of which country has the most direct, compelling interest in preserving the privilege of the communication. "Such interest will be determined after considering the parties to and the substance of the communication, the place where the relationship was centered at the time of the communication, the needs of the international system, and whether the application of foreign privilege law would be clearly inconsistent with important policies embedded in federal law." VLT Corp. v. Unitrode Corp., 194 F.R.D. 8, 16 (D. Mass. 2000) (citation and internal quotation marks omitted) (finding that communications with foreign patent agents were privileged under Japanese and British laws). The party asserting the privilege bears the burden of providing the court with proof of the applicable foreign laws and showing that the laws create a privilege that protects the discovery at issue. *See, e.g.*, McCook, 192 F.R.D. at 257 (ordering that because defendant failed to meet its burden, it would have to produce documents "unless [it] furnishes to the Court within twenty-one days an English translation of the document, if applicable, and an affidavit of a licensed attorney learned in the laws of the country at issue stating the law of attorney-client privilege of that country and supporting the privilege asserted.").

If the communication involves United States patent law, then the court applies United States privilege law. *See, e.g.*, Glaxo, Inc. v. Novopharm Ltd., 148 F.R.D. 535, 539 (E.D.N.C. 1993) (applying United States privilege law when foreign patent agent communication dealt with United States patent application); Chubb Integrated Sys. Ltd. v. Nat'l Bank, 103 F.R.D. 52, 65 (D.D.C. 1984) (applying United States privilege law because communications touched base with United States law).

The court applies the foreign country's laws if the communication at issue touches base with foreign patent matters. *See, e.g.*, Revolutionary Concepts, Inc. v. Clements Walker PLLC, No. 08 CVS 4333, 2010 WL 877508, at *8 (N.C. Super. Ct. Mar. 9, 2010) (finding absence of "federal patent law" because ownership of the patent in question was an issue in a foreign country, and applying law of foreign jurisdiction). In a case where foreign law is applied, the court determines whether the communication is privileged under the foreign law. If the communication would be privileged under the foreign law, then the United States court will recognize the privilege in the interest of judicial comity. *See, e.g.*, Willemijn Houdstermaatschaapij BV v. Apollo Computer Inc., 707 F. Supp. 1429, 1444, 1447-48 (D. Del. 1989) (applying foreign privilege law to documents dealing with matters of foreign patent law and ordering that documents be provided for *in camera* inspection along with information regarding foreign privilege laws); In re Ampicillin Antitrust Litig.,

81 F.R.D. 377, 391 (D.D.C. 1978) ("[B]ecause the United States has a strong interest in regulating activities that involve its own patent laws, all communications relating to patent activities in the United States will be governed by the American rule [regarding attorney-client privilege]. However, the United States has no such strong interest for patent agent communications relating to patent activities in Great Britain, so that deference will be given to the British rule.").

Many countries do not have liberal discovery rules like those in the United States. Therefore, those countries often are less likely to have any laws or judicial opinions regarding privilege for patent agents. This reality can be misunderstood by United States courts and may result in disclosure of materials that would never have been discoverable in the foreign country. For example, in Alpex Computer Corp. v. Nintendo Co., No. 86 Civ. 1749 (KMW), 1992 WL 51534 (S.D.N.Y. Mar. 10, 1992), the court affirmed the magistrate judge's decision that Nintendo's communications with a Japanese patent agent must be disclosed. The court found that the Japanese rule stating that patent agents could not testify regarding confidential information was not equivalent to United States attorney-client privilege and therefore the documents were discoverable. *Id.* at *2-3. *But see* Astra Aktiebolag v. Andrx Pharm. Inc., 208 F.R.D. 92, 101-02 (S.D.N.Y. 2002) (finding that communications that touched base with Korean law were protected because, although Korea has no attorney-client privilege statute, Korea does not have liberal discovery rules and the document would not have been discoverable under Korean law).

Instead of applying the choice-of-law approach, some courts apply a "functional" or "comity-functionalism" approach. *See, e.g.*, In SmithKline Beecham Corp. v. Apotex Corp., No. 98 C 3952, 2000 WL 1310668, at *2-3 (N.D. Ill. Sept. 13, 2000). Under this minority approach, a court determines whether the foreign patent agent performed a function equivalent to that of an attorney. *See id.* at *4. If the agent's role is not the functional equivalent, then the analysis ends with a determination that privilege does not apply.

In Vernitron Med. Prods., Inc. v. Baxter Labs., Inc., No. Civil 616-73, 1975 WL 21161, 186 U.S.P.Q. 324, 325-26 (D.N.J. Apr. 29, 1975), the Court found that documents containing communications with patent agents, including foreign agents, were privileged. The Court stated: "[t]he substance of the function [of the patent agent], rather than the label given to the individual registered with the Patent Office, controls the determination here." *Id.* at 325. In SmithKline Beecham, the district court affirmed the magistrate judge's rulings, stating that "it would vitiate principles of comity and predictability of the privilege to extend that denial [of the privilege] blindly to foreign 'patent agents' without reference to either the function they serve in their native system or the expectations created under their local law." 2000 WL 1310668, at *3 (citation omitted). The district court determined that the agent did not have to be the "full equivalent of an American attorney before his native protections may be recognized by a U.S. court," and stated that "courts have looked to whether, with respect to a particular communication, the patent agent was engaged in the 'substantive lawyering process.'" *Id.* at *4 (citations omitted). *See* SmithKline Beecham Corp. v. Apotex Corp., 193 F.R.D. 530, 535-36 (N.D. Ill. 2000) (magistrate judge first looked to foreign country's law to determine whether privilege applied, then examined whether patent agents functioned as attorneys); *see also* Heidelberg Harris, Inc. v. Mitsubishi Heavy Indus., Ltd., No. 95 C 0673, 1996 WL 732522, at *10 (N.D. Ill. Dec. 9, 1996) (finding that German patent agent

was functional equivalent of attorney and stating that "[c]ourts have held that, where a foreign patent agent is engaged in the 'substantive lawyering process' and communicates with a United States attorney, the communication is privileged to the same extent as a communication between American co-counsel on the subject of their joint representation") (citations omitted).

Generally, the communications of foreign patent agents acting under the direction of United States attorneys are protected by attorney-client privilege under United States law. *See* McCook Metals, 192 F.R.D. at 256 ("If the foreign patent agent was primarily a functionary of the attorney, the communication is privileged to the same extent as any communication between an attorney and a non-lawyer working under his supervision. . . .") (citation omitted). *See, e.g.*, Glaxo, 148 F.R.D. at 539 ("[C]ommunications between a foreign patent agent and a United States attorney concerning a United States patent application are not privileged unless the agent either registered with the United States patent office *or* is acting at the direction and under the control of an attorney.") (emphasis added); Baxter Travenol Labs., Inc. v. Abbott Labs., No. 84 C 5103, 1987 WL 12919, at *8 (N.D. Ill. June 19, 1987) ("If the foreign patent agent was primarily a functionary of the attorney, the communication is privileged to the same extent as any communication between an attorney and a non-lawyer working under his supervision. If the foreign patent agent is engaged in the lawyering process, the communication is privileged to the same extent as any communication between co-counsel.") (citation omitted).

E. THE COMMON INTEREST DOCTRINE IN THE PATENT CONTEXT

The Federal Circuit has held that the common interest doctrine applies with regard to patent rights. In re Regents of Univ. of Cal., 101 F.3d 1386, 1389 (Fed. Cir. 1996). *See also* Flo Pac, LLC v. NuTech, LLC, No. WDQ-09-510, 2010 WL 5125447, at *11 (D. Md. Dec. 9, 2010) (reiterating that "circumstances in which parties share a common legal interest [that is, share an "identical" legal interest] occur with considerable frequency in the area of patent law" because "[o]ften, more than one party has an interest in some patent") (internal citation and quotation marks omitted). In Regents, the Court found that Eli Lilly and the University of California shared a common legal interest in the advancement of certain patent applications because the University was the patent applicant and Lilly was a potential licensee of the patent. *Id.* Although the purpose of the parties' joint venture was commercial, the Court held that in situations where commercial and legal interests are intertwined, the legal interest is sufficient to establish the legal requisite community of interest. *Id.*

See also:

> *LG Elecs., Inc. v. Motorola Inc., No. 10 CV 3179, 2010 WL 4513722, at *3-4 (N.D. Ill. Nov. 2, 2010). The court rejected Motorola's assertion of privilege to withhold documents regarding the validity of patents which it used to own and which were the subject of litigation involving the successor owner because Motorola was neither a party to that litigation, nor could it prove that it had any stake in the underlying litigation, or any litigation for that matter, related to the patents at issue. The court also noted that Motorola's contention that the work product doctrine should apply to documents produced for an original patent holder when the "only litigation anticipated or realized involves a subsequent holder of the patent" was untenable.*

Dura Global Techs., Inc. v. Magna Donnelly Corp., No. 07-CV-10945-DT, 2008 WL 2217682 (E.D. Mich. May 27, 2008). The common interest extension of attorney-client privilege prevented waiver when patent opinion letters were shown to a third party in the context of an offer to sell the patented product. Prior to the litigation, patent counsel for defendant MDC sent two opinion letters to patent counsel at Toyota regarding a product that MDC proposed to sell to Toyota. The letters specifically stated that they were being provided pursuant to a joint defense privilege, and requested that Toyota give MDC notice before disclosing the opinion letters to a third party. In subsequent litigation, Dura subpoenaed Toyota, and Toyota produced the letters without prior notice to MDC. Dura then moved to compel additional production from MDC based on a subject matter waiver, and MDC argued that there had been no waiver because the common interest doctrine protected the communications between MDC and Toyota. The court held that, under the circumstances of this case, the common interest doctrine protected the communications, and there was no waiver. The court found it significant that the letters were sent between counsel and not between non-attorneys, stated that they were subject to a joint privilege, requested prior notice for any disclosure, and were written predominantly for a common legal purpose (avoiding infringement liability), rather than merely for a common commercial purpose. Therefore, the common interest doctrine protected the communications.

*Trading Techs. Int'l, Inc. v. eSpeed, Inc., No. 04 C 5312, 2007 WL 1521136, at *1 (N.D. Ill. May 17, 2007). In dispute over range of document production required relating to patent-in-suit and prior art, the court noted that the common interest doctrine was an extension of the attorney-client privilege aimed at fostering "communication among joint parties regarding matters that are important to protect their interests in litigation," and therefore could apply to communications both "in anticipation of [and] in order to avoid litigation" (internal citations omitted).*

Fresenius Med. Care Holdings, Inc. v. Roxane Labs., Inc., No. 2:05-cv-0889, 2007 WL 895059 (S.D. Ohio Mar. 21, 2007). Common interest doctrine protected a patent-holder's privileged communications that were disclosed to the purchaser of the patents. In this case, Braintree obtained various patents and consulted with counsel in the course of doing so. Nabi later acquired the patents, pending patent applications, and the entire product line from Braintree pursuant to an asset purchase agreement. After the acquisition, Nabi continued to pursue the patents with different counsel, but obtained copies of Braintree's communications with its patent counsel. Roxane moved to compel production of these memoranda arguing that the common interest did not apply because Braintree and Nabi shared only common business interests and not identical legal interests. The court denied the motion, finding that Braintree and Nabi shared the legal interest of "obtaining a strong and enforceable patent." Although sharing the communications furthered a commercial transaction, that did not detract from the legal nature of the communications or the legal purpose of sharing them with Nabi.

Static Control Components, Inc. v. Lexmark Int'l, 250 F.R.D. 575 (D. Colo. 2007). Plaintiff Lexmark argued that it could depose Defendant Static Control's trial counsel because Static Control's co-defendant, Pendl, had asserted an advice-of counsel defense. It was undisputed that trial counsel did not represent Pendl and that there had been no direct communications between them, but the lawyers for all codefendants had entered into an agreement to share information on matters of common interest. The court quashed the subpoena, holding that because the documents and information were not provided to Pendl, they could not have played a role in Pendl's decisions concerning the alleged infringement so they did not fall within the scope of the at-issue waiver as described in In re Echostar.

APPENDIX A - JOINT/COMMON DEFENSE AGREEMENT

The Parties have concluded that they have interests in common relating to the proceeding and wish to cooperate in the pursuit of their common interest. The Parties have determined it to be in their individual and common interests for them to share information relating to common interests and common issues, including certain privileged communications, work product, and discovery planning with each other in order to facilitate representation and anticipated defense in the matter.

The Parties recognize that the exchange of information will further their common interest and wish to avoid waiving any applicable privileges. The Parties also desire to retain certain industry and other (hereinafter "Consultants") and to share the use, benefit, and expense of said Consultants, while preserving to the maximum extent allowed by law all privileges available to them.

Accordingly, it is the Parties' intention and understanding that:

1. Communications between and among the Parties and the results of such communications and of joint interviews of prospective witnesses in connection with the proceeding are confidential and are protected from disclosure to any third party by the attorney-client privilege, the work product doctrine, and by other applicable rules or rules of law.

2. All documents, including but not limited to memoranda of law, debriefing memoranda, factual summaries, transcript digests, and other written materials which would otherwise be protected from disclosure to third parties and which are exchanged among any of the Parties in connection with the proceeding will remain confidential and protected from disclosure to any third party by the attorney-client privilege, the work product doctrine, and by any other applicable rules or rules of law.

3. Nothing in this Agreement shall be construed to require any of the Parties to disclose any privileged or work product documents or information which any of the Parties, in their sole discretion, shall determine not to disclose.

4. Any disclosure or exchange of information by the Parties in connection with the proceeding has been and shall be accomplished pursuant to the doctrine referred to as the "common interest" or "joint-defense doctrine" as recognized by numerous authorities and to the maximum extent recognized by law. Any counsel who receives information as a result of this Agreement may disclose the same to his client and to those individuals assisting counsel in the preparation and defense of this case. However, none of the information obtained by any of the undersigned counsel as a result of this Agreement shall be disclosed to anyone by his client and those individuals assisting him in the preparation or defense of this case without the consent of the Party who first furnished the privileged information. In addition, no client who receives information as a result of this Agreement may disclose the information to anyone but his counsel and those individuals assisting his counsel in the preparation and defense of his case, without the consent of the Party who first furnished the privileged information. In the event that a motion is filed in any court or forum seeking to

compel disclosure by any of the Parties of information obtained as the result of this Agreement, the Party shall notify the other Parties hereto in time sufficient to permit them to intervene or otherwise protect their interest.

5. All tangible materials exchanged pursuant to this Agreement (including all copies thereof), including but not limited to all documents and any other tangible thing on or in which information is recorded, shall be deemed to be "on loan" while they are in the hands of any person other than the producing Party. All originals of such materials shall be returned upon request at any time to the Party who furnished them, and all copies thereof shall be destroyed at that time. Original materials also shall be returned promptly to the Party who furnished them and all copies thereof shall be destroyed in the event either of the undersigned counsel or each of their clients determine that the Parties no longer share a common interest in the litigation or if, for any reason, the joint-defense effort or this Agreement is terminated. The obligations imposed by this Agreement shall remain in effect with respect to all privileged or work product information obtained by a withdrawing Party prior to such withdrawal. At the conclusion of the litigation, all original tangible materials exchanged pursuant to this Agreement shall be returned to the Party who furnished them, and all copies thereof shall be destroyed.

6. Nothing contained in this Agreement shall obligate any Party to consult or agree with any other Party on any specific decision or strategy. Likewise, nothing in this Agreement obligates any Party to exchange or share any information that such Party concludes should not be disclosed.

7. Information exchanged under this Agreement shall be used only in connection with asserting common claims and defenses against plaintiffs in the subject litigation and conducting such other activities that are necessary and proper to carry out the purposes of this Agreement.

8. Each Party agrees that he or it will not use and hereby waives any right to use any and all information which has been provided to him or it pursuant to this Agreement in any forum or manner in any way adverse to the interests of the other Parties.

9. Any Party may withdraw from the joint-defense group and this Agreement by providing written notice of that intention to the remaining Parties. As to any tangible materials already obtained under this Agreement, any Party which withdraws from this Agreement shall, not more than ten days after providing notice, return the originals of all tangible materials to the Party who furnished them and destroy all copies thereof, and turn over the originals of all tangible work product of any Consultant to counsel for the remaining clients and destroy all copies thereof. A Party's withdrawal from the joint-defense group and this Agreement shall not affect the duty of confidentiality which that Party has undertaken by virtue of having entered into this Agreement and such Party shall remain obligated to preserve the privileges and confidentiality of all information exchanged pursuant to this Agreement.

10. In the event any client settles with the plaintiffs and/or is dismissed from the subject litigation, said dismissed client shall be deemed to withdraw from the joint-defense group and from this Agreement and shall, not more than ten days thereafter, comply with the terms of paragraph 9. A client's settlement and/or dismissal from the subject litigation shall not affect the duty of confidentiality which that client has undertaken by virtue of having entered into this Agreement and such client shall remain obligated to preserve the privileges and confidentiality of all information exchanged pursuant to this Agreement.

11. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective representatives, successors and assigns.

12. This Agreement contains the entire understanding of the Parties relating to its subject matter, and all prior or contemporaneous agreements, understandings, representations, and statements, whether oral or written, are merged herein.

13. No breach of any provision of this Agreement can be waived unless in writing. Waiver of any one breach shall not be deemed to be a waiver of any other breach of the same or any other provision hereof.

14. All notices and demands under this Agreement shall be sent by registered or certified mail, postage prepaid, to the applicable counsel at the addresses set forth below. Notices shall be deemed given and demands made when received by addressee.

15. If any provision of this Agreement is deemed invalid or unenforceable, the balance of this Agreement shall remain in full force and effect.

16. This Agreement may be executed in counterparts and will become effective and binding upon the Parties at such time as all of the signatories hereto have signed a counterpart hereof. All counterparts so executed shall constitute one Agreement binding on all Parties.

17. This Agreement may be modified only by a writing executed by the Parties.