Attorney–Client Privilege at Risk in Investigations and Audits
Strategies for Preserving Confidentiality and Avoiding Inadvertent Disclosure

A Live 90-Minute Audio Conference with Interactive Q&A

Today's panel features:
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Attorney-Client Privilege in Investigations and Audits

Strategies for Preserving Confidentiality and Avoiding Inadvertent Disclosure

Ownership of the privilege and best practices for preserving it.

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Who has the Privilege?

1. Privilege within the Corporation
2. Privilege Consideration During Employee Interviews
3. Protecting Communication Amongst Management
4. Former Employees
5. Third Parties in Investigations
6. The Garner Doctrine
Basics of Privilege Law

• A communication between client and lawyer sent under confidential conditions for purposes of seeking or giving legal advice.

• In state court the state law on privilege governs.

• In federal court Fed. R. Evid. 501 governs:
  – Diversity: Use governing state law
  – Federal Question: Apply federal law to federal and pendent claims
Upjohn Principle


- Communications with lower-level employees may be protected if:
  - The communications are made to corporate counsel
  - The communications are made at the direction of corporate superiors to secure legal advice from counsel
  - The information communicated is not available from upper management
  - The information communicated concerns matters within the scope of the employee’s duties
  - The employees are made aware that they are being questioned in order for the corporation to secure legal advice

- Applies in federal cases using federal law; states may differ
Control Group Test

- Pre-*Upjohn* test for confidentiality
- Currently used to distinguish those who can direct lower-level employees to secure legal advice for purposes of *Upjohn*
- Some states consider it the appropriate standard even after *Upjohn*
- Control Group:
  - Upper management decision-makers
  - Employees in a position of control or who have a substantial role in determining what action the corporation should take in response to legal advice or who is “an authorized member of a body or group which has that authority”
Special Committee as Separate Entity

• In derivative suits, a special committee may be formed to investigate. Also used in investigations.
  – Board of directors appoint the committee
  – The committee must be of one or more independent and disinterested directors

• As an independent entity it can waive its attorney client privilege

  – Special committee was formed to investigate alleged violations of stock option plans
  – Special committee shared its final report with the board of directors, some of whom were implicated in allegations
  – Special committee waived privilege because it “disclosed its communications concerning the investigation and the final report to third parties – the individual director defendants . . . whose interests were not in common with the client”
Who has the privilege?

1. Privilege within the Corporation
2. **Privilege Consideration During Employee Interviews**
3. Protecting Communication Amongst Management
4. Former Employees
5. Third Parties in Investigations
6. The Garner Doctrine
Holder of privilege during employee interviews

• Corporation holds the privilege
  – Unlike the privilege against self-incrimination, the attorney-client privilege may be asserted by a corporation
  – See Radiant Burners, Inc. v. American Gas Ass’n, 320 F.2d 314 (7th Cir. 1963).

• But it is important to inform the employee that the privilege is the corporation’s
  – Employee may mistakenly believe the privilege is his
  – If that belief is reasonable, courts may hold the privilege applies to both the employee and the corporation
  – Employer corporation may be prevented from disclosing information
Upjohn Warnings

- When to give the warning: Before interviewing employees
- Instructions:
  - Counsel represents the corporation, not the individual employee
  - The interview is covered by attorney-client privilege
  - The corporation holds that privilege
  - The corporation may decide to waive the privilege and disclose the contents of the interview, even if it is to the detriment of the employee

Effect of Presence of Third Parties During Interviews

- Investigation often will involve third parties
  - Auditors
  - Forensic Accountants
  - Investigators
- Agent of Counsel or Independent Purpose
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**In re Vioxx: Legal v. Business Communication**

- Applies to communications to and from in-house counsel
- Only *legal* communications by in-house counsel are protected by attorney-client privilege
  - “An attorney’s involvement in, or recommendation of, a transaction does not place a cloak of secrecy around all incidents of such a transaction.”
- Ask: Is the primary purpose of the communication to obtain legal or business advice?
Use of Attorney as Conduit for Communication

• To preserve privilege for communications with in-house counsel:
  – Refrain from mixing business discussions with legal advice
  – Keep e-mail chains separate, so counsel is not on an e-mail also circulated to non-legal personnel
  – Counsel should not circulate communications to non-legal personnel unless apprising them of legal advice
  – Be clear that the communication involves legal advice
  – Where you want to protect fact that lawyer got copy of otherwise unprotected document, use blind carbon copy to shield the fact the attorney received an e-mail
Who has the privilege?

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Continued conversations with former employees

- Courts are mixed but communications may be privileged

- For privilege to apply, the communications must involve relevant information needed by corporate counsel to advise the client

- Some courts will not extend privilege to post-employment conversations because the former employee cannot be distinguished from other third parties
How to treat communications had when person was still employed

• General rule: Prior privileged communications remain privileged

• Chief Justice Burger’s concurrence in *Upjohn*:
  - "[A] communication is privileged at least when, as here, an employee or former employee speaks at the direction of the management with an attorney regarding conduct or proposed conduct within the scope of employment."

• Determine if the communication met the standards of privilege while the employee was still with the company
  - Does it satisfy *Upjohn*?
Deposition Preparation

• Conversations that extend beyond activities within the course of the ex-employee’s employment are not privileged

• Sharing certain information may result in waiver of privileged communications
  – Do not discuss any communications that may affect the witness’s testimony
  – Do not discuss testimony of other witnesses or other facts of the case of which the former employee would have no knowledge

• *E.g.*, *Peralta v. Cendant Corp.*, 190 F.R.D. 38 (D. Conn. 1999)

• Work Product as alternative
Who has the privilege?

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When can third parties be used without waiving privilege?

• Third parties may be used if:
  – The agent is needed for legal advice
  – The agent is acting under the supervision of the attorney
  – *E.g.*, *United States v. McPartlin*, 595 F.2d 1321 (7th Cir.1979)

• Joint defense privilege
  – Corporation and former or current employees often share a legal interest
  – Joint defense privilege protects information shared with co-defendants and their attorneys
Who has the privilege?

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Garner Doctrine


- Based on the ultimate commonality of Interest between counsel and minority shareholders
  - Thus, a corporation cannot keep its minority shareholders from gaining access to information by claiming privilege
  - Indicia of Good Cause

- Not universal rule

- Courts are less clear on whether Garner applies to Work Product
Garner

• *In re Int’l Systems and Control Corp.*, 693 F.2d 1295 (5th Cir. 1982). Derivative action arising out of company’s improper payments to third parties.
  
  – Work Product not based on fiduciary relationship; Issue is one of adversity.
  
  – Where Management and Shareholders are adverse the company should be entitled to work product protection.
  

• Key issues:
  
  – Is there adversity?
  
  – Did it exist at time the document was created?

• Issue in Investigatory Context
  
  – *In re Perrigo Co.*, 128 F.3d 430 (6th Cir. 1997).
Best Practices for Preserving Privilege
Best Practices for Preserving Privilege

• What Can Be Done Before A Problem Arises?
  – Train in-house counsel to understand relevant scope of privilege
    • What jurisdictions do you deal with?
    • Who within the company deals with legal?
  – Establish policies and procedures to get counsel involved early in process
    • Guidelines for involving counsel
  – Employee Training: What is and is not going to stay confidential if things go bad
    • Make sure everyone understands legal v. business distinction
    • Dangers of email
Best Practices for Preserving Privilege

• Investigation Planning
  – Retaining Outside Counsel: Does it help preserve privilege?
  – Structure and design of investigation
    • Controlled access
  – Documentation
  – What to tell employees
Best Practices for Preserving Privilege

• In-House Counsel, Management and Third Parties During the Investigation
  – Keeping communication within the legal umbrella
    • Who needs to know what is being done?
    • How do you deal with reports and updates?
  – Coordinating PR and IR functions
  – Coordinating with employees and individual counsel
Best Practices for Preserving Privilege

• Documentation and Handling of Confidential Information
  – Don’t overdo it: Limiting assertions and overreaching
  – Process and controls
  – Segregation: Fact v. Opinion

• How to Deal with Waiver Requests
  – New Evidentiary rules and protections

• Managing Joint Defense Arrangements
  – Benefits
  – Dangers
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Attorney-Client Privilege
At Risk In Investigations And Audits: Strategies For Preserving Confidentiality And Avoiding Waiver

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TOPICS

• WAIVER
  – Scope Of Waiver
  – Types Of Waiver

• DISCLOSURE TO GOVERNMENT AGENCIES

• DISCLOSURE TO AUDITORS
REFERENCE MATERIALS


• Attorney-Client Privilege Resource Center, Jenner & Block website http://www.jenner.com/attorneyclientprivilege

• Business Litigation Monitor, Jenner & Block (available upon request)
WHAT LAW APPLIES IN FEDERAL COURT

• **Attorney-Client Privilege** – Choice of Law Governed by FRE 501 and FRE 502.
  – State law in diversity cases
  – Federal law in federal question cases, including pendent state claims
  – FRE 502 applies federal law even in diversity cases, as set forth in rule.

• **Work-Product Doctrine** – Governed by FRCP 26(b)(3) and Federal Common Law.
BASICS OF ATTORNEY-CLIENT PRIVILEGE

1. Client
2. Lawyer, Acting as a Lawyer
3. Communication
4. Legal Purpose
5. Confidentiality
WORK-PRODUCT PROTECTION

• FRCP 26(b)(3) Provides Protection For
  — Documents and Tangible Things
  — Prepared in Anticipation of Litigation or for Trial
  — By or For a Party or a Party’s Representative

• Qualified protection for “Ordinary” Work-Product
  — Showing of “Substantial Need” and “Undue Hardship” Required

• More Protection for “Opinion” Work-Product
  — Showing of “Extraordinary Need”
  — Some Federal Courts Provide Absolute Protection for Opinion Work-Product (e.g., 4th Cir.; W.D. Md.; W.D. Mich.).
POTENTIAL WAIVER

• Disclosure To Auditors
• Disclosure To The Government
• Involuntary Disclosure
• Putting Privileged Material “At Issue”
• Inadvertent Production
BASIC STANDARDS FOR WAIVER

• Attorney-Client Privilege
  – Privilege generally waived when communication disclosed outside the attorney-client relationship.

• Work Product Protection
  – Protection waived if disclosed to adversary, or to someone who substantially increases opportunity for potential adversaries to obtain the information (conduit).
FRE 502: SCOPE OF WAIVER

• **PRE-RULE 502:**
  – **AC Privilege:** Subject Matter Waiver
  – **WP Protection:** Waiver of WP disclosed and perhaps underlying documents; generally no subject matter waiver

• **RULE 502:** Subject Matter Waiver only with respect to Intentional “Disclosure” and only in “Unusual Situations,” but applies to both AC Privilege and WP Protection.

• Rule 502 addresses only “Disclosure,” not “Use” of privileged or protected material.
  – *See, e.g.*, 154 Cong. Rec. H7818-9 (Explanatory Note Addendum) (“This subdivision does not alter the substantive law regarding when a party’s strategic use in litigation of otherwise privileged information obliges that party to waive the privilege regarding other information concerning the same subject matter[.]”)
(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.

Explanatory Note: 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.
FRE 502 LIMITATIONS: “USE” vs. “DISCLOSURE”

• Voluntary disclosure results in subject matter waiver in “unusual situations” where party:
  “intentionally puts protected information into the litigation in a selective, misleading and unfair manner.”
  (Explanatory Note, Subdiv. (a).)

• Substantive law regarding “strategic use” unchanged.
  – Direct use of protected information – *e.g.*, producing party’s use as exhibit
  – Implied waiver/“at issue” waiver
    • Asserting affirmative defense of “reasonable investigation”
    • Asserting reliance on advice of counsel
    • Asserting ineffective assistance of counsel
    • Asserting attorney malpractice
RULE 502(b)

(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).
RULE 502(c)

(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.
RULE 502(d), (e), (f)

(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 – in which event the disclosure is also not a waiver in any other federal or state proceeding.

(e) **Controlling effect of a party agreement.** – 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.

(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.
FRE 502 LIMITATIONS – DISCLOSURES WHERE NO CURRENT “LITIGATION” OR “PROCEEDING”

• What is the impact on the scope of FRE 502 where disclosure is made to a federal office or agency before litigation is pending? 
  See FRE 502(d) and (e).

• May need to initiate “proceeding” to obtain protections of FRE 502(d) regarding protective orders. 
TYPES OF WAIVER

• Voluntary Waiver/Selective Waiver
  – Disclosure to the Government
  – Disclosure to Auditors
• Coerced/Involuntary Waiver
• Implied Waiver (e.g., At Issue Waiver)
• Inadvertent Production
**DISCLOSURE TO THE GOVERNMENT**  
**SELECTIVE WAIVER**

8th Circuit Established Selective Waiver Doctrine In 1977.  
*Diversified Indus., Inc. v. Meredith, 572 F.2d 596 (8th Cir. 1977)*

- Producing internal report to SEC did not waive attorney-client privilege as to private litigants.

- Court relied on public policy analysis to encourage corporate self-policing.
SELECTIVE WAIVER

Majority of Jurisdictions Have Rejected Selective Waiver Doctrine.

- D.C. Circuit 1981

- 4th Circuit 1988
  *In re Martin Marietta Corp.*, 856 F.2d 619 (4th Cir. 1988)

- 3d Circuit 1991

- 1st Circuit 1997
  *U.S. v. Massachusetts Institute of Technology*, 129 F.3d 681 (1st Cir. 1997)

- 6th Circuit 2002

- 10th Circuit 2006
  *In re Quest Communications Int’l Inc. Sec. Litigation*, 450 F.3d 1179 (10th Cir. 2006)
SELECTIVE WAIVER

Hope For Selective Waiver

• 2d Circuit 1993
  *In re Steinhardt Partners, L.P.*, 9 F.3d 230 (2d Cir. 1993) (confidentiality agreement may protect privilege).

• Delaware Chancery 2002

• N.D. California 2005

• S.D.N.Y. 2007, 2005
FRE 502 LIMITATIONS – SELECTIVE WAIVER UNCHANGED

• FRE 502 does not change substantive law of Selective Waiver, but may limit scope of waiver.
  See 154 Cong. Rec. H7818-19 (Explanatory Note Addendum) (“[T]his subdivision does not provide a basis for a court to enable parties to agree to a 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.”).

• FRE 502: A provision relating to selective waiver was considered by the Advisory Rule Committee, but rejected after lengthy debate.
EVOLUTION OF GOVERNMENT PRESSURES ON PRIVILEGE

• DOJ – Holder Memo (1999)
• SEC – Seabord Report (2001)
• DOJ – McCallum Memo (2005)
• USSC – Reversal (April 2006)
• DOJ – McNulty Memo (December 2006)
• DOJ – Revisions to United States Attorney’s Manual; McNulty Memo Withdrawn (August 2008)
• SEC – Enforcement Manual released (October 2008)
“Waiver of attorney-client and work product protections is not a prerequisite to a finding that a company has cooperated in the government’s investigation. However, a company’s disclosure of privileged information may permit the government to expedite its investigation. In addition, the disclosure of privileged information may be critical in enabling the government to evaluate the accuracy and completeness of the company’s voluntary disclosure.

Prosecutors may only request waiver of attorney-client or work product protections when there is a legitimate need for the privileged information to fulfill their law enforcement obligations. A legitimate need for the information is not established by concluding it is merely desirable or convenient to obtain privileged information. The test requires a careful balancing of important policy considerations underlying the attorney-client privilege and work product doctrine and the law enforcement needs of the government’s investigation.”

McNulty Memorandum at pp. 8-9 (emphasis added).
“If a legitimate need exists, prosecutors should seek the least intrusive waiver necessary to conduct a complete and thorough investigation, and should follow a step-by-step approach to requesting information. Prosecutors should first request purely factual information, which may or may not be privileged, relating to the underlying misconduct (‘Category I’).

Before requesting that a corporation waive the attorney-client or work product protections for Category I information, prosecutors must obtain written authorization from the United States Attorney who must provide a copy of the request to, and consult with, the Assistant Attorney General for the Criminal Division before granting or denying the request.

A corporation’s response to the government’s request for waiver of privilege for Category I information may be considered in determining whether a corporation has cooperated in the government’s investigation.”

McNulty Memorandum at p. 9 (emphasis added).
UNITED STATES ATTORNEY’S MANUAL

- Revisions to U.S. Attorney’s Manual Respond to Recent Criticism. *(See Title 9, Ch. 9-28.710-30.)*
- Government seeks “the facts known to the corporation” about putative criminal misconduct. *(9-28.710.)*
- Eligibility for Cooperation predicated on disclosure of facts, not waiver of privileges. *(9-28.720.)*
- Legal communications apart from investigation need not be disclosed for cooperation credit and may not be requested by prosecutors; non-factual or core attorney work product treated similarly. *(9-28-720(b).)*
  - Direct departure from McNulty Memo.
• In evaluating cooperation, prosecutors should not consider whether corporation is advancing attorneys’ fees or providing counsel to employees. (9-28.730.)

• Mere participation in joint defense agreement does not render corporation ineligible to receive cooperation credit. (9-29.730.)
  – “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.”
SEC ENFORCEMENT MANUAL


- Directs staff not to seek waivers, but requires disclosure of “all relevant facts” to obtain cooperation credit. SEC Enf. Manual at § 4.
The 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.”

INVOLUNTARY DISCLOSURE

• **Doctrine:** Privileged material not admissible against holder of privilege if disclosure compelled erroneously or if holder not given opportunity to claim privilege.

  See TESTIMONIAL PRIVILEGES, § 1:75.

• **Doctrine Recently Applied To Disclosures To Government Pursuant To Thompson Memorandum Guidelines.**


  See also *Hopson v. The Mayor and City of Baltimore*, 232 F.R.D. 228 (D. Md. 2005) (discussing involuntary disclosure doctrine).
SELECTIVE WAIVER

RECOMMENDATIONS

(1) Enter into Confidentiality/Non-Waiver Agreement with Government.
   (a) Confidentiality will be maintained; prohibit disclosure to private parties and other government agencies.
   (b) Reserve rights to assert privileges as to third parties.
   (c) Agreement made in reliance on confidentiality.
   (d) If applicable, state parties acting cooperatively and not as adversaries.
   (e) Include non-waiver/“claw back” provision.

(2) Disclose the minimum.
   (a) Non-privileged underlying documents.
   (b) Work product rather than attorney-client materials.

(3) Consider how to disclose.

(4) Keep track of what is not disclosed.

(5) Consider initiating “Proceeding” to take advantage of FRE 502(d) and (e).
VOLUNTARY WAIVER
DISCLOSURE TO AUDITORS

Under Federal Common Law, the Attorney-Client Privilege Will Generally Be Waived Through Disclosure To An Auditor.

- Accountants acting as auditors are not acting as agents of counsel.
  

- NOTE: Several states protect accountant-client communications to varying degrees by statute.
  
  See TESTIMONIAL PRIVILEGES, Chapter 3.

Disclosure of Unredacted Board Minutes May Waive the Attorney-Client Privilege.

DISCLOSURE TO AUDITORS
WORK PRODUCT

• Two Types of Documents:
  – Audit letters
  – Pre-existing protected materials

• Are audit letters protected work product?
  – Jurisdictions that apply the “Because Of Litigation” standard generally protect audit letters.
  – Where the “Primary Motivation” test is applied, audit letters may not be protected.
DISCLOSURE TO AUDITORS

Work-Product: Pre-Existing Materials

- **Test:** Does disclosure to an auditor substantially increase the opportunity for potential adversaries to obtain the information?
- Only a few district courts have addressed the issue.
Auditor As “Public Watchdog” Favors Finding Of Waiver.

“And, as has become crystal clear in the face of the many accounting scandals that have arisen as of late, in order for auditors to properly do their job, they must not share common interests with the company they audit. ‘[G]ood auditing requires adversarial tension between the auditor and the client.’” Medinol, 214 F.R.D. at 116.

See also U.S. v. Arthur Young & Co, 465 U.S. 805, 817-818 (1984) (“This ‘public watchdog’ function demands that the accountant maintain total independence from the client at all times and requires complete fidelity to the public trust.”).
United States v. Textron

Facts:

• Textron withheld tax accrual workpapers in response to IRS audit requests.

• Textron asserted attorney-client privilege, tax preparer privilege (§ 7525), and work product protection.

• IRS argued:

  (1) because the workpapers had been shown to Textron’s outside auditor, any privilege had been waived; and

  (2) because the workpapers were prepared to comply with SEC requirements, they were not prepared in anticipation of litigation.
United States v. Textron

District Court Ruling:
• The workpapers were protected by the attorney-client and tax preparer-client privileges and the work product doctrine.
• The attorney-client and tax preparer-client privileges had been waived by disclosure to Textron’s auditors.
• The work product protection had not been waived.
  – The auditor was not a potential adversary and had agreed not to disclose the materials.
  – Court applied broader “because of” test:
    • “[i]f Textron had not anticipated a dispute with the IRS, there would have been no reason for it to establish any reserve or to prepare the work papers used to calculate the reserve.”
**United States v. Textron**

**Appellate Court Review**

- Decision issued by Panel of First Circuit. *United States v. Textron, Inc.*, 553 F.3d 87 (1st Cir. 2009).
  - Tax papers protected by work product doctrine.
  - Rejected *Medinol* approach.
  - Remanded for determination whether work product in auditors’ files “substantially increased opportunities for potential adversaries to obtain the information.”

- Panel decision vacated for *en banc* review.
  
REQUESTS FROM AUDITORS

The “Corporate Scandal” Environment Is Creating Pressure For Additional Disclosures To Auditors.

• Enron and WorldCom disasters implicated auditors.
• Class actions being filed against auditors.
• Sarbanes-Oxley increased independence of auditors.
• Auditors becoming more demanding.
  – More onerous engagement letters
  – More expansive requests at time of audit.
• Types of requests:
  – Audit Letters
  – Board Minutes
  – Assessments of Litigation Reserves or Accruals By In-House and Outside Counsel
  – Tax Opinions
  – Results of Internal Investigations
REQUESTS FROM AUDITORS
FAS 5

• **FAS 5** Provides For Accrual of Loss Contingencies.

• Three Levels of Likelihood That A Future Event Will Confirm Loss Or Impairment Or Incurrence Of A Liability:
  – **“Probable”**: The future event or events are likely to occur.
  – **“Reasonably Possible”**: The chance of the future event or events occurring is more than remote but less than likely.
  – **“Remote”**: The chance of future event or events occurring is slight.

• Disclosure Of A Contingency Shall Be Made When There Is At Least A **Reasonable Possibility** That A Loss Or An Additional Loss May Have Been Incurred.
REQUESTS FROM AUDITORS
THE “TREATY”

• The ABA/AICPA Treaty:
REQUESTS FROM AUDITORS
THE “TREATY”

• **SAS 12 ¶ 14**: “A lawyer may be unable to respond concerning the likelihood of an unfavorable outcome of litigation, claims, and assessments or the amount or range of potential loss, because of inherent uncertainties.”
REQUESTS FROM AUDITORS
THE “TREATY”

• **ABA Statement:** “In view of the inherent uncertainties, the lawyer should normally refrain from expressing judgments as to outcome except in those relatively few clear cases where it appears to the lawyer that an unfavorable outcome is either ‘*probable*’ or ‘*remote*’ . . .

(i) **probable** – an unfavorable outcome for the client is probable if the prospects of the claimant not succeeding are judged to be extremely doubtful and the prospects for success by the client in its defense are judged to be slight.

(ii) **remote** – an unfavorable outcome is remote if the prospects for the client not succeeding in its defense are judged to be extremely doubtful and the prospects of success by the claimant are judged to be slight.”
REQUESTS FROM AUDITORS
THE “TREATY”

Typical Audit Letter:

“For respect to the foregoing matter, because we have not concluded that the likelihood of an unfavorable outcome is either ‘probable’ or ‘remote’ as those terms are defined in the ABA Statement (defined below), we express no opinion as to the likely outcome of the matter.”
FASB PROPOSED CHANGES TO FAS 5

• FASB Proposed That Companies Provide Additional “Quantitative and Qualitative” Disclosures:
  – Quarterly Tabulation
  – Where no claim amount, company’s “best estimate” of possible loss or range of loss
  – “Qualitative” information supporting the estimate, including factors likely to affect ultimate outcome

• Organized Bar And Corporations Have Strongly Criticized Proposed Changes.

• FASB Has Delayed Revisions To FAS 5; Conducted Roundtable (March 6, 2009); FASB To Develop Project Plan.
Dilemma: Failure to Disclose May Lead to Qualified Opinion, or Worse, Liability for Misrepresentation.

Disclosure May Waive Attorney-Client Privilege and Work Product Protection.
REQUESTS BY AUDITORS
RECOMMENDATIONS

(1) Negotiate Engagement Letters That Protect The Company.
   (a) Agreement to keep audit materials confidential
   (b) Agreement to give advance warning prior to disclosure in response to government or third party subpoena

(2) Negotiate With Auditors.
   (a) Identify what information they really need.
   (b) Find a way to provide that information without disclosing privileged information.
   (c) Escalate issue to Relationship Partner or National Office.

(3) Disclose Factual Information Rather Than Privileged Communications.
“At Issue” Waiver occurs where a party raises an issue the effective rebuttal of which requires inquiry into privileged communications.

Requires affirmative act; just denying allegations typically does not waive privilege.

See, e.g., *Parker v. Prudential Ins. Co. of America*, 900 F.2d 772, 776 (4th Cir. 1990) (no waiver where opponent attempted to put advice of counsel at issue).

Examples of “at issue” waiver:
- Asserting affirmative defense of “Reasonable Investigation”
- Asserting reliance on Advice of Counsel
- Asserting Ineffective Assistance of Counsel
- Asserting Attorney Malpractice
“AT ISSUE” WAIVER GENERALLY

Different Approaches To “At Issue” Waiver:

• **Broad Approach:** *Hearn v. Rhay*, 68 F.R.D. 574 (E.D. Wash 1975)
  1. Party asserting privilege has taken an affirmative act that
  2. Makes protected information relevant to the case, and
  3. Application of privilege would deny opposing party access to
     information vital to the defense.

• **Narrower Approach:** *In re Erie County*, 546 F.3d 222 (2d Cir. 2008)
  Some showing that opposing party is relying on privileged
  communications as a claim or defense or as an element of a claim or
  defense (*e.g.*, where state of mind or good faith are put at issue).
IMPLIED WAIVER – ADVICE OF COUNSEL

• **Elements of Advice of Counsel Defense:**
  – Client made complete disclosure to counsel;
  – Client sought advice as to legality of contemplated action;
  – Counsel advised client action was legal; and
  – Client relied on that advice.

• Asserting advice of counsel precludes use of the privilege to shield that advice from scrutiny.
  
  See, *e.g.*, *Chevron Corp. v. Pennzoil Co.*, 974 F.2d 1156 (9th Cir. 1992); Restatement (Third) of the Law Governing Lawyers § 79.

• **Scope of Waiver:** The Subject Matter of the Advice.
  
INADVERTENT DISCLOSURE

• **Rule 502(b) Adopts Majority “Middle of the Road” Approach.**
  – Disclosure was inadvertent;
  – Reasonable steps to prevent disclosure;
  – Prompt, reasonable steps to rectify error.

• **“Reasonable Steps to Prevent Disclosure”**
    Keyword search alone inadequate to constitute reasonable steps.
    800 privileged emails inadvertently produced after keyword search.
  – Need for pre-production Quality Assurance Testing
  – Court Adopted “Non-Waiver” Agreement May Alleviate Need For “Reasonable Steps” (e.g., “Claw Back Agreements”; “Quick Peek” Arrangements).
INADVERTENT DISCLOSURE

• “Prompt, Reasonable Steps To Rectify Error”
  – Rule 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.” (Rule 502 Explanatory Notes)
  – Instead, a producing party must “follow up on any obvious indications that a protected communication or information has been produced inadvertently.” (Rule 502 Explanatory Notes)
CREDIT CRISIS UPDATE

This Update is part of a series that our Credit Crisis Task Force is issuing to help you follow developments in the current credit environment. Our Credit Crisis Task Force includes firm attorneys from our bank regulatory, litigation, bankruptcy, white collar crime, and corporate and securities practice areas.

This week, our update briefly summarizes the following:

- The President’s proposals for a subprime mortgage rate reset freeze
- Congressional action on mortgage lending reform
- Developments in mortgage loan foreclosures

While we are only highlighting current issues in this Update, please feel free to call your contact at Hogan & Hartson, or any contact in the Task Force listed below, if you would like to discuss any of these matters or have any other questions.

* * *

President’s Proposal for Mortgage Rate Reset Freeze

The Administration has proposed to provide relief for a limited number of qualifying subprime ARM borrowers. Borrowers whose first lien mortgage loans have an initial fixed-rate period of three years or less, that were originated between January 1, 2005 and July 31, 2007 and initially reset between January 1, 2008 and July 31, 2010, and that are part of a pool of securitized loans may apply. In addition, the borrower must have a FICO score that is less than 660 and that has increased less than 10% since origination, be current on the loan (i.e., not more than 30 days delinquent and at no time during the preceding 12 months more than 60 days delinquent), have less than 3% equity in the home (based on LTV for the first lien mortgage only at the time of origination), reside in the home and be ineligible (as determined by the loan servicer) to refinance into an FHA loan or a conventional loan. Qualifying borrowers may have their initial fixed rate extended for five years beyond the initial reset date in a streamlined procedure requiring minimal documentation. Under-qualified borrowers (such as those not current) can be considered for relief on a case-by-case basis. Over-qualified borrowers (such as those with more equity or higher FICO scores than permitted) are
expected to pay the reset loan amount, seek relief on a case-by-case basis, or obtain refinancing. The streamlined procedure is not legally binding, but is intended to represent an industry consensus as to what constitutes standard and customary servicing procedures for subprime loans in the current environment.

**Mortgage Lending Reform**

The proposed *Mortgage Reform and Anti-Predatory Lending Act of 2007*, approved by the House, requires that all mortgage originators be licensed and registered under a qualifying state law or an equivalent federal regulatory regime. If a state does not pass a qualifying law, HUD will adopt regulations governing originator conduct. The federal banking agencies, in consultation with the FTC, are directed to draft regulations prescribing an originator’s duty of care and prohibiting the steering of mortgage loan applicants to loans that are not in their interest. The bill also amends the Truth In Lending Act, directs the federal banking agencies to write regulations requiring lenders to make a good faith determination that the borrower is able to repay, and that refinancing provides the borrower with a net tangible benefit. Assignees, including securitizers, are given limited protection from the borrower’s right to rescind loans that violate these requirements. The Home Ownership and Equity Protection Act is amended to cover more borrowers.

**Developments in Mortgage Loan Foreclosures – Claims Dismissed in Ohio**

In a widely publicized decision, a Federal Court in Cleveland has dismissed 14 mortgage foreclosure cases that Deutsche Bank had brought, as trustee for the assignees, of the mortgages in issue. Dismissal was based upon failure to prove proper assignment, transfer, and recording of the mortgages, as Ohio law required. The Court found that, as a result, the Plaintiffs could not demonstrate ownership and therefore injury, as of the date of their filings. Whether the case is an anomaly, or a harbinger, the Court here held assignees strictly responsible for documenting their title. It expressed hostility to the control of the foreclosure process exercised by financial institutions, as a consequence holding them strictly to the letter of Federal and applicable state law requirements. This is truly a case of “buyer beware”, in which institutions acquiring mortgages for themselves or as representatives must make doubly sure that all required formalities are fully complied with before contemplating, and surely before commencing, any foreclosure actions. Arguments that the plaintiffs had followed customary industry practices or that they were the “real parties at interest” were decisively rejected by the Ohio court.

**About the Credit Crisis Update**

Hogan & Hartson’s Credit Crisis Task Force publishes the Credit Crisis Update on a regular basis to track developments in the current credit environment. To have this publication sent to additional colleagues, please contact one of the Task Members listed below.
About the Hogan & Hartson Credit Crisis Task Force

Hogan & Hartson’s Credit Crisis Task Force includes firm attorneys from our bank regulatory, litigation, bankruptcy, white collar crime, and corporate and securities practice areas. As we work with clients through the myriad of issues that are arising daily, we are monitoring developments in all aspects of the current credit crisis. This includes legislative and regulatory matters, criminal and civil investigations, consumer and securities class actions, and capital markets matters.

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Keeping In-House Attorney-Client Communications Privileged after *In re Vioxx*

The legal landscape for claims of attorney-client privilege for communications involving in-house lawyers may have changed after the recent decision by the Eastern District of Louisiana in the pending Vioxx litigation. In accepting the recommendations of a Special Master appointed to review claims of privilege over thousands of sample documents, the court set out standards by which assertions of privilege over communications with in-house counsel may be judged by courts across the country. *In re Vioxx Prods. Liab. Litig.*, 501 F.Supp.2d 789 (E.D. La. 2007). In many cases, the court’s rulings are not a sharp break with current practice. However, the court’s analysis on issues such as mixed-purpose communications and e-mail carbon copies will likely create guidelines to be adopted by other courts.

To help you analyze these important issues, we first present the key holdings and conclusions of the *Vioxx* case, followed by a rundown of the state of the law pre-*Vioxx* and finally, a list of “best practices” to help you preserve the privilege within your organization.

*In re Vioxx*

After the pain drug Vioxx was pulled from the market in 2004 due to concerns that it caused an increased risk of heart attacks and strokes, the drug’s manufacturer, Merck, was flooded with lawsuits. In 2005, the various lawsuits were incorporated into a multi-district litigation proceeding in the Eastern District of Louisiana. The discovery dispute at issue in the recent ruling related to Merck’s claim of privilege over approximately 500,000 pages of documents, primarily e-mails and attachments between Merck in-house attorneys and non-legal personnel. The court appointed Paul Rice, a law professor at American University and author of a leading attorney-client privilege treatise, as Special Master to review a representative sample of 2,000 documents withheld by Merck and to make recommendations on whether Merck’s claims of privilege should be upheld.

**Key Holdings and Conclusions Summarized**

**E-Mails and Other Communications**

- For a communication to be privileged, its *primary purpose* must be a request for legal advice. The burden of persuasion on all elements of the privilege claim rests with the proponent.

- For e-mails “addressed to both lawyers and non-lawyers for review, comment, and approval,” the Court said that the communication and any attachments are not privileged since the primary purpose of the request is “not to obtain legal assistance since the same [advice] was being sought from all.”
Such a communication could be considered a request for legal advice with a notification to the non-lawyer recipients of the advice sought, but the burden of establishing this is on the proponent of the privilege.

Documents sent to an attorney for legal advice do not remain privileged if later circulated to other company personnel for non-legal purposes unless the purpose was to apprise them of the legal advice sought and received.

- Communications with outside counsel are presumed privileged.
- Memoranda sent only to a lawyer with limited circulation and an identifiable legal question raised are privileged.
- Attorney edits to a document sent to both lawyers and non-lawyers for both legal and non-legal purposes do not remain privileged but may be redacted. While lawyer comments on legal instruments are privileged, non-legal comments on non-legal documents are not privileged.
- Parties cannot claim an entire e-mail thread is privileged. They must prove that each thread is privileged unless the entirety of the e-mail chain is integrated into a communication made only to an attorney for legal advice.
- The attorney work product doctrine only protects communications that identify litigation is anticipated and for which the party can prove the communication was prepared for that litigation.
- An e-mail addressed to an attorney but copied to non-lawyers is presumed privileged because it was probably meant to inform recipients of the nature of the legal advice sought or received.

**E-mail Attachments**

- A communication written only to in-house attorneys with an attachment for examination, review, comment and approval is privileged, as is the attachment.
  - Attorney responses on traditional legal documents sent to them are privileged, even if the changes are not legal. Responses not related to legal advice to an attachment that is not a traditional legal document are not privileged.
  - The original e-mail message to which a traditional legal document is attached and sent to the in-house lawyer for review may not be privileged if the original messages were communications between non-lawyers for non-legal purposes.
  - “When lawyers make the same comments about technology, science, public relations, or marketing” that non-legal personnel make, the documents on which the attorneys comment are not privileged unless the company “demonstrates that those comments are primarily related to legal assistance.”
- If a non-lawyer distributes a privileged communication or attachment to other non-lawyers, it is no longer privileged absent a showing that the legal advice was forwarded to those within the corporate structure who need the advice to fulfill their corporate responsibilities. The court noted that “it is not acceptable for a corporation to take a document and
attachment that are privileged, because they were sent primarily to an attorney for legal advice, and then subsequently send the same document and attachment to other corporate personnel for non-legal purposes… and successfully claim that the document and attachment are privileged.”

- Privileged attachments remain so even if the e-mail to which they are attached contains no privileged communications and thus are not shielded from discovery.

**Pervasive Regulation Not Justification For Broad Privilege**

In the litigation Merck set forth, the court rejected a “pervasive regulation” theory. Merck had contended that, “because the drug industry is so heavily regulated by the FDA, virtually everything a member of the industry does carries potential legal problems vis-à-vis government regulators.” Under Merck’s framework, even material that might ordinarily not appear to be privileged (such as editing television ads) does, in fact, relate to legal advice and thus is shielded from discovery.

The court called this theory “unrealistic,” noting that “accepting such a theory would effectively immunize most of the industry’s communications because most drug companies are probably structured like Merck where virtually every communication leaving the company has to go through the legal department for review, comment, and approval.”

**Reverse Engineering Theory Also Not A Basis For Privilege**

The court similarly rejected Merck’s claim that unprivileged communications with attached documents (such as studies, abstracts, and proposals) should be protected as privileged because “adversaries can discern the content of the legal advice that was subsequently offered.” In so holding, the court noted that “[a]n attorney's involvement in, or recommendation of, a transaction does not place a cloak of secrecy around all the incidents of such a transaction.” In such circumstances, the court found, it is difficult to discern where an attorney is acting in a legal or business capacity.

**Blind Carbon Copies Can Preserve Privilege**

The court suggested the use of blind carbon copies on e-mail communications as a means by which privilege can be preserved for communications with in-house counsel. Since an e-mail to both legal and non-legal company personnel is not privileged because the primary purpose of the communication is not legal, a bcc to an in-house attorney can shield from discovery the fact that counsel received the e-mail.

**Effect On Existing Law**

While the Vioxx opinion presents a clear framework under which the attorney-client privilege can be analyzed, many of its pronouncements are far from radical changes in the current state of the law. For instance, many courts have already made clear that communications with lawyers that concern
business, rather than legal, advice are not privileged.\(^1\) Courts have also noted the distinction between in-house lawyers as direct recipients of communications versus recipients of carbon copies in much the same way as the Vioxx court analyzed the issue.\(^2\)

In contrast, other courts have taken a more forgiving approach to the inter-office distribution of privileged communications than the Vioxx court. For instance, in *Lambert v. Credit Lyonnais (Suisse)*, 160 F.R.D. 437 (S.D.N.Y. 1995), the court held that, since the decision-making power may be diffused among employees, circulating confidential communications among them does not waive the privilege over such documents.\(^3\)

The persuasive value of the Vioxx opinion going forward may well rest more in the clear analytical approach the Court took to arrive at its analysis rather than in any particular legal holding. Thus, the Court’s ruling may well influence other jurisdictions in reviewing these same issues.

### Best Practices for Preserving Privilege

- Differentiate between counsel acting as in-house lawyers and acting as part of a business team. Don’t mix general business discussion in with requests for legal advice.

- In-house counsel are often asked to comment on many documents that are not inherently legal documents (for example, press releases). The lawyer should separate his or her legal comments on the document from non-legal ones (such as style or business tone). When commenting on these non-legal documents, make it clear that the advice is legal in nature and not general business or management advice.

---

1. See, e.g., *Bell Microproducts, Inc. v. Relational Funding Corp.*, 2002 WL 31133195, at *3 (N.D. Ill. Sept. 25, 2002) (company cannot shield documents from discovery by sending all correspondence to attorney since no privilege applies unless legal advice is expressly sought and/or given); *Seibu v. KPMG LLP*, 2002 WL 87461, at *3 (N.D. Tex. Jan. 18, 2002) (“[t]he mere fact that the documents contain the impressions of a lawyer or were prepared for a lawyer is not dispositive… Unless the documents contain confidential communications made for the purpose of facilitating the rendition of legal services, there is not privilege.”); *United States Postal Serv. v. Phelps Dodge Refining Corp.*, 852 F. Supp. 156, 163 (E.D.N.Y. 1994) (finding that, where there is no indication that legal advice was provided, documents forwarded to attorneys, documents with attorney handwritten notes, and drafts edited by attorneys are not privileged); *Hardy v. New York News, Inc.*, 114 F.R.D. 633, 633-34 (S.D.N.Y. 1987) (“[w]hen the ultimate corporate decision is based on both business policy and a legal evaluation, the business aspects of the decision are not protected simply because legal considerations are also involved.”); *United States v. Int’l Bus. Mach. Corp.*, 66 F.R.D. 206, 212-13 (S.D.N.Y. 1974) (holding that the inquiry is whether an element of legal advice predominates in the communication and that legal advice may not be privileged if incidental to business advice).

2. See, e.g., *Amway Corp. v. Procter & Gamble Co.*, 2001 WL 1818698, at *5 (W.D. Mich. Apr. 3, 2001) (“[w]here, as here, in-house counsel appears as one of many recipients of an otherwise business-related memo, the federal courts place a heavy burden on the proponent to make a clear showing that counsel is acting in a professional legal capacity and that the document reflects legal, as opposed to business, advice.”); *Phelps*, 852 F. Supp. at 163-64 (“[a] corporation cannot be permitted to insulate its files from discovery simply by sending a cc to in-house counsel.”).

3. See also *Santrade, Ltd. v. General Elec. Co.*, 150 F.R.D. 539, 545 (E.D.N.C. 1993) (“[a] document need not be authored or addressed to an attorney in order to be properly withheld on attorney-client privilege grounds… In instances where the client is a corporation, documents subject to the privilege may be transmitted between non-attorneys to relay information requested by attorneys.”).
If you are asking a lawyer for comments on a document that will also be circulated to non-legal personnel for comment send the lawyer a separate e-mail. Keep the two e-mail chains separate. You can keep counsel informed of non-legal comments by forwarding those e-mails to him or her separately or by a bcc.

Treat privileged communications and documents carefully. Do not forward them around the company or to third-parties without considering the implication of the privilege waiver.

The fact that a lawyer adds legal comments to a document does not make it and all subsequent drafts privileged. While you can withhold the lawyers actual comments, absent an independent basis for privilege, that document is not protected from disclosure.

Be clear when seeking legal advice. When sending an e-mail or document to in-house counsel, state explicitly that you want legal advice or comments.

Do not stamp everything “privileged” or “legal advice” in order to try and shoehorn it into the privileged category. Nothing will turn a court on you faster than signaling you don’t differentiate between what is and what is not truly privileged.

For more information about the matters discussed in this Litigation Alert, please contact the Hogan & Hartson LLP attorney with whom you work, or any of the attorneys below who contributed to this update.

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APPENDIX A – JOINT/COMMON DEFENSE AGREEMENT .............. A-1
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 (J. McNaughton rev. 1961). 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 Group, 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); Jeremy Bentham, Rationale of Judicial Evidence (1827).

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 be come 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, 133 F.R.D. 515, 518 (N.D. Ill. 1990); Restatement (Third) of the Law Governing Lawyers § 68 (hereinafter Rest. 3d); 8 John H. Wigmore, Evidence § 2292 (J. McNaughton rev. 1961); 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 Group, 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); 8 JOHN H. WIGMORE, EVIDENCE § 2292 (J. McNaughton rev. 1961); REST. 3D § 119.

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. REST. 3D § 69; JOHN W. STRONG, MCCORMICK ON EVIDENCE § 89 (5th ed. 1999); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5484 (1986).

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 (5th ed. 1999). 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, MCCORMICK ON EVIDENCE § 89 (5th ed. 1999); 8 JOHN H. WIGMORE, EVIDENCE § 2307 (J. McNaughton rev. 1961). 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, No. 070516CR, 2008 WL 2740859 (2d Cir. July 15, 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 (5th ed. 1999). 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 United States v. 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 REST. 3d § 119 cmt. b; Communications Must Be Intended to Be Confidential, § I.C., below.

2. Communicative Acts

The attorney-client privilege includes non-verbal, communicative acts within its definition of protected communications. REST. 3d § 69 cmt. e. 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 (J. McNaughton rev. 1961); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5484 (1986). 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 (5th ed. 1999).

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.”
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.

Frieman v. USAir Group, 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.

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 retainers agreements. See 8 JOHN H. WIGMORE, EVIDENCE § 2313 (J. McNaughton rev. 1961); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5484 (1986); 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.

In re Grand Jury Subpoena Duces Tecum, 94 Fed. Appx. 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.
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 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).

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 payee is also client of defendant’s attorney.


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.


Condon v. Petacque, 90 F.R.D. 53, 54-55 (N.D. Ill. 1981). Fact of consultation and the dates legal services were performed are not privileged.

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). Holding that 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.

Ehrich v. Binghamton City Sch. Dist., 210 F.R.D. 17, 20 (N.D.N.Y. 2002). Holding that billing statements that detail attorney services, listing services provided and conversations and conferences between counsel and others, are 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.
Other courts and the Restatement have rejected a strictly categorical approach. See John W. Strong, McCormick on Evidence § 90 (5th ed. 1999); 24 Charles Alan Wright & Kenneth W. Graham, Jr., Federal Practice & Procedure § 5484 (1986); Rest. 3d § 69 cmt. g. 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); Rest. 3d § 69 cmt. g. 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). 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 (5th ed. 1999).

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 Attorney 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.

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:


Sometimes the disclosure of even routine information can serve to expose client confidences instead of merely providing a link to the confidences. The attorney-client privilege also protects against this type of exposure. 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.

*United States v. Ellis*, 90 F.3d 447, 450-51 (11th Cir. 1996). Identity is protected only if its disclosure would lead to the uncovering of privileged information.

*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.

*In re Grand Jury Subpoenas*, 906 F.2d 1485, 1492 (10th Cir. 1990). Fee information is not privileged unless it will disclose confidential client communications.


*United States v. Strahl*, 590 F.2d 10, 11 (1st Cir. 1978). Identity of client protected because disclosure would implicate the client “in the very criminal activity for which legal advice was sought” and penalize the seeking of advice.

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.

Haley v. State, 919 A.2d 1200, 1210-11 (Md. 2007). Privilege protects not only the contents of the communication, but also the timing of such communication.

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.”

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 payer’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); REST. 3D § 69 cmt. d. The privilege creates a distinction between the contents of a lawyer-client communication and the contents of a client’s memory or files. “Id.; 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 (1986). 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:

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.

Adams v. United States, No. 030049EBLW, 2008 WL 2704553, at *3-4 (D. Idaho July 3, 2008). Core group deliberations on factual matters concerning customer service, public relations, and other possible causes of crop damage were not privileged.
EEOC v. Outback Steakhouse, No. 06CV01935EWNKLM, 2008 WL 2410415, at *5-6 (D. Colo. June 11, 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, Comm’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.

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., above; 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; see 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); REST. 3D § 69 cmt. i. However, the 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 the following sections.

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:

GFL Advantage Fund, Ltd. v. Colkitt, 216 F.R.D. 189 (D.D.C. 2003). Confidential communication from attorney to client is protected when it is based on confidential information supplied by the client.


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.


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.


Rico v. Mitsubishi Motors Corp., 10 Cal. Rptr. 3d 601, 605-06 (Cal. Ct. App. 2004), aff’d on other grounds, 171 P.3d 1092 (Cal. 2007). Holding that memo detailing communications between attorneys and experts was not privileged because it did not involve a communication with a client.

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.”


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) (1986).

The Restatement also rejects the narrow rule that the privilege only protects communications that reveal client confidences. REST. 3D § 69 cmt. i. 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. REST. 3D § 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.


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.

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. Lawyer’s factual report which contained material gathered from third party-interviews was held privileged.


c. Cases Where Lawyer Acts As A Conduit 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, 1366-7 (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); REST. 3D § 69 cmt. i; 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5478 (1986). 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

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.

John W. Strong, McCormick on Evidence § 91 (5th ed. 1999); Rest. 3d § 70. 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 (5th ed. 1999); 8 John H. Wigmore, Evidence § 2327 (J. McNaughton rev. 1961). 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 § IV.A.2., Work Product Must be Prepared by or for a Party or by or for its Representative, below). 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 Rest. 3d § 70 cmt. b.

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. Court, 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); Vodak v. City of Chicago, 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”); Lawyer Disciplinary Bd. v. Allen, 479 S.E.2d 317, 328 (W. Va. 1996) (rejecting proposed rule requiring attorneys to record calls with potential clients because such a role would raise “concerns regarding the attorney-client privilege.”); REST. 3d § 70; REV. UNIF. R. EVID. 502(a)(1); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 88 (5th ed. 1999); 3 JACK W. WEINSTEIN ET AL., WEINSTEIN’S FEDERAL EVIDENCE § 503 (2d ed. 2004). 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
information collected confidentially by lawyer for class representatives from non-representative class members was not privileged). But see Barton v. Dist. Court, 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 v. City of Chicago, No. 03 C 2463, 2004 WL 1381043, at *2-3 (N.D. Ill. May 10, 2004) (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 Assoc., 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. Rest. 3d § 70 cmt. d; John W. Strong, McCormick on Evidence § 88 (5th ed. 1999); see also United Nat’l Records, Inc. v. MCA, Inc., 106 F.R.D. 39, 40 (N.D. Ill. 1985); In re Grand Jury Proceedings, 663 F.2d 1057, 1060 (5th Cir. 1981), vacated on other grounds, 680 F.2d 1026 (5th Cir. 1982); 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 Dhimante, 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 (1986). 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); Harper & Row Publishers, Inc. v. Decker, 423 F.2d 487, 491-92 (7th Cir. 1970). 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 thrust privilege analysis in a new direction, and created a less structured definition of the corporate client. 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;
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);

the employees were aware that they were being questioned in order for the corporation to secure legal advice; and

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.

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., No. 07-CV-1455, 2008 WL 2631360, at *7 (E.D. Pa. June 25, 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. Petrochemical 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 Rest. 3d § 73 cmt. h.

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); Rest. 3d § 123; 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, § 1.B.1.b.(4), below.

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). 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.

(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.

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 four traditional elements of a privilege claim (a communication, between privileged persons, in confidentiality, for the purpose of legal assistance). See United States v. Keplinger, 776 F.2d 678, 700 (7th Cir. 1985); see also RESTATEMENT § 73 cmt. j; 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 raise privilege when he could not prove that he believed counsel was representing him); United States v. Ferrell, No. CR07-0066MJP, 2007 WL 220213 (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 § 73 cmt. j. 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 Rest. 3d § 73 cmt. j; 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).

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 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 REST. 3D § 14 cmt. f. 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 can 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.

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

(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. Court 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 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.


In re Coordinated Pretrial Proceedings in Petroleum Prods. Antitrust Litig., 658 F.2d 1355, 1361 n.7 (9th Cir. 1981). Privilege can apply to former employees.


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.

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.


Infosystems, 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 New York v. Coastal Oil New York, 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.


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 REST. 3D § 73 cmt. e. 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. Court 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, § 1.B.1.b.5, below.

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, below.

(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:

Baisley v. Missisquoi Cemetery 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.

Wardleigh v. Second Judicial Dist. Ct. in and 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.

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.


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) (“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) (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, No. 07-CV-1455, 2008 WL 2631360, at *7 (E.D. Pa. June 25, 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:

**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 Products v. Imo Indus. Inc.**, 638 N.E.2d 322, 325-26 (Ill. App. Ct. 1994). The court expanded the control group test of Consolidated 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. The court also found that more than a nominal fine should be considered if the party has refused to comply with a discovery order without at least a colorable claim of privilege.

**Hyams v. Evanston Hosp.**, 587 N.E.2d 1127, 1129 (Ill. App. Ct. 1992). Nurses were not part of control group in medical malpractice case.

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. Chicago, 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.


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:

Shew v. Freedom of Info. Comm’n, 691 A.2d 29, 34 (Conn. App. Ct. 1997). Using a four part test “consistent 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.

Milinazzo v. State Farm Ins. Co., 247 F.R.D. 691, 696-97 (S.D. Fla. 2007). Applying Florida law and using the 5-factor test from Southern Bell Tel. & Tel. Co. v. Deason, below, in insurance context to hold that communications between (1) defendant’s claim representative and defendant’s attorney and (2) defendant’s employees and defendant’s attorneys occurring after insurer denied coverage of claim were protected by attorney-client privilege.


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 2008). 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).
Government Agencies As Clients

Unlike private attorneys, attorneys for government agencies owe a duty to the public to ensure that laws are obeyed by 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 may take special policy considerations into account in determining whether the privilege should apply. 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).

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.

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 attempt to assert 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 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

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.

_Hartz Mountain Indus., Inc. v. C.I.R._, 93 T.C. 521, 525 (T.C. 1989). In-house counsel is treated the same as private 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.”


_In re LTV Sec. Litig._, 89 F.R.D. 595, 601 (N.D. Tex. 1981). _Upjohn_ laid to rest suggestions that in-house counsel are to be treated differently from outside counsel with respect to activities in which they are engaged as attorneys.

¹ Notably, the European Court of First Instance has held that 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 _Akzo Nobel & Akcros Chems. Ltd. v. Comm’n_ (Joined Cases T-125/03 and T-253/03, 2007 EUR-Lex 62003A012 (Ct. First Instance Sept. 17, 2007) (confirming holding in _AM&S v. Comm’n_ [1982] E.C.R. 1575).
However, several courts have made it clear that they do treat in-house counsel differently when assessing the assertion of privilege. The fact that in-house counsel often plays multiple roles in the corporation has caused many courts to 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 Prods. Liab. Litig. 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 Prods. 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, rather than legal, matters); see also Am. Nat. Bank and 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 overbroadly but in good faith); In re Teleglobe Commc’n’s 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, below.

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 predominantly legal purpose’

Cellico 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., No. 07-CV-1455, 2008 WL 2631360, at *4-5 (E.D. Pa. June 25, 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.4, 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 an attorney serves solely as an investigator and not as a legal advisor, the communications are not privileged. For example, in SEC v. Canadian Javelin
Ltd., 451 F. Supp. 594 (D.D.C. 1978), vacated, No. 76-2070, 1978, the court held that no attorney-client relationship existed between the corporation and its special counsel. Id. at 596. Canadian Javelin was subject to an injunction which named an attorney as special independent counsel to the corporation’s compliance committee. The injunction gave the special counsel the obligation to review all information disseminated by the corporation, to take all reasonable steps to ensure compliance with the decree, and to notify the SEC and the corporation’s board of directors in the event of non-compliance. Id. at 596. The injunction was silent as to the attorney-client privilege. Id. In its suit, the SEC moved for an order to compel deposition testimony from this specially appointed attorney. Id. at 595. The Canadian Javelin court concluded that no attorney-client relationship existed between the corporation and the special independent counsel. The court noted that special counsel was not appointed to render advice, but to monitor compliance. The court also observed that the corporation did not have any legitimate expectation of confidentiality because special counsel was obligated to disclose the corporation’s activities to the SEC. Id.

A similar result was reached in a slightly different factual setting in Osterneck v. E.T. Barwick Indus., Inc., 82 F.R.D. 81 (N.D. Ga. 1979). In Osterneck, private party plaintiffs subpoenaed attorneys who had acted as special counsel to Barwick pursuant to an SEC consent decree. Id. at 82-83. The decree provided that the disclosure of any information or materials to the special counsel did not constitute a waiver of the attorney-client privilege. It further provided that any privileged material would be released to the SEC only upon a judicial determination that such disclosure would not constitute a waiver. Id. at 83. The attorneys who had acted as special counsel to Barwick refused to comply with the plaintiffs’ subpoenas on the ground that the material requested was privileged. Id. However, the court granted plaintiffs’ motion to compel the depositions when it concluded that special counsel was not retained to render legal advice but to investigate and report the facts. Id. at 85. In support of its holding, the court noted that only a very minute portion of the final report of special counsel consisted of legal advice. Id. at 85-86. See:

*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.”

*Cf.*

*SEC v. Brady,* 238 F.R.D. 429, 439 (N.D. Tex. 2006). Employee interviews conducted by law firm hired by corporation’s audit committee were protected by attorney-client privilege as “confidential communications between the corporate client and its counsel.”

*Lawrence E. Jaffe Pension Plan v. Household Int’l, Inc.,* No. 02 C 5893, 2006 WL 3524016, at *13-15 (N.D. Ill. Dec. 6, 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.

Some courts have taken a more expansive policy-based approach, and protect even non-legal investigative communications. One court has extended the privilege to an officer serving a hybrid role as privately retained counsel and government investigator. In In
re LTV Securities Litigation, 89 F.R.D. 595 (N.D. Tex. 1981), the 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. *Id.* at 614-22. The consent decree required the corporation to cooperate in the officer’s duty to furnish the SEC with all materials or information in his possession. *Id.* at 614-15. The corporation did not control the officer’s activities. The court concluded that the bulk of the officer’s work would be protected from disclosure under either role as counsel or investigator. *Id.* at 615-18. Although recognizing that the material was not privileged under traditional theories, the court emphasized the utility of special officers in SEC investigations and the benefits of having such officers. The court recognized that denying a claim of privilege in these cases would have discouraged corporations from self-investigation and would force the SEC to commit significantly greater resources to its investigations. *Id.* at 618-622.

For suggestions on maximizing the protection of the attorney-client privilege in this context see *Recommendations for Preserving the Attorney-Client Privilege*, § III, below.

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 giving rise to 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 2008). 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:

*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.
“Dual-use” documents created during preparation of tax returns are not subject to attorney-client privilege and therefore are not subject to Section 7525.

Valero Energy Corp. v. U.S., No. 06 C 6730, 2008 WL 4104368, at *8-10, 18 (N.D. Ill. Aug. 26, 2008). Plaintiff improperly redacted information such as the identities of tax practitioner’s personnel who communicated with plaintiff from its billing statements. “Like the attorney-client privilege, the tax practitioner privilege ‘protects confidential communications . . . and so ordinarily the identity of the client does not come within the scope of the privilege.’” Court also found that documents containing advice with respect to Canadian tax law, not U.S. tax law, were not protected by the tax practitioner privilege.

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.


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).

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 Frederick, 182 F.3d at 502 (“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, below. 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.


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); Claxton v. Thackston, 559 N.E.2d 82 (Ill. App. Ct. 1990) (communications between insured and insurer, and insured and agents of insurer are protected by privilege). 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 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).

Privileged agents are sometimes grouped into two categories: communicating and representing agents. See Rest. 3d § 70 cmts. f, g, 24 Charles Alan Wright & Kenneth W. Graham, Jr., Federal Practice & Procedure § 5483 (1986) (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 (J. McNaughton rev. 1961). 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 (5th ed. 1999); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE §§ 5485-86 (1986); 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 clerk or paralegal assistant. 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); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 91 (5th ed. 1999); 24 CHARLES ALAN WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE & PROCEDURE § 5482 (1986). 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 REST. § 70 cmt. g. In general, an expert adviser retained by the attorney to aid the client would also fit within the group of privileged agents if consulted for the purpose of improving the client’s comprehension of legal advice rendered by the attorney. See Kovel, 296 F.2d at 921-22 (accountant hired by tax law firm to assist in interpreting client conversations was considered privileged agent); United States v. United Shoe Mach. Corp., 89 F. Supp. 357, 358 (D. Mass. 1950); REST. § 70 cmt. f lllus. 5. For an analysis of the application of the attorney-client privilege specifically related to a client’s financial consultants, see also John A. Harrington, Matt D. Basil, & Michaelene R. Martin, Third-Party Communications, 3 BLOOMBERG CORPORATE L.J. 113 (2008). But see United States v. Ackert, 169 F.3d 136, 140 (2d Cir. 1999) (privilege did not attach to communications between counsel and investment banker consulted by attorney because attorney used banker to obtain information he did not have, not to interpret or translate information given to the attorney by his client). The person asserting the privilege has the burden of demonstrating that the agent was consulted for a professional reason and that the presence of the agent was reasonably necessary to further the client’s interests on the particular matter. See von Bulow v. von Bulow, 811 F.2d 136, 146-47 (2d Cir. 1987) (journalist did not show that her presence was reasonably necessary at legal meetings she attended, so the client’s attorney-client privilege was waived).
Compare:

**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.

**In re Bieter Co.**, 16 F.3d 929, 938-39 (8th Cir. 1994). Independent contractor cooperated with plaintiff’s attorneys at plaintiff’s direction for the purpose of securing legal advice. Court found the independent contractor acted as a representative of plaintiff and could invoke plaintiff’s privilege for these communications.

**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.

**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.

**United States v. McPartlin**, 595 F.2d 1321, 1335-37 (7th Cir. 1979). Statement made to investigator employed by co-defendant’s counsel is privileged.

**Jones v. Nissan North 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.

**Wagoner v. Pfizer, Inc.**, No. 07-1229-JTM, 2008 WL 821952, at *4 (D. Kan. Mar. 26, 2008). Information gathered by a non-attorney at the direction of counsel falls under the protection of the attorney-client privilege. The non-attorney’s notes and summaries of interviews with company employees conducted by the company’s in-house attorney, who was conducting an internal audit, were protected by the attorney-client privilege. The court analogized the non-attorney’s role to that of a paralegal.

**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 SCL employee, that the drafts reflected information developed within the scope of her duties, and that the drafts constituted communications with SCL’s counsel to provide counsel with information necessary to inform counsel’s advice.

**Stafford Trading, Inc. v. Lovely**, No. 05-C-4868, 2007 WL 611252, at *7 (N.D. Ill. Feb. 22, 2007). 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.

**Lawrence E. Jaffe Pension Plan v. Household Int’l, Inc.**, 244 F.R.D. 412, 420 (N.D. Ill. 2006). Company’s retention of Ernst & Young 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 E & Y’s qualifications.”


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). Holding that 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, even as to communications made prior to the institution of legal proceedings.

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.


With:

In re Grand Jury Proceedings, Involving Thullen and Dvorak, 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.

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.

La. Mun. Police Employees Ret. Sys. v. Sealed Air Corp., No. 03 -CV-4372 (DMC), 2008 WL 3821799 (D.N.J. Aug. 12, 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, 100-101 (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.”

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.

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). Holding that draft documents created by consulting firm for “attorney to review” for “legal purposes” were not privileged because they would have been created in substantially the same way solely for business purposes and because engagement of consulting firm was for a business purpose.

Ross v. UKI Ltd., No. 02 Civ. 9297 WHPJCF, 2003 WL 22319573, at *1-2 (S.D.N.Y. Oct. 9, 2003). Holding that privilege did not apply because defendant failed to carry burden that accountants and other individuals to whom documents were distributed were “necessary for the client to obtain informed legal advice.”

SR Int’l Bus. Ins. Co. Ltd. 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.

Claude P. Bamberger Int’l, Inc. v. Rohm and Haas Co., Civ. No. 96-1041, 1997 WL 33768546, at *2-3 (D.N.J. Aug. 12, 1997). Memorandum summarizing communications between investigator and client’s employees was not privileged because the purpose of the investigation was to search for business improprieties within the corporation rather than securing legal advice.

Samuels v. Mitchell, 155 F.R.D. 195 (N.D. Cal. 1994). Court held that privilege was waived where attorneys shared documents with accountants for purpose of keeping them abreast of developments in arbitration rather than for purposes of facilitating provision of legal advice.

Dabney v. Inv. Corp. of Am., 82 F.R.D. 464, 465-66 (E.D. Pa. 1979). Privilege not available for communications with a law student who was not acting under the direct supervision of a member of the bar.

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 when the communications predated an agreement naming the accountant as an agent of plaintiff’s counsel.

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.

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; where the attorney and client “speak different languages,” and the aid of an accountant 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 account 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 2008). 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 GI 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, Involving Thullen and Dvorak, 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, L.L.C. v. United States, 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.

A company’s tax-workpapers that contain the opinions of counsel may be privileged. United States v. Textron, Inc., 507 F. Supp. 2d 138, 146-47 (D.R.I. 2007), aff’d in part, remanded for further proceedings, United States v. Textron, Inc. and Subs., ---F.3d---, 2009 WL 136752 (1st Cir. Jan. 21, 2009). In Textron, the company prepared tax accrual workpapers in consultation with counsel in which the company established tax reserves for questionable tax treatments based on counsel’s assessment of the likelihood of prevailing on the treatments in the event of an IRS audit. Although the preparation of a tax return is generally considered accounting work not subject to privilege, communications containing legal advice may be privileged even if made in connection with the preparation of a tax return. In Textron, the court held that the privilege was waived when the company disclosed the workpapers to its independent auditors.

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.3.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); Textron, supra; Evergreen Trading, L.L.C. v. United States, 80 Fed. Cl. 122, 130 (Fed. Cl. 2007) (“it 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); Medinol, Ltd. v. Boston Scientific Corp., 214 F.R.D. 113 (S.D.N.Y. 2002); In re Raytheon Sec. Litig., 218 F.R.D. 354, 360-61 (D. Mass. 2003); DAVID M. GREENWALD, EDWARD F. MALONE, ROBERT R. STAUFFER, TESTIMONIAL PRIVILEGES, § 3:5 (3d ed. 2005) (update 2008).

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:

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 2199874, at *3-4 (S.D.N.Y. Aug. 25, 2003). 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 were protected by the work product doctrine.


See also:


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 Group, 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
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 contents as a result of the communication.

See:

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."

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.

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.

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.

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.

Roth v. Aon Corp., ---F.R.D.---, 2009 WL 57501 (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.


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.

United States v. Rivera, 837 F. Supp. 565 (S.D.N.Y. 1993). Information provided by aliens to law firm in order to prepare amnesty application was not privileged.

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 Minnesota, 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.


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
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); REST. 3D § 73 cmt. g. 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); Pritchard v. County of Erie, No. 04-CV-00534C(SC), 2007 WL 1703832, at *4-5 (W.D.N.Y. June 12, 2007), on reconsideration, No. 04CV00534C, 2007 WL 3232096 (W.D.N.Y. Oct. 31, 2007) (holding that privilege was not waived when email from County Attorney’s Office discussing legal basis for change in strip search policy was distributed to Sheriff’s Department officials whose duties required knowledge of the specific subject matter of the communications to make informed policy decisions); Exxon Corp. v. Dep’t of Conserv. and Nat. 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 (1986). 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. REST. 3D § 73 cmt. g.

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) (2d ed. 2004); see also:

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.

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.

In re Worldwide Wholesale Lumber, Inc., 392 B.R. 197, 202-03 (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.

Muro v. Target Corp., 243 F.R.D. 301, 305-06 (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 10th 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.”


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.


Zurich Am. Ins. Co. v. Superior Court, 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.


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.

3. Email And Confidentiality

Email presents two challenges to the confidentiality of communications and the attorney-client privilege. Like other forms of communication, internet email is susceptible to breaches of security in transmission. In addition, the ease with which email is copied, transmitted to large numbers of people, and sometimes incorrectly transmitted due to operator error, presents unique challenges to the confidentiality of email communications. See, e.g., 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”); 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).


Though technologically 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 Formal Ethics Opinion 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 Formal Ethics Opinion 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. Evidence Code § 952 (West 1995) (“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. § 4548 (Consol. 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 *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); 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). 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). 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).

On the other hand, 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:

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.


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.”
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.

Curto v. Med. World Commc’ns, Inc., No. 03CV6327 (DRH)(MLO), 2006 WL 1318387, 99 Fair Empl. Prac. Cas. (BNA) 298 (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.”

Transocean Capital, Inc. v. Fortin, 21 Mass. L. Rep. 597, 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.


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.”

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 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). But see 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. United States v. Dennis, 843 F.2d 652, 656 (2d Cir. 1988); 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.”); 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).

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 organization,

(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., 24 Charles Alan Wright & Kenneth W. Graham, Jr., Federal Practice &
Procedure § 5478 (1986); Rest. 3d § 72 cmt. c. 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:

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 unprivileged.

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 March 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.

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.

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.

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 or friendship. 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. Second Circuit stated that advice about pre-existing compliance with legal obligations is, in fact, legal advice and not a business purpose.

*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. For tax return cases see *In re Grand Jury Subpoena Duces Tecum*, 697 F.2d 277, 280 (10th Cir. 1983) and the cases cited herein; *U.S. v. Rockwell Intern.*, 897 F.2d 1255, 1265 (3d Cir. 1990); *U.S. v. El Paso Co.*, 682 F.2d 530, 539 (5th Cir. 1982).

*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.

*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). Holding that 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 (ND. 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.


U.S. v. Chen, 99 F.3d 1495, 1501, 45 Fed. R. Evid. Serv. 1146 (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.”

Massachusetts School of Law at Andover, Inc. v. American Bar Ass’n, 895 F. Supp. 88, 91, 103 Ed. Law Rep. 123 (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. Mutual Reinsurance 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:

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.

United States v. Textron Inc., 507 F.Supp.2d 138, 147 (D. R.I. 2007), aff’d in part and remanded on other grounds, United States v. Textron Inc., —F.3d—, 2009 WL 136752 (1st Cir. Jan. 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.; see also 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…[w]e have held that the preparation of tax returns is generally not legal advice within the scope of the privilege…[n]evertheless, 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”); 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”).
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.


Leibel v. General Motors Corp., 250 Mich. App. 229, 646 N.W.2d 179, 185 (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 Thurmond v. Compaq Computer Corp., 198 F.R.D. 475, 483 (E.D. Tex. 2000); 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.”); 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”); Massachusetts School of Law at Andover, Inc. v. American Bar Ass’n, 895 F. Supp. 88, 91, (E.D. Pa. 1995). “[C]ommon sense tells us that there is a difference between merely providing legal information and providing legal ‘advice.’ … the attorneys were acting more as ‘courier[s] of factual information,’ rather than ‘legal advisers.’” Dawson v. New York Life Ins. Co., 901 F. Supp. 1362, 1367, (N.D. Ill. 1995); Foseco Intern. 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. Davis, 636 F.2d 1028, 1042-43 (5th Cir. 1981) (business adviser role is not privileged); NXIVM Corp. v. O’Hara, 241 F.R.D. 109, 131-32 (N.D.N.Y. 2007) (finding that when attorney acted solely as coordinator of media relations, communications between attorney and client not protected); Burton v. R.J. Reynolds Tobacco Co., Inc., 170 F.R.D. 481, 488–89 (D. Kan. 1997) (public relations communications not protected); Navigant Consulting, Inc. v. Wilkinson, 220 F.R.D. 467, 474-75 (N.D. Tex. 2004) (“Where an

Similarly, when a lawyer is merely providing factual information rather than legal advice, communications will not be protected. See Dawson v. New York 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. U.S. v. Tedder, 801 F.2d 1437 (4th Cir. 1986); in re Kinoy, 326 F. Supp. 400, 403 (S.D. N.Y. 1970).

Further, both the lawyer and the client must understand that the purpose is legal advice before the privilege will apply. See Pine Top Ins. Co. v. Alexander & Alexander Serv., Inc., No. 85 Civ. 9860, 1991 WL 221061, at *1-2 (S.D.N.Y. 1991) (party asserting privilege must prove that both parties understood the conversation was for legal advice).

If a document is prepared for simultaneous review by legal and non-legal personnel, the document may not be deemed privileged. Courts have typically held that such documents were not prepared primarily for the purpose of providing legal advice.

See:

*In re Vioxx Products Liability 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.”

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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 USA., Inc. v. First Data Corp., No. C-02-1786SJW(EMC) 2004 WL 1878209, at *4, 7 (ND. 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.

United States v. Chevron Corp., No. C-94-1885, 1996 WL 264769, at *6-7 (ND. 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 Corn Corp. Sec. Litig, No. C-89-20480, 1992 WL 456813, at *1-2 (ND. 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.

N. Carolina 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.

In re Buspirone Antitrust Litigation, 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 Pacific Northwest Nat. Laboratory, 194 F.R.D. 289, 48 Fed. R. Serv. 3d 929 (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.


U.S. v. Frederick, 182 F.3d 496 (7th Cir. 1999). A document prepared for simultaneous use in tax return preparation and litigation 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:
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.’” U.S. v. Davis, 131 F.R.D. 391, 401 (S.D.N.Y. 1990). 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 (ND. 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.”

Independent Petrochemical Corp. v. Aetna Cas. and 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 Partnership v. U.S.,* 31 F. Supp. 2d 9, 12, 51 Fed. R. Evid. Serv. 106 (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.

*Shell Oil Co. v. Par Four Partnership,* 638 So. 2d 1050 (Fla. Dist. Ct. App. 5th Dist. 1994) Under Florida law, communications between corporate counsel and corporate employees on legal matters are presumptively privileged.

*Georgia-Pacific Corp. v. GAF Roofing Mfg. Corp.,* 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 Development Corp. v. Heron Intern. N.V.,* 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.”

### 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 (1986). See also:

*City of Rialto v. U.S. Dept. of Defense,* 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.


*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., LLC,* 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. Ligget Group, Inc., 975 F.2d 81, 90 (3d Cir. 1992).

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 and 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); Navigant Consulting, Inc. v. Wilkinson, 220 F.R.D. 467, 473 (N.D. Tex. 2004) (same); 24 Charles Alan Wright & Kenneth W. Graham, Jr., Federal Practice & Procedure § 5507 (1986). For example, in Eureka Fin. Corp. v. Hartford Accident and Indem. Co., 136 F.R.D. 179, 186 (E.D. Cal. 1991), the District Court for the Eastern District of California 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). A privilege log should contain basic information about each separate communication over which a party asserts a privilege. 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] shall describe the nature of the documents, communications, or things not produced or disclosed in a manner that, without revealing information itself privileged or protected, will enable other parties to assess the applicability of the privilege or protection.

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

See:

*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.

*St. Joe Co. v. Liberty Mutual 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 have 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.


*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. Kuznia*, 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.”

But see:

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 that Bowne, cited above, requires 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.

Some courts have provided specific requirements for privilege logs in local rules. See, e.g., Ruran v. Beth El Temple, 226 F.R.D. 165, 168-69 (D. Conn. 2005); Beacon Hill, 231 F.R.D. at 141. 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 Communications, Inc. v. Molson Breweries, 100 F.3d 919, 928 (Fed. Cir. 1996) (“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 Gen. Instrument Corp. Sec. Litig., 190 F.R.D. 527, 352 (N.D. Ill. 2000), the District Court for the Northern District of Illinois 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

Because documents included on a privilege log may often be the most significant documents in a case, it is important to attend to issues regarding privilege logs early in a litigation to ensure that a party has all important discoverable documents by the time depositions begin. A party is required to claim privilege for documents produced in a timely manner. See Marx v. Kelly, Hart & Hallman, P.C., 929 F.2d 8, 12 (1st Cir. 1991); In re DG Acquisition Corp., 151 F.3d 75, 84 (2d Cir. 1998) (party responding to subpoena must assert privilege within 14 days.). 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 System, 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 (directing defendants to use their best efforts to cause all present and former counsel to produce documents and/or itemized privilege logs).

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. at 954. 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 Am. Tobacco (Invs.) 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.

Describing emails and other electronically stored information (“ESI”) on a privilege log presents particular challenges. In Rhoads Indus., 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. However, the court concluded that it is not necessary for a party to log all previous email messages contained in a privileged email string as long as the non-privileged emails are produced separately. 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. Under those circumstances, requiring a party to identify the individual embedded emails could be a breach of the privilege. Therefore, a party need not produce “string #2” in redacted form, and may log only the last email on a privilege log. String #1 and the initial email must be produced separately. Accord 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). But see In re Universal Serv. Fund Tel. Billing Practices Litig., 232 F.R.D. 669, 674 (D. Kan. 2005) (“the 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.”).

A second challenge presented by logging ESI is how to adequately disclose attachments to emails. In SEC v. Beacon Hill Asset Mgmt. LLC, 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.

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**

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., Rowe Entm’t, Inc. v. William Morris Agency, Inc., 205 F.R.D. 421, 429 (S.D.N.Y. 2002); Zubulake v. UBS Warburg LLC, 217 F.R.D. 309, 317-20 (S.D.N.Y. 2003); *see also* Manual for Complex Litigation (4th ed. 2004) § 11.446 (4th ed. 2004). 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., *Interm 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), available at http://www.thesedonaconference.org/content/miscFiles/cooperation_Proclamation_Press.pdf (“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 notes 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.”).

(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;
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 and 34 (amended Dec. 1, 2006). Rule 26(f) requires parties to meet and confer to discuss “any issues relating to disclosure or discovery of electronically stored information . . . .” Fed. R. Civ. P. 26(f)(3). 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).

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

*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, 847-856 (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. The Mayor and City 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, January 26, 2009.

New 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 (Sept. 26, 2007), available at http://www.uscourts.gov/rules/Hill_Letter_re_EV_502.pdf. 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. FRE 502(d) advisory committee’s note subdiv.(d). 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 Fed. R. Evid. 502(d) advisory committee’s note subdiv.(d).

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, 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. Mancia, 253 F.R.D. at 357-58. 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. Mancia, 253 F.R.D. at 361, 363.

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 (1986); see also CALIF. EVID. CODE § 915. 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 and Trust Co. v. Equitable Life Assurance Soc., 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.
In fact, 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. The 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).

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 and 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.”); Compco 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 and 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, No. 02 CR 396 JGK, 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. Services, 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); ClearValue v. Pearl River Polymers, Inc., 242 F.R.D. 362, 374 (E.D. Tex. 2007) (“[T]he severe sanction of a default judgment for discovery violation may only be imposed where the . . . violation is willful and where lesser sanctions would not substantially achieve the desired deterrent effect.”); Masi v. Steely, 242 F.R.D. 278, 285-86 (S.D.N.Y. 2007) (allowing dismissal when plaintiff failed to comply with five motions to compel).

Compare:

Am. Nat’l Bank and Trust Co. v. Equitable Life Assurance Soc., 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. The Dancing Crab at Wash. Harbour, LP, 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 Bermuda, 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.

E.E.O.C. 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. Inc. v. Ameritech Corp., 2001 WL 1414468, 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 the 600 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.
In re Marshall, 253 B.R. 550, 558 (Bankr. C.D. Cal. 2000), vac’d 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.

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.


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 4.4(c) (2008) (“(c) 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 4.4(b) (2008) (“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 Formal Ethics Opinion 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 and Prof. Resp., Formal Opinion 92-368 (1992). 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 Formal Ethics Opinion 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 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 4.4 Cmt. (2008) (same); Wash. Rules of Prof’l Conduct 4.4 Cmt. 2 (2006) (same).


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 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 (2nd 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 (3rd Cir. 2002) (distinguishing Perlman); FDIC v. Ogden Corp., 202 F.3d 454, 460 (1st Cir. 2000) (“a substantial privilege claim that cannot effectively be tested by the privilege-holder through a contemtuous refusal ordinarily will qualify for immediate review if the claim otherwise would be lost”).

When a court rejects a party’s assertion of the attorney-client privilege, the party has several options. The first option is to wait for a final adjudication of the merits of the case and then appeal the decision. This option, however, provides no relief to parties who wish to maintain the confidentiality of a privileged communication. In addition, there are several avenues by which a party may obtain immediate appellate review of an interlocutory order directing the disclosure of privileged communications:

(1) **Appeal From Contempt Citation**

The most common means of securing review of a discovery order directing the disclosure of privileged communication is to disobey the order, be held in contempt, and then appeal the contempt order. See, e.g., Burden-Meeks v. Welch, 319 F.3d 897, 899-90 (7th Cir. 2003) (holding that when documents are in possession of entity asserting privilege, proper method to appeal order of production is to appeal contempt order and noting that, “by raising the stakes,” the court winnows the number of such appeals); In re Richard Roe, Inc., 168 F.3d 69, 72 (2d Cir. 1999) (reversing district court order holding officers of two corporations in contempt for refusing to produce certain documents to a grand jury); In re Horn, 976 F.2d 1314, 1316 (9th Cir. 1992) (reversing contempt citation issued against attorney for failing to respond to subpoena *duces tecum* which sought material covered by the attorney-client privilege); 15B CHARLES ALAN WRIGHT, ET AL., FEDERAL PRACTICE & PROCEDURE § 3914.23 (2d ed. 1991). But see United States v. Philip Morris Inc., 314 F.3d 612, 620 (D.C. Cir. 2003) (noting that because civil contempt citation is not an appealable order in the circuit, contemptuous refusal to produce would not give rise to right to appeal discovery order).

(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. 1991). 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., In re County of Erie, No. 07-5702-op, 2008 WL 4554920, at *3 (2nd 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 at 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) Collateral Order Doctrine

The collateral order doctrine provides a narrow exception to the general rule permitting appellate review of final orders only. Cohen v. Beneficial Indus. Loan Corp., 337 U.S. 541, 546-47 (1949). Pursuant to the collateral order doctrine, an appeal of a non-final order will lie if (1) the order from which the appellant appeals conclusively determines the disputed question; (2) the order resolves an important issue that is completely separate from the merits of the dispute; and (3) the order is effectively unreviewable on appeal from a final judgment. In re Ford Motor Co., 110 F.3d 954, 957 (3d Cir. 1997). Several circuits have held that orders requiring the disclosure of privileged communications may be appealed pursuant to the collateral order doctrine. See In re Napster, Inc. Copyright Litig., 479 F.3d 1078, 1088-89 (9th Cir. 2007) (holding that an order directing production of attorney-client communications is a conclusive determination effectively unreviewable on appeal and therefore subject to immediate appeal under the collateral order doctrine); United States v. Philip Morris Inc., 314 F.3d 612, 620-21 (D.C. Cir. 2003) (because civil contempt citation is not appealable, order to disclose privileged material was subject to collateral order doctrine); Powell v. Ridge, 247 F.3d 520, 524 (3d. Cir. 2001) (noting that collateral order doctrine applied to discovery issues addressed concern that courts cannot “unscramble the egg” but also noting that other circuits do not follow the rule); In re Grand Jury Subpoena, 274 F.3d
563, 570 (1st Cir. 2001); In re Ford Motor Co., 110 F.3d at 957 (3d Cir. 1997) (order directing vehicle manufacturer to disclose documents related to development, marketing and safety of Bronco II was appealable under the collateral order doctrine). However, most courts maintain that pretrial discovery orders may not be immediately appealed pursuant to the collateral order doctrine. See Carpenter v. Mohawk Indus., Inc., 541 F.3d 1048, 1053 (11th Cir. 2008) (per curiam), cert. granted, Mohawk Indus., Inc. v. Carpenter, ---S. Ct.---, 2009 WL 160637 (U.S. Jan. 26, 2009) (holding a discovery order compelling the disclosure of information claimed to be protected by attorney-client privilege was not appealable under the collateral order doctrine); Texaco Inc. v. La. Land and Exploration Co., 995 F.2d 43, 44 (5th Cir. 1993) (order directing plaintiff to produce documents plaintiff claimed were protected by the privilege could not be appealed pursuant to the collateral order doctrine); Chase Manhattan Bank, 964 F.2d at 163 (denying appeal of order directing disclosure of privileged communication but issuing a writ of mandamus vacating the order); see also United States v. Pogue, 444 F.3d 462, 473-74 (6th Cir. 2006) (party must first incur appealable contempt citation and cannot resort to collateral order doctrine or writ of mandamus where alternative path of appeal exists). Review under the collateral order doctrine may be particularly appropriate where the discovery sought is against a third party and the documents at issue are not within the control of a party seeking to assert the privilege. Gill v. Gulfstream Park Racing Ass’n, 399 F.3d 391, 398-99 (1st Cir. 2005).


(4) 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., 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); 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).

(5) 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. Mendelson, 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) (“[t]he 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 Section VIII.B., Special Circumstances – Rule 30(B)(6) Depositions and Depositions of Counsel, below.

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 (5th ed. 1999). Management can only assert the privilege on behalf of the organization, and may not assert the organization’s privilege 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. Hantzi, 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* *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. International Bhd. of Teamsters*, 119 F.3d 210, 215 (2d Cir. 1997) (same); *Grassmueck v. Ogden Murphy Wallace, P.L.C.*, 213 F.R.D. 567, 571 (W.D. Wash. 2003) (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. F.B.I.*, 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.
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. 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. Dept. of Defense*, 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). Similarly, a receiver inherits the position of the client and can decide whether to waive or assert the privilege. *See S.E.C. 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).


Litigation between parent corporations and their subsidiaries creates unique problems with respect to 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.” Id., 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 companies 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 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); Soveraing 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.”); see 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 Props. 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. Superior Court, 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,
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 Int’l Specialty Lines Ins. Co. v. NWI-I, Inc., 240 F.R.D. 401, 407 (N.D. Ill. 2007), that 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 (1992) (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., Ill, 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 (1986); But see People v. Vespucci, 745 N.Y.S.2d 391, 395-97 (N.Y. Co. Ct. 2002) (recognizing that Swidler & Berlin controls in federal court but that some diversity of opinion exists in state law); HLC Props., Ltd. v. Superior Court, 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”). 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
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 Unif. R. Evid. 26(1); Lewis v. U.S., 2004 WL 3203121 (W.D. Tenn. Dec. 7, 2004) (attorney-client privilege does not extend beyond the death of a corporation); Rest. 3D § 123 cmt. k; 24 Charles Alan Wright & Kenneth W. Graham, Jr., Federal Practice & Procedure § 5499 (1986).

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 (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. Id. at *1. 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. U.S., 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.5, 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. 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:

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<th>Waiver for All Documents on Same Subject Matter</th>
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<td>Waiver for All Persons</td>
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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.5., below.

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.6.a., *Disclosure to the Government*, and § II., *Extensions of the Attorney-Client Privilege Based on Common Interest*.

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.6.a., below.

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 Philippines*, 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).
2. 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 (5th ed. 1999); 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., above.

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).

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 Rest. 3d § 78 cmt. e; John W. Strong, McCormick on Evidence § 93, at 343 (5th ed. 1999); Asserting the Privilege, § I.E., above. Any failure of the client to guard the privilege jealously generally constitutes a waiver. See Intentional Disregard of Confidentiality, § I.G.3.a., below.

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. 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).
3. 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); 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. Mortgage 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. 1197 (2000).

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.

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.”


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 reasonably expectation of confidentiality and disclosure was necessary to obtain informed legal advice.
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.


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.


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 Rest. 3d § 79 cmt. f; JOHN W. STRONG, MCCORMICK ON EVIDENCE § 93 (5th ed. 1999); 3 JACK W. WEINSTEIN ET AL., WEINSTEIN’S FEDERAL EVIDENCE ¶511[02] (2d ed. 2004); 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); S.E.C. v. Forma, 117 F.R.D. 516, 523 (S.D.N.Y. 1987) (deception by government makes disclosure involuntary and prevents waiver); Rest. 3d § 79 cmt. e. 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:

United States v. Schweizer, No. 06648RCL, 2008 WL 4216345, at *3-6 (D.D.C. Sept. 12, 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.


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 Market 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.


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 Rest. 3D § 79 cmt. e; 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.”

E.E.O.C. v. Johnson & Higgins, Inc., No. 93 CIV. 5481 (LBS), 1998 WL 778369, 10 (S.D.N.Y. Nov 06, 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 effect subject matter waiver of related conversations between attorney and client.


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 West LP, 2000 WL 1239117, at *2 (S.D.N.Y. 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, 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 LP, 2007 WL 1239117, at *2 (S.D.N.Y. 2000). Communications with the Board “were part of the transaction process” and did not destroy the special committee’s privilege.


With:

S.E.C. 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.”
In response to shareholder derivative action, company formed Special Committee, comprised of one 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:


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.


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.

United States v. Textron, 507 F.Supp.2d 138 (D.R.I. 2007), aff’d in part and remanded on other grounds, ---F.3d---, 2009 WL 136752 (3rd Cir. Jan. 21, 2009). Although company’s tax workpapers were privileged, company waived the privilege by disclosing the workpapers to its independent auditors.

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.

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.


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, above.

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, DAVID M. GREENWALD, EDWARD F. MALONE, AND ROBERT R. STAUFFER, TESTIMONIAL PRIVILEGES (Thomson West 3d ed. 2005) (update 2008) at § 3:6 and ff.

4. 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. 8 JOHN H. WIGMORE, EVIDENCE § 2325, at 632 (J. McNaughton rev. 1961); REST. 3D § 79 cmt. c; 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 (5th ed. 1999); 8 JOHN H. WIGMORE, EVIDENCE § 2325 (J. McNaughton rev. 1961).
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. Since the attorney does not hold the privilege and the client did not direct the disclosure, the attorney’s error may not result in waiver. Harold Sampson Children’s Trust v. The Linda Gale Sampson 1979 Trust, 271 Wis. 2d 610, 623-24, 679 N.W.2d 794, 800 (Wis. 2004); see Hobley v. Burge, 226 F.R.D. 312, 314 (N.D. Ill. 2005), vacated on different grounds, 433 F.3d 946 (7th Cir. 2006). But see In re Sealed Case, 877 F.2d 976, 980 (D.C. Cir. 1989) (inadvertent production by attorney waived privilege).

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). 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. Business Integration Services, Inc., v. AT&T Corp, 251 F.R.D. 121 (S.D.N.Y. 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).

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. Business Integration Services, 251 F.R.D. 121 (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 U.S. 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. Weintraub, 471 U.S. at 349; 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. Commodity Futures Trading Comm’n v. Weintraub, 471 U.S. 343, 349 (1985) (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., above.

5. 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. Lit., 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.


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.

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.

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.


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.

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 Law Reports (Litigation), Vol. 3, No. 4, January 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 does not change the law regarding whether a voluntary disclosure results in waiver, only the scope of that waiver. Third, FRE 502 does not address the scope of waiver in state courts with respect to disclosures made in state court proceedings.


(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)(7), Inadvertent Waiver, 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.” Explanatory Notes to Rule 502(c), 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.*

b. **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 a finding of waiver. 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. The Mayor and City of Baltimore*, 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). 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 Explanatory Notes to Rule 502(e) (“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.”).
c. “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. FRE 502 also does not address “implied waiver,” such as reliance on the advice of counsel, which may result in “at issue” waiver.

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.1., 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, 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.

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.”

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.

S.E.C. 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.

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.

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 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.

In re Target Tech. Co., 208 Fed. Appx. 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.

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.


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.”


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 3D § 79 cmt. f. Note: Federal Rule of Evidence 502 does not address “use” of privileged information.

**Self-Serving Disclosure:** Disclosures which 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:

*Blue Lake Forest Products v. United States,* 75 Fed. Cl. 779 (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.

*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.


*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 (Singapore) 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.

*First Fed. Sav. & Loan Ass’n v. Oppenheim, Appel, Dixon & Co.,* 110 F.R.D. 557, 567-68 (S.D.N.Y. 1986). Waiver will be found for withheld information to “make the disclosure complete and not misleadingly one-sided.”

But see:

*U.S. ex rel. Fago v. M&T Mortgage 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.
6. Selective Waiver Doctrine

   a. 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.1., above). As discussed more fully in § I.I Disclosure to the Government, 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 Communications Int’l, Inc., 450 F.3d 1179 (10th Cir. 2006).

7. 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.


Compare:

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.

Bensel v. Air Line Pilots Ass’n, 248 F.R.D. 177, 179-81 (D.N.J. 2008). Applying a five-factors 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, plaintiffs disclosed a total of approximately 155 pages 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.


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.

Harp v. King, 266 Conn. 747, 773-774, 835 A.2d 953, 969-970 (Conn. 2003). Legal memoranda disclosed in connection with freedom of information request did not constitute waiver where the privileged documents were only two of many documents produced and the documents were clearly marked confidential.

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.

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

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:

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.

Wunderlich-Malec Sys., Inc. v. Eisenmann Corp., No. 05 C 4343, 2007 WL 3086006 (N.D. Ill. Oct. 18, 2007). Applying a totality of the circumstances test, the court found waiver where plaintiff’s attorney’s 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.

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.

S.E.C. v. Cassano, 189 F.R.D. 83, 85-86 (S.D.N.Y. 1999). Where SEC produced one 100 page privileged document among 52 boxes of non-privileged documents, and SEC acted twelve days later to rectify the problem, the court held that there had been inadvertent waiver. The court found persuasive evidence that on the day of the document production opposing counsel asked an SEC paralegal to copy the privileged document immediately, the paralegal telephoned SEC counsel for approval, and SEC counsel did not review a copy of the document to find out why opposing counsel was so interested in it. “The circumstances of the request [to copy the document] clearly should have suggested to the SEC
attorney that defense counsel had found what they regarded as gold at the end of the proverbial rainbow. Any attorney faced with such a request in comparable circumstances should have reviewed the document immediately, if only to find out what the other side thought so compelling. . . . Yet the SEC attorney authorized production of the document, sight unseen. Any other precautions that were taken, and there were some, fade into insignificance in the face of such carelessness.”

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 (5th ed. 1999).

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 itself does not provide guidance on what constitutes “reasonable steps to prevent disclosure.” The Explanatory Notes indicate that the rule is “flexible enough to accommodate” the multiple factors considered by courts under the “middle” approach. See Explanatory Notes to Fed. R. Evid. 502(b), 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.

Notably, the Explanatory Notes 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.” Id. 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 Victor Stanley, Inc. v. Creative Pipe, Inc., 250 F.R.D. 251 (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. Building Materials Corp. of America, 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.” Instead the rule requires the producing party “to follow up on any obvious indications that a protected communication or information has been produced inadvertently.”

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) and (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 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.
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). The Committee Note adds, however, that the rule “does not address whether the privilege or protection that is asserted after production was waived by the production.” FRE 502(b) controls this analysis for any federal proceeding to which FRE 502 applies. FED. R. EV. 502(d), (e).

To the extent that FRE 502 applies, inadvertent waiver will not result in broad subject matter waiver. Explanatory Note to Fed. R. Evid. 502(a) (“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., 42 Cal. 4th 807, 171 P.3d 1092 (Cal. 2007) (“When a lawyer 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. . . .”)

The ABA and some jurisdictions put fewer restrictions and obligations on the receiving lawyer. See, e.g., ABA Formal Ethics Opinion 05-437 (2005) (withdrawing Former Opinion 92-368) (“A lawyer who receives a document from opposing parties or their lawyers and who 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.”); Colorado Rule of Professional Conduct 4.4(c) (2008) (lawyer shall not examine document if previously receives notice from sender, and shall abide by sender’s instructions).
8. Involuntary Disclosure

Traditional attorney-client privilege analysis required absolute confidentiality in attorney-client communications. See 8 JOHN H. Wigmore, Evidence §§ 2325-26. 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 and 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).

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. Sup. Ct. March 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 of 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 plaintiff’s 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 and City Council of Baltimore, 232 F.R.D. 228, 241 (D. Md. 2005), quoting Proposed Rule of
Evidence 512, 56 F.R.D. at 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.

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”.


Regents of Univ. of Cal. v. Superior Court, 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.

9. “At Issue” 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., Peterson v. Wallace Computer Servs., Inc., 984 F. Supp. 821, 825 (D. Vt. 1997) (defendant waived the attorney-client privilege with respect to notes and memoranda prepared for the defendant’s attorney during the course of an internal investigation of sexual harassment complaints by asserting that it conducted an adequate investigation of plaintiff’s complaints); Rest. 3d § 80(1)(b); 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, below. Raising defenses to a criminal or civil action that the client’s legal assistance was ineffective, negligent or wrongful would also waive the privilege. 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); Fischel & Kahn, Ltd. v. Van Straaten Gallery, Inc., 189 Ill. 2d 579, 585 (2000). 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 In re Marriage of Bielawski, 328 Ill. App. 3d 243, 254, 764 N.E.2d 1254, 1263-64 (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).

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. See also:

**Williams v. Sprint/United Management 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.

**Rhone-Poulenc Rorer, Inc. v. Home Indem. Co.,** 32 F.3d 851, 863-64 (3d Cir. 1994). Where the client makes the affirmative decision to place the advice of the attorney in issue, the privilege is waived.

**United States v. Mendelsohn,** 896 F.2d 1183, 1188-89 (9th Cir. 1990). In claiming that a party’s attorney advised the party that an action was legal, party waived privilege as to attorney’s testimony that he had in fact advised as to the action’s illegality.

**Parker v. Prudential Ins.,** 900 F.2d 772, 776 & n.3 (4th Cir. 1990). No waiver where opponent attempted to put advice of counsel at issue.

**Nesselrotte v. Alleghany 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.

**Walker v. County of Contra Costa,** 227 F.R.D. 529, 533-34 (N.D. Cal. 2005). When employer asserts an internal investigation as an affirmative defense, the privilege with regard to investigation-related documents is waived.

**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.

**Atlantic Inv. Mgmt., LLC v. Millennium Fund I, Ltd.,** 212 F.R.D. 395, 398-99 (N.D. Ill. 2002). Attorney-client privilege is generally waived when the client asserts claims or defenses that put his attorney’s advice at issue in the litigation.

**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.

In re Carter, 62 B.R. 1007, 1014 (Bankr. C.D. Cal. 1986). Trustee sued attorneys claiming that they had not rendered valuable services to the bankruptcy estates. When attorneys defended by claiming that they had provided valuable services, court found that no waiver had occurred since it was not attorneys who had put the value of the services in issue. The court held that “[s]killful pleadings may not render a privilege a nullity.”


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); Rest. 3d § 79 cmt. c. Such a defense clearly 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 (J. Strong. 4th ed. 1992); 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.

SRI Int’l, Inc. v. Advanced Tech. Lab., Inc., 127 F.3d 1462, 1465 (Fed. Cir. 1997). In a patent infringement case, plaintiffs can obtain patent opinions issued by defendant’s counsel where defendant asserts defense of reliance on advice of counsel in order to prove willful infringement.

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.

Collaboration Props., Inc. v. Polycom, Inc., 224 F.R.D. 473, 476 (N.D. Cal. 2004). In patent infringement action, party waived privilege with regard to advice of counsel regarding infringement by relying on the advice as an affirmative defense. However, the waiver did not extend to litigation-related communications made after the complaint had been filed.

Sanofi-Synthelabo v. Apotex Inc., 299 F. Supp. 2d 303, 308-09 (S.D.N.Y. 2004). Where the plaintiff relied on advice of counsel to cancel certain process claims in a patent infringement suit, the court held that the plaintiff must disclose communications relating to that decision because those may be relevant to the overall validity of the patent.

Sedillos v. The Board of Educ. of Sch. Dist. No. 1, 313 F. Supp. 2d 1091, 1094 (D. Col. 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.

Convolve, Inc. v. Compaq Computer Corp., 224 F.R.D. 98, 103-04 (S.D.N.Y. 2004). When defendant advanced an advice of counsel defense, it waived attorney-client privilege with respect to all communications relating to attorney’s advice regarding willful infringement of a patent. The waiver extended to communications with all attorneys on that subject matter.

Blackhawk Molding Co., Inc. v. Portola Packaging, Inc., No. 03 C 6060, 2004 WL 2211616, at *1-2 (N.D. Ill. Oct. 1, 2004). Court found waiver of attorney-client privilege where defendant relied on counsel’s opinion letter regarding patent validity and enforceability. The court extended the subject matter of the waiver to include infringement in general in addition to communications relating to validity and enforceability.


BASF Aktiengesellschaft v. Reilly Indus., Inc., 283 F. Supp. 2d 1000, 1005-06 (S.D. Ind. 2003). Where defendant relied on advice of counsel as an affirmative defense in a patent infringement case, the court held that the attorney-client privilege was waived to the broadest extent possible. The waiver encompassed post-suit communications because the defendant altered its position since the inception of the litigation.

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.”

Terra Novo, Inc. v. Golden Gate Prods., Inc., No. C-03-2684 MMC EDL, 2004 WL 2254559, at *3 (N.D. Cal. Oct. 1, 2004). Reliance on advice regarding infringement from “opinion counsel” did not create a waiver because confidential information was only disclosed to “litigation counsel” and “opinion counsel” did not have access to any confidential information or documents.

Beery v. Thomson Consumer Elecs. Inc., 218 F.R.D. 599, 605 (S.D. Ohio 2003). Patent infringement plaintiff did not waive attorney-client privilege by relying on counsel’s opinions during his deposition. The plaintiff was not asserting the counsel’s advice as an affirmative defense to infringement, instead the advice informed his understanding of whether he had a valid claim. Unlike an infringement defendant, for whom counsel’s advice can make or break a defense of good faith, here the counsel’s advice at issue did not affect the outcome of the case.

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. Here, a man of Middle Eastern descent was interviewed by FBI agents regarding his knowledge relating to terrorism investigations. When the agents asked the man why he had answered “no” to a question on an INS “greed 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 court held that three conditions must be shown before an injected issue will be deemed to waive the privilege:

(1) the privilege was asserted due to the act of the asserting party (i.e., by filing suit);

(2) through the act of asserting the privilege, the asserting party puts confidential communications into issue by making them relevant; and

(3) the application of the privilege denies the non-asserting party access to information vital to its defense.

Id. at 269. In Synalloy, 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).

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 Mar. 3, 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., 248 F.R.D. 217 (S.D. Iowa Mar. 3, 2008) 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. In Union County 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.
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.


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. New York City Ballet Co.*, No. 96 Civ. 5723, 1998 U.S. Dist. LEXIS 2010, at *4 (S.D.N.Y. Feb. 11, 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); *REST. 3D § 79 cmt. b; 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.


*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 Litigation*, 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.
10. 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., 3 JACK W. WEINSTEIN ET AL., WEINSTEIN’S FEDERAL EVIDENCE, ¶ 612[04] (2d ed. 2004) (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); REST 3D § 130 cmt. e (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); see also:

In re Rivastigmine Patent Litigation, 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.

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.

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.

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.
Deponent who uses privileged document to refresh his recollection before testifying waives the attorney-client privilege for the document.


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.

However, 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.

Jos. Schlitz Brewing Co. v. Muller & Phipps (Hawaii) 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:

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.

Audiotext Communications 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.

Bank Hapoalim, B.M. v. Am. Home Assur. 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.5, above.

b. Use Of Documents By Experts

Where privileged documents are disclosed to a testifying expert, the court must balance two competing considerations:

(1) the belief that adequate truth-finding requires litigants to have access to the information on which an expert opinion is based in order to verify that opinion; and

(2) the belief that attorney-client communications should be protected in order to encourage disclosure of the details necessary for good legal advice.

Courts typically resolve questions involving waiver of the privilege in such situations by balancing the interest of the discovering party against any prejudice from abrogation of the privilege. This generally leads to discovery of the information used by experts to form their opinions. See:

*Dyson Technology 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.


*Herrick Co. v. Vetta Sports*, No. 94 Civ. 0905, 1998 U.S. Dist. LEXIS 14544 at *4 (S.D.N.Y. Sept. 14, 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 *10. 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 *10-11.


*People v. Ledesma*, 39 Cal. 4th 641(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. Superior Court of L.A. County, 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. App. Ct. 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.

See also The Work Product Doctrine: Use of Documents by Witnesses and Experts, § IV.E.8., below.

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 suggest that the pendulum may be swinging back in favor of greater respect for the privilege.

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, however, may 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. In October of 2008, the SEC adopted a similar policy in the SEC Enforcement Manual. Second, FRE 502 was enacted which, among other things, provides a nationwide standard for determining the scope of waiver through disclosure to a federal office or agency. FRE 502 provides that a voluntary disclosure of privileged information to a federal office or agency will result in
broader subject matter waiver only if “fairness requires” that the undisclosed and disclosed documents be considered together.

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 accessed October 15, 2007). 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, Sen. 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. 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.

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. Likewise, Sen. Spector reintroduced the Privilege Act in 2007 and 2008, containing similar language. In August 2008, the Second Circuit affirmed the district courts ruling in U.S. v. Stein, 435 F. Supp. 2d 330 (S.D.N.Y. 2006). U.S. v. Stein, [ ] F.3d [ ] (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.

Revisions made in 2008 to the U.S. Attorney’s Manual and SEC Enforcement Manual respond to broad criticism of the DOJ’s and SEC’s waiver policies by directing prosecutors and investigators not to request privileged information. Instead, the agencies’ new official policies emphasize that they seek all “factual information” available to a corporation, and expressly state that privilege waivers should not be a factor in assessing corporate cooperation. As discussed below, however, the DOJ and SEC note that corporations remain free to waive privileges and corporations may create a practical bind for themselves if they lock up the “facts” in privileged reports or in joint defense arrangements.


“[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?” (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) n3 (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.* at § 9.28.730.


> [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 at § 4.3. A corporation seeking cooperation credit must make timely disclosure of “all [relevant] facts within the party’s knowledge.” *Id.* at § 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.* at §§ 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.* at § 4.3.

To illustrate the difference between relevant facts and protected information, the SEC Enforcement Manual provides 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.” *Id.* at § 4.3.
The SEC Enforcement Manual references FRE 502 and provides 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. at § 4.2.

Whether the newly revised written policies of the DOJ and the SEC will have the practical effect of decreasing pressure on corporations to waive privileges remains to be seen.

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 (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 Communications 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.

In re Stone Energy Corp., Nos. 05-2088, 5-2109, 5-2220, 2008 WL 3836657 (W.D.La. Aug. 14, 2008). Court found that disclosure of a summary report of an internal investigation to the SEC resulted in subject matter waiver. The court noted “it is clear that the doctrine of selective waiver has been roundly rejected by most courts which have considered it in the context of the qualified work product immunity.” Id. at *6.

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 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.


But see:

*McDonnell Douglas Corp. v. E.E.O.C.*, 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.


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; see also *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 Lit.*, 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 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 Securities 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).

Some state courts have adopted selective waiver. *See, e.g.*, *Saito v. McKesson HBOC, Inc.*, No. 18553, 2002 WL 31657622, at *15 (Del. Ch.Ct. 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 University of California v. Superior Court of San Diego County*, 165 Cal. App. 4th 672 (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 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, 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. June 13, 2008) (rejecting selective waiver in the absence of a joint prosecution or common interest agreement). In In re Qwest Communications Int’l, 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.”

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. 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.

Id.; 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.

Explanatory Note to FRE 502(a). 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 Am. Employee Benefit Plans Litig.*, 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 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.* The court found that the documents disclosed in *In re United Mine Workers* 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.*
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 makes a selective, misleading presentation that is unfair to the adversary opens itself to a more complete and accurate presentation.” Id.

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 agreements “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. 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 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.


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.

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, 93 Cal. App. 4th 1293, 113 Cal.Rptr.2d 763, (2001). Client’s statement to attorney that he would kill witness if not successful in bribing the same was not protected by the privilege.
Catton v. Defense Tech. Sys., Inc., 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.”

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, 384 Md. 285, 309-11, 863 A.2d 321, 335-36 (Md. Ct. App. 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.


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.
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). 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 (Sch.), 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.” Restatement (Third) of the Law Governing Lawyers § 82 cmt. c (2000); accord, In re Sealed Case (Company), 107 F.3d 46, 49 (D.C. Cir. 1997); see also In re Sulfuric Acid Antitrust Litigation, 235 F.R.D. 407, 424-425 (N.D. Ill. 2006), supplemented, 432 F. Supp. 2d 794 (N.D. Ill. 2006) (citation omitted) (holding that plaintiffs failed to show that there was probable cause to believe that communications in a report under the heading ‘Antitrust’ were in furtherance of a crime or fraud).

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 1032, 1039 (2d Cir. 1984). 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 BankAm. Corp. Sec. Litig., 270 F.3d 639, 641-42 (8th Cir. 2001).

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

- 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 Group, 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 Antitrust Grand Jury, 805 F.2d 155, 165-166 (6th Cir. 1986); 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 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 Group, 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); S.E.C. 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 Public 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. and 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, 62526 (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 Bank Am. Corp. Sec. Litig., 270 F.3d 639, 642 (8th Cir. 2001). 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). The Napster court also said that the party seeking to preserve the privilege has the right to introduce countervailing evidence. Id. 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).

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 *Rest. 3d § 82 cmt. c*. The client’s intent is determinative; the ignorance or knowledge of the attorney does not matter. *United States v. Weingold*, 69 Fed. Appx. 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 *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); *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. 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 (5th ed. 1999); *Rest. 3d § 82 cmt. c*. 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. *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); *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;” *In re Grand Jury Investigation*, 445 F.3d 266, 279-280 (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); 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).

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, 71 (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), opinion 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. United States v. Zolin, 491 U.S. 554, 572 (1989). 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, 107 S. Ct. 2775 (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. 171, 181, 107 S. Ct. 2775, 2781 (1987). 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:

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.


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:

In re Marriage of Decker, 606 N.E.2d 1094, 1105-1107 (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); REST. 3D § 82 cmt. g.
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); **REST. 3D § 83; 8 JOHN H. WIGMORE, EVIDENCE § 2327** (J. McNaughton rev. 1961); **JOHN W. STRONG, MCCORMICK ON EVIDENCE § 91** (5th ed. 1999). 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(d)(3)[01] (2d ed. 2004); 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 REST. 3D § 83 cmt. e; 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 Distributors, 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**
Bank Brussels Lambert v. Credit Lyonnaise (Suisse), 220 F. Supp. 2d 283, 287-88 (S.D.N.Y. 2002). While a firm is in a client’s employment, it has a fiduciary duty to the client that precludes it from asserting the attorney-client privilege with respect to internal communications reviewing potential conflicts.

Burns ex rel. Office of Public Guardian v. Hale & Dorr LLP, 242 F.R.D. 170 (D. Mass. 2007). In a suit against a law firm for negligence and breach of fiduciary duty for the mishandling of a trust, firm could not assert privilege over its own internal investigation regarding its potential liability; the court found that the client confidentiality-based purpose of the privilege was not served where the “client” invoking the privilege was also the firm itself.


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, (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.

Id. at 1103-04. 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.
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 (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 v. White*, 965 F.2d 126, 133 (6th Cir. 1992) (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*, 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 the 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, 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. Garner, 430 F.2d at 1104. But see RMED Int’l, Inc. v. Sloan’s Supermarkets, 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 (A) the benefit to be gained from the proper disposition of the litigation and (B) the rights of the shareholders. Id. 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).


**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. Recently, however, some 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.

*Fausek v. White*, 965 F.2d 126 (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.

*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.”

*In re ML-Lee Acquisition Fund II, L.P.*, 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.

*In re Bairnco Corp. Sec. Litig.*, 148 F.R.D. 91, 97-98 (S.D.N.Y. 1993). Court refused to limit Garner to derivative actions. It allowed shareholders in a class action against the corporation to discover corporate materials involving pending asbestos litigation.
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.


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.


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); In re Atlantic Fin. Mgmt. Sec. Litig., 121 F.R.D. 141, 146 (D. Mass 1988); Quintel Corp., N.V. v. Citibank, N.A., 567 F. Supp. 1357, 1363-64 (S.D.N.Y. 1983). 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, 97-98 (S.D.N.Y. 1993); Cohen v. Uniroyal, Inc., 80 F.R.D. 480, 484-485 (E.D. Pa. 1978) (Garner rationale applied in shareholder class action where plaintiffs were not shareholders at the time of the allegedly fraudulent conduct); Lawrence E. Jaffe Pension Plan v. Household Int’l, Inc., 244 F.R.D. 412, 423 (N.D. Ill. 2006) (securities fraud class action brought to recover financially for injuries sustained by the investing public as a result of corporation’s alleged fraud 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 Omnicron Group, 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.”).
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 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 inquiries 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. In Dome Petroleum, Ltd v. Employers Mutual Liability Insurance Co. of Wisconsin, 131 F.R.D. 63 (D.N.J. 1990), the court relied on the doctrine in part to apply to a dispute between an insurance subrogor and subrogee. 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). In In re Metlife Demutualization Litigation, 495 F. Supp.2d 310 (E.D.N.Y. 2007), the court held that a mutual insurance company’s policyholders were clients of the company’s counsel when counsel drafted the Prospectus for policyholders regarding the proposed demutualization of Met Life.

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 benefits plan fiduciaries. See Tatum v. R.J. Reynolds Tobacco Co., 247 F.R.D. 488 (M.D. N.C. 2008) (Garner doctrine applied to communications between an ERISA administrator and counsel); 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); Wildbur v. ARCO Chem. Co., 974 F.2d 631, 645 (5th Cir. 1992) (“When 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.”); Smith v. Jefferson Pilot Fin. Ins. Co., 245 F.R.D. 45 (D. Mass. 2007) (fiduciary exception applicable to insurance companies in ERISA suit); Henry v. Champlain Enters., Inc., 212 F.R.D. 73, 83-88 (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); Washington-Baltimore Newspaper Guild Local 35 v. Washington 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 the counsel was also the plan’s fiduciary under the Employee Retirement Income Security Act of 1974 (ERISA). While acknowledging that the fiduciary exception applied to communications made by an ERISA plan 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 Smith v. Jefferson Pilot Fin. Ins. Co., No. CIV A 07-10228-PBS, 2007 WL 2681840 (D. Mass. Aug. 2, 2007) (holding that the fiduciary exception to the attorney-client privilege applied to insurance companies in the ERISA context). 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 may not claim the fiduciary exception. Wachtel v. Health Net, Inc., 482 F.3d 225, 233 (3d Cir. 2007).

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, 430 F.2d at 1103-1104; 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).

While many courts have extended Garner beyond derivative actions, some courts have refused. 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. In addition, the court noted that Weil was a former, not present shareholder of the corporation. Despite this fact, the court allowed the requested discovery based on a finding of waiver. See also Ward v. Succession of Freeman, 854 F.2d at 786 (recognizing that “good cause” is more difficult to establish in an individual suit, but rejecting Weil); Shirvani v. Capital Inv. Corp., 112 F.R.D. 389, 390-91 (D. Conn. 1986) (court rejected Garner doctrine in action brought directly against the corporation by shareholders); Opus Corp. v. IBM Corp., 956 F. Supp. 1503, 1509-10 (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); In re Teleglobe Communications Corp., 493 F.3d 345, 384 (3d Cir. 2007) (where an insolvent subsidiary brought a claim for breach of fiduciary duty against its parent in a bankruptcy proceeding under Delaware law, the Third Circuit noted that the Delaware courts might extend application of the Garner doctrine to the debtors’ dispute and set aside the parent’s assertion of privilege on a showing of good cause).

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. REST. 3D § 85 cmt. b. 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 for non-privileged 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.

REST. 3D § 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 (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. 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 (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 the 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] report . . . to . . . the court . . . automatically places it in the public domain.” Id. at 441. 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 [r]eport 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 protection]. . . 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:

In re Davco 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 are released to the court and the public, and not the SLC report itself.

Abbey v. Computer & Communications Tech. Corp., No. 6941, 1983 WL 18005 (Del. Ch. Apr. 13, 1983). “Plaintiff 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.

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 Group, 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); Gottlieb v. Wiles, 143 F.R.D. 241 (D. Colo. 1992) (no waiver occurs from exchange of privileged materials between persons with common interest); 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); FDIC v. Cheng, No. 3:90-CV-0353-H, 1992 WL 420877 (N.D. Tex. Dec. 2, 1992) (same). 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, 2007 WL 465444, *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.

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., below.

2. Sharing between clients represented by separate counsel: In this outline, the term common defense privilege is used for sharing arrangements between separately represented clients. See Common Defense Privilege, § II.B., below. 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); Government of Virgin Islands 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 (5th ed. 1999); Rest. 3d § 75; 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.
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.

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.


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:

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.


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, N. 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); In re Megan-Racine Assocs, Inc., 189 B.R. 562, 571-72 (Bankr. N.D.N.Y. 1995) (same); United States v. Gotti, 771 F. Supp. 535, 545 (E.D.N.Y. 1991) (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 (2nd Cir. 1999). The mere exchange of information is not sufficient. In re Grand Jury Subpoena, 415 F.3d 333, 341 (4th Cir. 2005); United States v. Dose, N. CR04-4082-MWB, 2005 WL 106493, at *17 (N.D. Iowa Jan. 12, 2005); see also In re Economou, 362 B.R. 893 (Bkrtcy. 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); 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).

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, 248 F.3d 236 (1st Cir. 2002); In re Santa Fe Int’l Corp., 272 F.3d 705 (5th Cir. 2001).

Written agreements are the best evidence for establishing the existence of a joint defense arrangement. See Minebea Co. v. Papst, 228 F.R.D. 13, 15 (D.D.C. 2005). 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. 8 JOHN H. WIGMORE, EVIDENCE § 2328 (J. McNaughton rev. 1961); REST. 3D § 75 cmt. e; In re Teleglobe Communications Corp., 493 F.3d 345 (3d Cir. 2007), as amended (Oct. 12, 2007); In re Auclair, 961 F.2d 65 (5th Cir. 1992); In re Grand Jury Subpoenas, 89-3 and 89-4, John Does 89-129, 902 F.2d 244 (4th Cir. 1990).

2. Waiver By Subsequent Litigation

The joint-defense privilege is waived in subsequent litigation between the co-clients. JOHN H. WIGMORE, EVIDENCE § 2312, at 603-604 (J. McNaughton rev. 1961); JOHN W. STRONG, MCCORMICK ON EVIDENCE § 91 (5th ed. 1999); Massachusetts Eye and Ear Infirmary v. QLT Phototherapeutics, Inc., 412 F.3d 215 (1st Cir. 2005); In re Tri-River Trading, LLC, 329 B.R. 252, 269-70 (B.A.P. 8th Cir. 2005); In re Grand Jury Subpoena, 274 F.3d 563 (1st Cir. 2001). 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 REST. 3D § 75. 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
3. **In re Teleglobe**

The Third Circuit’s decision in *In re Teleglobe Communications Corp.,* 493 F.3d 345 (3d Cir. 2007), as amended, (Oct. 12, 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. 493 F.3d 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. 493 F.3d 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. 493 F.3d at 372.
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. 493 F.3d 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. 493 F.3d at 374.

B. COMMON DEFENSE PRIVILEGE

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 Group, 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 Unif. R. Evid. 502(b) (explicitly recognizing common defense extension to attorney-client privilege); United States v. Henke, 222 F.3d 633, 637 (9th Cir. 2000) (same 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); REST. 3D § 76.

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, 816 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 America, 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 Group, 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 either legal or strategic in character and work together actively to pursue that interest. See Work River Ins. Co. v. Columbia Cas. Co., No. 90 Civ. 2518, 1995 WL 5792 (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.”); Gus Consulting GMBH v. Chadbourne & Parke, LLP, 858 N.Y.S.2d 591, 593 (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 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”); In re John Doe Corp., 675 F.2d 482, 489 (2d Cir. 1982) (disclosure for commercial purposes is inconsistent with legal representation purpose); 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); Fresenius Med. Care Holdings, Inc. v. Roxane Labs., 2007 WL 895059, *2 (S.D. Ohio Mar. 21, 2007) (patent holder and patent purchaser shared a common interest in obtaining a strong and enforceable patent); Hunton & Williams, LLP v. United States Dep’t of Justice, No. 3:06CV477, 2008 WL 906783 (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).

Compare:

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 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.

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.
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 (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. Duke Energy Corp., 214 F.R.D. 383, 387-88 (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.


Dura Global Technologies, Inc. v. Magna Donnelly Corp., No. 07-CV-10945-DT, 2008 WL 2217682 (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.

In re Grand Jury Subpoena Duces Tecum, 112 F.3d 910 (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.

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.

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.
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.” Id. “If anything, the standstill agreement relate[d] to potential interests [between the parties] that [were] adverse, not common.” Id.

Citizens Commc’ns Co. v. Attorney General, 931 A.2d 503 (Maine 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.

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); REST. 3D § 76 cmt. e., 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) (holding that parties with adverse interests lacked common interest to support privilege); SR Int’l Bus. Ins. Co. Ltd. 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). Bank of Am., N.A. v. Terra Nova Ins. Co. Ltd., 211 F. Supp. 2d 493, 496 (S.D.N.Y. Jul 18, 2002) (holding that interests must be identical and legal, not merely similar or commercial, and rejecting claim of common interest privilege); 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.”); see also Cheeves v. Southern 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.”); Graco Children’s Products, Inc. v. Dressler, Goldsmith, Shore & Milnamow, Ltd., 1995 WL 360590, at *5 (N.D. Ill. June 14, 1995) (same); 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.”).

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 privilege 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); United States v. United Techs. Corp., 979 F. Supp. 108, 111-112 (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). 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 JP Morgan Chase & Co. Sec. Litig., 2007 WL 2363311, *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); In re Grand Jury Subpoena 06-1, 274 Fed.Appx. 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).

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 Group, 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* Rest. 3D § 76. *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* Rest. 3D § 76 cmt. d. This protection allows a client’s non-testifying experts or auditors to be present without waiving the privilege. *See In re Grand Jury Investig.*, 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 Rest. 3D § 76 cmt. c.* 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, No. 93-31, 1994 WL 17322 (D. Del. Jan. 12, 1994) (in a common defense arrangement, waiver by one person of information shared in the arrangement will 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 8 JOHN H. WIGMORE, EVIDENCE § 2328 (J. McNaughton rev. 1961); REST. 3D § 76 cmt. g.

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); 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 Secs. 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); Ohio-Sealy Mattress Mfg. Co. v. Kaplan, 90 F.R.D. 21, 29 (N.D. Ill. 1980); In re Grand Jury Subpoena Duces Tecum etc., 406 F. Supp. 381, 393-94 (S.D.N.Y. 1975). When litigation arises, each member can use shared information against the maker unless another arrangement has been made. Securities 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 REST. 3D § 76 cmt. e. 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 REsT. 3D § 76 cmt. g. 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 PRIVILEGE**

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), below. 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 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 an insured and an agent of the insurance carrier.”); Am. Special Risk Ins. Co. v. Greyhound Dial Corp., No. 90 Civ. 2066, 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. General 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); 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 Ds & Os and insurer where insurer had only indemnity obligation and no duty to defend).


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
2. **The Insurer’s Access To The Insured’s Privileged Communications**

In Waste Management, Inc. v. Int’l Surplus Lines Ins. Co., 144 Ill.2d 178, 194, 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 Dendema v. Denbur, Inc., No. 00-C-4438, 2002 U.S. Dist. LEXIS 3804 (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 (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. Col. 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.”); 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 privilege report from insured’s attorney to deny coverage).
Numerous courts have rejected this approach, however, citing a lack of common interest between the parties. See N. River Ins. Co. v. Columbia Cas. Co., No. 90 Civ. 2518, 1995 WL 5792 (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.”); 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); 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 (Ohio Ct. Com. Pl. 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 Eastern 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.); Wis. 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. and Guar. Co., 40 A.D.3d 486, 837 N.Y.S.2d 616 (1st Dept. 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:


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.

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].”

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:

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.

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.”


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 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. 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.

• When communicating via email or on the internet, use an encrypted format to prevent disclosure to unintended recipients.

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 at all, 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, 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.

• Do not provide an expert with privileged 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 or corporation should inform employees who are interviewed or questioned that the attorney does not represent them individually.

• 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. 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.

F. 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.

• When communicating via email or the internet, use an encrypted format to prevent disclosure to unintended recipients, or interception by third parties.
• 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. and Mgmt. Sys., Inc. v. ICT Group, 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. Maine 2003) (quoting In re San Juan Dupont Plaza Hotel Fire Litig., 859 F.2d 1007, 1014 (1st Cir. 1988); see United States v. ChevronTexaco Corp., 241 F. SUPP. 2d 1065, 1081 (N.D. Cal. 2002) (“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:

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.”

In re Cendant Corp. Sec. Litig., 343 F.3d 658, 661 (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.”

Simmons, Inc. v. Bombardier, Inc., 221 F.R.D. 4, 7 (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)).

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 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.”

Feacher v. Intercont’l Hotels Group, 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...”

In relevant part, Rule 26(b)(3) provides:

[A] party may obtain discovery of documents and tangible things otherwise discoverable under subdivision (b)(1) of this rule and prepared in anticipation of litigation or for trial 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) only upon a showing that the party seeking discovery has substantial need of the materials in the 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. In ordering discovery of such materials when the required showing has been made, the court shall protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party concerning the litigation.


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). Work product may include material prepared by non-attorneys so long as it was prepared in anticipation of litigation. See Haugh v. Schroder Inv. Mgmt. N. Am. Inc., 2003 WL 21998674, at *5 (S.D.N.Y. 2003) (holding that work product doctrine applies to attorney communications with public relations agent, even where he is only retained in an extrajudicial capacity); Mancuso v. D.R.D. Towing Co., No. Civ.A. 05-2441, 2006 WL 889383, at *2-3 (E.D. La. Mar. 10, 2006) (barring defendant’s expert from shadowing plaintiff’s expert’s inspection of ship because it could reveal attorney’s privileged work product, such as mental impressions, conclusions and legal theories). 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). 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).
A. DEFINING WORK PRODUCT

1. “Documents And Tangible Things”

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(g)(2) specifically includes intangible work product. (“‘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).

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 Property Together With all Bldgs., Improvements, Appurtenances and Fixtures, 95 F.3d 422, 428 (6th Cir. 1996) (The broader work-product doctrine outlined in Hickman v. Taylor protects reflections and recollections of an attorney that have never been written down.).

2. **Work Product Must Be Prepared By Or For A Party Or By Or For Its Representative**

Although protected work product is most commonly prepared by an attorney, work product protection extends to any materials prepared in anticipation of litigation by or for a party. Hertzberg v. Veneman, 273 F. Supp. 2d 67, 76 (D.D.C. 2003); see 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); 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.”) 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 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); United Coal Companies v. Powell Const. 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 of 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). Some old case law only recognizes work product prepared by attorneys and would deny Hickman protection to non-lawyer work product. See Groover, Christie & Merritt v. LoBianco, 336 F.2d 969, 973-74 (D.C. Cir. 1964) (documents not prepared under supervision of attorney not work product); Burke v. United States, 32 F.R.D. 213 (E.D.N.Y. 1963) (material not work product since not product of legal skill). But see Alltmont v. United States, 177 F.2d 971 (3d Cir. 1949) (Hickman applies to all witness statements irrespective of whether attorney or party actually obtained the statement); 8 CHARLES ALAN WRIGHT, ET AL., FEDERAL PRACTICE & PROCEDURE § 2024 (2d ed. 1994) (protection should not depend on who obtained the statement).

To be sure, 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’s 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. . . .”); In re Grand Jury Subpoena, 220 F.R.D. 130, 141-42 & n.2 (D. Mass 2004) (noting that work protect 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); Residential Constructors, LLC v. Ace Property & Cas. Ins. Co., No. 2:05-cv-01318-BES-GWF, 2006 WL 3149362, at *14-15 (D. Nev. Nov. 1, 2006) (independent claims adjuster hired by insurer to handle investigation of a claim is considered a claims employee of the insurer and therefore communications between the adjuster and insurer’s defense counsel were protected by attorney-client privilege); 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 (7th Cir. 2007) (“[i]t is not up to the client to determine whom to make an agent for the purposes of asserting the work product doctrine; the privilege extends … [only to] the attorney’s 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); 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); In re Public Defender Serv., 831 A.2d 890, 895-96 (D.C. 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).

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); 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); Howell v. City of N.Y., 2007 WL 2815738, *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); 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); Ramsey, 2002 WL 1402055 at *2 (holding that “in accordance with the substantial weight of legal authority, that a non-party cannot invoke the work-product immunity of [Rule] 26(b)(3) to withhold documents created for the non-party’s benefit” where investigative materials prepared on behalf of parents, but minor plaintiff was only interested party in the lawsuit); 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); Asarco, LLC v. Americas Mining Corp., No. 07-6289-EJL-MHW, 2007 WL 3504774 (D. Idaho Nov. 15, 2007) (court granting protective order on the basis of the work product doctrine even though the party seeking protection was not a party to the litigation; court held that both Rule 45, which governs subpoenas, and Rule 26(c), which authorizes a court to issue protective orders for “good cause shown,” provided ample authority for the court to protect work product of third parties). Some courts have noted that the courts 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 Finance Corp., 2006 WL 3484387 (E.D. Pa. 2006); In re Polypropylene Carpet Antitrust Litigation, 181 F.R.D. 680, 691-92 (N.D. Ga. 1998).

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 party non-adversarial proceedings); REST. 3D § 87 cmt. h; Jordan v. U.S. Dep’t of Justice, 591 F.2d 753,755 (D.C. Cir. 1978). 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 Deseret Mgmt. Corp. v. United States, 76 Fed. Cl. 88 (Fed. Cl. 2007) (litigation includes adversarial proceedings, defined as “when evidence is or legal argument is presented by parties contending against each other with respect to legally significant factual issues”), quoting Rest. 3d Law Governing Lawyers §87 cmt. h (2000); Abdallah v. The Coca-Cola Co., No. Al: 98CV3679,
"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. 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); 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).

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, 2007 WL 473726, *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.

Medical Protective Co. v. Bubenik, 2007 WL 3026939, *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. Marriott 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 was fairly foreseeable at the time the materials were prepared.” (internal quotations omitted) (citing Coastal States Gas Corp. v. Dep’t of Energy, 617 F.2d 854, 865 (D.C. Cir. 1980)).

SmithKline Beecham Corp. v. Pentech Pharms., Inc., No. 00 C 2855, 2001 WL 1397876 (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.”


Heyman v. Beatrice Co., No. 89 C 7381, 1992 WL 97232 (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,”
Photographs taken in ordinary course of business were discoverable, but photographs taken in anticipation of litigation were protected work product.

Medical Protective Company v. Bubenik, No. 4:06CV01639 ERW, 2007 WL 3026939 (E.D. Mo. Oct. 15, 2007). Declining to adopt a bright line rule to determine when an insurer first “anticipates litigation” so as to avil itself of the work product protection; noting that while an insurer’s decision to decline coverage is typically the point at which the ordinary course of business ends and “anticipation of litigation” begins, a case-by-case analysis is required.

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, 68 F.3d 1495, 1501 (2d Cir. 1995) (holding memorandum containing opinion work product relating to potential tax litigation arising out of a proposed merger may be protected; “[T]here is no rule that bars application of work-product protection to documents created prior to the event giving rise to litigation”); 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 884-885. 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


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 Wyo. v. U.S. Dep’t of Agric., 239 F. Supp. 2d 1219, 1231 (D. Wy. 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
“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 Fir, PC, 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 March 19, 2002 and August 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”); Nat’l Union Fire Ins. Co. v. Murray Sheet Metal Co., 967 F.2d 980, 984 (4th Cir. 1992); Myer v. Nitetrain Coach Co., 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); 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). 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). 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 3177891, at *5 (M.D.N.C. Nov. 5, 2002); but see Pacific Gas & Elec. Co. v. U.S., 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 and 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 Minnesota, 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., below; see also:

SmithKline Beecham Corp. v. Pentech Pharms., 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. Courts 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 In re Grand Jury Subpoena (Mark Torf/Torf Env’t Mgmt.), 357 F.3d 900, 908 (9th Cir. 2004) (adopting the “because of” standard in the Ninth Circuit); 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”); 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:
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. Eastern 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 and 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); S. Scrap Material Co. v. Fleming, No. Civ. A. 01-2554, 2003 WL 21474516, at *5-6 (E.D. La. June 18, 2003); Elec. Data Sys. Corp. v. Steingraber, No. 4:02 CV 225, 2003 WL 21653414, at *4 (E.D. Tex. July 9, 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. v. Fleming, No. Civ. A. 01-2554, 2003 WL 21474516, at *6-7 (E.D. La. June 18, 2003) (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.

**Douga v. D & Boat Rentals, Inc.,** 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.

**S. Scrap Material Co. v. Fleming,** No. Civ. A. 01-2554, 2003 WL 21474516, at *5 (E.D. La. June 18, 2003). Holding that audit letters prepared by outside counsel summarizing all ongoing litigation prepared at the request of general counsel were subject to work product protection.
Elec. Data Sys. Corp. v. Steingraber, No. 4:02 CV 225, 2003 WL 21653414, at *4 (E.D. Tex. July 9, 2003). Holding that primary purpose of investigation was “to fairly and impartially determine whether or not an employee [was] stealing or otherwise misusing EDS assets, and ultimately, make a business decision – whether or not to terminate [employee’s] employment” and thus 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.”


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.


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:


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.
“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 United States v. Textron, Inc., ---F.3d---, 2009 WL 136752 (1st Cir. 2009); In re Grand Jury Subpoena, 357 F.3d 900, 908-09 (9th Cir. 2004); State of Maine v. U.S. Dep’t of the Interior, 298 F.3d 60, 69 (1st Cir. 2002); U.S. v. Adlman, 134 F.3d 1194, (2d Cir. 1998); National Union Fire Ins. Co. v. Murray Sheet Metal Co., Inc., 967 F.2d 980, 984 (4th Cir.1992); Binks Mfg. Co. v. National 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.), cert. denied, 484 U.S. 917, 108 S. Ct. 268, 98 L.Ed.2d 225 (1987); Senate of Puerto Rico v. United States 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 (2d ed. 1994) (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; United States v. Textron, Inc., ---F.3d---, 2009 WL 136752 (1st Cir. 2009) (“We reject the IRS’s contention that the mere presence of a business or regulatory purpose defeats work-product protection.”). Additional cases adopting the “because of” approach to determining whether a document was prepared in anticipation of litigation include the following:

United States v. Roxworthy, 457 F.3d 590, 598-99 (6th Cir. 2006). Work product protection applied to memoranda prepared by accounting firm analyzing the tax implications or certain transactions and stock transfers because they were in anticipation of litigation, even though they were also used to make business decisions. The Sixth Circuit cautioned that the documents would lose the protection if they would have been created in essentially similar form irrespective of the anticipated litigation.

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.

State of 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).

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.

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.”

_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.

_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._, 2007 WL 495150, *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._, 2007 WL 210110, *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.


_Stalling v. Union Pac. R.R. Co._, No. 01 C 1056, 2003 WL 22071502 (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 Broadcasting 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 and 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.

Waste Mgmt., Inc. v. Fla. Power & Light Co., 571 So. 2d 507, 510 (Fla. Dist. Ct. App. 1990). Preparation of litigation need be just one of the purposes behind litigation, and it is not required to be the entire purpose.

Procter & Gamble Co. v. Swilley, 462 So. 2d 1188, 1193 (Fla. Dist. Ct. App. 1985). Dual purpose of (1) helping employee morale/combating negative publicity and (2) preparing for litigation could sustain work product protection.

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.”
Neese v. Shaw 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 are not implicated and work product doctrine is inapplicable.

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); Eagle-Picher Indus. Inc. v. United States, 11 Ct. Ct. 452, 457 (1987); Duplan Corp. v. Moulinage et Retorderie de Chavanoz, 487 F.2d 480, 483-84 (4th Cir. 1973); In re Murphy, 560 F.2d 326, 334-35 (8th Cir. 1977); United States v. Legget & Platt, Inc., 542 F.2d 655, 659-60 (6th Cir. 1976). 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 Pharms., 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, `to 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 REST. 3D § 136 cmt. 1.

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.

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 Envt’l Sys., Inc. v. County 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 (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.”


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 REST. 3D § 87 cmt. j; Compare:


In re Murphy, 560 F.2d 326 (8th Cir. 1977). Subsequent litigation not required to be related in order to maintain work product protection.


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.

**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.

**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 an attorney or other representative of a party concerning 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.

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.’”

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.

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.

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.

But see:

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.”

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In re HealthSouth Corp. Sec. Litigation, 250 F.R.D. 8 (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.

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 Rest. 3d § 87 cmt. f; In re Allen, 106 F.3d 582, 608 (4th Cir. 1997). 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 March 19, 2002 and August 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.

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, 315-317 (3d Cir. 1985). Selection process can create opinion work product even though the documents themselves do not qualify for work product protection.

United States 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.

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.


*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.


*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 Cardinal Health, Inc. Sec. Litig.*, 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.”


*In re Air Crash Disaster Near Warsaw, Poland on May 9, 1987*, No. MDL 787, 1996 WL 684434 (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.”


*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 (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.
In re Search Warrant for Law Offices Executed on March 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.”

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 Protections and 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. Automobile Dealers Assoc., 214 F.R.D. 432, 441, vacated in part on other grounds, Robinson v. Tex. Auto. Dealers Ass’n, 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:


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).

Feacher v. Intercont'l Hotels Group, 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.

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) (quotations omitted); see also:

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.

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.

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.”

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.

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.

Southern Scrap Material Co. v. Fleming, No. Civ. A. 01-2554, 2003 WL 21474516, at *5 (E.D. La. June 18, 2003), reconsideration denied 2003 WL 21474516. 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.
**E.E.O.C. 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 and 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.”

**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.

**Raso v. CMC Equipment 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.


### 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

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 Assoc. 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 Extérieur 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; REST. 3D § 90. 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 timeframe established by the rules, or risk waiving the protection; work product protection is not self-executing. Hobley v. Burge, 226 F.R.D. 312, 320-23 (N.D. Ill. 2005) (finding a waiver of work product protection where the City of Chicago failed to log documents in the possession of counsel providing services in prior litigation); 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). 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, Inc. v. Simon, 212 F.R.D. 523, 528 (D. Minn. 2002) (quoting Rabushka ex rel. U.S. v. Crane Co., 122 F.3d 559, 565 (8th Cir. 1997)). 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. Other courts have noted: “The elements of . . . work-product protection . . . are] usually established by affidavits from individuals with personal knowledge of the relevant facts, including in camera affidavits. However, courts may also rely on live testimony or in camera inspection
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). Rule 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 an attorney or other representative of a party 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. Lit., 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); REST. 3D § 88. 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 Fed. Appx. 467, No. 00-1540, 2001 WL 1518787, at *3 (6th Cir. Nov. 20, 2001) (unpublished) (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., No. 00-1540, 23 Fed. Appx. 467, 2001 WL 1518787, at *3 (6th Cir. Nov. 20, 2001) (unpublished) (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 Trans. 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. (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.); REST. 3D § 88 cmt. b.

**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.

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:


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. Maine 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., No. 00-1540, 23 Fed. Appx. 467, 2001 WL 1518787, at *3 (6th Cir. Nov. 20, 2001) (unpublished).

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 8 CHARLES ALAN WRIGHT, ET AL., FEDERAL PRACTICE & PROCEDURE § 2025 (2d ed. 1994); REST. 3D § 88 cmt. b. Courts consider a variety of ways in which materials may be unavailable, including:


Where the passage of time has dulled the witness’s memory. See Xerox Corp. v. IBM Corp., 64 F.R.D. 367, 381-82 (S.D.N.Y. 1974) (allowing use of notes from interviews with employees unable to recall events); Xerox Corp. v. IBM Corp., 79 F.R.D. 7 (S.D.N.Y. 1977) (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. Maine 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 Rule 26(b)(3), courts have considered a variety of factors in determining need and hardship, including the following:


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); Rest. 3D § 88 cmt. b.

- 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); 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, 401-2 (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 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 (2d ed. 1994); REST. 3D § 138; 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.

*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.

*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.”

*Aktiebolag v. Andrx Pharms., 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.”

*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.”


*SmithKline Beecham Corp. v. Pentech Pharms., Inc.*, No. 00 C 2855, 2001 WL 1397876 (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.”

*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.”


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). Many courts note that the language of Fed. R. Civ. P. 26(b)(3) merely orders that opinion work product “shall be protected.” These courts conclude that this language only requires a greater showing than ordinary substantial need and undue hardship. Often the courts 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:


Sporck v. Piel, 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.


AIA Holdings, S.A. v. Lehman Brothers, 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. 5299 CR 1182, 2000 U.S. Dist. LEXIS 3734 (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.

Eagle-Picher Indus., Inc. v. United States, 11 Cl. Ct. 452, 457 (1987). Discovery of opinion work product “is allowed sparingly.” Under the facts of the case, court found that the opinion work product was protected.
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 Mutual Ins. Co., Civil Action 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); REST. 3D § 91 cmt. b.

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. 2000) (“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., above; REST. 3D § 91(3).
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 (2d ed. 1994). (For a discussion of selective versus partial waiver see Terminology of Waiver, § I.G.1, 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. Boston 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. Bane One Capital Partners, Inc., No. CA3:93CV-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 at 210 (2d ed. 1994) (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. Textron, Inc., ---F.3d---, 2009 WL 136752 (1st Cir. 2009) (work product protection may be waived through disclosure to a “conduit,” that is, one who “substantially increase[s] the opportunities for potential adversaries to obtain the information); United States v. Stewart, 287 F. Supp. 2d 461 (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.” Id. at 468.) (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 Grand Jury Subpoenas Dated Dec. 18, 1981, 561 F. Supp. 1247, 1257
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).

See:

In re Martin Marietta Corp., 856 F.2d 619, 626 (4th Cir. 1988). Actual disclosure of pure mental impressions or opinion work product to adversaries can constitute waiver.

SEC v. Roberts, No. C0704580MHP, 2008 WL 3925451, at *9-11 (N.D. Cal. Aug. 22, 2008). Adopting the approach used in Merrill Lynch, the court found that information exchanged between attorneys and auditors did not waive work product protection, but attorney’s deposition revealing his impressions of the demeanor, credibility, and culpability of some of the witnesses resulted in waiver of work product protection such that all interview notes and summaries with respect to those witnesses had to be turned over to defendant.

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.

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. New York City 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 Dept. of Education’s Office of Legal Services and the Dept. 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.

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 taken in Merrill Lynch, the court held that outside auditors are not adversaries of their clients and share interest in detecting corporate fraud.

Merrill Lynch & Co., Inc. v. Allegheny Energy, Inc., 229 F.R.D. 441, 445-49 (S.D.N.Y. 2004). Reviewing cases addressing selective disclosure and holding that disclosure of documents to independent auditors did not affect a waiver. While in a sense adversarial in nature, the client-public accountant relationship was not adversarial in the same sense as the relationship between adverse litigants.

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., No. CIV 3:00CV524, 220 F.R.D. 264 (E.D. Va. Mar. 17, 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.

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.

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.”

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.”

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.


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.”
In determining waiver, the issue is whether disclosure has increased the likelihood that a current or potential adversary will gain access to protected documents.

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.

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.

Questionnaires and responses disclosed between the Dept. of Education’s Office of Legal Services and the Dept. 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.

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.

Adopting approach taken in Merrill Lynch, the court held that outside auditors are not adversaries of their clients and share interest in detecting corporate fraud.

Reviewing cases addressing selective disclosure and holding that disclosure of documents to independent auditors did not affect a waiver. While in a sense adversarial in nature, the client-public accountant relationship was not adversarial in the same sense as the relationship between adverse litigants.

“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).

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.

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.

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.”

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.”

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.


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 West 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.

Ratke v. Comm’r of Internal Revenue, No. 964101L, 129 T.C. 45, 56, 2007 WL 2491832 (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.

3. 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 FRE 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); 8 CHARLES ALAN WRIGHT, ET AL.,
FEDERAL PRACTICE & PROCEDURE § 2024 (2d ed. 1994) (suggesting that disclosure to an adversary does not waive protection for underlying notes and memoranda on the same subject matter); REST. 3d § 91 cmt. c. 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.

FRE 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. FRE 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.” Explanatory Note to FRE 502(a). The Note cites In re United Mine Workers of Am. Employee Benefit Plans Litig., 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. Id. 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 makes a selective, misleading presentation that is unfair to the adversary opens itself to a more complete and accurate presentation.” Id.

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.

See:

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.

Irwin Indus. Tool Co. v. Orosz, No. 03 C 1738, 2004 WL 2474318, at *2-3 (N.D. Ill. March 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.

Stoner v. New York City 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.

McGrath v. Nassau County 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.

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 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.


But see:

SEC v. Chesnoff, No. 4:05-MC-043-Y, 2006 WL 2052371, *3-4 (N.D. Tex. July 18, 2006). Drafts of terms sheet for public offering prepared by counsel, emails between client and counsel related to the term sheet, and call logs between client and counsel were not privileged because they related to the preparation of information the client intended his attorney to impart to others or that he intended to be made known to others.


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 non-opinion work product and thus court did not require production of attorney notes containing opinion work product.


4. Selective Waiver: Reporting To Government Agencies

To the extent that decisions predating FRE 502 adopt a hard-line approach imposing strict subject-matter waiver based on the disclosure of privileged material these holdings are probably no longer good law: e.g. In re Martin Marietta Corp., 856 F.2d 619, 623-23 (4th Cir. 1988) (waiver extended to details underlying the information actually disclosed to the agency); In re Sealed Case, 877 F.2d 976 (D.C.Cir. 1989) (specifically discredited in the Explanatory Note to FRE 502(a)).

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.1., above); see also Westinghouse Elec. Corp. v. Republic of the Philippines, 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 Communications 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.

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 Philippines, 951 F.2d 1414 (3d Cir. 1991). Government was investigating corporation. Court held that disclosure of work product to government 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.

In re Initial Pub. Offering Securities 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 the 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.

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.

In re Cardinal Health, Inc. Sec. Litig., 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., 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.


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 confidentiality agreement with government agency.


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, 172-173 (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.


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).


With:


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.


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.

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.

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 Systems (Texas), Inc. v. Dot Hill Systems 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.

S.E.C. 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.

FRE 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. EV. 502(b). FRE 502 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. EV. 502(a). Additionally, FRE 502 states that disclosures made during state proceedings do not operate as a waiver in a federal proceeding if (1) the disclosure would not be considered a waiver under FRE 502 if it had been made in a federal proceeding or (2) the disclosure is not a waiver under the law of the state where the disclosure occurred. See FED. R. EV. 502(c). FRE 502’s procedure for inadvertent waiver applies to all proceedings that commence after its date of enactment, September 19, 2008. As for proceedings pending on the date of enactment, FRE 502 applies “insofar as is just and practicable.” Act of Sept. 19, 2008, Pub. L. No. 110-322 § 1(c) (122 Stat. 3538).

7. “At Issue” Defenses: Advice Of Counsel

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 Rest. 3d § 92(1) (b). 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.3., above; see also Rest. 3d § 92 cmt. f.

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 Rest. 3d § 92(1)(a); see also:
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.

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.

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.”


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.


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 Lit., 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 REST. 3D § 92(2); see also:


Chavis v. N. 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. Salved, 607 F.2d 318, 320-21 (9th Cir. 1979). Defense forfeited work product immunity for materials that were used to cross-examine a witness.

Ratke v. Commissioner of Internal Revenue, 129 T.C. 45 (U.S. Tax Ct.) 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.

S.E.C. 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).
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.


*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 (FRE) 612 to reveal items that a witness has used to refresh his recollection. Federal Rule of Evidence 612 requires a party to reveal any writing “if a witness uses a writing to refresh memory for the purposes of testifying . . . .” 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. N. Carolina*, 637 F.2d 213, 223-24 (4th Cir. 1980) (witness referred to work product material and used it to bolster his credibility at trial. As a result, 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 *REST. 3D § 92 cmt. e*. 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 Litigation, 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 Communications 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, 759 F.2d 312, 318 (3d Cir. 1985) 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. 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).

Compare:


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.

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.

With:

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. and S. Dist. Asbestos Litig., 119 F.R.D. 4, 5-6 (S.D.N.Y. 1988). 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.”

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.

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.”


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 which 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 which he actually used to refresh his memory, not all opinion work product which counsel showed him in preparation for his testimony.
In re Seroquel Prods. Liab. Lit., 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 Spork 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

Courts have 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 items shown to testifying experts, hardship and need are usually fairly easy to prove when the challenge involves ordinary work product. Thus, in most cases, ordinary work product will probably be disclosed under regular application of Fed. R. Civ. P. 26(b)(3). However, because of the extra protection afforded opinion work product, the courts disagree over the showing that must be made to discover opinion work product that is shown to experts. This tension is particularly acute in the area of experts, because of the conflicting rationales of Fed. R. Civ. P. 26(b)(3) to protect opinion work product, and Fed. R. Civ. P. 26(b)(4) to allow 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. and Mgmt. Sys., Inc. v. ICT Group, 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 Fed. R. Civ. P. 26(a)(2)(B) have added to the confusion regarding the treatment of opinion work product used to prepare expert witnesses. Rule 26(a)(2)(B) requires parties to identify expert witnesses and to produce a “written report prepared and signed by the witness.” The report must include a description of the information that the expert considered while preparing to testify. Fed. R. Civ. P. 26(a)(2)(B). Further, the advisory committee note to the 1993 Amendments to Rule 26(a)(2)(B) provides 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.”

Some courts have concluded that the 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 Mfg. Admin. and Mgmt. Sys., Inc. v. ICT Group, 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.”); Suskind v. Home Depot Corp., No. Civ. A. 99-10575, 2001 WL 92183 (D. Mass. 2001); Aniero Concrete Co. v. New York City School Const. Auth., No. 94 Civ. 9111, 2002 WL 257685, at *2 (S.D.N.Y. Feb. 22, 2002); Ling Nan Zheng v. Liberty Apparel Co., Inc., No. 99 Civ. 9033
Other courts have found that the 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 have taken 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, the courts agree that the factual basis of an expert’s testimony is always discoverable, even in jurisdictions that provide absolute protection for opinion work product. See Bogosian v. Gulf Oil Corp., 738 F.2d 587 (3d Cir. 1984). Similarly, if a document contains both opinions and facts, it can be discovered after in camera inspection and redaction to leave only the factual information. Id.

As a result of the uncertainty in this area, there is always a chance that counsel will be required to produce documents that are shown to an expert witness. Therefore, 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) Approach #1: Work Product Shown To Experts Is Not Protected

Courts adopting this approach have held that anything a lawyer gives to an expert is discoverable. See Regional 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:
Elm Grove Coal Co. v. Dir. of the Office of Worker’s Comp. Programs, 480 F.3d 278, 301-302 (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.

In re Commercial Money Ctr., Inc., Equip. Lease Lit., 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.

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.”

Sparks v. Seltzer, 2007 WL 295603, *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, 2007 WL 465444, *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. “[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.”


Mfg. Admin. and Mgmt. Sys., Inc. v. ICT Group, 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.”


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,
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,

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

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:


(2) Approach #2: Work Product Shown To Experts Is Discoverable Under A Balancing Approach

Some courts balance several factors to determine whether production of work product materials is required in the interests of justice. Courts examine 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 is merely a fishing expedition.

(S.D.N.Y. 2002) (noting that balancing approach of Berkey is appropriate for claims of work product protection); Rest. 3d § 92 cmt. e.

(3) **Approach #3: Opinion Work Product Is Absolutely Protected Even If Shown To Experts**


In re Cendant Corp. Sec. Litig., 343 F.3d 658, 664-65 (3d Cir. 2003). Citing Bogosian in support of holding that work product shown to non-testifying expert is not discoverable absent showing of extraordinary circumstances.


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, is 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 requires 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 does not waive protection; instead, the solution is 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 are discoverable if they may influence and shape expert’s testimony. However, attorney’s mental impressions remain protected and should be redacted.
But see:

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 preclude discovery of work product even when shown to expert by observing that those cases were decided under earlier version of the Fed. R. Civ. P.

Doe v. Luzerne County, 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.


If adopted, amendments to Fed. R. Civ. Proc. 26 first proposed in 2008 would resolve the current split of authority in favor of greater protection of information disclosed to experts. The proposed amendments would prohibit discovery of communications between the attorney and expert, except (1) communications regarding the expert’s compensation, (2) facts and information provided by the attorney and considered by the expert, and (3) assumptions provided by the attorney and relied on by the expert. Proposed Fed. R. Civ. Proc. 26 (b)(4)(C). Likewise, the proposed amendments would shield draft reports from discovery. Proposed Fed. R. Civ. Proc. 26(b)(4)(B).

c. Discovery Of Experts Shifting Between Consulting And Testifying Status

(1) Consulting Experts Who Become Testifying Experts

While discovery into the thoughts held by testifying experts may be quite broad, discovery into facts known and opinions held by consulting experts not expected to testify may only occur “upon a showing of exceptional circumstances.” See In re Cendant Corp. Sec. Litig., 343 F.3d 658, at *664-65 (3d Cir. 2003); Fed. R. Civ. P. 26(b)(4)(B). Because different rules govern discovery of testifying and non-testifying experts, the same expert may be subject to different discovery regimes, depending on her role. Where an expert is retained solely as a consulting expert, counsel may share privileged materials with the expert, as counsel’s privileged agent, without loss of the work product privilege. However, later use of the same expert as a testifying expert may waive this privilege.

In Herrick Co. v. Vetta Sports, Inc., No. 94 CIV. 0905 (RPP), 1998 WL 637468 (S.D.N.Y. Sept. 17, 1998), Skadden, Arps, Slate, Meager, & Flom (“Skadden”) retained an attorney as an outside ethics expert and consultant for several years. Skadden subsequently designated the consultant as a testifying expert, and the plaintiff in the action moved to compel production of all documents pertaining to the expert’s previous advice to Skadden. The court ordered Skadden to produce all such materials related to the
same general subject matter as his expert report, holding that Skadden waived its attorney-client and work product privileges.

Similarly, several courts have held that designation of a party’s prosecuting attorney as an expert witness in a patent dispute waives the party’s privilege with respect to communications with the prosecuting attorney. See Multiform Dessicants, Inc. v. Stanhope Prods. Co., Inc., 930 F. Supp. 45, 49 (W.D.N.Y. 1996) (finding that plaintiff voluntarily waived the privilege with respect to “all communications pertaining to the patent prosecution” by calling the prosecuting attorney as a witness); Vaughan Furniture Co. v. Featureline Mfg., Inc., 156 F.R.D. 123, 128 (M.D.N.C. 1994) (same). Waiver of the privilege as it extends to consulting witnesses is not unique to attorney witnesses. See Colindres v. Quietflex Mfg, 228 F.R.D. 567, 571 (S.D. Tex. 2005) (holding that unsolicited email prepared by consulting expert and sent to counsel was not protected where expert subsequently was designated a testifying expert); U.S. Fid. & Guar. Co. v. Braspetro Oil Servs. Co., No. 97 Civ. 6124 JGK THK, 98 Civ. 3099 JGK THK, 2002 WL 15652, at *6 (S.D.N.Y. Jan. 7, 2002) (“[E]ven privileged material must be produced when it falls within the scope of Rule 26(a)(2). . . .”); B.C.F. Oil Refining, Inc. v. Consol. Edison Co., 171 F.R.D. 57, 62 (S.D.N.Y. 1997) (holding documents produced by defendant’s testifying expert while a consulting expert were discoverable to the extent they were not clearly established to be unrelated to expert’s testimony).

However, where the work done as a consulting expert is distinct from the subject of the expert’s testimony the court may decline to order discovery. Employees Committed for Justice v. Eastman Kodak Co., 251 F.R.D. 101 (W.D.N.Y. May 15, 2008) (finding that earlier reports “involved discrete statistical task[s]” and thus Kodak was not required to disclose the findings and reports). However, in a case, which addressed the intersection of the common-interest doctrine and waiver of privilege by testifying experts, the district court ordered a shared expert to disclose all documents related to all parties. In re Commercial Money Ctr. Inc., Equip. Lease Lit., 248 F.R.D. 532, 537-41 (N.D. Ohio 2008). Although only one of the parties called the expert to testify, the court ordered full disclosure of work product because the expert considered all the documents in forming his opinion. Id. at 535-41.

(2) Waiver Of The Privilege As To A Withdrawn But Previously Designated Testifying Expert

Courts are split as to whether parties waive the privilege as to experts who are designated as testifying but are withdrawn prior to the completion of discovery. Several courts have indicated that once designated, an expert cannot be protected from subsequent discovery by withdrawing the expert’s designation as a trial witness. See Employer’s Reinsurance Corp. v. Clarendon Nat’l Ins. Co., 213 F.R.D. 422, 426-27 (D. Kan. 2003) (comparing various approaches to treatment of privileged materials relating to an expert already produced where the producing party subsequently withdrew the expert designation); House v. Combined Ins. Co. of Am., 168 F.R.D. 236, 248 (N.D. Iowa 1996); Furniture World v. D.A.V. Thrift Stores, Inc., 168 F.R.D. 61, 62 (D.N.M. 1996); see also Ferguson v. Michael Foods, Inc., 189 F.R.D. 408, 409 (D. Minn. 1999) (finding a waiver and allowing the adverse party to call a previously designated expert as an adverse witness).

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); see 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.H.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 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.


Neese 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 where privileged materials post-dated alleged crime and were not part of any “cover-up.”

The crime-fraud exception waives protection for materials concerning ongoing or continuing crimes or frauds. See REST. 3D § 93. 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); REST. 3D § 93 cmt. b; see Neese 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). 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.


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 REST. 3D § 93 cmt. d.

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); REST. 3D § 93 cmt. d. 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 “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. Defense Tech. Systems, 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 (00-2H), 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 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 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 Mortgage Equity Corp. Mortgage 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 Doe*, 662 F.2d 1073, 1079 (4th Cir. 1981); *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 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); REST. 3D § 93 cmt. c.

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.


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 vitiating 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., above, 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., 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., above, 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 Group, 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 REST. 3D § 91 cmt. b. 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., 52 99 CR. 1182, 2000 U.S. Dist. LEXIS 3734, at *8-11 (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 B 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.

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.”

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.”

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.”


Saito v. McKesson HBOC, Inc., No. 18553, 2002 Del. Ch. LEXIS 125, at *15 (Del. Ch. Ct. Oct. 25, 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.

With:


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., 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 Steinhardt 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. EXPERTS

- Do not use work product materials to provide an expert with a basis for an opinion.

D. 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. E.E.O.C., 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.


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.


Some have found that the self-critical analysis privilege is only qualified and can be overcome upon a showing of need. See In re Air Crash Near Cali, Columbia, 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); Reichhold Chems., Inc. v. Textron, Inc., 157 F.R.D. 522 (N.D. Fla. 1994) (self-critical analysis privilege is a qualified privilege that can be overcome on a showing of extraordinary circumstance or special need).


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. Hawaii 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 and 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 MacNamara v. City of New York, No. 04 Civ. 9612(KMK)(JCF), 2007 WL 755401, *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, *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 most frequently employed to protect hospital internal review procedures and employer affirmative action reports.


Increasingly, the self-investigative privilege has also been invoked to protect the internal investigations of corporations. 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:


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.

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.

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 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”); Schlegel v. Kaiser Found. Health Plan, No. CIV 07-0520 MCE KJM, 2008 WL 4570619, at *6 (E.D. Cal. Oct. 14, 2008) (“In addition, it does
not appear that [the state of] California has recognized such a privilege.”); 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); Randolph v. City of E. Palo Alto, No. C 06-07476 SI, 2007 WL 4170093, at *2 (N.D. Cal. Nov. 20, 2007) (noting that the privilege had not been recognized in the Ninth Circuit and refusing to recognize it for police records in an excessive force case); 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); Granberry v. Jet Blue Airways, 228 F.R.D. 647, 650-51 (N.D. Cal. 2005) (noting the privilege has not been recognized in the Ninth Circuit); Mitchell v. Fishbein, 227 F.R.D. 239, 251-52 (S.D.N.Y. 2005) (same in the Second Circuit); Andritz Sprout-Bauer, Inc. v. Beazer East, Inc., 174 F.R.D. 609, 635 (M.D. Pa. 1997) (only a few courts have held documents created in the course of an environmental investigation or remedial action protected by the self-critical analysis privilege; there is no authority to suggest that either Virginia or Pennsylvania would adopt the privilege); Spencer Sav. Bank v. Excell Mortgage 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); 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, 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. 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. State courts 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.”); Cloud v. Superior Court (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 Communications Corp. v. Public Serv. Co., 865 P.2d 893, 898 (Colo. Ct. App. 1993); S. Bell
VII. GOVERNMENTAL DELIBERATIVE PROCESS PRIVILEGE


FOIA commands disclosure of certain information held by federal (not state or local) agencies. See 5 U.S.C. § 552(a); Grand Central 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)(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. 5 U.S.C. § 552(a)(6). 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. E.P.A., 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). 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); Casad v. U.S. Dep’t of Health and 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); *N.L.R.B. v. Sears, Roebuck & Co.*, 421 U.S. 132, 148-49, 95 S. Ct. 1504, 44 L.Ed.2d 29 (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 and 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. *Klamath*, 532 U.S. at 2 (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.” *Sears, Roebuck & Co.*, 421 U.S. at 149. The relevant inquiry is “whether the documents would be ‘routinely’ or ‘normally’ disclosed upon a showing of relevance” in civil discovery. *F.T.C. 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*, 312 F.3d at 76-77 (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 Puerto Rico, 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 Va. Beach v. U.S. Dep’t of Commerce*, 995 F.2d 1247, 1254 (4th Cir. 1993); *Local 3, I.B.E.W. v. N.L.R.B.*, 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 Com. of P.R. v. U.S. Dep’t of Justice*, 823 F.2d 574, 585 (D.C. Cir. 1987). But see *City of Va. 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. *Klamath*, 532 U.S. at 9 (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. Klamath, 532 U.S. at 9, 121 S. Ct. 1060 (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 2, 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. Court, 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, 312 F.3d at 76; In re Sealed Case, 121 F.3d 729, 737 (D.C. Cir. 1997) (quoting Sears, Roebuck & Co., 421 U.S. at 150).

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. 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 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. G.S.A., 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 and 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 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); 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 program and was not hired in an advisory capacity); 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; and Dow Jones & Co. v. Dept. of Justice, 917 F.2d 571, 574 (D.C. Cir. 1990) (U.S. Congress is not an agency for purposes of FOIA).

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, 512 F.3d at 688, 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. 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.

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. Sears, Roebuck & Co., 421 U.S. at 151. A document qualifies as predecisional if it is “prepared in order to assist an agency decision-maker in arriving at his decision.” Carter, 307 F.3d at 1089 (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”); F.T.C. 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 Central 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 to best deal with a particular issue are themselves the essence of the deliberative process”); Senate of the Com. of Puerto Rico 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, 466 F. Supp. 2d at 120 (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’n’s 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. I.R.S., 679 F.2d 254, 257-58 (D.C. Cir. 1982) (protecting draft of IRS revenue ruling); Pies v.增量信息缺失。
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 Judicial Watch, 466 F. Supp. 2d at 121-22 (protecting document which 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”); 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); 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.). 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. F.T.C., 520 F. Supp.2d 134 (D.D.C. 2007) (handwritten notes and outline created by senior F.T.C. employee in preparation for an “industry speech” privileged when they “[were] ‘deliberative aids’ in deciding the final content of a Commission sanctioned speech.”).


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 Va. Beach, 995 F.2d at 1254 (protecting documents discussing past decision as it impacts on future decision).
The deliberative process exemption does not cover explanations of agency action. Fulbright & Jaworski v. Dept. of Treasury, 545 F. Supp. 615, 617 (D.D.C. 1982). For example, drafts of press releases, communications explaining a policy decision to another executive agency, and training materials, prepared after the decision was made, are not privileged. Mayer, Brown, Rowe, & Maw LLP v. I.R.S., 537 F. Supp. 2d 128, 136, 138-41 (D.D.C. 2008). The primary reason for denying protection to information generated after the adoption of agency policy is to prevent the creation of “secret law” that is unavailable to the public. See Tax Analysts v. I.R.S., 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)).

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.” Cuomo, 166 F.3d at 482; Hopkins v. U.S. Dep’t of Hous. & Urban Dev., 929 F.2d 81, 84 (2d Cir. 1991). The exemption’s coverage is not limited to recommendations that result in a final decision. See Sears, Roebuck & Co., 421 U.S. at 151 n18 (“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 (D. N.D. Cal 2008) (“deliberative process privilege does not require final agency action”); Judicial Watch, 466 F. Supp. 2d at 120 (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. Vaughn, 523 F.2d at 1144 (“pre-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’’; Ethyl Corp. v. E.P.A., 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’’); Cuomo, 166 F.3d at 482 (same); 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 also 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); Mayer, Brown, Rowe, & Maw LLP, 537 F. Supp. 2d at 136-37 (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”).

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 P.R., 823 F.2d at 585; Casad, 301 F.3d at 1252. 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.; Cassad, 301 F.3d at 1252 (accord).

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; Hopkins, 929 F.2d at 84.


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 (factual material not privileged unless 1) inextricably intertwined with deliberative materials or 2) disclosure would reveal deliberative materials); Cuomo, 166 F.3d at 482 (as a general matter, the
privilege does not cover purely factual material); Local 3, 845 F.2d at 1180 ("[p]urely factual material not reflecting the agency’s deliberative process is not protected"); In re Subpoena Served Upon Comptroller of Currency and Sec. of Bd. of Governors of 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); see also Mo. Coal. 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”); Keeper of the Mountains Found. v. U.S. Dep’t of Justice, No. 2:06-0098, 2007 U.S. Dist. LEXIS 64059, at *47 (S.D. W. Va. Aug. 28, 2007) (“The unworn assertion by counsel cannot overcome the DOJ’s failure to conduct an inquiry into whether segregable information exists . . . .”); 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”). Further, some circuits require the district court to make a specific finding on the issue of segregability. Mo. Coal. 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. 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. 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. E.P.A., 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 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. N.L.R.B., 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 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)); Warner, 742 F.2d at 1161 (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 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); Reliant Energy Power Generation Inc. v. Federal
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); Farley, 11 F.3d at 1389; Warner, 742 F.2d at 1161; Coastal
States, 617 F.2d at 868.

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 Warner, 742 F.2d at 1161 (unless the privilege is overcome, it protects from
disclosure materials that are both predecisional and reflective of a government official’s
deliberative process); In re Sealed Case, 121 F.3d at 737 (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) (“unlike the absolute state secrets privilege, [the
deliberative process privilege] is relative to the need demonstrated for the information”);
Martin v. Valley Nat’l Bank, 140 F.R.D. 291, 303 (S.D.N.Y. 1991) (even if a document is
presumptively protected, the discovering party may obtain its disclosure if he makes an
adequate showing of need); In re Franklin Nat’l Bank Sec. Litig., 478 F. Supp. 577, 583
(E.D.N.Y. 1979) (same); Modesto Irrigation Dist. v. Gutierrez, No. 1:06-CV-00453 OWW

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; Schreiber v. Soc’y for Savs. Bancorp,
Inc., 11 F.3d 217, 220-21 (D.C. Cir. 1993) (holding that at a minimum the courts should
consider the five mentioned factors); Redland Soccer Club, Inc. v. Dep’t of Army, 55 F.3d
827, 854 (3d Cir. 1995) (accord); Allen, 2007 WL 309945, at *4-5 (documents not privileged
where the government used a doctor with history of alleged incompetence for plaintiff-
inmate’s surgery); see also FTC v. Warner, 742 F.2d1156 ,1161 (9th Cir. 1984) (“Among the
factors to be considered in making this determination are: 1) the relevancy 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

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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, et al., 274 F. Supp. 2d 1118 (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 Puerto Rico, 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 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., 60 F.3d at 885 (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 on rehearing in part 156 F.3d 1279 (D.C. Cir. 1998) (clarifying that if the governmental deliberations are in issue, the privilege does not to apply, and the balancing test is unnecessary).

a. Governmental Misconduct

Where there is reason to believe the documents sought may shed light on 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 at 746 (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., 60 F.3d at 885 (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, 2007 WL 309945, at *4-5 (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, 145 F.3d at 1425; see also Alexander v. F.B.I., 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 Ed. 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. Inc. v. Dist. 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, 145 F.3d 1422, 1424, on reconsideration, 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. In re Subpoena, 156 F.3d at 252 (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 none of these 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 In re Subpoena Duces Tecum, 145 F.3d at 1424 (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 clarified in part by First Heights Bank, FSB v. United States, 46 Fed. Cl. 827 (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). 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.” N.L.R.B. v. Sears, Roebuck & Co., 421 U.S. 132, 161 (1975); 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 applies). An agency may waive the protection of the deliberative process privilege through voluntary, authorized release of material to a non-governmental recipient. City of Va. Beach, 995 F.2d at 1253; Fla. House of Representatives v. U.S. Dep’t of Commerce, 961 F.2d 941, 946 (11th Cir. 1992); Coastal States, 617 F.2d at 866 (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); State of N.D. 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. I.R.S., 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 rule making at a public meeting of government and industry officials). But see Elec. Privacy Info. Ctr. v. U.S. Dep’t of Justice, ---F. Supp. 2d---, 2008 WL 4757163, *5-9 (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).

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, 204 F.3d at 1135; Northrop Corp., 751 F.2d at 405 n. 11 (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. U.S., 122 Fed. Appx. 490 (Fed. Cir. 2005) (noting split of authority); Landry v. F.D.I.C., 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 N. Dist. of Cal., 511 F.2d 192, 198 (9th Cir. 1975) (privilege generally available but not in that case because not invoked by any official of the agency); 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 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 make sure 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 increased number of privilege claims made only after perfunctory review of subordinates’ decisions. Id. at 1136. On the other hand, these 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. at 1136; 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.

*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.

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. I.R.S., 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 Puerto Rico, 823 F.2d at 585 (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. Texas 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 unreasonable search. Miccosukee Tribe of Indians of Florida v. U.S. E.P.A., 51 F. 3d 1235, 1251-55 (11th Cir. 2008) (holding the government did not meet 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 Defense, 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 the court). 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. F.B.I., 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, 484 F.2d at 828. The term “Vaughn index” arose out of the District of Columbia Circuit decision in Vaughn v. Rosen, 484 F.2d 820 (D.C. Cir. 1973). Although “Vaughn” indexes 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 “Vaughn” index is not necessarily required); but see Natural Res. Defense 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. Executive 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., 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; Citizen Comm’n on Human Rights v. F.D.A., 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 “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 E.P.A.’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 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 “Vaughn” index and declarations submitted by the government did not sufficiently describe the withheld documents or sufficiently justify withholding, rather than 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. Cox, 576 F.2d at 1312; 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. I.R.S., 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). 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); Becker v. I.R.S., 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). 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. Rugiero 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 Defense, 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.” Section 552(f) of FOIA incorporates the definition of “agency” contained in section 551(1) of the APA by reference. See 5 U.S.C. § 552(f) (2003). 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., Cuomo, 166 F.3d at 84 (holding that Exemption 5 of FOIA applies to federal agencies only); Philip Morris, Inc., v. Harshbarger, 122 F.3d 58, 83 (1st Cir. 1997) (reversed on other grounds) (“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. State of Cal., 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 law of privilege applies, courts may refuse to extend the deliberative process privilege to state agencies. Compare Kyle v. Louisiana Public Service Comm’n, 878 So.2d 650, 656 (La. App. 1 Cir. 2004) (permitting the Louisiana Public Service Commission to claim the deliberative process privilege to protect the Commission’s email exchanges); with Sands v. Whitnall School District, 754 N.W.2d 439, 456-58 (Wis. 2008) and Birkett v. City of Chicago, 184 Ill.2d 521, 534 (1998) (refusing to recognize a deliberative process privilege under Illinois law because adoption of a new privilege should be left to the legislature).

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 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. N.L.R.B., 700 F.2d 727, 731 (D.C. Cir. 1983); see also Hoeft v. MVL Group, Inc., 343 F.3d 57, 67 (2d Cir. 2003) (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, the Ninth Circuit emphasized that inquiry into the motives of legislators (e.g., purpose behind a challenged ordinance) is a hazardous task. 747 F.2d 1294, 1297 (9th Cir. 1984). 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 decision-making body can be called to testify regarding 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: Subpoena Served Upon the Comptroller of the Currency and 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); In re Bankers Trust Co., 61 F.3d 465, 471 (6th Cir.1995) (vacated on other grounds); 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 (“OCC”) 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. at 427.

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, although previously contained in Federal Rule of Civil Procedure 30(c), is now unmistakably expressed in new Rule 30(d)(1) which was added as part of the 1993 amendments, and further modified by the 2000 amendments:

Any objection during a deposition must be stated concisely and in a non-argumentative and non-suggestive manner. A person may instruct a deponent not to answer only when necessary to preserve a privilege, to enforce a limitation directed by the court, or to present a motion under Rule 30(d)(4).

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, 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

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., Potts v. Allis-Chalmers Corp., 118 F.R.D. 597 (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 Not Protected, § IV.B.2.a., above. 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:

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.

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.


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:

A party may in the party’s notice and in a subpoena name as the deponent a public or private corporation or a partnership or association or governmental agency and describe with reasonable particularity the matters on which examination is requested. In that event, the organization so named shall designate one or more officers, directors, or managing agents, or other persons who consent to testify on its behalf, and may set forth, for each person designated, the matters on which the person will testify. . . . The persons so designated shall testify as to matters 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.”

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 be to 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:

Lockheed Martin Corp. v. L-3 Commun. Corp., No. 6:05-cv-1580-Orl-31KRS, 2007 U.S. Dist. LEXIS 52658 (July 22, 2007 M.D. Fla.). 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. The court found that “LMC’s impossibility argument … rings hollow—if it has facts that support its allegations, it must disclose them; if it does not, it must so state.” 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.” Moreover, the court did not require that LMC’s attorneys educate a
witness with the attorney’s-eyes-only information: “[i]f LMC’s designated corporate representatives do not have knowledge of attorney’s-eyes-only discovery information that is responsive to any Rule 30(b)(6) deposition topic, it is ordered that LMC shall ... provide that information in sworn supplemental responses to the defendants’ contention interrogatories.”

Taylor v. Shaw, No. 2:04-cv-01668-LDG-LRL, 2007 WL 710186 (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.”

Prot. Nat’l Ins. Co. v. Commonwealth Ins. Co., 137 F.R.D. 267, 278-82 (D. Neb. 1989). A party has the right to discover the factual basis of allegations and defenses. Therefore, in response to a Rule 30(b)(6) notice, a corporation must make a good faith effort to designate persons having knowledge of the matters sought and to prepare those persons so that they can answer fully, completely, and not evasively. This may require that a designated deponent testify regarding facts which the witness has learned from counsel or from the review of work product. However, care must be taken to protect against the indirect disclosure of counsel’s advice, 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.

Nutmeg Ins. Co. v. Atwell, Vogel & Sterling, 120 F.R.D. 504, 509 (W.D. La. 1988). A witness designated pursuant to Rule 30(b)(6) must testify about his knowledge of the facts that underlie the basis for the lawsuit, even though his knowledge is based solely upon conversations with counsel. However, the witness may not be asked questions that would tend to elicit specific questions posed to the witness by corporate counsel, the generalized inquiry pursued by corporate counsel, the facts to which corporate counsel appeared to attach significance, or any other matter that would reveal corporate counsel’s mental impressions regarding the case.

But see:

In re Linerboard Antitrust Litig., 237 F.R.D. 373 (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.

Securities and Exchange Commission v. Rosenfeld, No. 97 Civ. 1467 (RPP), 1997 WL 576021, 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 to tally 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 (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); Pastrana v. Local 9509, Comm’ns Workers of America, No. 06cv1779 W(AJB), 2007 WL 2900477, *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, 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 (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.

In re Linerboard Antitrust Litigation, 237 F. Supp. 2d 373 (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:

Boston Edison Co. v. United States, 75 Fed. Cl. 557 (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.

Kaiser v. Mutual Life Ins. Co., 161 F.R.D. 378, 380 (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.”

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 Sea Tow Int’l, Inc. v. Pontin, 246 F.R.D. 421 (E.D.N.Y. 2007) (applying Friedman factors to quash deposition of 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, *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 (E.D. Wis. Sep. 21, 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 (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, New York on November 12, 2001, 490 F.3d 99 (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 ripe 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”); 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, 2005 U.S. Dist. LEXIS 4196 (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.5.

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., above. 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), 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. 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:
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.8, above. However, the waiver may be limited solely to the portions of material that were actually used to refresh recollection. See, e.g., S & A Painting Co. v. O.W.B. Corp., 103 F.R.D. 407 (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, 451 (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).

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 is also the 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, “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 Ins. Co. v. U.S. District Court, 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. The court directly rejected an “unavailability” exception to the attorney-client privilege, which would apply when privileged materials are not available from
any unprivileged source. *Id.* at 1494-95; *see also* Yurick v. Liberty Mut. Ins. Co., 201 F.R.D. 465, 468 (D. Ariz. 2001) (applying Admiral criteria); 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 case demonstrates the importance of having internal investigation interviews conducted by outside 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.

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Claude P. Bamberger Int’l, Inc. v. Rohm and 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 and 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 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 and 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; Davis sent the memo to a non-attorney and only copied in-house counsel on the document; and 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 Int’l 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). 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. Broadcasting Co., 106 F.R.D. 201, 206 (D.D.C. 1985)).

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. at 632 (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).

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); see also 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); Abel v. Merrill Lynch & Co., No. 91 Civ. 6261, 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). But see 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 and 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); 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 America, 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 Serv. 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 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 Olson and Phelps cases demonstrate 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 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 and Dorr LLP*, 242 F.R.D. 170 (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. 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. In a subsequent lawsuit, plaintiff sought materials relating to the investigation and Hale and Dorr asserted attorney-client privilege and work-product protection. Plaintiff argued that Hale and Dorr could not assert the privilege against one to whom they had a fiduciary duty. The court declined to determine who was the true client, finding that the firm owed a fiduciary duty to plaintiff as a trust beneficiary. 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.
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 County Bd. of Educ., Civil Action No. 3:06cv685-CSC, 2007 WL 2903012, at *2 (M.D. Ala. Oct. 4, 2007) (“[t]he 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 primarily concerned with litigation and not be part of a routine investigation conducted in the ordinary course of business. See Marceau v. Int’l Bhd. of Elec. Workers (IBEW) Local 1269, 246 F.R.D. 610, 614 (D. Ariz. 2007) (holding work product protection did not apply after observing that the letter sent to outside counsel characterized the purpose of the investigation as business management recommendations); 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) (citation omitted); 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 human resources employee taking statements did not have belief that litigation was imminent); 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); Caremark, Inc. v. Affiliated Computer Servs., Inc., 195 F.R.D. 610, 614-15 (N.D. Ill. 2000); Fulton Dekalb Hosp. Auth. v. Miller & Billips, No. A08A0798, 2008 WL 4308024, at *2-3 (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.”).

The work product doctrine also protects materials prepared by consultants hired by counsel to undertake an investigation in anticipation of litigation. Bituminous Cas. Corp. v. Tonka Corp., 140 F.R.D. 381, 389 (D. Minn. 1992); see also Equal Rights Ctr. v. Post Prop., Inc., 247 F.R.D. 208, 211 (D.D.C. 2008) (holding compliance reviews conducted by outside consultants were protected by work product doctrine); 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); *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). *But see Hexion Specialty Chemicals, Inc. v. Huntsman Corp.,* No. 3841, 2008 WL 3878339, at *4 (Del. Ch. Aug. 22, 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) (citation omitted). Courts have considered a variety of factors in determining need and hardship. See Protection of Ordinary Work Product, § IV.D.1., above. Undue hardship most often is proven when materials are unavailable elsewhere. *Id.*

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 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.; 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); *Stampley v. State Farm Fire & Cas. Co.*, 23 Fed. Appx. 467, 471 (6th Cir. 2001). *But see Underwriters Ins. Co. v. Atlanta 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 Nat’l Union Fire Ins. 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)).

In In re John Doe Corp., 675 F.2d 482 (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 492 n.10; see also In re Grand Jury Subpoenas 89-3 and 89-4, 734 F. Supp. 1207, 1215 (E.D. Va. 1990) (Citing John Doe, the court 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. 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.”), vacated in part on other grounds, 902 F.2d 244 (4th Cir. 1990).

Numerous 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); Brugh v. Norfolk and W. Ry. Co., Nos. 1240, 1260, 1979 Va. Cir. LEXIS 38 (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); 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, discoverable).

Other courts have found that parties have not demonstrated substantial need under similar circumstances. Feacher v. Intercontinental Hotels Group, No. 3:06-CV-0877, 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.”); Hedgepeth v. Jesuidian, Nos. LM-754, LM-755, 1989 WL 646207, at *2 (Va. Cir. Ct. Mar. 8, 1989) (notes of witness interviews taken by non-legal personnel shortly after incident not discoverable: “The court concedes that the quality of the information available to the plaintiff now is probably not of the same quality as that obtained by the hospital, but there is no reason to assume or believe that it is, and will not be, the substantial equivalent. The rule does not allow breach of the protection just because the material you can obtain is not as good as that protected. It must be shown to be of substantially inferior quality.”); Smith v. Nat’l R.R. Passenger Corp., No. LS 1343-3, 1991 WL 834705 (Va. Cir. Ct. Jan. 2, 1991) (investigation reports made within a few days of incident not discoverable where party given the names of all persons having
knowledge of the injury); Warmack v. Mini-Skools Ltd., 297 S.E.2d 365 (Ga. Ct. App. 1982) (where party took extensive interrogatory and deposition discovery, no substantial need for contemporaneous witness statements, despite fact that memories were probably fresher at time statements made); Fireman’s Fund Ins. Co. v. McAlpine, 391 A.2d 84 (R.I. 1978) (witness statements taken two weeks to a number of months after incident not “contemporaneous” to incident and not discoverable).

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., Employees Committed for Justice v. Eastman Kodak Co., No. 04-cv-6098, 2008 WL 2078096, at *107-08 (W.D.N.Y. May 15, 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); Sedillos v. Bd. of Educ., 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 County 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).

The district court decision in Peterson v. Wallace Computer Servs., 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. at 825.
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 (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; see also *Walker v. County 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); *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).

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 (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 “had been fully investigated and taken seriously.” *Id.*

The court held that both the attorney-client privilege and work product doctrine applied to the investigative materials. *Id.* at 114. 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). “[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. Superior Court, 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, because there 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 1226.
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 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.


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 subdiv. (f).

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


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 (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); Mem’l Hosp. for McHenry County v. Shadur, 664 F.2d 1058, 1061 n.3 (7th Cir. 1981); In re Zyprexa Prod. Liab. Lit., No. 04-MD-1596 (JBW), 2008 WL 4415259, at *2-3 (E.D.N.Y. Sept. 24, 2008); Keen v. Hancock Country Job & Family Serv., No. 3:08MC55, 2008 WL 4531803, at *1 (N.D. Ohio Oct. 10, 2008); HPD Labs., Inc. v. Clorox Co., 202 F.R.D. 410, 413 (D.N.J. 2001); Audritz Sprout-Bauer, Inc. v. Beazer East, Inc., 174 F.R.D. 609, 632 (M.D. Pa. 1997). Where, however, the privilege covers matter related solely to a pendent claim, state privilege law will apply to privilege issues related to that claim. See 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 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 rule which allow the shareholders of the corporation to get access to materials prepared by corporate counsel. For a more detailed discussion see *Fiduciary Exception to the Attorney-Client Privilege*, § I.H.3., above. 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 see *Fiduciary Exception to the Work Product Doctrine*, § IV.F.3., above.

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. *United States v. Int’l Brotherhood 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); *Commodity Futures Trading Comm’n v. Weintraub*, 471 U.S. 343, 348 (1985). 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), above. 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.*, *In re Grand Jury Subpoena: Under Seal*, 415 F.3d 333, 339 (4th Cir. 2000); *United States v. Keplinger*, 776 F.2d 678 (7th Cir. 1985).

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 Emmis Operating Co. v. CBS Radio Inc.*, 480 F. Supp.2d 1111 (S.D. Ind. 2007) (disqualifying counsel who had consulted 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. 299
(1985) (corporate counsel may also represent former employees where there is no actual conflict of interest); 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”); 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 Vegetable Kingdom, Inc. v. Katzen, 653 F. Supp. 917 (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 Professional Responsibility, DR 5-105, EC 5-14, 5-15, 9-1, 9-2; Model Rules of Professional Conduct Rule 1.7(b); see also United States v. Marshall, 488 F.2d 1169 (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 Hale & Dorr LLP, 2007 WL 1577958, *3 (D. Mass. May 14, 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). 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, 2007 WL 578989, *7, *8 (N.D. Cal. Feb. 21, 2007) (citing ABA Model R. Prof. Conduct 1.7). A court may order disclosure of internal law firm communications in order to allow the client access information where ethics requires. See id. at *8 (ordering disclosure).

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 (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 Goff v. Wheaton Indus., 145 F.R.D. 351 (D.N.J. 1992); Nalian Truck Lines, Inc. v. Nakano Warehouse & Transp. Corp., 8 Cal. Rptr. 2d 467 (Cal. App. 2 Dist., 1992). See generally ABA Comm’n on Ethics & Professional 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 Lang v. Superior Court, 826 P.2d 1228 (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); Chancellor v. Boeing, Co., 678 F. Supp. 250 (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).

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 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 (D. Conn. 1991); In re Home Shopping Network, Inc. Sec. Litig., No. 87-248-CIV-T-13A, 1989 WL 201085 (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. Maryland Cup Corp.,
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 to impose stricter standards of accountability on corporate and accounting practices. Section 307 of the Act 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. § 7245. This reporting provision applies to both domestic and foreign attorneys. See Carnero v. Boston 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 Sarbanes-Oxley, 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 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), at http://www.sec.gov/news/speech/spch040304gpp.htm (“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 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. § 7245; 17 C.F.R. § 205. The legal community has 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 Rule 205.3(b)(1)
(“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 of 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. Rule 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.” Rule 205.3(d) (2). See ABA Task Force on Corporate Responsibility, Report (statement in support of proposed changes to Model Rule of Professional Conduct 1.6) n.33 (2003), at http://www.abanet.org/leadership/2003/journal/119a.pdf (identifying states that permit or require attorney disclosure to prevent crime and states that permit or require disclosure to rectify substantial loss resulting from client crime or fraud using the lawyer’s services).

Because the interaction between the new 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 Rule 205.1.

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 Washington State Bar Association’s Proposed Opinion on the Effect of the SEC’s Attorney Conduct Rules (July 23, 2003), available at http://www.sec.gov/news/speech/spch072303gpp.htm. 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 Rule 205.6(c) (“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 disagreement 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 . . .” 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.” MRPC 1.6(b) (2)-(3).

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 which 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. MRPC 1.13(b). Under certain circumstances, the attorney is permitted (but is 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.” MRPC 1.13(c).

It remains to be seen whether the states will adopt these amended Model Rules. 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.

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); see, e.g., 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 (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 (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. See id. at 939; see 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. Knogo, 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.

The Federal Circuit’s decision in Spalding Sports is controlling precedent in other Circuits only in matters unique to patent law. Thus, Spalding Sports is controlling with regard to documents, such as patent records, which only appear in the patent law context, but for other communications the procedural law of the individual Circuits will continue to control 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 will continue to apply a narrow construction to such issues). 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 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 matter 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 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), and Kloster Speedsteel AB v. Crucible Inc., 793 F.2d 1565 (Fed. Cir. 1986), 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 1337 (Fed. Cir. 2004) (en banc); Insituform Techs., Inc. v. Cat Contracting, Inc., 514 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 on the opinions defendant obtained or challenge the competency of those opinions). Some courts still permitted a party’s failure to obtain opinions as one factor in evaluating the existence of willful infringement. See Broadcom Corp. v. Qualcomm Inc., Nos. 2008-1199, 2008-1271, 2008-1272, 2008 WL 4330323, at *11-15 (Fed. Cir. Sept. 24, 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);
SEB S.A. v. Montgomery Ward & Co., No. 99CIV9284(SCR), 2007 WL 3165783, at *7-8, 10-11 (S.D.N.Y. Oct. 9, 2007) (finding, under a totality-of-the-circumstances approach, that Knorr-Bremse does not preclude a jury from considering defendants’ failure to obtain opinion of counsel as evidence of willful infringement and that enhanced damages were appropriate upon consideration of all the relevant factors). 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. The Federal Circuit finally resolved the issue in 2007 with In re Seagate Tech., LLC, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc) (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. Id.

Since the Seagate decision in late 2007, courts have started to apply Seagate’s two-tiered test for willful infringement, of which the first prong is an objective test. See:

Innogenetics, N.V. v. Abbott Labs., 512 F.3d 1363, 1381 (Fed. Cir. 2008). Using the Seagate standard for willful infringement, the court affirms the trial court’s decision to overturn a jury verdict of $7 million for willful infringement and find as a matter of law that defendant did not engage in willful infringement when it developed and sold its genotyping products.


Northbrook Digital Corp. v. Browster, Inc., No. 064206, 2008 WL 4104695, at *6-7 (D. Minn. Aug. 26, 2008). Court grants defendant’s motion for a finding of no willful infringement after determining that no reasonable jury could find, by clear and convincing evidence, that defendant’s conduct was objectively reckless. Defendant independently developed its software, received actual notice of plaintiff’s infringement claims only after the lawsuit was filed, distributed a modified version of its software to reduce damages, allowed its software distribution website to become nonfunctional after plaintiff filed the lawsuit, and submitted evidence that its distribution of assets to investors was done for business reasons, not to reduce the assets available for possible damages from an infringement lawsuit.

Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc., No. CV030597PHXMHM, 2008 WL 295868 (D. Ariz. July 29, 2008). In motion for defendant’s judgment as a matter of law regarding plaintiffs’ claim of willful infringement, court finds that there was sufficient evidence of willful infringement such that a jury could have found for plaintiffs under the clear and convincing standard. To refute the idea of its willful infringement, defendant claimed that plaintiffs’ patent was invalid. However, the court stated that the Patent and Trademark Office (PTO) had extensive litigation before it showing that plaintiff was the rightful inventor and patent holder and that defendant relied on references to support its invalidity claim that the PTO had previously considered and dismissed.

Church & Dwight Co. v. Abbott Labs., No. 052142, 2008 WL 2563349, at *10-11 (D.N.J. June 24, 2008). In a patent infringement case involving over-the-counter pregnancy tests, the court refused to overturn the jury’s finding of willful infringement. Evidence presented at trial supported a finding that there was an objectively high likelihood that defendant’s actions constituted infringement of a valid patent. This evidence included the fact that plaintiff’s patents were presumptively valid by virtue of
their issuance; the fact that the Patent and Trademark Office (PTO) rejected defendant’s arguments for the invalidity of plaintiff’s patents; and the fact that defendant did not contest infringement of one of the patents at trial and did not present convincing arguments against infringement with respect to the remaining two patents. The court also noted that defendant should have known of the risk based on the evidence, including the fact that plaintiff gave defendant notice of defendant’s infringement and that plaintiff’s predecessor warned defendant of the risk of infringement. In Church & Dwight Co. v. Abbott Labs., No. 052142, 2008 WL 2565550, at *2-3 (D.N.J. June 24, 2008), the court awarded enhanced damages for defendant’s willful infringement.

Eaton Corp. v. ZF Meritor L.L.C., No. 0374844, 2008 WL 920128, at *2 (E.D. Mich. Apr. 3, 2008). A court found that defendant’s transmission infringed on plaintiff’s patent and concluded that two claims of the plaintiff’s patent were presumptively valid. Defendant moved for summary judgment precluding plaintiff’s claim of willful infringement based on the first prong of the Seagate standard, claiming that its actions were not objectively reckless because of its belief that the patent was invalid. The court denied defendant’s motion under the theory that a reasonable jury could find that there was an objectively high likelihood that defendant infringed on plaintiff’s valid patent.

Ball Aerosol & Specialty Container, Inc. v. Ltd. Brands, Inc., 553 F. Supp. 2d 939, 953-57 (N.D. Ill. 2008). Court denied defendant’s motion for reconsideration, finding that summary judgment on the issue of willful infringement was appropriate under the new Seagate standard. The court considered both prelitigation and postlitigation undisputed facts that indicated willful infringement. In particular, the court noted that defendant used plaintiff’s expertise and advice to create and market the infringing product. Furthermore, defendant continued to produce and sell the infringing product despite notice from plaintiff and the court that it was acting in an infringing manner.


Veritas Operating Corp. v. Microsoft Corp., 562 F. Supp. 2d 1141, 1285-86 (W.D. Wash. 2008). Court granted defendant’s motion for summary judgment in copyright and patent infringement case over data back-up procedure and apparatus. Court found that defendant was not objectively reckless in manufacturing, using, offering to sell, and selling its products when the fact that none of defendant’s employees knew of plaintiff’s patent or considered it in their business activities was not disputed.

ResQNet.com, Inc. v. Lansa, Inc., 533 F. Supp. 2d 397, 420 (S.D.N.Y. Feb. 1, 2008). A defendant’s reliance on easily dismissed claims can be evidence of objective recklessness. However, a defendant’s claims of invalidity and defenses to infringement that are substantial and reasonable, even if they do not succeed, are not evidence of objective recklessness. Because the first prong of Seagate is an objective standard, plaintiff cannot rely on evidence of subjective recklessness.

Trading Techs. Int’l Inc. v. eSpeed Inc., No. 04C5312, 2008 WL 63233, at * (N.D. Ill. Jan. 3, 2008). Court reversed jury verdict and granted defendants’ motion for judgment as a matter of law on the issue of willful infringement and denied plaintiff’s motion for enhanced damages. Analyzing willful infringement under a totality-of-the-circumstances approach is still valid after Seagate. The court stated that plaintiff did not show clear and convincing evidence that defendants acted despite an objectively high likelihood of infringement. Defendants’ mere knowledge of plaintiff’s patent application did not indicate willful infringement. Plaintiff demonstrated no post-patent conduct on behalf of defendants that objectively qualified as willful infringement when defendants redesigned product and halted sales of infringing product once they became aware of plaintiff’s patent.

Depomed, Inc. v. Ivax Corp., 532 F. Supp. 2d 1170, 1185-86 (N.D. Cal. 2007). The court denies defendant’s motion for summary judgment on the issue of willful infringement. The court states that
there are three pieces of evidence to suggest that defendant acted despite an objectively high likelihood that it actions infringed on a valid patent. First, it notes that a reasonable jury could have found that a party in defendant’s position would not have believed that plaintiff’s patents were invalid. Second, the court notes that because plaintiff’s patent was issued two years before defendant began selling its infringing product, defendant had time to learn of the patent through a reasonable investigation. Last, the court notes that defendant could have learned of the existence of the patent because the news of the patent and plaintiff’s agreement to license it to a third party were publicized.

Informatica Corp. v. Business Objects Data Integration, Inc., No. C0203378EDL, 2007 WL 4287506, at *1 (N.D. Cal. Dec. 6, 2007). Court had declined to enhance damages in a patent infringement case, noting that if the Seagate standard had been used to determine the issue of willfulness, plaintiff might have lost. Plaintiff then argues that attorneys’ fees should be awarded as an alternative to enhanced damages. The court denies plaintiff’s motion for attorneys’ fees, stating that “a very close case of willfulness also weighs against an award of attorney’s fees” (internal citation omitted).

Abbott Labs. v. Sandoz, Inc., 532 F. Supp. 2d 996, 998-1000 (N.D. Ill. 2007). Defendant, a manufacturer of generic drugs, did not engage in objectively reckless conduct sufficient to qualify as willful infringement when it manufactured and sold generic drugs because it had a reasonable basis to believe that it was not infringing on a valid and enforceable patent. Defendant relied on an interlocutory appeal decision in a case between plaintiff and another generic manufacturer regarding the same patent that raised substantial questions as to the patent’s validity. The court found that even though the decision was not a final decision and did not resolve the ultimate issue of the patent’s validity, defendant could reasonably rely on it to conclude that defendant was not engaging in infringing activity.

VNUS Med. Techs., Inc. v. Diomed Holdings, Inc., 527 F. Supp. 2d 1072 (N.D. Cal. 2007). Using the Seagate standard, the court granted two defendants’ motions for summary judgment on the issue of willful infringement but denied the third defendant’s motion for summary judgment. Here, the court said that a third party’s form 501(k) notification to the FDA stating that its product has the same intended use as plaintiff’s product and a retained expert’s opinion during deposition testimony did not show that defendant AngioDynamics acted despite an objectively high likelihood that its actions constituted infringement of a valid patent. Similarly, the court found that defendant VSI’s statement to the FDA that its product was similar in design, function, and intended use to products marketed by defendants AngioDynamics and Diomed, its retained expert’s opinion during deposition testimony, and its CEO’s deposition testimony did not give rise to a reasonable inference of willful infringement. However, the court stated that a reasonable jury could find willful infringement by defendant Diomed based on evidence that defendant had actual knowledge of plaintiff’s patents, even though defendant relied on opinions from counsel that sales of its products would not constitute infringement.

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:


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 where defendants made conscious efforts to design their products around claimed inventions and where plaintiff had a group monitoring its competitors’ products but did not inform defendant of infringing activities for six years.


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, which was 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 go to defendant’s subjective state of mind, which is not considered until plaintiff proves objective recklessness.

1. Scope Of The Waiver

Generally, as the Federal Circuit affirmed in In re EchoStar Commc’ns 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 did 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 “whether 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 orders 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). A 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 the Federal Circuit’s recent opinion in 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. 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. at 1304. 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.* at 1304. Nonetheless, the court noted that redaction of legal analysis not communicated to the client may be appropriate. See also:

**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”); *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 compels 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 compels 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 postlitigation opinions of defendant’s in-house counsel. With respect to prelitigation 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 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. This is thus not a situation 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. 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. 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. 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.” In re Seagate, 497 F.3d at 1376.

2. Bifurcating Trial And Staying Discovery

Although In re 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, 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.


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). But see 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:

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 denies plaintiff’s motion to stay discovery of information protected by attorney-client privilege until after a ruling on its dispositive motions. The court notes that plaintiff’s motion to stay discovery is premature when plaintiff has yet to file its dispositive motions, when plaintiff has not yet decided whether it will waive attorney-client privilege in favor of an advice-of-counsel defense to defendant’s charge of willful infringement, and when plaintiff has yet to ask the court to bifurcate the trial.
In a declaratory judgment action, court denies 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 (5) 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). If proven, the defense can render a patent unenforceable. Id. (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. 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.” *Id.* 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. “[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.” *Spalding Sports*, 203 F.3d at 807 (quoting *Nobelpharma*, 141 F.3d at 1070-71); see also *Info-Hold, Inc. v. Trusonic, Inc.*, No. 1:06CV543, 2008 WL 29493999, 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. Aptex 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 this 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”).
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 Elecs. 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., 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.
The 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.”).


The court applies the foreign country’s laws if the communication at issue touches base with foreign patent matters. 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., Willemina Houdsterraatschaap 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 Aktiebolag v. Andrx Pharms. 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 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. Under this minority approach, a court determines whether the foreign patent agent performed a function equivalent to that of an attorney. 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 Corp. v. Apotex Corp.*, No. 98 C 3952, 2000 WL 1310668 (N.D. Ill. Sept. 13, 2000), 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.” *Id.* 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).

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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.”); 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 University of California, 101 F.3d 1386, 1389 (Fed.Cir.1996). 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. 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.

See also:

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.

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, briefing 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.

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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.
Major Developments in Corporate Criminal Law: Department of Justice Issues New Corporate Charging Policy and Second Circuit Court of Appeals Upholds Dismissal of Indictments in KPMG Fees Case

Two independent events that occurred on August 28, 2008, will likely dramatically change the way that the United States Department of Justice (DOJ) handles prosecutions of corporations and other entities. First, Deputy Attorney General (DAG) Mark Filip announced a series of changes to the DOJ’s Corporate Charging Guidelines that eliminate waiver of the attorney client privilege and several other key considerations as factors in determining a corporation’s level of cooperation. Second, the United States Court of Appeals for the Second Circuit issued its opinion in United States v. Stein, upholding the dismissal of indictments against 13 former employees of KPMG as a sanction for the government’s attempt to force KPMG to cease paying criminal defense costs to these individuals.

New DOJ Corporate Charging Guidelines
At a press conference last Thursday, DAG Filip announced the DOJ’s new corporate charging policy, with special emphasis on what it means for a business organization to “cooperate” with the government in the course of a criminal investigation. As background to these new policies he stated that:

- The investigation and prosecution of corporations is critical to the public interest, and remains a high priority of the DOJ.

- The corporation itself is a potential ally in the government’s investigation and the DOJ has long had a policy of awarding “credit” to companies that cooperate.

- The DOJ was aware of the criticism that has been expressed in various quarters about prosecutors’ demand for the waiver of privileged materials and/or work product in order for the corporation to receive cooperation credit. The DOJ was also aware that some prosecutors have refused to offer cooperation credit if a company advanced or paid its employees’ attorneys’ fees, entered into joint defense agreements, or did not discipline or fire certain employees.

- In formulating the new policy, he had spoken with members of Congress, the criminal defense bar, the civil liberties community, the business community, and former DOJ officials, among others.
The major changes to the Department’s Guidelines which are to be released as revisions to the United States Attorney’s Manual, rather than as a separate policy memo (as in the past), include the following:

- **Disclosure of Facts Only**: Credit for cooperation will not depend on whether the company has waived attorney-client privilege or work product protections, or whether it has produced materials that are protected. Instead, the corporation's cooperation credit will depend solely on the disclosure of facts. If the company timely discloses relevant facts, it can receive credit for cooperation, regardless of whether it did so through disclosure of privileged or protected material. Corporations that do not disclose such facts typically will not receive such credit. The stated goal is to try to treat corporations and individuals the same in this context.

- **Non-Factual Communications**: Prior DOJ policy allowed prosecutors to request that the corporation disclose non-factual attorney-client communications (Category II information, under the McNulty Memo). DAG Filip observed that these communications lie at the core of the attorney-client privilege and work product protections. The new policy prohibits prosecutors from asking for such information, with two exceptions that are well recognized in legal doctrine: the advice of counsel defense and the crime fraud exception.

- **Payment of Attorneys’ Fees**: The new policy instructs prosecutors not to consider whether the corporation has paid or advanced attorneys’ fees to its employees, directors, officers, and so forth. The earlier guidance allowed prosecutors to reserve the right to consider such payments; this is no longer the case. Such payments will be relevant only in the rare situation where payments, plus other circumstances, rise to the level of obstruction of the investigation.

- **Joint Defense Agreements**: Prosecutors may not consider whether the corporation has entered into a joint defense agreement in its determination of the company’s cooperation credit. DAG Filip observed that there are legitimate reasons why corporations may or may not enter into such agreements. The government can still ask that counsel not disclose certain information received from the government to third parties.

- **Discipline/Dismissal of Employees**: The prior guidance allowed prosecutors, in making their charging decision, to consider whether the corporation fired or disciplined any of its employees. This is now disallowed. Prosecutors can consider whether the corporation fired or disciplined employees only with respect to an evaluation of the effectiveness of the company’s compliance program. Of course, this still provides an avenue for prosecutors to exert pressure on companies to discipline or dismiss employees.

In closing, DAG Filip reiterated that no corporation is obliged to cooperate or to seek cooperation credit. He noted that refusal to cooperate, just as it is for individuals, is not evidence of guilt. Refusing to cooperate does not require the filing of criminal charges; it simply means that the corporation will not be entitled to mitigation credit. The company still enjoys the presumption of innocence. DAG Filip also noted that he believes the new guidelines eliminate any need for
legislation in an area the Department considers to be a matter of internal policy. He said that while no other investigative agencies, such as the Securities and Exchange Commission, had as of yet adopted these guidelines, there were ongoing discussions to that end and he was hopeful that there would be agreement by the other agencies to adopt similar protections for corporations.

While the new guidelines go a substantial way towards eliminating some of the most onerous components of the McNulty Memo policies, they still leave companies with a potential quandary. The policy requires companies to disclose factual information related to the alleged wrongdoing in order to obtain mitigating credit for its cooperation. Because such facts are typically developed through investigation by in-house or outside counsel and thus protected by work product immunity, cooperation pursuant to the new guidelines still exposes companies to arguments by third parties in civil suits or other investigative agencies that they must be provided the facts as well. Proposed changes to the Federal Rules of Evidence may lessen this danger in the future.

Second Circuit Affirms Dismissal of Indictments in KPMG Case

In one of the cases that fostered the backlash against the Department’s corporate charging policies, the United States Court of Appeals for the Second Circuit issued its opinion in United States v. Stein, Case 07-3042-cr (August 28, 2008), upholding the dismissal of indictments against 13 former partners or employees of KPMG as a sanction for the government’s attempt to force KPMG to stop payments for criminal defense costs to these individuals. Hogan & Hartson submitted a brief in opposition to the DOJ’s position on behalf of amicus curiae consisting of former United States Attorneys, First Assistants, and Criminal Division Chiefs.

This case began with an investigation by the United States Attorney’s Office for the Southern District of New York into the activities of the accounting firm KPMG and certain of its employees. The indicted individuals argued that during the course of the investigation the government had pressured KPMG to reverse its long standing policy of paying costs of defense for employees accused of wrongdoing as a prerequisite to receiving credit for cooperation. The defendants argued this was impermissible government interference in their right to counsel and due process. The district court agreed and initially entertained a civil suit by the defendants against KPMG for payment of fees. When the Second Circuit found that there was no jurisdiction for this suit, the trial court ordered the indictments against the defendants dismissed finding that it was the only appropriate remedy for the government’s interference with the defense efforts of the individual defendants.

The Second Circuit upheld the dismissal of the indictments against the individual defendants. The Court upheld the finding that KPMG’s decision to condition, limit and then ultimately deny payment of legal defense costs was a direct result of the government’s overwhelming influence and interference. Because of the level of influence asserted by the U.S. Attorney’s office, the decisions of KPMG with respect to fee advancement amounted to state action. The Court went on to find that such interference, which deprived the defendants of either their right to counsel of their choice, or their ability to have such counsel mount a complete and thorough defense, constituted a violation of the defendants’ Sixth Amendment right to counsel. Finding that the district court was correct in determining that there was no other possible remedy, the Court of Appeals affirmed the dismissal of the indictments as to all 13 defendants.
Although the new Corporate Charging Guidelines will, if followed, make repetition of this case unlikely, it nevertheless strikes a blow against what the government saw as its unfettered power to exert pressure on corporations to cooperate – where that cooperation was defined solely by the government itself.

For more information about the matters discussed in this Update, please contact the Hogan & Hartson LLP attorney with whom you work, or any of the attorneys below who contributed to this update.

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Editors’ Notes: Welcome to another edition of Litigation Monitor, in which we recap business litigation developments of importance to leaders in today’s corporate world.

In ADR, we note a Fifth Circuit holding that a non-signatory to an arbitration agreement may, in some instances, compel arbitration, while in Antitrust, we report on a Ninth Circuit decision holding that an agreement with a generic drug manufacturer that did not delay the production of a generic drug did not violate the antitrust laws.

Decisions reported in Attorney-Client Privilege include: a party waived privilege by disclosing counsel’s coverage opinion to its reinsurer; a draft Form 10K was privileged; and tax workpapers were work product. In addition, please note that the Supreme Court has agreed to review whether a privilege ruling is immediately appealable.

In Civil Procedure, we discuss two sanctions rulings, one in which a court declared certain patents unenforceable as a sanction for "extensive" bad faith spoliation, and another in which a party lost its right to assert a privilege for documents that were not timely logged.

In Consumer Finance, we note that the Supreme Court will consider whether states may regulate mortgage lending by national banks. In Internal Investigations, we look at the Supreme Court’s ruling that retaliation for information obtained during an internal investigation may form the basis of a discrimination claim. And, in Ethics, we address two cases in which firms were disqualified due to their addition of lateral partners.

These and other developments are highlighted below. Our website provides links to the decisions, rules and other documentation. Please do not hesitate to contact us directly with questions or comments.

Business Litigation Co-Chairs: Ross B. Bricker, Barbara S. Steiner, and Richard F. Ziegler

ADR Update

- Non-Signatory To Arbitration Agreement May Compel Arbitration.
The Fifth Circuit held that a non-signatory loan servicer, whose relationship with the borrower resulted from a loan agreement with an arbitration clause, could compel the signatory borrower to the loan agreement to arbitrate his claims against it under the Fair Debt Collection Practices Act and Fair Credit Reporting Act. Sherer v. Green Tree Servicing LLC, 548 F.3d 379 (5th Cir. 2008). Reversing the district court’s denial of a motion to compel arbitration, the court of appeals noted that the loan agreement compelled the borrower to arbitrate any claims arising from “the relationships which result from the Agreement” and the non-signatory loan servicer had such a relationship. Accordingly, the language was sufficiently broad to permit the servicer to compel arbitration of the borrower’s claims.
• **Arbitrator Is Permitted To Amend An Award.**

The First Circuit upheld an arbitrator’s power to amend his initial award. *E. Seaboard Constr. Co. v. Gray Constr., Inc.*, No. 08-1679, 2008 WL 5428159 (1st Cir. Dec. 31, 2008). Reversing the district court’s vacatur of the amended award, the court of appeals concluded that the arbitrator did not exceed his authority under the applicable American Arbitration Association rules by clarifying his original award through an amended award. The court distinguished between a second award that is fundamentally inconsistent with the first award, which is impermissible, and one that simply clarifies the remedy announced initially, which is allowed.

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## Antitrust

Margaret J. Simpson

• **No Harm From Agreement To Delay Generic Drug.**

In *Kaiser Foundation Health Plan, Inc. v. Abbott Laboratories, Inc.* Nos. 06-55687, 06-55748, 2009 WL 69269 (9th Cir. Jan. 13, 2009), the Ninth Circuit affirmed a jury’s verdict that Kaiser had failed to show that an agreement between Abbott and generic drug manufacturer Geneva to allegedly delay production of generic terazosin hydrochloride had, in fact, delayed Geneva’s commercial sale of the generic. The court reversed, however, summary judgment on Kaiser’s Sherman Act § 2 *Walker Process* claim, finding Kaiser had shown sufficient circumstantial evidence of Abbott’s intent to deceive the Patent and Trademark Office to defeat summary judgment. The case had been part of the multidistrict terazosin hydrochloride litigation in the Southern District of Florida. After the Eleventh Circuit reversed the district court’s finding that Abbott and Geneva’s agreement constituted a *per se* violation of Sherman Act section 1, *Valley Drug Co. v. Geneva Pharmaceuticals, Inc.*, 344 F.3d 1294 (11th Cir. 2003), the Florida court found a *per se* Section 1 violation on a different theory. The MDL court then transferred Kaiser’s claim to the Central District of California for trial on the issues of causation and damages, where defendants convinced the jury that the agreement did not cause Geneva to delay commercial sale of its generic product.

• **FTC/California AG Sue Drug Companies On Reverse Payment Patent Settlement.**

The FTC and the California Attorney General have filed suit against certain branded and generic drug companies, challenging contracts in which the brand name pharmaceutical manufacturer agreed to pay the generic manufacturers to (1) abandon their Hatch-Waxman Act patent cases and (2) not to bring to market for nine years a generic version of the testosterone-replacement drug AndroGel. [Press Release](https://www.ftc.gov/news-events/press-releases/2009/02/ftc-california-ag-sue-drug-companies-reverse-payment-patent-settlement), Federal Trade Commission, FTC Sues Drug Companies for Unlawfully Conspiring to Delay the Sale of Generic AndroGel Until 2015 (Feb. 2, 2009). According to the Commission’s complaint, the agreements are unfair methods of competition that violate Section 5(a) of the FTC Act. Contemporaneously, legislation has been introduced in the Senate, the “Preserve Access to Affordable Generics Act” (S. 369), which would prohibit “reverse payments” by which brand name drug companies would agree to pay generic drug companies to settle patent litigation under the Hatch-Waxman Act if the generic drug companies agreed to delay entry of the generic drugs into the market.

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## Attorney-Client Privilege

David M. Greenwald

• **Supreme Court To Review Collateral Order Doctrine As Applied to Privilege Rulings.**

In *Carpenter v. Mohawk Industries, Inc.*, 541 F.3d 1048 (11th Cir. 2008), cert. granted, 77 U.S.L.W. 3346 (U.S. Jan. 26, 2009) (No. 08-678), the Eleventh Circuit rejected use of the collateral order doctrine to provide immediate appellate review of trial court privilege rulings, and held that a party's sole recourse is through a *writ of mandamus*, which imposes a higher burden of proof to obtain relief. On January 26, 2009, the United States Supreme Court granted *certiorari* to review the Eleventh Circuit’s decision. The question presented on appeal is: Whether a party has an immediate appeal of a district court's order finding waiver of the attorney-client privilege and compelling production of privileged materials under the collateral order doctrine, as set forth in *Cohen v. Beneficial Industrial Loan Corp.*, 337 U.S. 541 (1949).
• **Tax Workpapers Are Work Product.**

In *United States v. Textron, Inc. and Subsidiaries*, No. 07-2631, 2009 WL 136752 (1st Cir. Jan. 21, 2009), the First Circuit held that certain tax workpapers prepared by Textron were protected by the work product doctrine, but the court remanded for further factual findings the question whether Textron waived the protection by disclosing the workpapers to its auditors. The IRS had sought to compel Textron to produce certain tax workpapers that its personnel had prepared, which contained tax reserve calculations that reflected its counsel's views on the likelihood that various tax treatments would survive IRS scrutiny. Textron asserted the work product protection; the IRS argued that the work product doctrine did not apply because the workpapers had been prepared for a business purpose and not a legal purpose, and even if applicable, had been waived when Textron showed the workpapers to its independent auditors, E&Y. The trial court denied the IRS motion, and the First Circuit affirmed in part. Applying the “because of” test for work product, the appellate court held that the workpapers were protected because: (1) they were prepared in anticipation of an IRS challenge to and potential adversary administrative process regarding certain tax treatments; and (2) “but for” a possible IRS challenge, the workpapers would not have been created. The appellate court noted that the work product protection may apply to documents prepared for dual business and legal purposes, particularly where business and legal purposes are linked to anticipating litigation. With respect to waiver, however, the appellate court remanded for further proceedings, explaining that the work product protection may be waived through disclosure to an adversary or to a “conduit,” that is, one who “substantially increase[s] the opportunities for potential adversaries to obtain the information.” Rejecting the approach taken in *Medinol v. Boston Scientific Corp.*, 214 F.R.D. 113 (S.D.N.Y. 2002), the appellate court found that the Textron/E&Y relationship was cooperative, not adversarial. Nonetheless, the court took seriously the possibility that E&Y could be a “conduit,” and thus potentially could defeat the protection. E&Y had reviewed Textron’s workpapers during the course of its audit, but had not kept copies of the documents. E&Y instead prepared its own workpapers, which may have incorporated Textron’s otherwise protected analysis. The appellate court remanded the case to the trial court for a determination of “whether disclosure of E&Y’s workpapers would reveal the information contained in Textron’s own workpapers,” and whether Textron has the legal right or ability to obtain E&Y’s workpapers in response to the IRS subpoena to Textron.

• **Disclosure Of Materials Prior To Non-Waiver Agreement Waived Privilege.**

In *AIU Insurance Co. v. TIG Insurance Co.*, No. 07 Civ. 7052, 2008 WL 5062030 (S.D.N.Y. Nov. 25, 2008), the court held that, in the absence of a non-waiver agreement, an insurer’s disclosure of its counsel’s coverage opinion to its reinsurer waived the attorney-client privilege. AIU had settled an underlying asbestos claim and submitted the claim to its reinsurer, TIG, for reimbursement. TIG asked AIU to provide information concerning when AIU first received notice of the underlying claim, and AIU responded by sending TIG a copy of AIU’s outside counsel’s coverage opinion regarding the asbestos claim, which disclosed when AIU had received notice. TIG then requested an audit of AIU’s claim files, which AIU allowed after TIG executed a confidentiality agreement in which TIG agreed that AIU’s disclosure of coverage counsel’s documents would not constitute a waiver of the attorney-client privilege. In subsequent litigation between AIU and TIG, TIG asserted a “late notice” defense and moved to compel production of the previously-produced privileged documents because AIU had waived privilege by disclosing counsel’s opinions to TIG. The court held that AIU had waived privilege with respect to the coverage opinion disclosed prior to TIG’s executing a non-waiver agreement, but not with respect to material disclosed afterwards.

• **Draft Form 10K Sent To Counsel For Review Is Privileged.**

In *Roth v. Aon Corp.*, No. 04 C 6835, 2009 WL 57501 (N.D. Ill. Jan. 8, 2009), the court held that a draft of a Form 10K sent to corporate counsel for review was privileged despite the intention by the company to file the final version of the Form 10K with the SEC. Plaintiff moved to compel production of an e-mail from Aon’s CFO to Aon’s head of investor relations, a deputy general counsel, and personnel in Aon’s Controller’s office, and the attached memorandum from the CFO to Aon’s CEO and its General counsel, in which he requested comments to a draft of the “Compensation for Services” section of Aon’s Form 10K. Plaintiff argued that the documents were not privileged because they were business communications which did not seek legal advice, and because the documents were sent for both business and legal review. The court disagreed. First, the court found that the purpose of the memorandum was to seek legal advice, therefore the privilege applied to the communication: “The determination of what information should be disclosed for compliance is not merely a business operation, but a legal concern.” Second, the court held that even where a final document is disclosed to the public, privilege attaches to a draft. The court also found that the non-lawyer recipients of the e-mail and attached memorandum were directly involved in the preparation of the Form 10K and, therefore, disclosure to them did not waive the privilege.
• **Assertion Of Good Faith Affirmative Defense Waived Privilege.**

In *In re Human Tissue Products Liability Litigation*, No. 06-135, 2008 WL 5233194 (D.N.J. Dec. 12, 2008), the court held that defendant's assertion of good faith as an affirmative defense waived the attorney-client privilege by putting “at issue” counsel's communications with defendant. Plaintiffs had alleged that defendant RTI had used tissue from corpses obtained from a company (BTS) that did not have authorization from the donors or their families. RTI asserted as an affirmative defense that it had acted in good faith based on facially valid documentation provided by BTS. Plaintiffs moved to compel production of RTI’s outside counsel's investigation of BTS, which counsel had conducted prior to RTI’s purchase of the tissue from BTS, and RTI asserted the attorney-client privilege. Plaintiffs argued that the investigation was not privileged because it was not for the purpose of providing legal advice, and in any event, RTI had waived any privilege by putting its communications with counsel “at issue” by asserting good faith as a defense. The court agreed. First, the court found that counsel’s investigation involved only investigating facts about BTS and its principal, and counsel's report reflected no legal research or advice. Counsel's investigation, therefore, was not conducted primarily for a legal purpose. Second, as an independent basis for its ruling, the court held that RTI had put communications with its counsel “at issue” as what RTI knew or should have known about BTS was directly relevant to whether RTI acted in good faith, and thus RTI waived otherwise applicable privileges.

• **Court’s Prior Redacted Privilege Opinions And Transcripts Unsealed.**

In *Newman v. General Motors Corp.*, No. 02-135, 2008 WL 5451019 (D.N.J. Dec. 31, 2008), the court held that previously redacted opinions and transcripts of *ex parte* hearings should be unsealed despite defendant's assertion of work product protections. Defendant had asserted certain privileges, which were the subject of: an *ex parte* hearing before a magistrate judge; the magistrate judge's opinion finding waiver; the district court's opinion affirming the magistrate judge’s decision; and the Third Circuit's opinion affirming the district court's decision. The hearing transcript and portions of the opinions were filed under seal. Upon affirmance by the Third Circuit, the magistrate judge ordered the hearing transcript and the redacted portions of the opinions unsealed, and the defendant appealed that order. The defendant argued that unsealing these materials would expose defendant’s trial strategy and disclose work product concerning privileges unrelated to the case before the court. The district court rejected defendant's arguments, holding that the standard for unsealing transcripts and court opinions is different than for underlying documents submitted for the court's *in camera* review: the “pervasive common law right to inspect and copy public records and documents, including judicial records and documents” outweighed defendant’s interest in protecting its trial strategy, which it disclosed to the court during the hearing.

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• **D.C. Circuit Affirms Contempt Ruling And Discovery Sanctions Against OFHEO.**

The D.C. Circuit recently upheld sanctions imposed on the Office of Federal Housing Enterprise Oversight (OFHEO) for failure to meet agreed-to deadlines in responding to a third-party subpoena served upon it in the matter of *In re Fannie Mae Securities Litigation*, No. 08-5014, 2009 WL 21528 (D.C. Cir. Jan. 6, 2009). In September 2007, OFHEO entered into a stipulated order agreeing to search its backup tapes using search terms provided by the defendants, and to produce responsive documents and privilege logs by January 4, 2008. After missing several interim deadlines, OFHEO informed the court in December that while it could produce the documents by the January deadline, it could not produce the privilege logs until the end of February. OFHEO explained that the defendants’ more than 400 search terms had yielded over 660,000 documents, and OFHEO had hired 50 contract attorneys and spent $6 million to respond to the subpoena. Unpersuaded, the district court found OFHEO to be in contempt and, as a sanction, ordered production of all documents withheld on the basis of the deliberative process privilege which were not logged by the January deadline. In affirming, the D.C. Circuit recognized that OFHEO had “made extensive efforts to produce the documents and privilege logs in accordance with the timetable set forth in the stipulated order,” but nonetheless held that the district court had not abused its discretion in either its contempt finding or its choice of sanction.
• **Court Declares Patents Unenforceable As A Spoliation Sanction.**

A federal district court in Delaware ruled in *Micron Technology, Inc. v. Rambus Inc.*, No. 00-792, 2009 WL 54887 (D. Del. Jan. 9, 2009), that a party’s pre-litigation destruction of documents constituted bad faith spoliation, and as a sanction, found certain of its patents unenforceable. In litigation that commenced in August 2000, Rambus claimed that Micron Technology had infringed several of Rambus’ semiconductor patents. The litigation revealed, however, that as early as 1998, Rambus had retained attorneys to develop a litigation strategy against several potential targets, including Micron, and as part of that strategy, Rambus instituted a document retention policy that was designed to purge Rambus’ files of documents relevant to the contemplated litigation and which included “shred days,” during which documents relating to the asserted and related patents were destroyed. Although this purging occurred prior to the initiation of the instant action, the court held that litigation was reasonably foreseeable no later than December 1998 and, therefore, a duty to preserve potentially relevant documents arose at that time. Finding that the “spoliation conduct was extensive,” the evidence of bad faith was “clear and convincing,” and Micron had been prejudiced, the court held that sanctions such as an adverse inference instruction or an exclusion of evidence would be “meaningless,” and concluded that “the appropriate sanction for the conduct of record is to declare the patents in suit unenforceable against Micron.”

• **Seventh Circuit Affirms Use Of Out-Of-Area Rates For Lodestar Calculation.**

In *Jeffboat, LLC v. Director, Office of Workers’ Compensation Programs*, No. 07-3834, 2009 WL 66961 (7th Cir. Jan. 13, 2009), an employee filed and subsequently settled a workers compensation claim against his employer, Jeffboat, LLC. An administrative law judge then granted the employee’s petition for attorneys’ fees, and Jeffboat appealed. Jeffboat argued that the fees awarded were improper because they were based on the market rate in Connecticut, where the employee’s attorney was based, and not in line with the prevailing rates in Indiana, where the case was litigated. In rejecting this argument, the Seventh Circuit recognized that prior precedent required rates to be reasonable within the “community,” but held that the word “community” did not necessarily mean “local market area” – it could also refer to “a community of practitioners.” The court concluded that this broader meaning should be applied “particularly when, as is arguably the case here, the subject matter of the litigation is one where the attorneys practicing it are highly specialized and the market for legal services in that area is a national market.” The court also rejected Jeffboat’s argument that in such cases, a plaintiff must first attempt to find local counsel before hiring an out-of-area attorney.

• **Second Circuit Finds Class Action Waiver Violates Federal Arbitration Act.**

In *American Express Merchants’ Litigation*, the district court held that the enforceability of a class action waiver provision in an arbitration clause was for the arbitrator to decide. The Second Circuit disagrees and has held that the enforceability of such a provision is for the court to decide, and it held that the class action waiver provision in an arbitration clause was unenforceable in this case under the Federal Arbitration Act. *In re Am. Express Merchants Litig.*, No. 06-1871, 2009 WL 214525 (2d Cir. Jan. 30, 2009). While finding that such provisions are not unenforceable in all circumstances, the court concluded there was “more than a speculative risk” that the provision would deprive these plaintiffs of substantive rights under the antitrust statutes because the claims could not reasonably be pursued as individual actions, whether in court or arbitration. The Second Circuit remanded the case to the district court so American Express could have the opportunity to withdraw its motion to compel arbitration.

• **Final Dismissal Order Moots Challenge To Class Certification.**

In *Telco Group, Inc. v. Ameritrade, Inc.*, No. 08-1621, 2009 WL 161187 (8th Cir. Jan. 26, 2009), the district court denied a motion for class certification. The case was later dismissed for failure to prosecute. The purported class plaintiff did not challenge the dismissal order as an abuse of discretion, but sought to review the prior order denying class certification. In an unpublished opinion, the Eighth Circuit held that because the claims had been dismissed with prejudice, reversing the denial of class certification would afford no relief and the purported class representative could not represent the uncertified class. Thus, there was no controversy and the class certification decision was unreviewable.
• **Supreme Court Considers State Regulation Of Mortgage Lending By National Banks.**

The United States Supreme Court recently granted certiorari and agreed to review a ruling regarding a state official’s authority to regulate national banks in regard to real estate lending. *Clearing House Ass’n v. Cuomo*, 510 F.3d 105 (2d Cir. 2008), cert. granted, 77 U.S.L.W. 3411 (U.S. Jan. 19, 2009) (No. 08-453). In *Clearing House*, the Second Circuit held that the district court did not abuse its discretion in permanently enjoining the New York Attorney General’s investigation into allegations of racial bias in residential real estate lending by several national banks, in alleged violation of state law. The National Bank Act, 12 U.S.C. § 484(a), provides that “[n]o national bank shall be subject to any visitatorial powers except those authorized by Federal law [or] vested in the courts of justice.” Following the dictates of 12 C.F.R. § 7.4000, the Second Circuit stated that the “courts-of-justice” exception does “not grant[] state or other governmental authorities any right to inspect, superintend, direct, regulate or compel compliance by a national bank with respect to any law, regarding the content or conduct of activities authorized for national banks under Federal law.” Because real estate lending is an activity authorized for national banks under Federal law, the state AG was powerless to enforce state laws against the federally regulated national banks. The Supreme Court will review the Second Court’s decision, and consider whether 12 C.F.R. § 7.4000 was validly enacted and is entitled to *Chevron* deference.

• **Information Furnisher To Conduct “Reasonable” Investigation Of Disputed Account.**

The Ninth Circuit recently considered the extent of a creditor’s duty to investigate account information that the creditor learns is disputed. *Gorman v. Wolpoff & Abramson, LLP*, No. 06-17226, 2009 WL 57091 (9th Cir. Jan. 12, 2009). The plaintiff sued MBNA under FCRA for MBNA’s alleged failure to conduct a reasonable investigation after learning from a credit reporting agency that plaintiff had disputed his MBNA account. In arguing that any sort of investigation suffices, MBNA first noted that the FCRA language governing furnisher obligations states that, upon learning of a dispute, “the furnisher shall . . . conduct an investigation with respect to the disputed information.” MBNA contrasted that duty with the obligation of a credit reporting agency, which upon learning of a dispute, “shall, free of charge, conduct a reasonable reinvestigation” of the account. The Ninth Circuit, rejected MBNA’s argument. Agreeing with decisions from the Fourth and Seventh Circuits, the court ruled that the purpose of the investigation requirement is to create a mechanism by which erroneous information may be corrected, and that purpose would not be served if the creditor’s investigation were cursory or unreasonable. Nevertheless, on the facts before it the Ninth Circuit affirmed summary judgment in favor of MBNA because MBNA’s investigation of the debt was reasonable based on the information provided by the credit reporting agency when notifying MBNA of the dispute. The court did, however, allow plaintiff to proceed with his claim based on MBNA’s alleged failure to notify the credit reporting agency that, at an earlier time, the plaintiff had disputed the debt directly with MBNA.

• **No TILA Violation By Increasing Interest Rate For Pre-Acceptance Conduct.**

The Ninth Circuit recently recognized limits to the scope of the Truth in Lending Act in *Hauk v. JP Morgan Chase Bank USA*, No. 06-56846, 2009 WL 153236 (9th Cir. Jan. 23, 2009). Plaintiff Hauk had received and accepted a balance transfer offer from JP Morgan that included a promotional interest rate but it also indicated that the bank could impose a higher rate if the plaintiff made a late payment on that or any other account. Because of a late payment Hauk made on another account shortly before the balance transfer offer, the bank charged plaintiff a significantly higher interest rate immediately after receiving his transferred balance. The plaintiff sued under TILA and various state consumer lending statutes. The district court granted summary judgment in favor of the bank on the plaintiff’s TILA claim, and the Ninth Circuit affirmed, holding the claim was properly dismissed because the disclosures contained in the balance transfer offer complied with TILA and Regulation Z. The court noted that TILA is a disclosure statute, the requisite disclosures were made, and a purported breach of a credit agreement based on conduct independent of the disclosures does not typically give rise to a claim under TILA. Rejecting a Third Circuit opinion to the contrary, the court further held that a creditor’s undisclosed intent to act inconsistently with its disclosures is irrelevant to determining whether the disclosures were sufficient. The Ninth Circuit, however, reinstated plaintiff’s claims under state law, finding that if the bank had known or should have known of the late payment before plaintiff accepted the balance transfer offer, then the bank’s conduct may support a claim under California’s consumer protection statutes.
## Corporate Governance
### C. John Koch

- **SLUSA Does Not Bar Derivative Claims Joined With Preempted Claims.**
  
  In *In re Lord Abbett Mutual Funds Fee Litigation*, No. 07-1112, 2009 WL 117002 (3d Cir. Jan. 20, 2009), the Third Circuit held that a complaint's inclusion of state law claims that are pre-empted under the Securities Litigation Uniform Standards Act ("SLUSA") does not require the dismissal of the entire action; rather, only the state law claims should be dismissed. In an earlier class action complaint in the same case, plaintiffs had alleged that a mutual fund and its investment adviser violated the Investment Company Act and state law. The district court dismissed the state law claims because they were barred by SLUSA. The plaintiffs then amended their complaint to assert only derivative claims under the Investment Company Act, alleging that the fund charged its existing investors excessive fees which were used improperly to pay brokers to market the fund. The district court dismissed the amended complaint, holding that by its terms, SLUSA requires dismissal of the entire “action,” and “not merely dismissal of the improper state law securities claims.” The Third Circuit reversed, holding that neither the language nor the policy of SLUSA requires the conclusion the district court reached. Rather, “SLUSA does not require dismissal of an entire action that includes some claims that are not pre-empted by SLUSA in addition to some that are.”

## Electronic Discovery
### Anthony C. Porcelli

- **Plaintiff Denied Access To Non-Public Metadata.**
  
  In *Lake v. City of Phoenix*, No. 1 Ca-CV 07-0415 2009 WL 73256 (Ariz. Ct. App. Jan. 13, 2009), the court denied plaintiff's attempt to compel city police department defendants to produce metadata pursuant to public records requests, holding the metadata was not a public record under Arizona law. Metadata consists of “all the contextual, processing, and use of information needed to identify and certify the scope, authenticity, and integrity of active or archival electronic information.” Plaintiff argued that this information was necessary to authenticate electronic documents the defendants produced. The court held that the requested metadata was not a public record because it was not: (1) created pursuant to a public duty; (2) required to be created by law; and (3) a written record reflecting a transaction by a public officer. The court also concluded that the duty to produce public records is not co-extensive with Arizona’s evidentiary rules. Here, no legislative intent was shown to “construe Arizona public records law so broadly” as to require disclosure by a government agency of any document discoverable in litigation.

## Ethics
### Robert T. Markowski

- **Lateral Partner Conflict Results In Disqualification.**
  
  In *Chinese Automobile Distributors of America LLC v. Bricklin*, No. 07 Civ. 4113, 2009 WL 47337 (S.D.N.Y. Jan. 8, 2009), the district court disqualified plaintiff's law firm because one of the attorneys who had represented defendant Visionary Vehicles LLC in related corporate work became a partner in the firm five months after the suit was filed. After finding that the lateral partner's prior corporate work involved matters that were "substantially related" to issues in the lawsuit, the court addressed the question whether the lateral partner's conflict required disqualification of the entire law firm. The court rejected the argument that disqualification was unnecessary because the information that the lateral partner had would be discovered anyway. The court also rejected the law firm's attempt to avoid disqualification because the lateral partner worked in a different city than the litigation team and the firm had created an ethical wall. The court found that the law firm had known of the lateral partner's prior work for Visionary Vehicles before he joined the firm, but failed to establish an ethical wall until three months after he joined the firm. The court found the delay too long, citing authorities that required that the wall be established immediately or at least "at the time the conflict is discovered or reasonably should have been discovered." The court also held that Visionary Vehicles had not waived the conflict by waiting almost nine months before filing the disqualification motion. Finally, despite the disqualification, the court stated that the “fruits of the [firm's] factual investigation, legal research, and other work on the case can be passed on to successor counsel."
• **Lateral Partner’s Joint Defense Agreement Obligations Disqualifies Firm.**

In *All American Semiconductor v. Hynix Semiconductor, Inc.*, No. C 07-1200, 07-1207, 07-1212, 2008 WL 5484552 (N.D. Cal. Dec. 18, 2008), the district court held that the joint defense agreement obligations of a lateral partner required the disqualification of the lawyer's new firm in litigation against the defendants. The lateral partner had represented one of the defendants' executives in a DOJ investigation related to matters that were the subject of the civil antitrust case. In the course of that work, the lateral partner entered into a joint defense agreement that covered both the criminal and related civil proceedings, and the corporate defendants also were parties to the joint defense agreement. The defendants claimed that pursuant to the joint defense agreement, they had shared "confidential and privileged information regarding [their] legal strategy." Approximately two years after the lateral partner's representation of the officer ended, his firm merged with the law firm representing the civil lawsuit plaintiffs. Three days after the merger announcement and the day after the defendants asserted the existence of a conflict, the law firm established an "ethics wall." The court held that the fact that the lateral partner had represented the officer and not the corporations did not prevent the creation of a disqualifying conflict because the "participation in the [joint defense agreement] and receipt of confidential information from [the corporations] created an expectation on the part of [the corporations] that this information would be kept confidential." The court also found that the fact that the lateral partner worked in a satellite office and the law firm had established an ethics wall did not prevent disqualification of the entire firm because "established law in California rejects ethical walls." The court further held that the conflict waiver provisions of the joint defense agreement did not prevent disqualification. Although advance waivers are recognized in California, the court found that the law firm failed to show that the defendants "consented to [the lateral lawyer] prospectively undertaking adverse representation ... in substantially related litigation." Balancing the consequences of disqualification to the plaintiffs against the need to "maintain ethical standards," the court concluded that disqualification of plaintiffs' law firm was required.

• **ABA Opinion Addresses Ethics Of Judge's Fundraising For Court Activities.**

In ABA Formal Opinion 08-452 (Oct. 17, 2008), the ABA Standing Committee on Ethics and Professional Responsibility addressed issues raised under the Model Code of Judicial Conduct when a judge becomes involved in seeking private contributions to operate "therapeutic" or "problem solving" courts, such as those involved in dealing with drug, mental health, or domestic violence problems. The Opinion notes that judges in such courts may be urged to seek private contributions to support the alternative remedies those courts provide, and observes that Model Code Rule 3.7 allows judges to be indirectly involved in the fundraising activities of such organizations subject to compliance with Rule 3.1, which precludes the judge from engaging in activity that "would interfere substantially with the judge's performance of judicial duties." The Opinion concludes that Model Rules 1.2 and 1.3 apply as well. Rule 1.2 requires that judges "at all times, act in a manner that promotes public confidence in the independence, impartiality, and integrity of the judiciary," while Rule 1.3 prohibits a judge from "abusing the prestige of judicial office." Thus, solicitations directed at lawyers who might appear before the judge "would raise questions [] of partiality toward lawyers who had complied ... or, in the alternative, of potentially burdensome [issues of] disqualification ...."

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**Foreign Corrupt Practices**

**Iris E. Bennett**

• **Government Continues To Target Individuals.**

A former executive of a California valve manufacturer pled guilty to conspiring to make $1 million in corrupt payments to foreign government officials to secure business from state-owned enterprises in Brazil, China, India, Korea, Malaysia and the United Arab Emirates, which enabled the company to obtain $5 million in profits. Application of the federal Sentencing Guidelines would mean the statutory maximum 5-year sentence. The former executive is, however, cooperating with DOJ, in order to obtain a government recommendation for a lower sentence. See Press Release, Dept of Justice, Former Executive at California Valve Company Pleads Guilty to Bribing Foreign Government Officials (Jan. 8, 2009); Covino Plea Agreement, No. cr 08-336 (C.D. Cal. Dec. 18, 2008).
• Oil For Food FCPA Settlements Continue.
In the ongoing UN Oil for Food investigation, Fiat recently agreed to pay a $7 million penalty in connection with illegal kickbacks three of its subsidiaries allegedly paid to officials of the former Iraqi government. Fiat was, however, able to avoid a criminal conviction by entering into a deferred prosecution agreement. According to DOJ, the government agreed to a deferred prosecution agreement because of Fiat's thorough investigation of the payments and its improved compliance program. Fiat also agreed to settle a related SEC complaint by paying $3.6 million in civil penalties and $7,209,142 in disgorgement of profits and pre-judgment interest. See Press Release, Dep't of Justice, Fiat Agrees to $7 Million Fine in connection with payment of $4.4 million in kickbacks by three subsidiaries under the U.N. oil for food program (Dec. 22, 2008); SEC Litigation Release No. 20835 (Dec. 22, 2008).

• $1.415 Billion In Penalties To Resolve Off-Label Promotion Allegations.
Eli Lilly agreed to pay $1.415 billion in civil and criminal penalties for allegedly promoting its antipsychotic drug Zyprexa for off-label uses not approved by the Food and Drug Administration. Press Release, Dep't of Justice, Eli Lilly and Company Agrees to Pay $1.415 Billion to Resolve Allegations of Off-label Promotion of Zyprexa (Jan 15, 2009). Eli Lilly allegedly engaged in a massive campaign to promote Zyprexa in nursing homes and assisted-living facilities through its sales representatives as a treatment for non-approved diseases, and allegedly developed a similar marketing campaign targeting primary care physicians, even though there were no approved uses for Zyprexa in that market. To settle these allegations, Eli Lilly pled guilty to a misdemeanor criminal charge of misbranding, agreed to pay a criminal fine of $515 million and to forfeit $100 million in assets, the largest criminal fine ever imposed upon an individual corporation. Eli Lilly also agreed to pay an $800 million civil penalty to the federal government and certain States to resolve four qui t tam lawsuits, in which it was alleged that the company caused false claims to be submitted to various government healthcare programs through its improper marketing practices. In addition, Eli Lilly entered into a five-year Corporate Integrity Agreement with the Department of Health and Human Services Office of Inspector General, under which a Board of Directors committee must annually review the company's compliance program and certify its effectiveness.

• Dismissal Granted Of Putative Class Action Against Medical Device Manufacturer.
The district court dismissed a putative class action, in which plaintiffs asserted that medical device manufacturer Stryker Orthopaedics had violated California's Cartwright Act and Unfair Practices Act. Somerville v. Stryker Orthopaedics et al., No. C 08-02443, 2009 WL 113369 (N.D. Cal. Jan. 16, 2009). In her complaint, plaintiff alleged that Stryker had conspired with physicians and hospitals to enter into fake consulting agreements designed to conceal an illegal scheme under which Stryker provided illegal kickbacks in exchange for using the company's products, and plaintiff asserted that she incurred higher co-payments and health care premiums as a result of the scheme. The court dismissed the complaint because plaintiff failed to identify: (1) the terms and conditions of the fake consulting agreements; (2) any of the physicians or hospitals allegedly involved in the agreements; and (3) any facts suggesting the existence of a conspiracy between Stryker and any hospitals or physicians.
### Internal Investigations

#### Retaliation Claim May Arise From Answers During Internal Investigation.

The U.S. Supreme Court has ruled that retaliation for answers to questions posed during an internal investigation may form the basis of a discrimination claim. In *Crawford v. Metropolitan Government of Nashville and Davidson County, Tennessee*, No. 06-1595, 2009 WL 160424 (S. Ct. Jan. 26 2009), the defendant company had initiated an internal investigation after rumors surfaced that a manager had engaged in sexual harassment. When the plaintiff was interviewed, she described several instances of sexually harassing behavior, as did two other employees. At the conclusion of the investigation, no action was taken against the manager, but the plaintiff was fired for alleged embezzlement and the two other accusers were fired as well. Plaintiff sued the company for violation of the anti-retaliation provision of Title VII of the 1964 Civil Rights Act, which makes it unlawful to discriminate against an employee because she has (1) “opposed any practice made an unlawful employment practice by this subchapter” (the “opposition clause”) or (2) “made a charge, testified, assisted, or participated in any manner in an investigation, proceeding, or hearing under this subchapter” (the “participation clause”). The district court granted summary judgment for the company, holding that an employee does not “oppose” an unlawful practice merely by answering questions by investigators and that the investigation was not pursuant to a pending EEOC charge so as to trigger the participation clause. The court of appeals affirmed. The Supreme Court reversed, holding that the opposition clause may be triggered by answers to questions posed during an internal investigation. The Court noted that existing law provides ample incentive to conduct internal investigations and that raising the bar for retaliation claims would discourage employees from truthfully answering questions during internal investigations out of fear of retaliation. Because the Court found that the lower courts had erred in their construction of the opposition clause, it did not reach the question of whether the participation clause applied in the absence of a pending EEOC charge.

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### Court Rejects Efforts To Limit Corporate Vicarious Liability.

In a closely watched case, *U.S. v. Ionia Management S.A.* No. 07-5801-cr, 08-1387-cr, 2009 WL 116966 (2d Cir. Jan. 20, 2009), the manager of an oil tanker was convicted of conspiracy, falsification of records, obstruction of justice, and other violations stemming from the improper discharge of oil waste into U.S. waters. Several amici curiae urged the Court of Appeals to hold that, to establish vicarious liability, the prosecution must prove that the corporation lacked effective policies and procedures to deter and detect criminal actions by its employees. The court held that such a requirement would be inconsistent with precedent. It also rejected defendant’s argument that the jury should have been instructed that corporate criminal liability can only arise from actions of “managerial” employees.

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### Court Dismisses Claims Arising From Internal Investigation And FBI Report.

In *Ishkanian v. Baker*, No. B204901, 2009 WL 27158 (Cal. Ct. App. Jan. 6, 2009), plaintiff alleged harm resulting from an internal investigation. A magazine company had conducted an internal investigation into the activities of a former employee who it believed continued to access and intercept confidential e-mails between the magazine’s reporters and editors. The magazine reported the results of its investigation to the FBI, which commenced its own investigation. It executed a search warrant at the former employee’s house and handcuffed the former employee and her boyfriend during the search. Other media outlets, including a major newspaper, reported on the events, allegedly based on information provided to them by the magazine company. The former employee sued the magazine company asserting intentional infliction of emotional distress, slander and libel. The magazine company moved to strike the claims under the California anti-SLAPP statute, pursuant to which a plaintiff may maintain a claim directed at conduct in furtherance of the defendant’s right of free speech only if the plaintiff has a probability of prevailing. The trial court denied the motion to strike, and the court of appeal reversed, holding that the conduct arose from protected activity and plaintiff’s verified complaint was unsupported by evidence sufficient to show that plaintiff had a probability of prevailing.
• **U.S. Signs Choice Of Court Convention.**
  The United States signed the Hague Convention on Choice of Court Agreements, which applies only to international civil or commercial cases. In seeking to make choice of court agreements as effective as possible, the Convention requires a court designated in an exclusive choice of court agreement to hear a case when proceedings are brought before it. Conversely, it requires a court of a Contracting State other than that of the chosen court to suspend or dismiss proceedings to which an exclusive choice of court agreement applies. The Convention further provides that a judgment entered by the selected court must be recognized and enforced by courts of other Contracting States. The chosen court may, however, refuse to hear a case if the choice of court agreement is null and void under that court’s law, and a court may refuse recognition of any judgment (1) obtained by fraud, (2) if enforcement would be “manifestly incompatible” with the public policy of the State in which the enforcement request is made, or (3) that awards punitive rather than compensatory damages. See [Hague Conference on Private International Law](https://example.com), Convention on Choice of Court Agreements, June 30, 2005, 44 I.L.M. 1294, and [Trevor Hartley and Masato Dogauchi](https://example.com), Explanatory Report. The Convention must be ratified by the U.S. Senate and, if it is, it will become effective three months thereafter.

• **Dual-Citizen Alien Corporation Did Not Satisfy Minimum Diversity Requirement.**
  In a matter of first impression in the Third Circuit, a New Jersey district court held that it lacked diversity jurisdiction where the plaintiff was an alien corporation with its principal place of business in the U.S. and one of the defendants also was an alien corporation. [Caribbean Telecomms., Ltd. v. Guyana Tel. & Telegraph Co.](https://example.com), No. 07-5363, 2009 WL 205360 (D.N.J. Jan. 26, 2009). The court looked to the Second Circuit, the only circuit to have addressed the question, for guidance in concluding that the minimum diversity requirement of 28 U.S.C. § 1332(a)(3) was not satisfied where the sole plaintiff, incorporated in Guyana with a principal place of business in New Jersey, brought breach of contract and tortious interference claims against a company incorporated and based in Guyana, and its parent company, which was a citizen of both Delaware and Massachusetts. The court adopted the rule that, even if a foreign-incorporated corporation maintains its principal place of business in a state in the United States, and is considered a citizen of that State, diversity is nonetheless defeated if another alien party is present on the other side of the litigation.

• **U.S. Shareholders Must Produce Documents In Foreign Action.**
  In [Weber v. Finker](https://example.com), No. 08-13372, 2009 WL 91807 (11th Cir. Jan. 15, 2009), Weber, a defendant in a Swiss criminal action, sought discovery from certain Florida residents who, like Weber, were shareholders in a Cypriot corporation. Weber filed a Petition for Discovery in Aid of Foreign Proceedings pursuant to 28 U.S.C. § 1782(a). A federal district court in Florida granted the petition and ordered the Florida shareholders to produce the requested documents. On appeal, the shareholders argued that a US-Swiss treaty, and not § 1782, should govern Weber’s discovery request, and that in any event, the scope of discovery should be limited only to documents that will actually be used in the foreign proceeding. The Eleventh Circuit rejected both arguments. The court first held that § 1782 was the “appropriate vehicle for Weber’s discovery request under the last in time rule,” given that the relevant US-Swiss treaty was enacted in 1977, and § 1782 was last amended in 1996. The court next held that discovery provided under § 1782 is required to be produced in accordance with the Federal Rules of Civil Procedure. Consequently, the shareholders had to produce not just the documents that will be used in the foreign proceeding, but all responsive documents that fall within the scope of FRCP 26.
• **Courts Must Consider Exhaustion of Local Remedies for Some Alien Tort Claims.**
  In a matter of first impression, the Ninth Circuit sitting *en banc* held that in cases in which the nexus to the United States is weak, courts should carefully consider whether claimants suing under the Alien Tort Statute (“ATS”) must demonstrate that they first exhausted local remedies before invoking the jurisdiction of the U.S. courts. *Sarei v. Rio Tinto, PLC*, 550 F.3d 822 (9th Cir. 2008). Consistent with application of exhaustion principles in domestic contexts, the defendant bears the burden to plead and justify imposition of an exhaustion requirement, which the plaintiff may rebut by showing the futility of exhaustion. In *Sarei*, current and former residents of Papua New Guinea sued under the ATS, asserting claims that arose from Rio Tinto’s mining operations. Plaintiffs also alleged Rio Tinto was vicariously liable for the actions of the Papua New Guinea government, as it had acted as Rio Tinto’s agent or partner when it took military action to quash residents’ protests against Rio Tinto’s activities. The Ninth Circuit looked to the Supreme Court’s decision in *Sosa v. Alvarez-Machain*, 542 U.S. 692, 733 n. 21 (2004), in which the Court stated that it “would certainly consider … in an appropriate case” the requirement under principles of international law that a claimant must exhaust any remedies available in the domestic legal system and perhaps in other forums, such as international claims tribunals, before allowing its claims in a foreign forum. The Ninth Circuit concluded that the case was such an “appropriate case” and remanded the case to the district court with instructions to determine whether to impose an exhaustion requirement on the plaintiffs.

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• **Indiana: Wrongful Death Limitation Trumps Products Liability Statute.**
  In *Technisand, Inc. v. Melton*, No. 898 N.E.2d 303 (Ind. 2008), the Indiana Supreme Court addressed the question whether a statute of limitations barred a wrongful death action alleging that the plaintiff’s decedent died from injuries caused by the defendant manufacturer’s product. Plaintiff brought suit after the expiration of the two-year limitations period of the Indiana Wrongful Death Act, but before the expiration of the longer limitations period of the Indiana Products Liability Act. The intermediate appellate court had held that the lawsuit could proceed because the claims alleged product liability causes of action. The Indiana Supreme Court reversed and ordered the case be dismissed, holding that the Indiana legislature intended the statute of limitations of the Wrongful Death Act to trump the statute of limitations of the Products Liability Act.

• **California Applies Supreme Court’s New Preemption Standard.**
  In *Paduano v. American Honda Motor Company*, No. D050112, 2009 WL 57806 (Cal. Ct. App. Jan. 12, 2009), the California Court of Appeal addressed the question whether the express preemption provision of the federal Energy Policy and Conservation Act (EPCA) preempts causes of action based on California’s Unfair Competition Law and Consumer Legal Remedies Act. The preemption provisions of the EPCA expressly preempt state laws and regulations “related to” fuel economy standards when those state laws differ from federal law. Looking to the United States Supreme Court’s analysis in *Altria Group, Inc. v. Good*, 129 S. Ct. 538 (2008), the California court held that general consumer protection statutes do not fall within the scope of such a specific preemption provision. Rather, the Unfair Competition Law and Consumer Legal Remedies Act are laws of general application that create a duty not to deceive, much like the Maine Consumer Protection Law that the Supreme Court held was not preempted in *Good*. Hence, plaintiff’s claim against defendant for deceptive advertising concerning the fuel efficiency of its hybrid cars survived the motion to dismiss.
NEW FEDERAL RULE OF EVIDENCE 502: A TOOL FOR MINIMIZING THE COST OF DISCOVERY

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On September 19, 2008, the President signed into law new Federal Rule of Evidence 502. Rule 502 reflects a bold attempt by Congress to enable litigants to minimize the extraordinary cost of civil discovery in federal proceedings without risking broad waiver of privileges in either federal or state proceedings. As anyone who has litigated a complex case knows, one of the biggest drivers of cost is the need to review documents, including voluminous electronically stored information (“ESI”) such as emails, for privilege prior to production. Under the pre-Rule 502 approach, the inadvertent production of even one privileged document could lead to broad waiver of privilege regarding all documents relating to the same “subject matter,” however broadly subject matter might later be deemed by a court. As a result, litigants often reviewed each and every document for privilege and withheld even marginally “privileged” documents lest the opposing party latch onto a handful of inadvertently produced documents to argue that there had been broad subject matter waiver. Alternatively, litigants sometimes adopted cost-saving shortcuts, such as relying on electronic searches to identify privileged documents or entering into claw-back agreements, knowing that such shortcuts came with substantial disadvantages that could increase the possibility of waiver. In either case, the result was a costly game of “gottcha” that made many significant disputes uneconomical to litigate.

In 2006, the Federal Rules of Civil Procedure were amended, including amendments aimed at enabling parties to minimize the need for scorched earth privilege review. However, as observed by Judge Paul Grimm in his decision in Hopson v. The Mayor and City of Baltimore, 232 F.R.D. 228 (D. Md. 2005), parties could not be confident that a non-waiver agreement between the parties or even a ruling by one federal court finding no waiver would be respected by other courts in matters brought by other litigation adversaries. Rule 502 is the direct response to that remaining exposure. Adopted by Congress pursuant to the Commerce Clause, Rule 502 provides that party agreements embodied in federal court orders, and federal court orders finding no waiver regarding disclosures made in a proceeding in that court, will be binding in all other federal and state proceedings.

Rule 502, however, does have its limitations. This article discusses the scope of Rule 502, ways in which litigants can use it to minimize cost, and potential pitfalls for the unwary.

Rule 502’s Broad Scope

Rule 502’s scope is very broad. It applies not just to electronic discovery, but to all discovery. Specifically, it applies to “disclosure” of all communications or information covered by the attorney-client privilege or work-product protection. Rule 502(g) provides that the rule applies to state proceedings and, notwithstanding Federal Rule of Evidence 501, applies even if state law provides the rule of decision. Rule 502(d) provides that a federal court may order that a 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.” And Rule 502(e) provides that an agreement between the parties on the effect of disclosure in a federal proceeding is also binding on other proceedings, if incorporated into a court order.

Rule 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.” Although Congress provided no guidance on what circumstances may be “just and practicable,” at least two courts have already applied Rule 502 proceedings commenced prior to September 19, 2008, and more will undoubtedly follow. See Rhoads Industries, Inc. v. Building Materials Corp. of America, No. 07-cv-04756 (E.D. Pa. Nov. 14, 2008); Laethem Equipment Co. v. Deere and Co., No. 05-cv-10113 (E.D. Mich. Nov. 21, 2008).
Restricted Subject Matter Waiver – Rule 502(a)

Rule 502(a) dramatically changes the scope of waiver resulting from disclosures in federal proceedings or to federal offices or agencies. Rule 502(a) provides that when disclosure waives the attorney-client privilege or the 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.” As the Judicial Conference Committee Notes to Rule 502 (“Explanatory Notes”) make clear, “an inadvertent disclosure of protected information can never result in a subject matter waiver.” (Emphasis added.) This changes the pre-Rule 502 black letter law that a waiver of the attorney-client privilege as to one document or communication – whether intentional or not – waived the privilege as to all other documents and communications relating to the same subject matter. See, e.g., In re Sealed Case, 877 F.2d 976 (D.C. Cir. 1989). As a result, parties no longer need to fear the nightmare scenario that the inadvertent production of one privileged email or piece of correspondence might result in the wholesale loss of privilege. As discussed below, Rule 502 also addresses under what circumstances a disclosure will be deemed “inadvertent” rather than intentional.

As to intentional disclosures, subject waiver occurs only if two other circumstances are satisfied: the undisclosed communications concern the “same subject matter” as the disclosed ones, and they “ought in fairness be considered together.” Although the Rule does not define “fairness,” the Explanatory Notes state that subject matter waiver should be applied sparingly and should be “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.” (Emphasis added.) Thus the “fairness” prong limits broader waiver to cases in which the court determines that the disclosure was intentionally made on a selective basis and further disclosure is necessary to prevent misleading the factfinder.

Rule 502(a) makes one other notable change to pre-Rule 502 waiver doctrine. Under the traditional approach, subject-matter waiver was applied to waiver of the attorney-client privilege, but was not usually applied to waiver of work product protections. See David M. Greenwald, Edward F. Malone, Robert R. Stauffer, §2:24 “Scope of Waiver,” TESTIMONIAL PRIVILEGES (3d ed. 2005, update through 2008) (Thomson West). Rule 502(a) now opens the door for courts to consider subject matter waiver regarding intentional disclosures of work product material. One can hope that the courts will be guided not only by Rule 502(a)’s limitation of subject matter waiver to “unusual situations,” but also by the well-established doctrine of heightened protection, and in many jurisdictions absolute or near absolute protection, for opinion work product.

Inadvertent Disclosures – Rule 502(b)

Rule 502(b) establishes the “middle of the road” test for determining whether inadvertent disclosure of privileged or protected material will result in a finding of waiver. Prior to Rule 502, federal courts used three different approaches in determining whether an inadvertent production of a privileged document waived the privilege A minority of courts, including the D.C. Circuit, applied a strict approach under which the production constituted a waiver regardless of the circumstances. See e.g., In re Sealed Case, 877 F.2d 976 (D.C. Cir. 1989). A different minority of jurisdictions applied a lenient approach under which the production of a privileged document did not waive privileges unless the client had knowingly and intentionally waived the privilege, meaning that counsel’s inadvertent disclosure did not result in waiver. See, e.g., Gray v. Bicknell, 86 F.3d 1472 (8th Cir. 1996) (discussing lenient approach). The majority of courts applied the “middle of the road” approach, which considered a variety of factors relating to the reasonableness of the conduct of the producing party. See, e.g., Gray v. Bicknell, 86 F.3d 1472 (8th Cir. 1996) (adopting the middle of the road approach).

Rule 502(b) adopts the majority approach, providing that a “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)."
Rule 502 does not provide specific guidance on what constitutes “reasonable steps to prevent disclosure.” The Explanatory Notes indicate that the rule is flexible and they cite prior case law identifying several factors that may be considered by a court on a case-by-case basis. Significantly, the Explanatory Notes suggest that a party who uses “advanced analytical software applications and linguistic tools in screening for privilege may be found to have taken ‘reasonable steps’ to prevent inadvertent disclosure. The implementation of an efficient system of records management before litigation may also be relevant.” But what are “advanced analytical software applications” and “linguistic tools?” Will those technological tools be considered more “reasonable” than an old-fashioned document-by-document privilege review?

Two recent decisions – one pre-Rule 502 and one post-Rule 502 – hold that merely using software applications or keyword searches may not be sufficient to ensure that privileged documents are culled from a production. In Victor Stanley, Inc. v. Creative Pipe, Inc., 250 F.R.D. 251 (D. Md. 2008), the defendant conducted a keyword search to identify privileged documents, but failed to identify 165 privileged documents that were then produced. Among the failures that led to these documents slipping through the keyword search were that the defendant did not convert non-text searchable ESI into text searchable documents prior to running the keyword search, and defendant failed to conduct adequate quality testing prior to production. In the absence of a non-waiver/ “claw back” provision, and in light of the unreasonable steps taken prior to production, Judge Grimm held that the defendant had waived otherwise applicable privileges. The court noted, however, that the outcome likely would have been different if Rule 502 were applicable, and if the parties had entered into a non-waiver agreement that was adopted by the court. 250 F.R.D. at 259, n.5. The court warned generally about the use of technology alone to identify privileged ESI:

[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.

250 F.R.D. at 256-57.

In Rhoades Indus., No. 07-cv-04756 (E.D. Pa. Nov. 14, 2008), the first post-Rule 502 decision, despite using software that was intended to identify and segregate potentially privileged documents, the producing party produced more than 800 privileged emails. The court discussed several failures in the way the software was used, including failing to search for the names of outside counsel, searching only the address lines and not the body of emails, and failing to conduct careful quality assurance testing prior to production. Although the court found that the producing party had not used reasonable steps to prevent inadvertent disclosure, the court concluded that the overriding interest of justice favored protecting the privilege and found that inadvertent production did not result in waiver.

Rule 502(b) provides more concrete guidance on what satisfies the third prong – “prompt reasonable steps to rectify the error.” According to the Explanatory Notes, Rule 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.” Instead, the Rule requires the producing party “to follow up on any obvious indications that a protected communication or information has been produced inadvertently.” This means that, while a producing party may need to conduct quality assurance testing prior to production, post-production review is not necessary as a pre-requisite for retrieving inadvertently produced material.

**Rule 502 Enables Parties To Use The Entire Federal Discovery Toolkit.**

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. Scheduling orders may provide for discovery that is proportionate to the amount in controversy, sensible time limits that enable the parties to conduct
thoughtful, phased discovery, and non-waiver/ "claw back" or "quick peek" provisions. Under a non-waiver/"claw back" agreement, the parties agree to return inadvertently produced documents, and that inadvertent production will not result in waiver. Under a "quick peek" agreement, a party allows the other side to review its documents without prior privilege review and to decide what materials it wants copied, and only then does the party review the selected documents for privilege. Prior to Rule 502, however, an agreement between the parties in one matter may not bind a third party litigant in a different proceeding, even if adopted by court order. As a result, if a party inadvertently disclosed a privileged document in Case A, and successfully recovered it with a finding of no waiver, there was no assurance that a court in Case B against a different adversary would not find that there had been a waiver, and even subject matter waiver as a result of a voluntary disclosure in the earlier proceeding. See Hopson, 232 F.R.D. at 239-40.

Rule 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.” And Rule 502(e) makes agreements between the parties binding on all other proceedings if incorporated into a court order. The Explanatory Notes state that subpart (d) provides parties with predictability – meaning that they can “plan in advance to limit the prohibitive costs of privilege and work product review and retention.”

**Interaction with State Law**

Rule 502’s reach extends beyond federal court and agency proceedings in some circumstances.

First, as discussed above, when a party discloses privileged communications or information in a federal proceeding and a waiver occurs, the federal court’s ruling as to the scope of the waiver is binding on subsequent state proceedings under Rule 502(a).

Second, if the disclosure occurs in a state proceeding “and is not the subject of a State-court order concerning waiver,” Rule 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.” Thus if federal and state law differ, the law that disfavors waiver will apply.

Third, if a disclosure occurs in a state proceeding, Rule 502 does not govern the effect of the waiver in subsequent proceedings in another state.

**“Disclosure” vs. “Use”**

Rule 502 addresses “disclosure” of privileged material, but it does not address “use” of privileged material. Although mere disclosure of a privileged document may not lead to subject matter waiver, the 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-Rule 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. Rule 502 also does not address “implied waiver,” such as reliance on the advice of counsel as an affirmative defense, which may result in “at issue” waiver.

**Open Issues and Important Reminders**

While Rule 502 is a significant and ambitious stride toward controlling costs and uncertainty in discovery, it leaves many issues unanswered. For example:

- Rule 502 does not change the law regarding “selective waiver.” Generally disclosure of privileged communications to one third party waives the privilege as to all others. However, largely on policy grounds, the Eighth Circuit created the doctrine of “selective waiver,” in which a party may disclose privileged material to a government agency, such
as the DOJ or the SEC, without waiving privilege as to other third party litigants. *Diversified Indus., Inc. v. Meredith*, 572 F.2d 596 (8th Cir. 1977). This approach has been rejected by a majority of federal jurisdictions, which hold that waiver as to the government results in waiver to all other third parties. See, e.g., *In re Qwest Communications Int'l. Sec. Litig.*, 450 F.3d 1179 (10th Cir. 2006); *In re Columbia/HCA Healthcare Corp. Billing Practices Litig.*, 293 F.3d 289 (6th Cir. 2002). A proposal to include a provision in Rule 502 permitting selective waivers was considered and rejected by the Advisory Rules Committee after lengthy debate.

- In situations where a federal government agency is conducting an investigation, but there is no pending “proceeding,” Rule 502 does not provide a means for entering into a non-waiver agreement with the government that will be binding on potential third party litigants. One commentator has suggested that Rule 502 may put a burden on those who will be responding to a government inquiry in the awkward position of needing to demand a subpoena and to initiate a formal proceeding in order to take advantage of the protections afforded by Rule 502. See Gregory P. Joseph, “The Impact of Rule 502(d) on Protective Orders,” supra. As Joseph explains, this may mean that the price for obtaining the protections of Rule 502(d) is making public what would otherwise be a non-public investigation.

- Despite the protections of Rule 502, parties still cannot “put the genie back in the bottle” once information has been disclosed – even inadvertently. Attorneys retain a duty to their clients to safeguard confidential information, and the Rule does not eliminate that duty. Attorneys should ensure that their clients are fully informed regarding the risks of any review methodology other than a document-by-document privilege review.

- Rule 502 does not provide any mechanism for reducing the burden of preparing detailed privilege logs. For better or worse, privilege logs will still play a critical role in litigation, and failure to comply with Fed. R. Civ. Pro. 26(b)(5)(A) may result in waiver.

Perhaps the most important benefit of Rule 502 is that it provides an incentive and a mechanism for parties in any federal proceeding (and state proceedings that adopt Rule 502 or where a judge may be convinced of its application) to negotiate a comprehensive discovery management order prior to embarking on significant discovery. The order may address issues of inadvertent production, document retention requirements, search protocol issues, and the level of detail required on privilege logs. Courts will likely support the parties’ efforts, which will minimize costs and later discovery disputes. If the parties cannot agree on a comprehensive order, the court may enter a discovery management order on its own to establish specific terms of engagement, including with respect to privilege. (The Explanatory Notes state that “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.”)

Finally, the adoption of Rule 502 provides an excellent opportunity for counsel to work with their clients at the outset of litigation to conduct a cost-benefit analysis of various discovery approaches, including use of iterative privilege search protocols and quality assurance testing in lieu of document-by-document review. In cases with less value or lower exposure, the risk of inadvertently disclosing privileged material may be outweighed by the significant cost savings. In more significant matters, a full privilege review may be justified.

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2 Fed. R. Civ. Pro. 26(b)(5)(B) provides:

“If information produced in discovery is subject to a claim of privilege or of protection as trial-preparation material, the 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; must not use or disclose the information until the claim is resolved; must take reasonable steps to retrieve the information if the party disclosed it before being notified; and may promptly present the information to the court under seal for a determination of the claim. The producing party must preserve the information until the claim is resolved.”

3 Although the authors have employed non-waiver/ “claw back” agreements, while recognizing their limitations, we have not produced documents to an opponent for a “quick peek.” As discussed in more detail below, it is impossible to “unring the bell” once your opponent has reviewed privileged material. Although you may be able to get the privileged material back from your opponent, they will use what they have learned, including structuring further discovery, such as requests to admit, to take advantage of the disclosed privileged material.