Tuesday, October 2, 2012
4:30 PM - 6:00 PM

207 – Shhh! This Is Attorney-Client Privileged

Michael Booden
Counsel
YMCA of Metro Chicago

Irwin Shur
Vice President, General Counsel & Secretary
Snap-on Incorporated

Margaret Wojciechowski
Associate General Counsel
Underwriters Laboratories Inc.

Faculty Biographies

Michael Booden

Michael R. Booden is senior litigation counsel with the YMCA of Metropolitan Chicago where he is accountable for providing advice and counsel to all levels of management with regard to labor & employment matters, managing litigation, intellectual property matters and negotiating complex commercial transactions. Mr. Booden previously served as assistant general counsel to Blue Cross Blue Shield of Illinois where he was responsible for negotiating, reviewing and drafting a wide range of complex commercial agreements, providing advice and counsel with regard to labor and employment matters, conducting investigations and was responsible for managing a multi-million dollar portfolio of litigation matters.

Mr. Booden has served as either first or second chair in over thirty trials in state and federal courts and before administrative judges. He has also authored several appellate briefs and represented clients before state and federal appellate tribunals. Upon graduating from The John Marshall Law School, Mr. Booden served as judicial law clerk to John J. Stamos, who formerly served on the Illinois Appellate Court and Illinois Supreme Court.

Mr. Booden is a past president of the ACC's Chicago Chapter and a past chair of the ACC Litigation Committee.

Irwin Shur

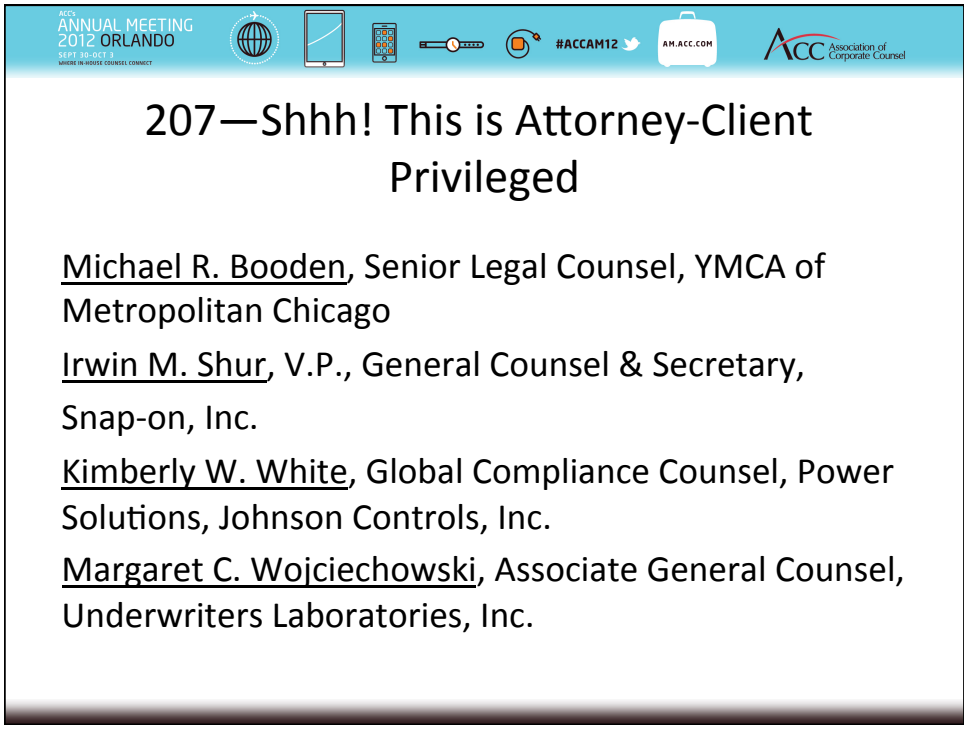
Irwin M. Shur is the vice president, general counsel and secretary for Snap-on Incorporated (NYSE: SNA), a $2.9 billion, S&P 500 company. Mr. Shur has responsibility for Snap-on's legal affairs worldwide, as well as government affairs and compliance. He also serves as secretary to the board of directors.

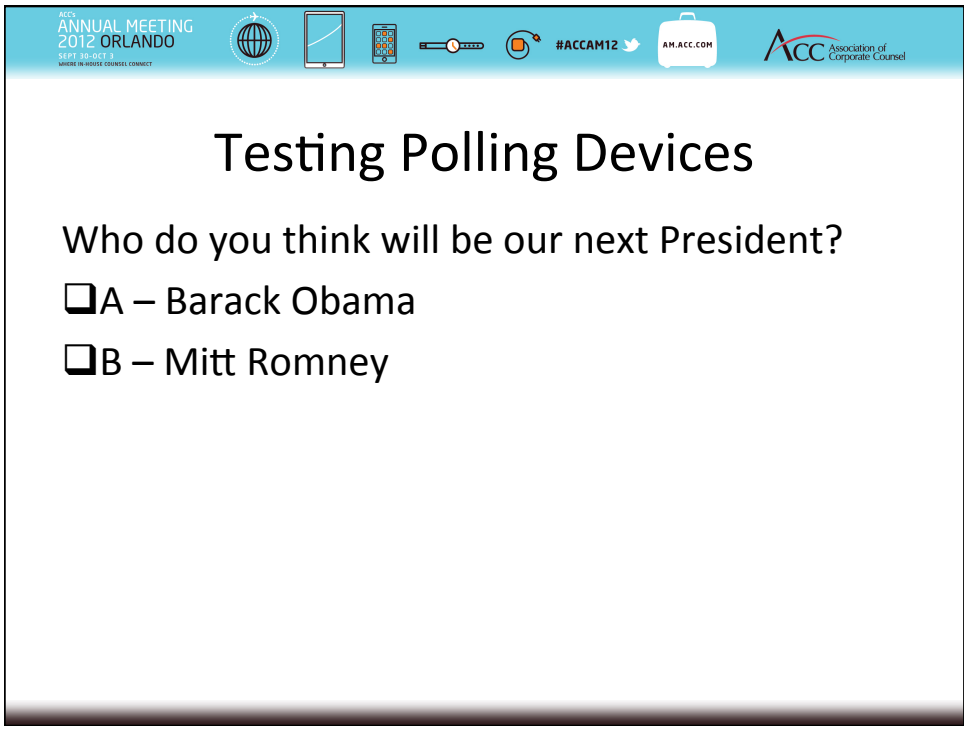
Mr. Shur joined Snap-on from Enodis plc, a publicly held manufacturer of food service equipment, where he was vice president and general counsel. Prior to Enodis, he was vice president and division general counsel for Invensys Industrial Components and Systems, and earlier served as associate general counsel for a joint venture between General Electric and Fanuc Ltd. of Japan. Prior to his time with GE, Mr. Shur was a litigator in private practice. He has extensive experience in international business matters, and has spoken several times at various forums on trans-Atlantic legal issues.

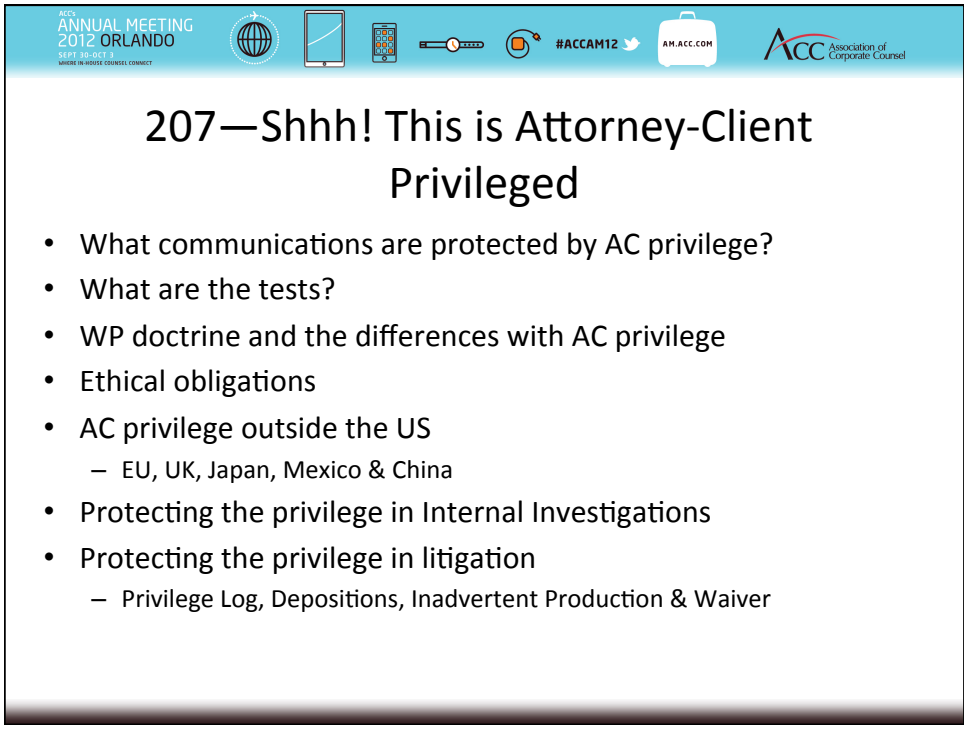
Mr. Shur holds a BA in economics and psychology from the University of Virginia, and a JD from the University of Virginia School of Law.

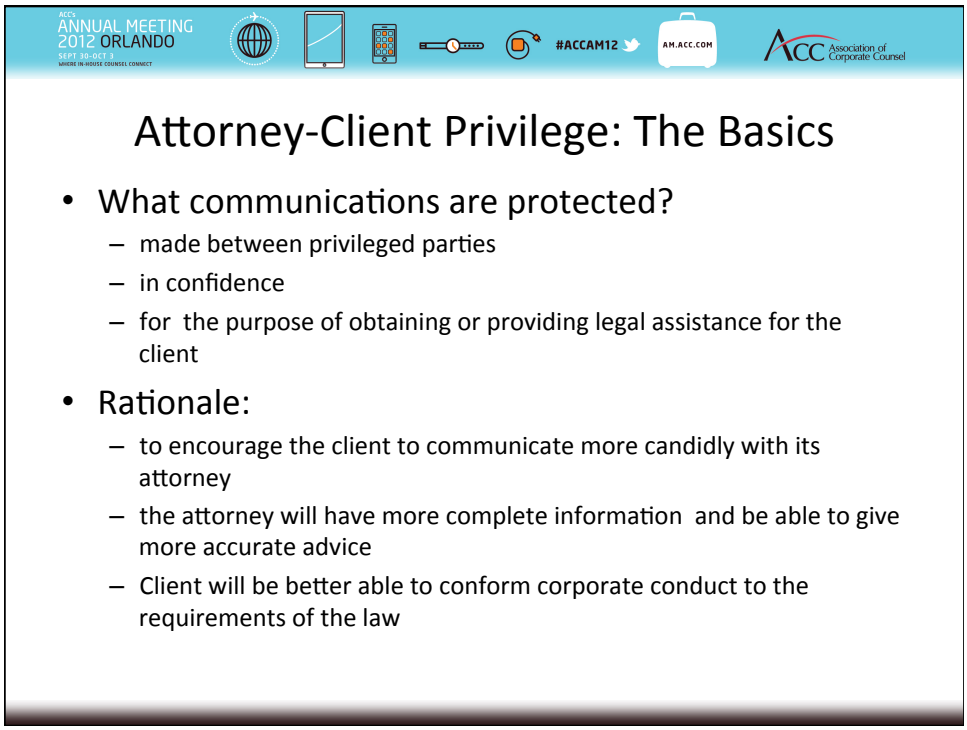
Kimberly White
Director - Global Compliance, Legal Power Solutions
Johnson Controls, Inc.

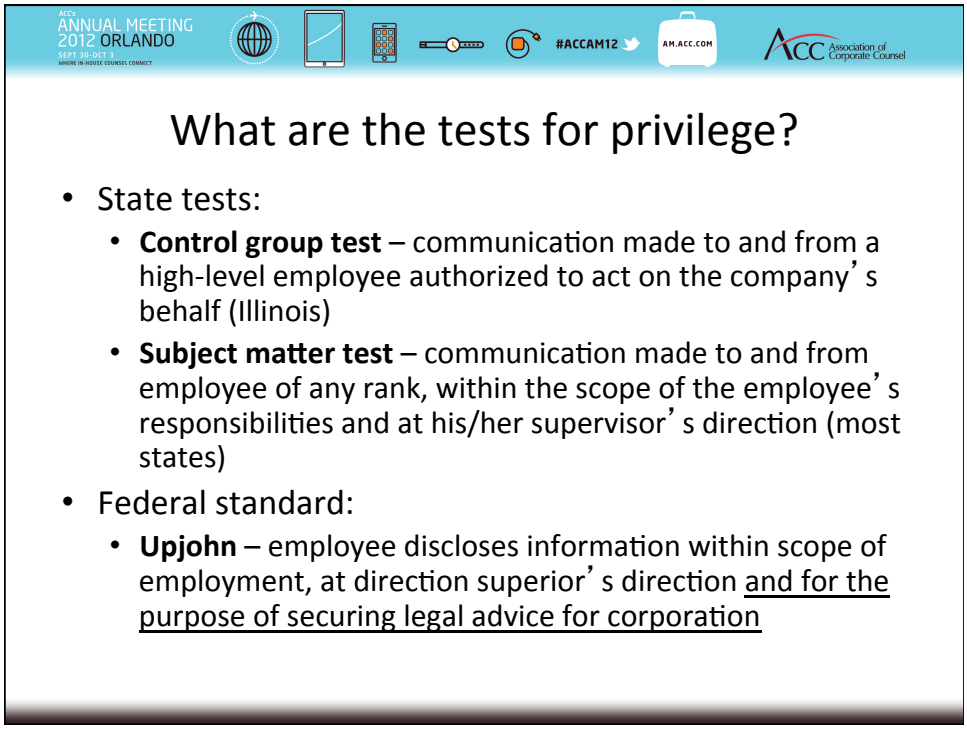
Margaret Wojciechowski
Associate General Counsel
Underwriters Laboratories Inc.

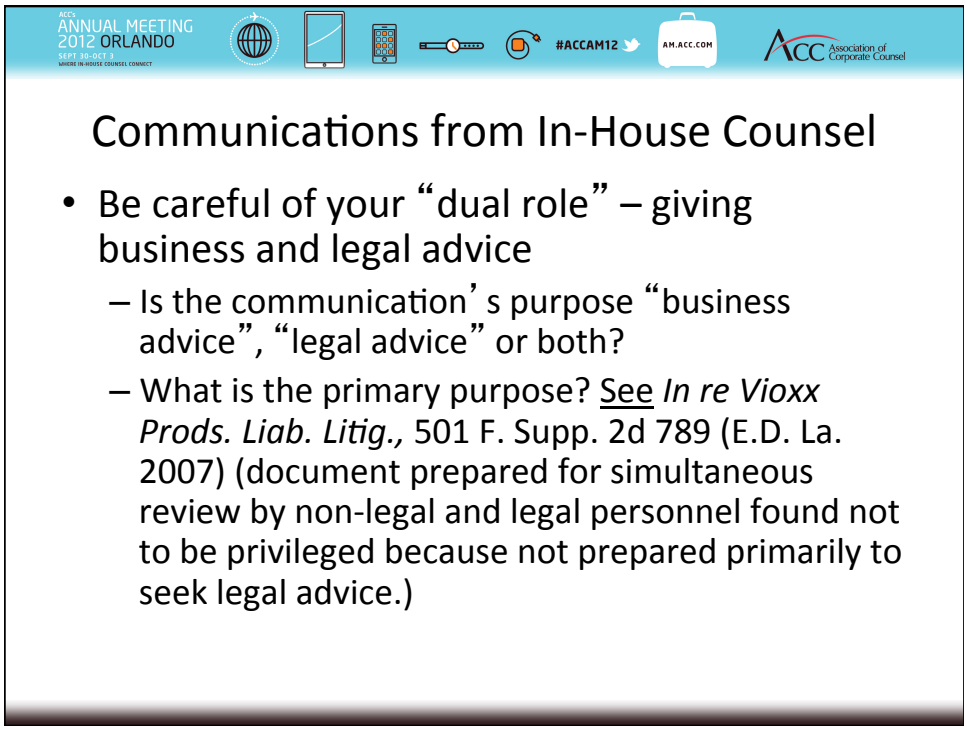


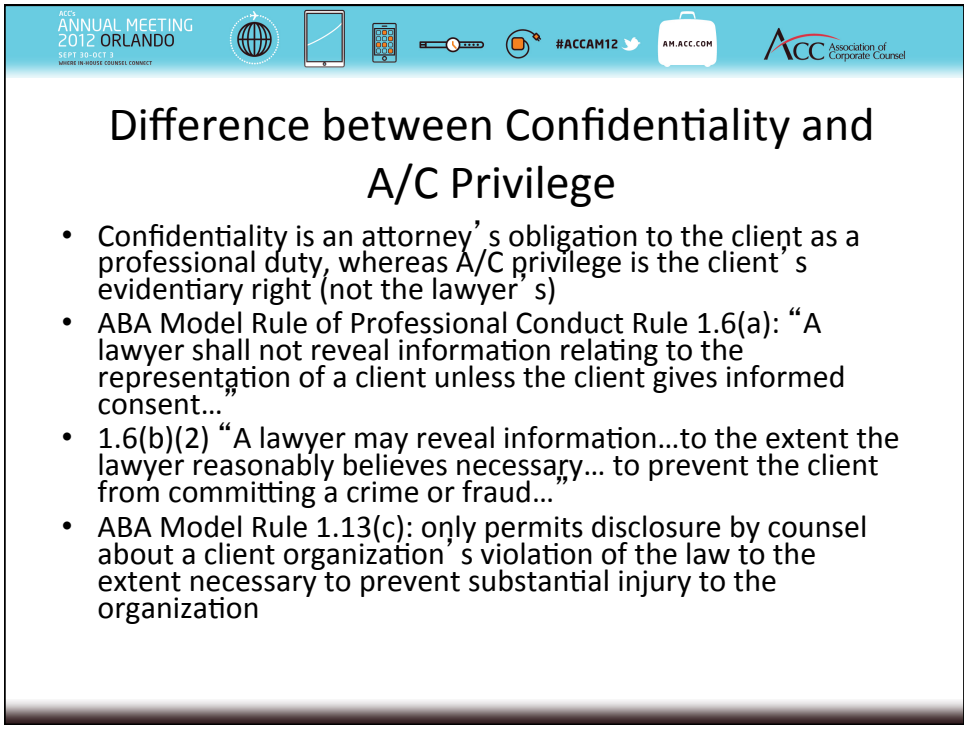


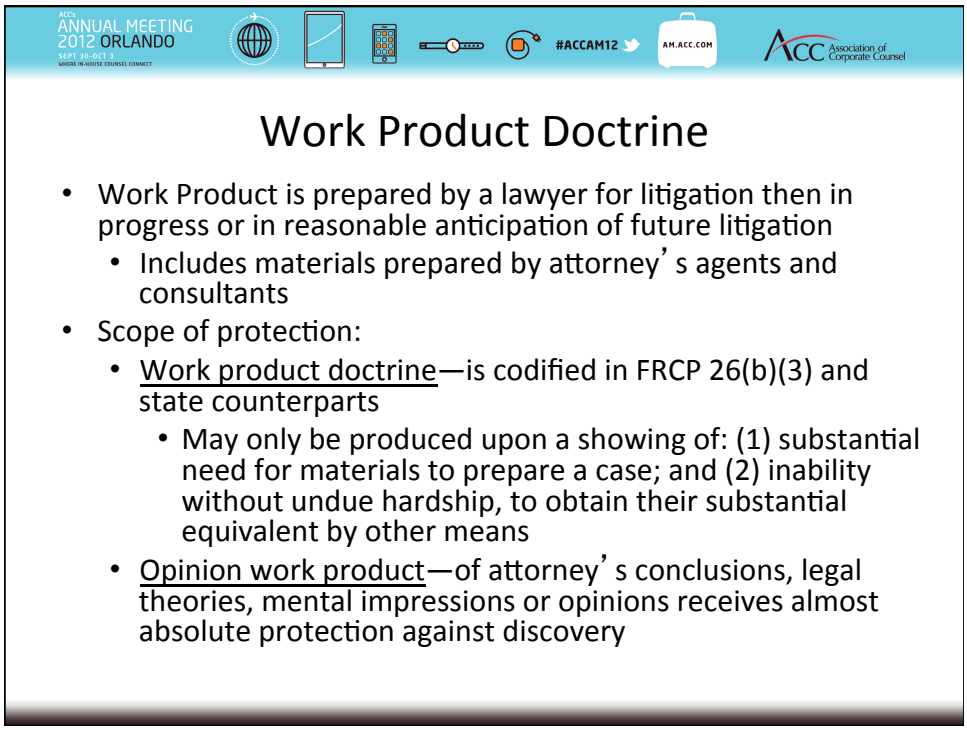


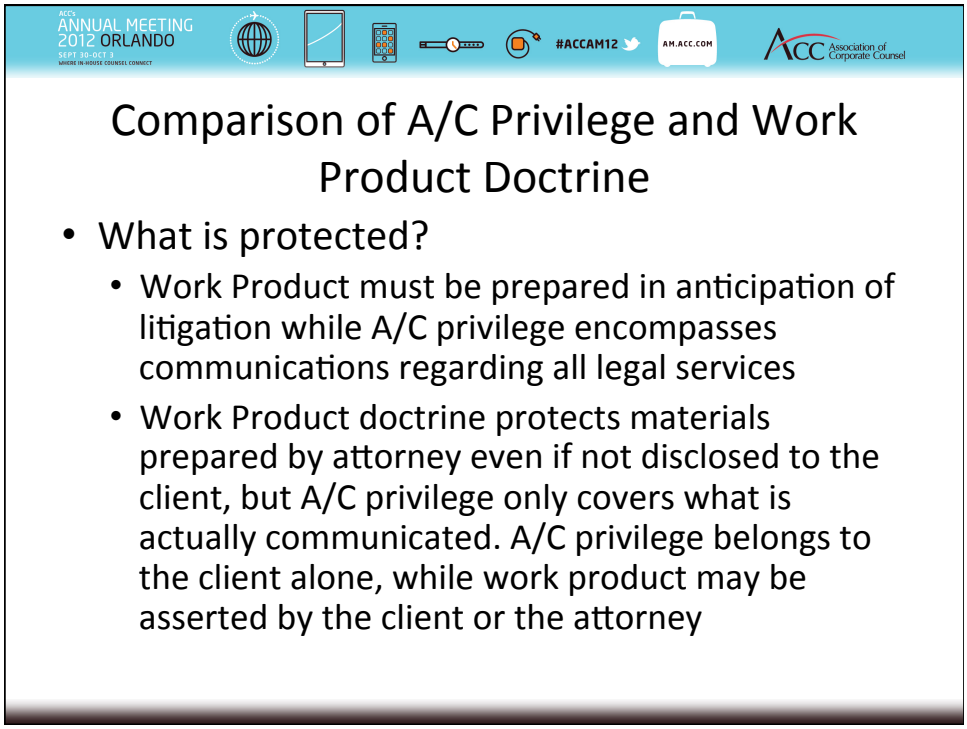


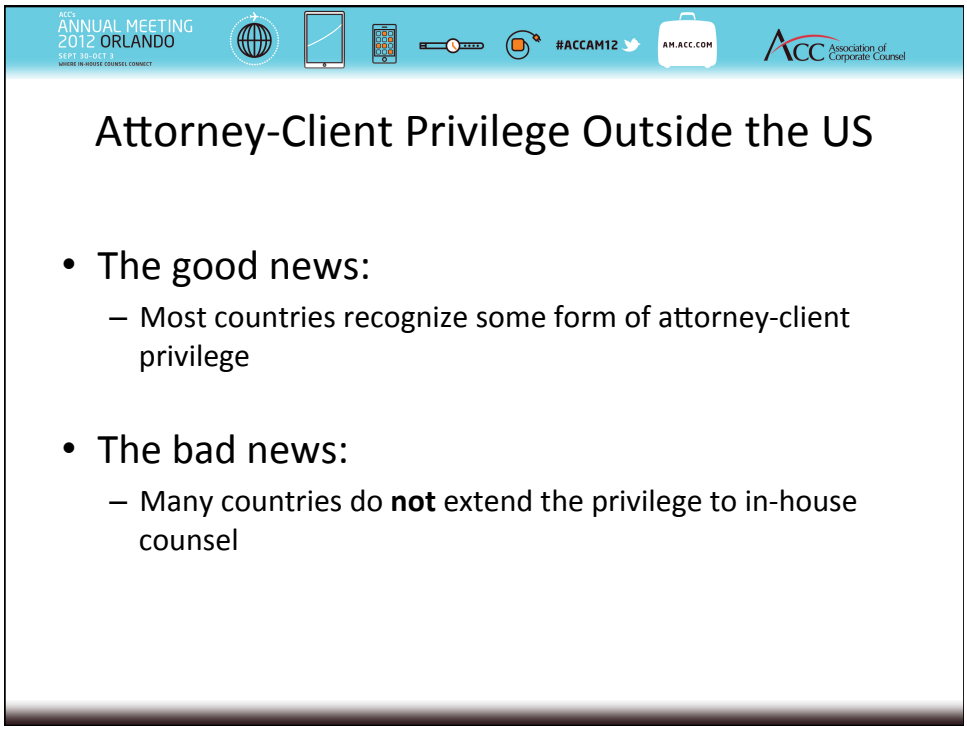


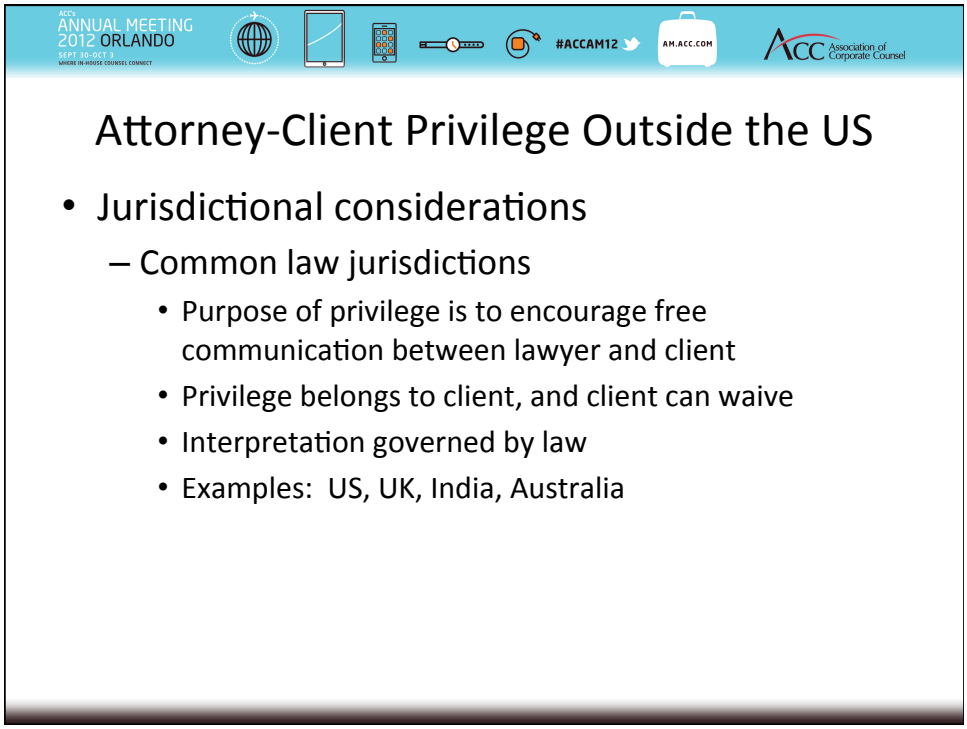


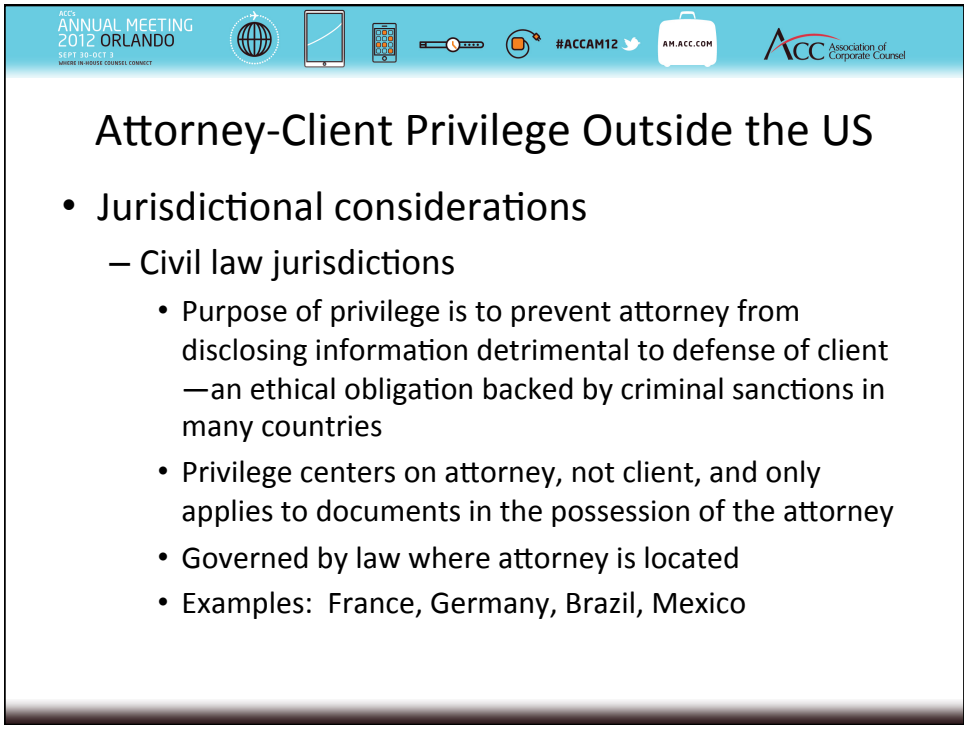


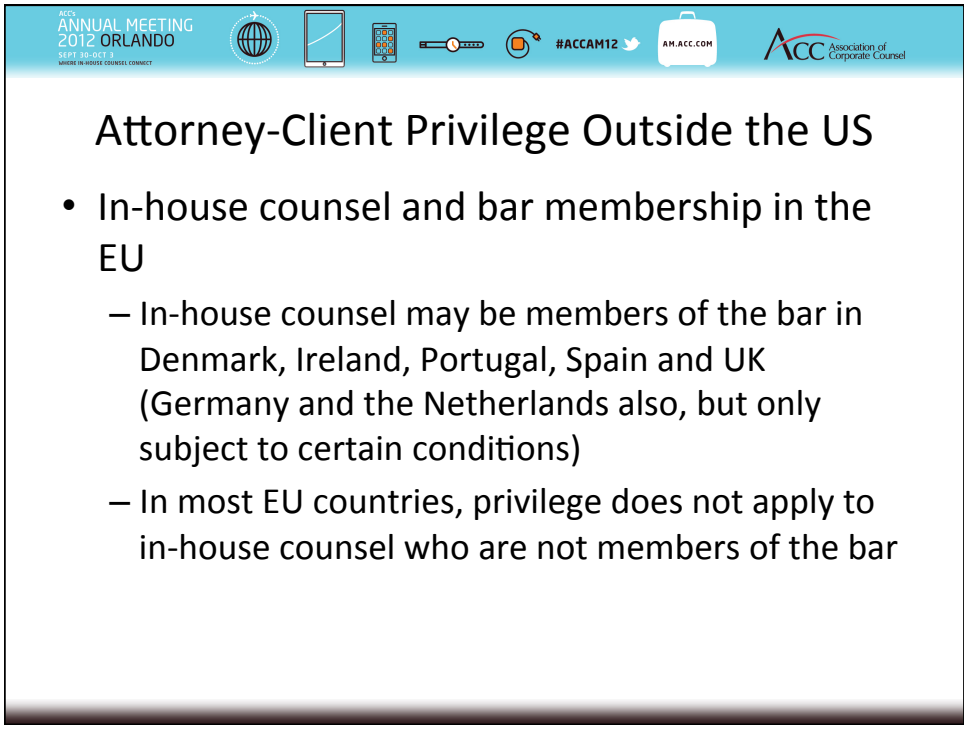


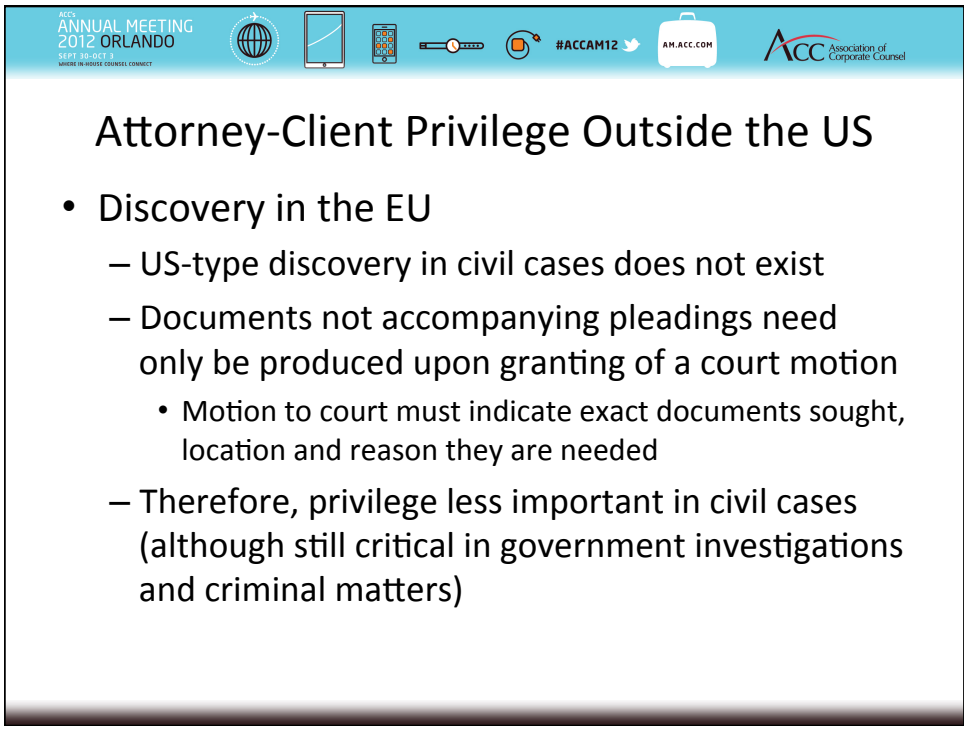


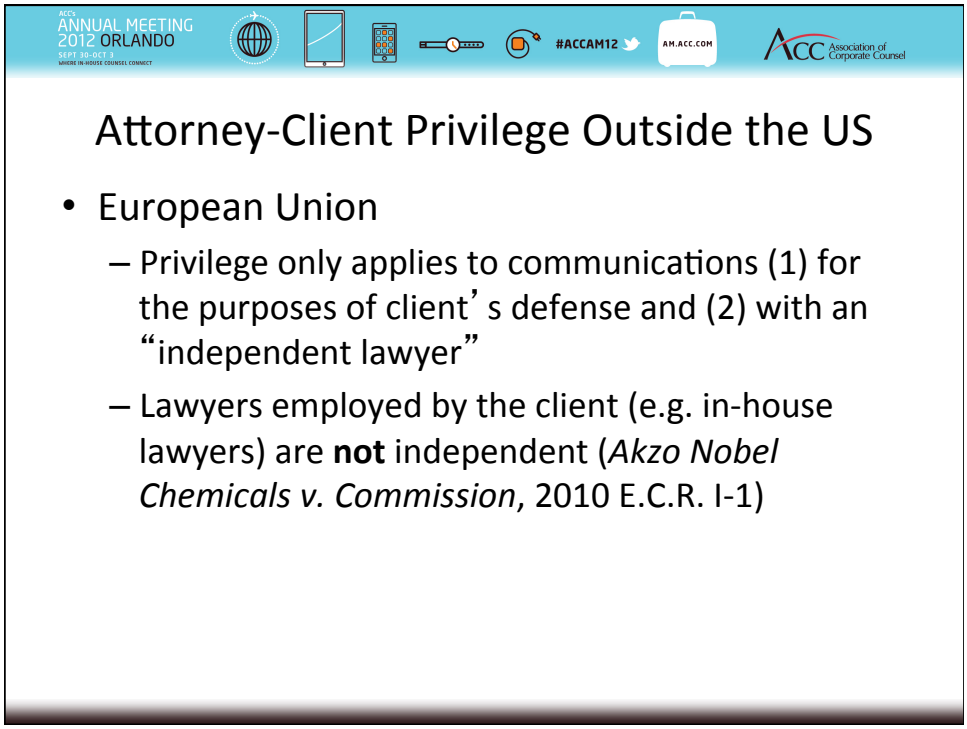


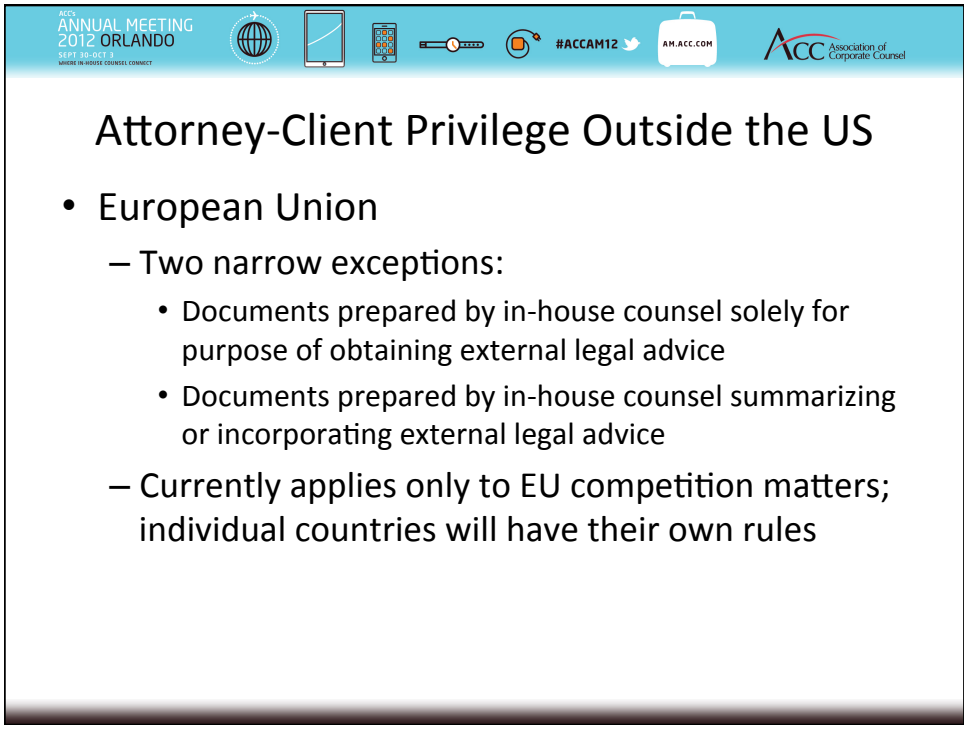


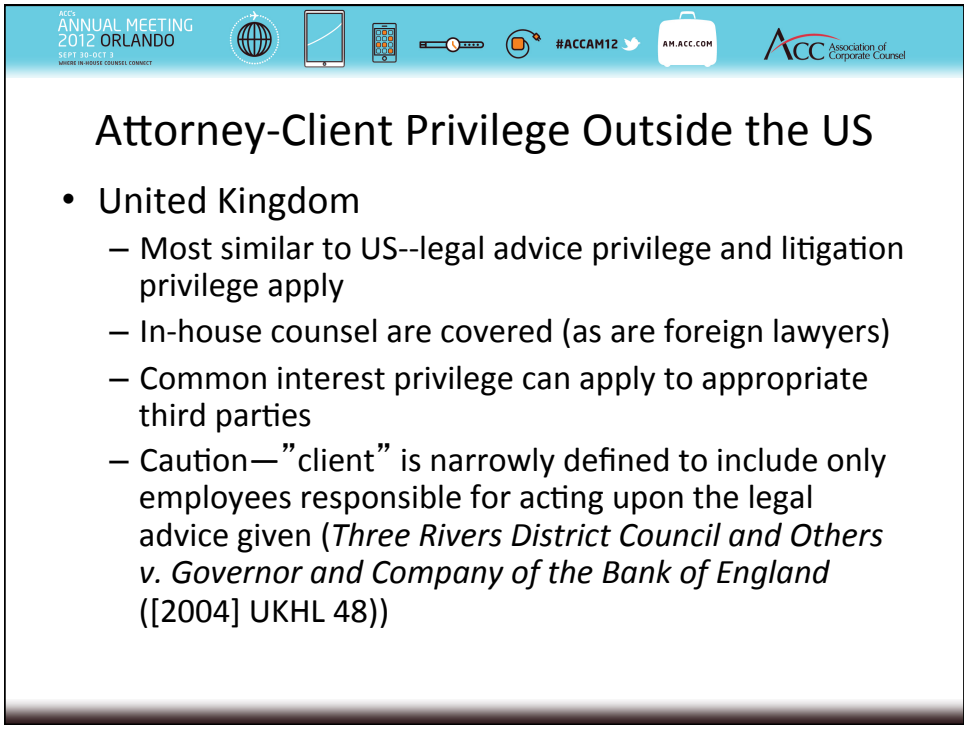


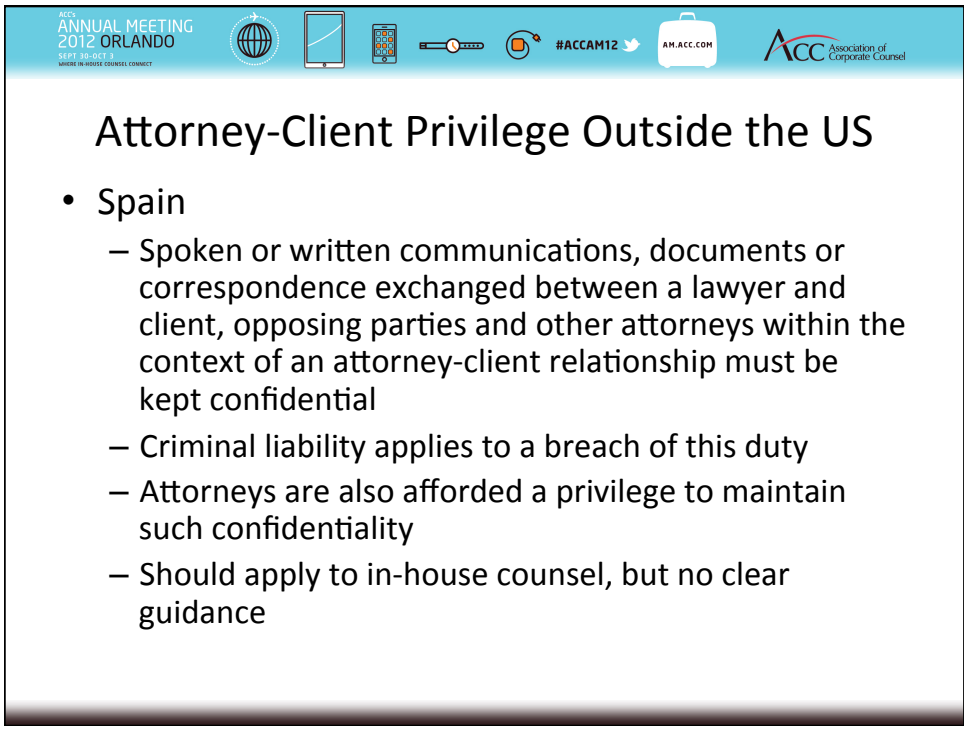


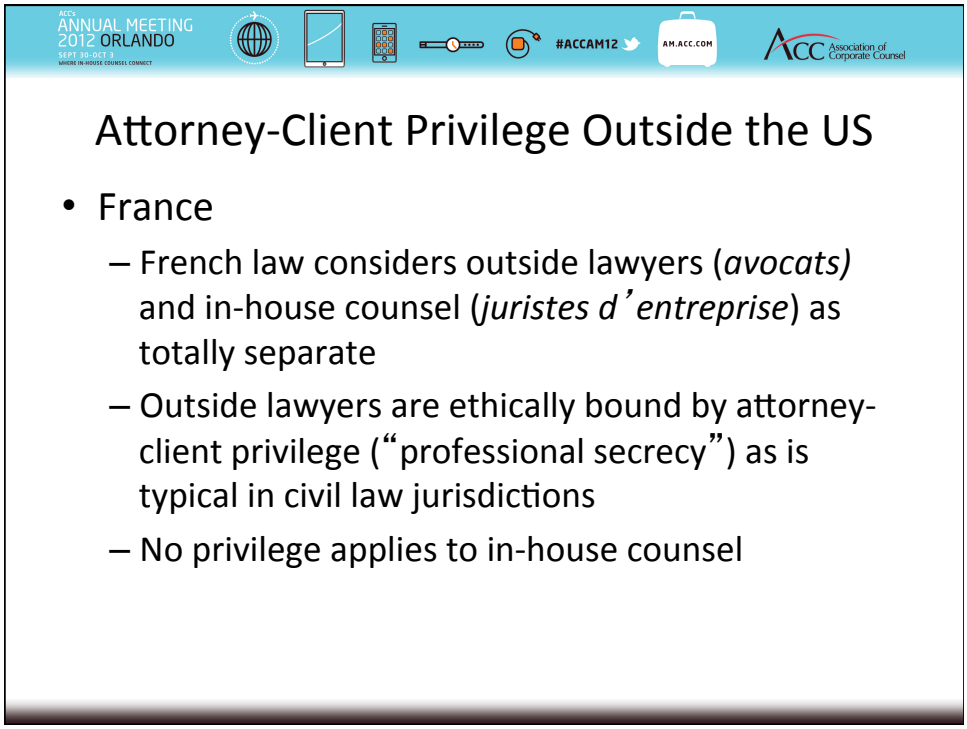


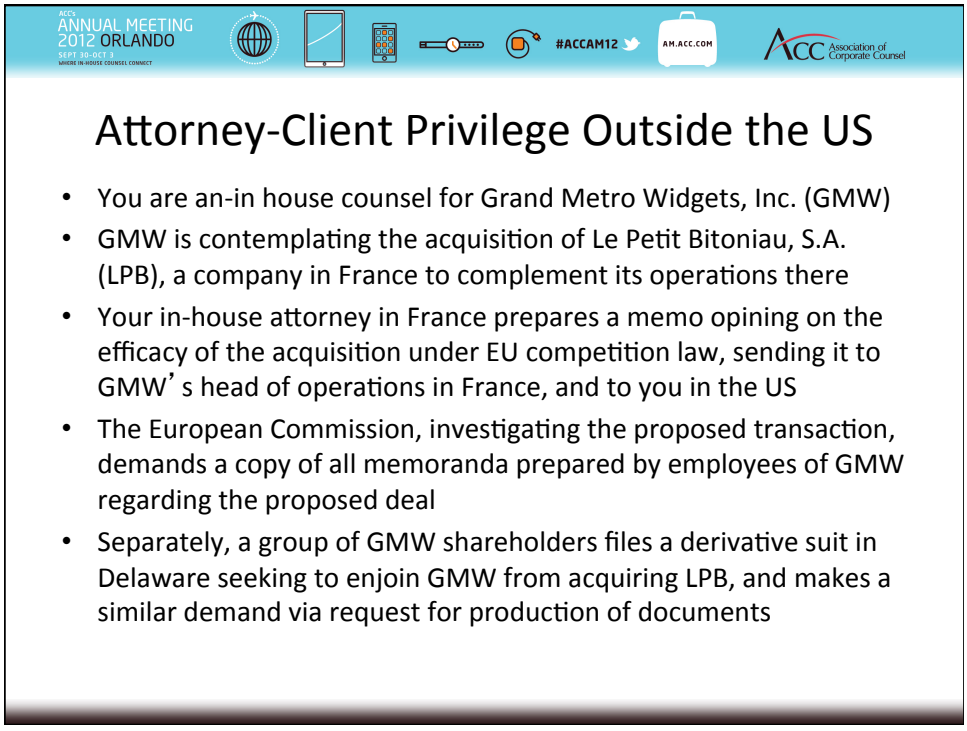


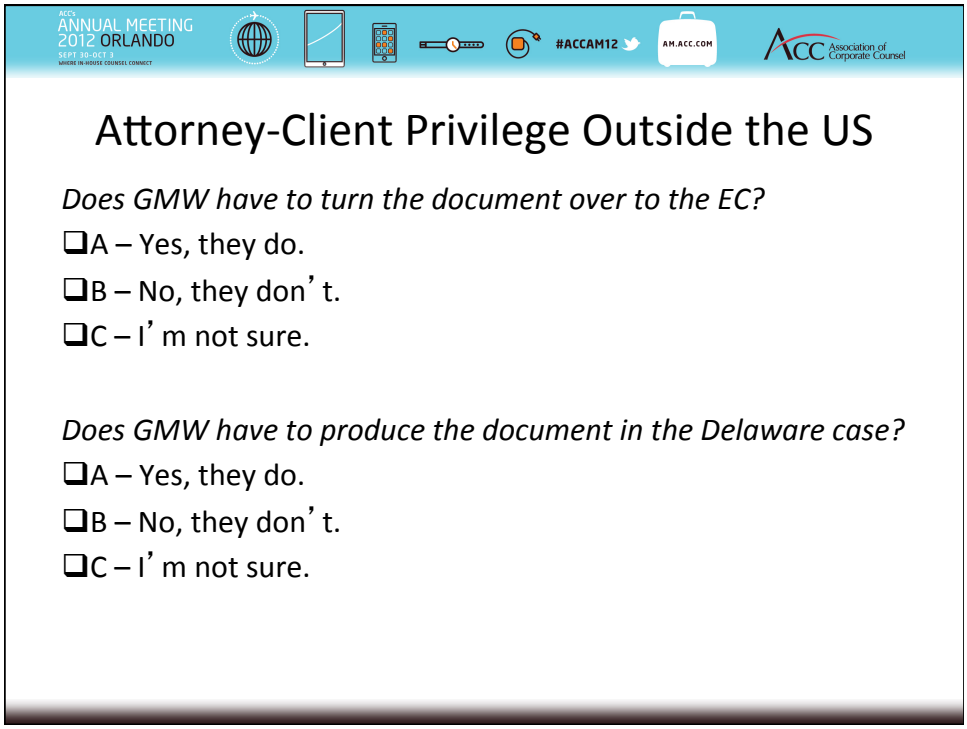


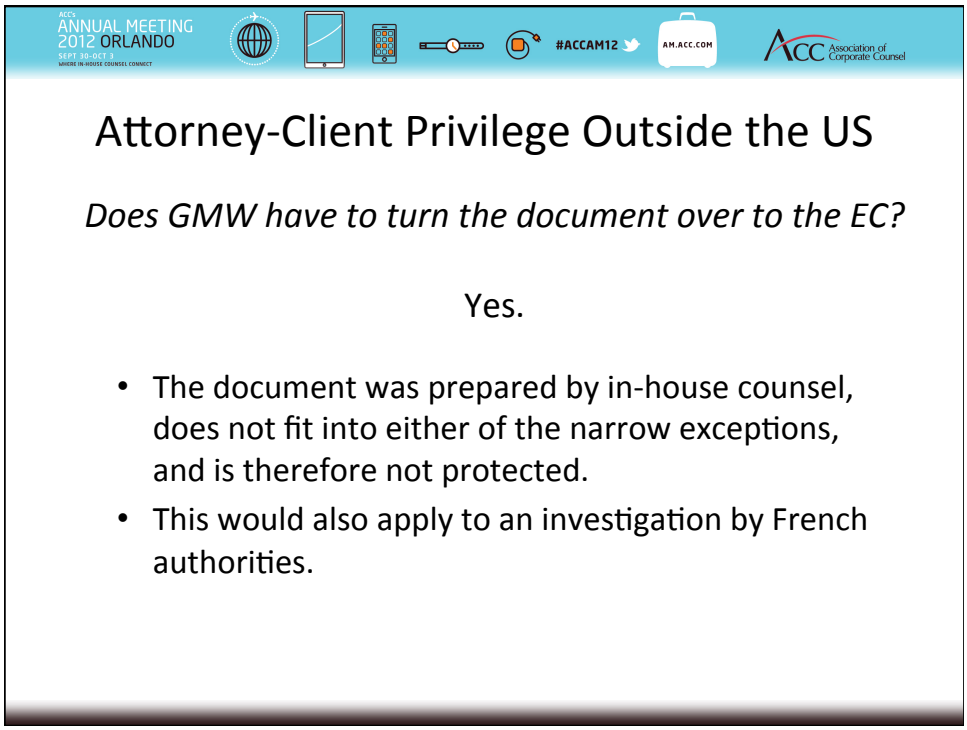


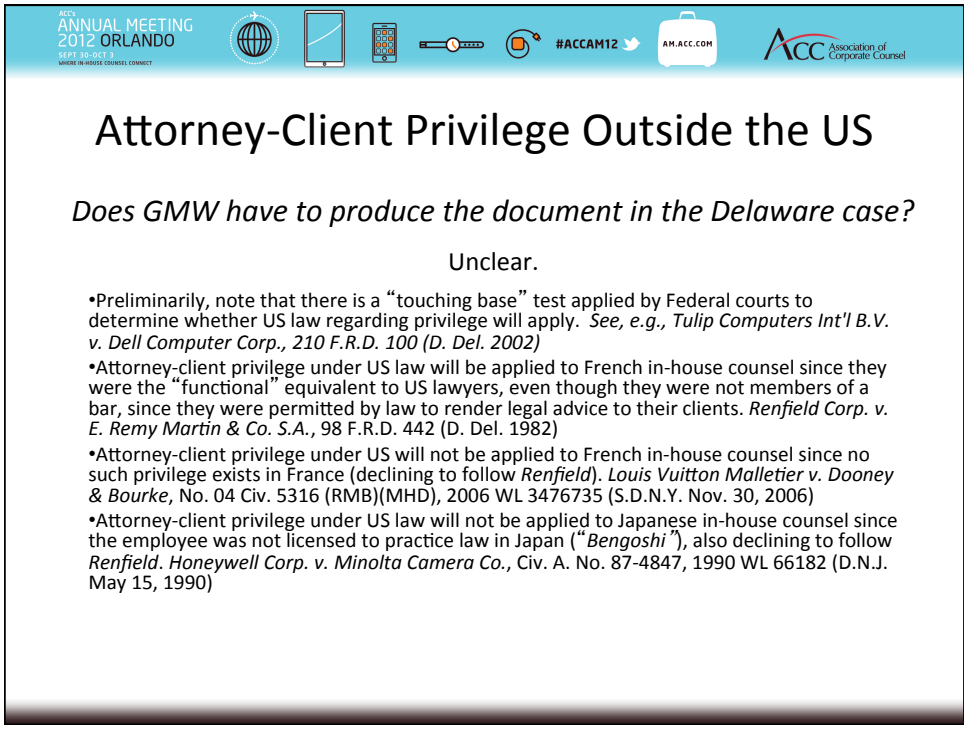


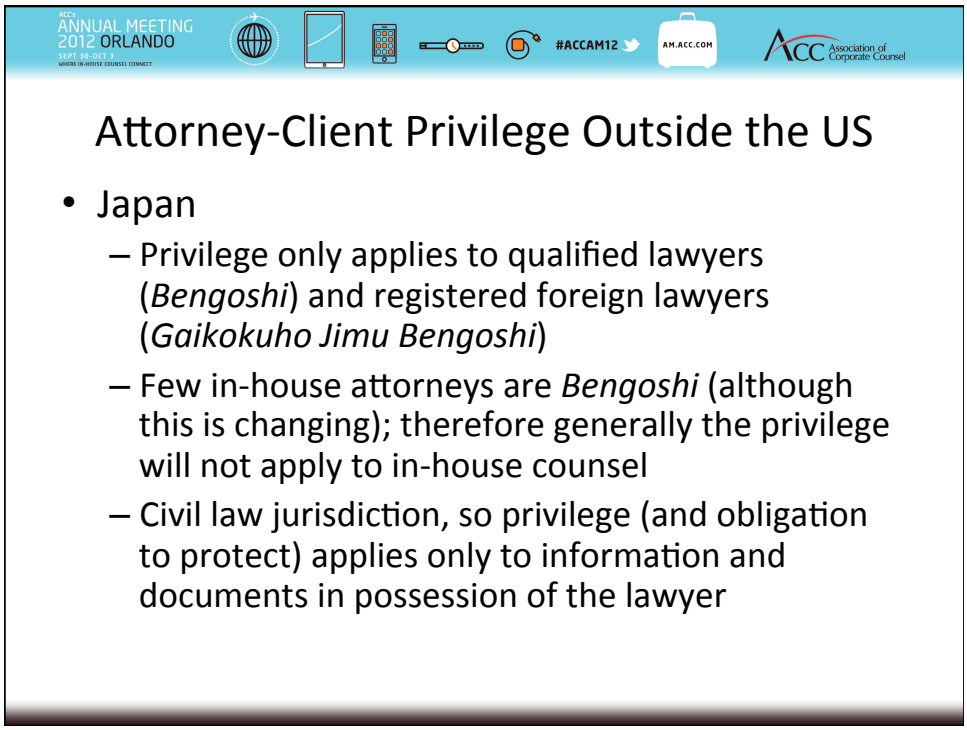


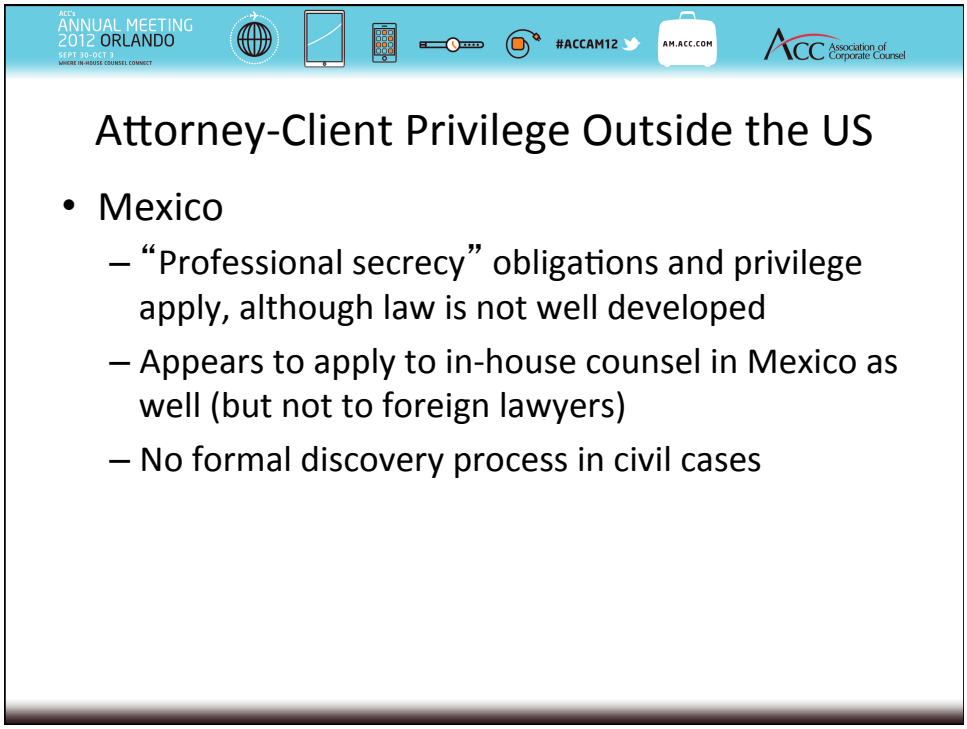


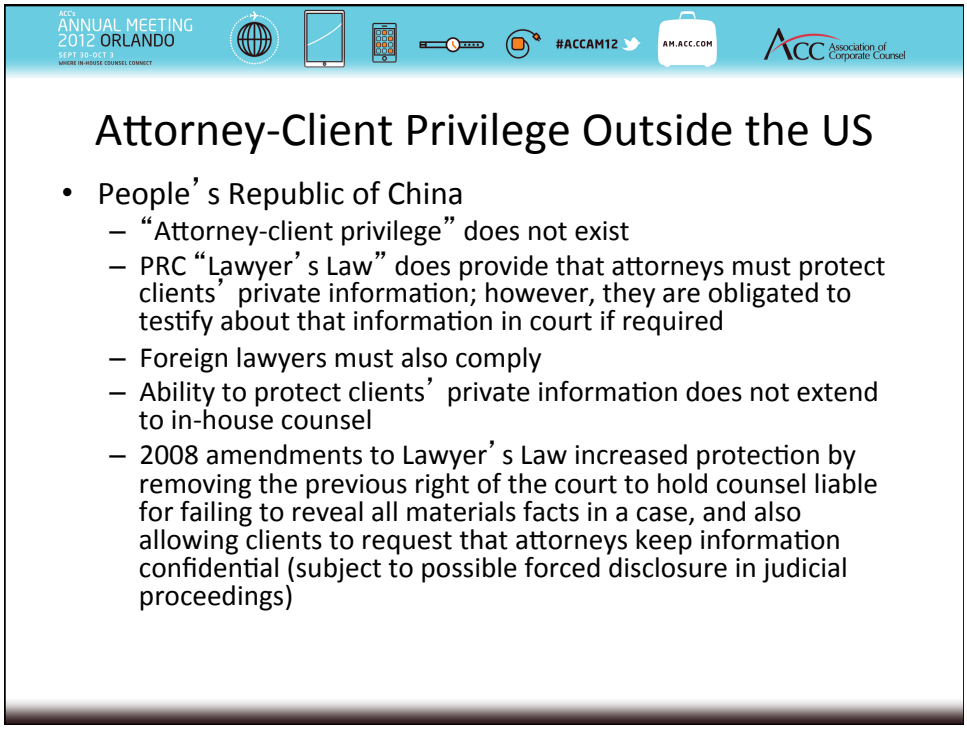


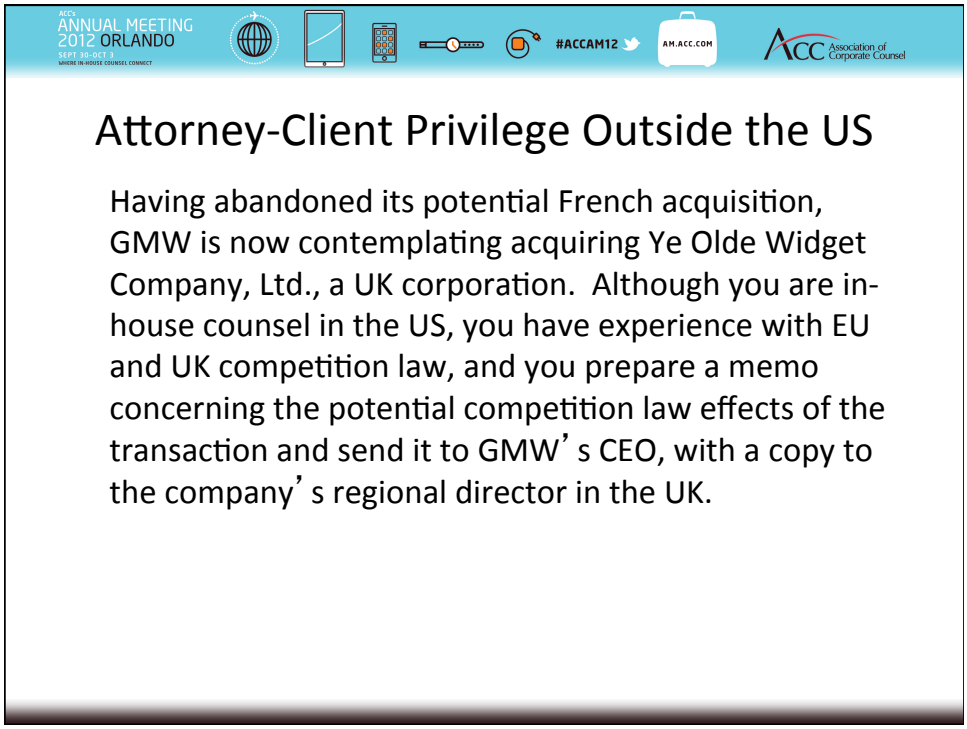


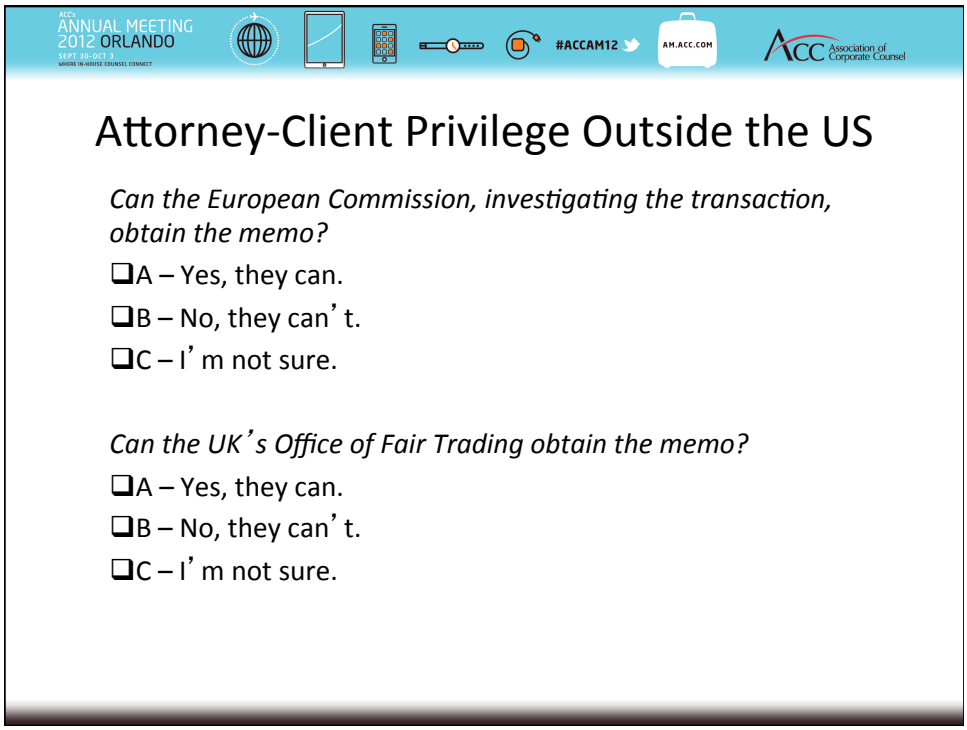


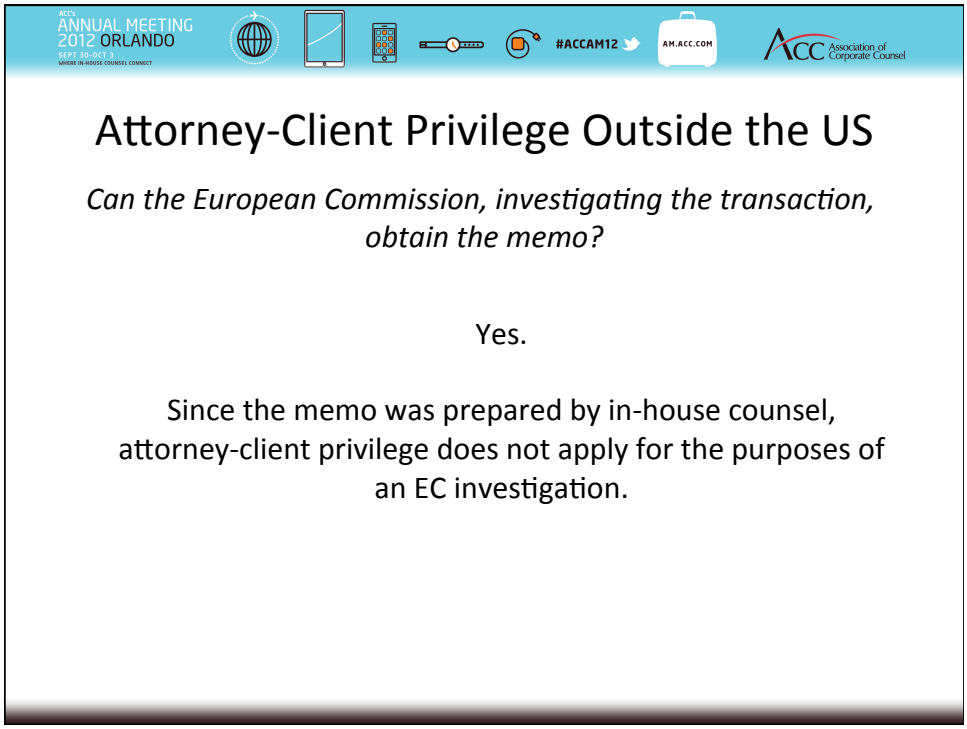


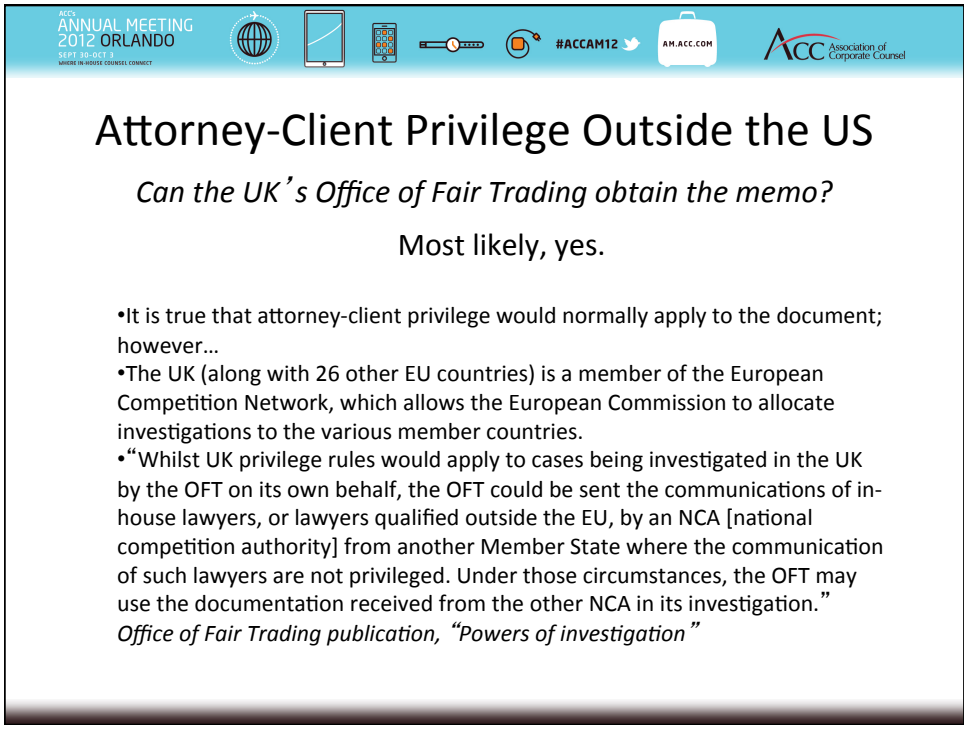


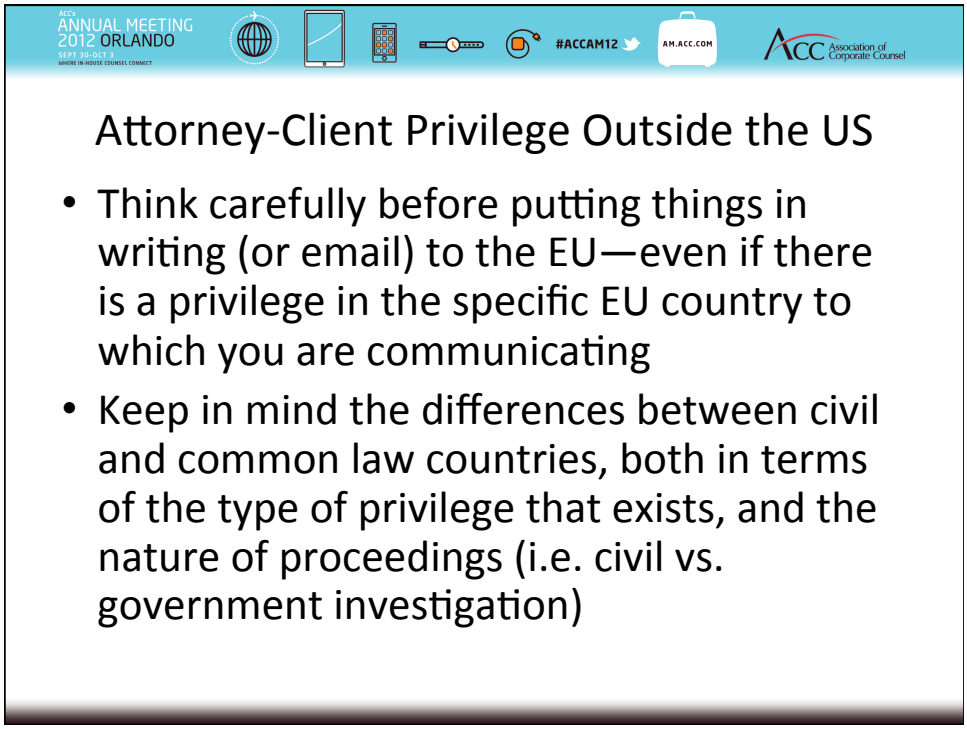


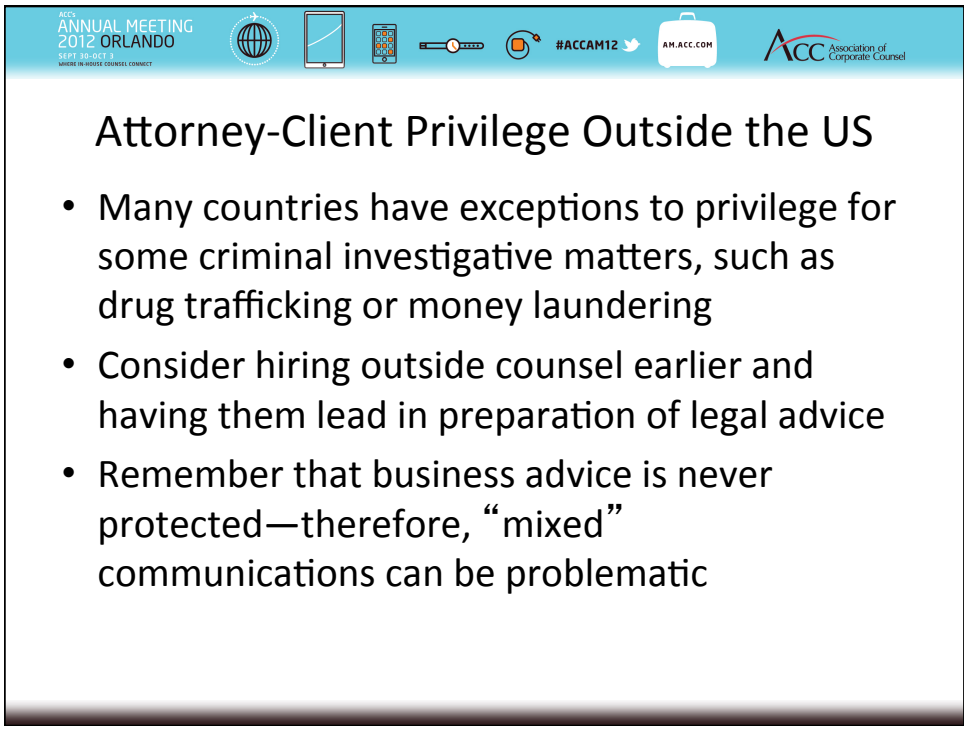


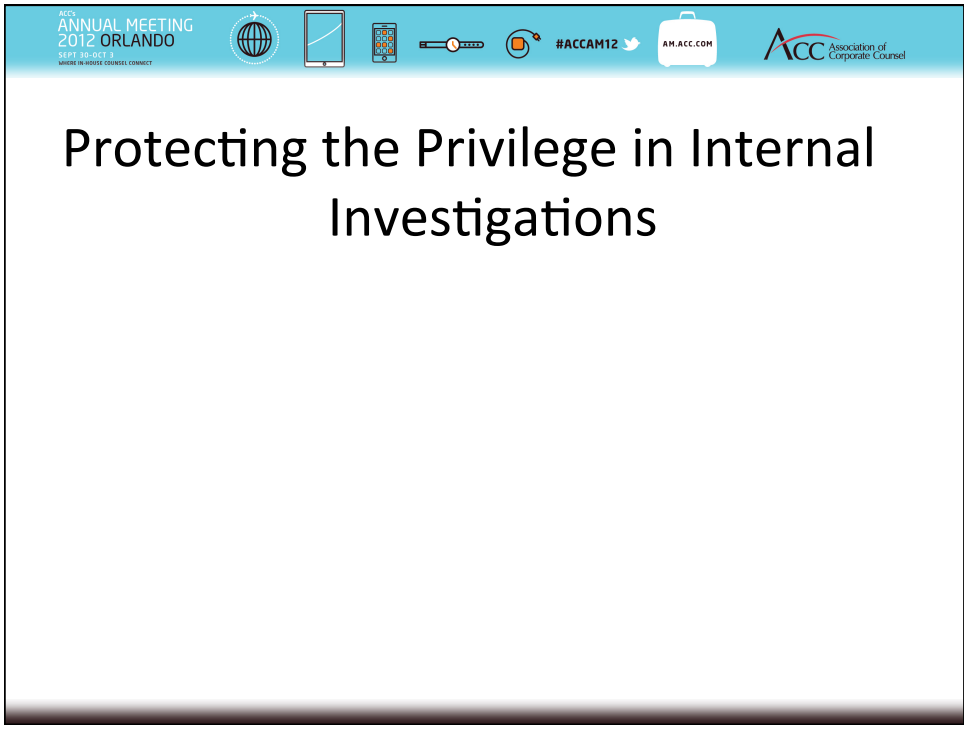


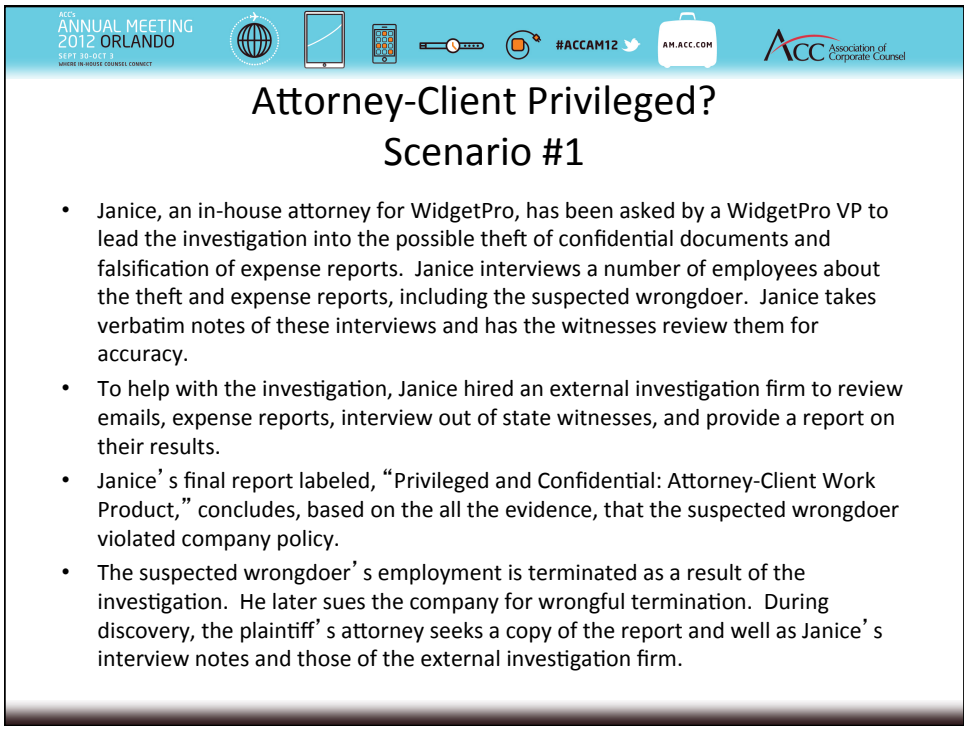


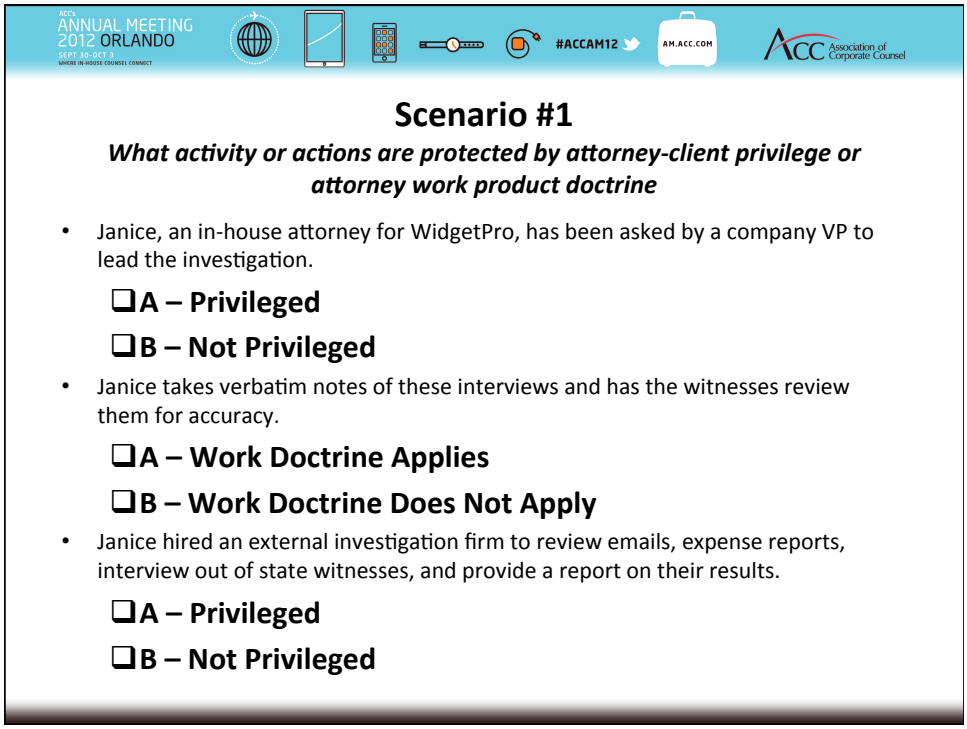


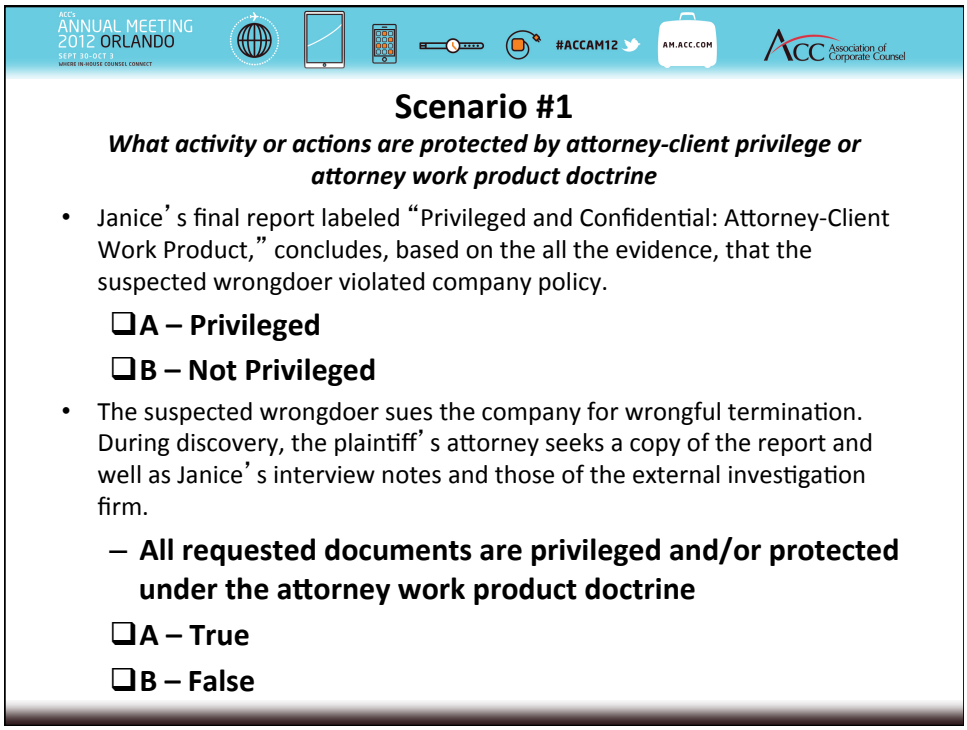


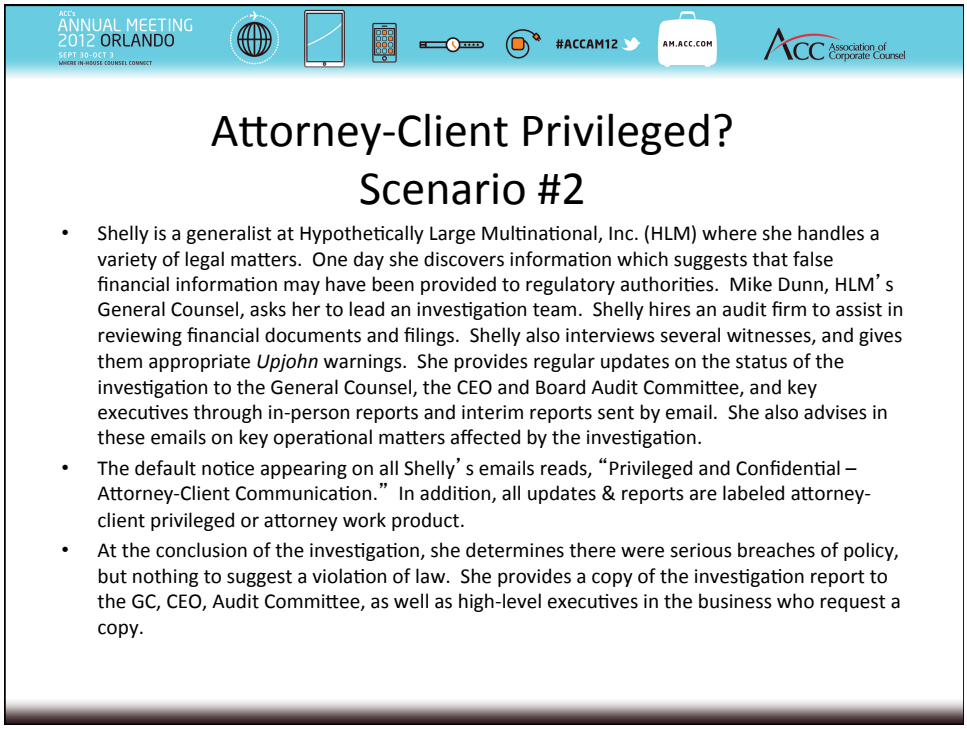


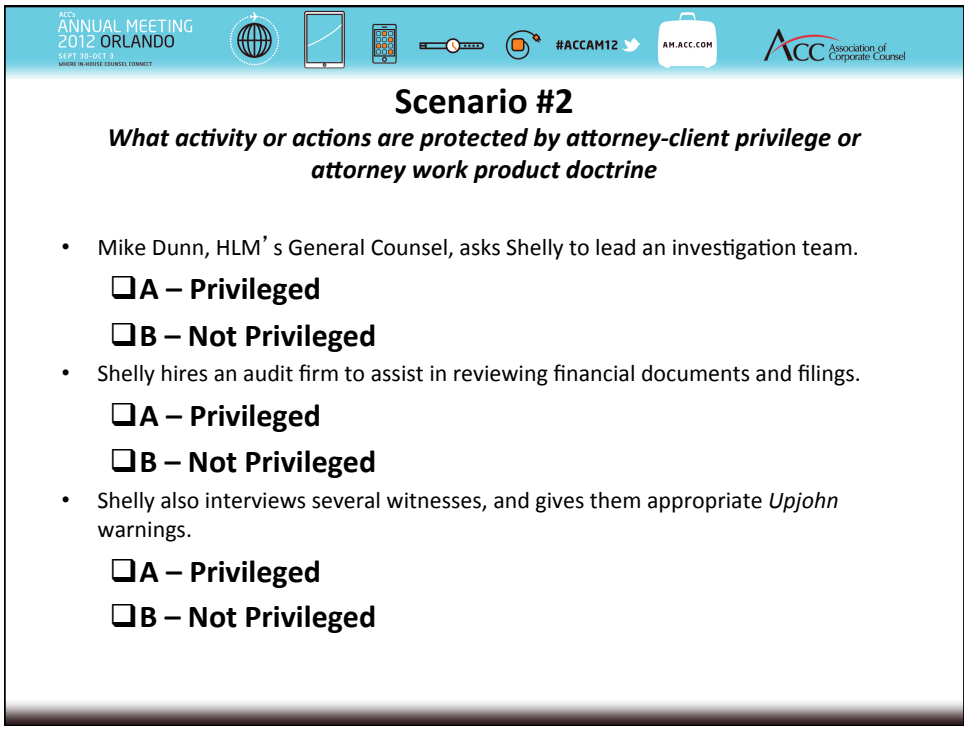


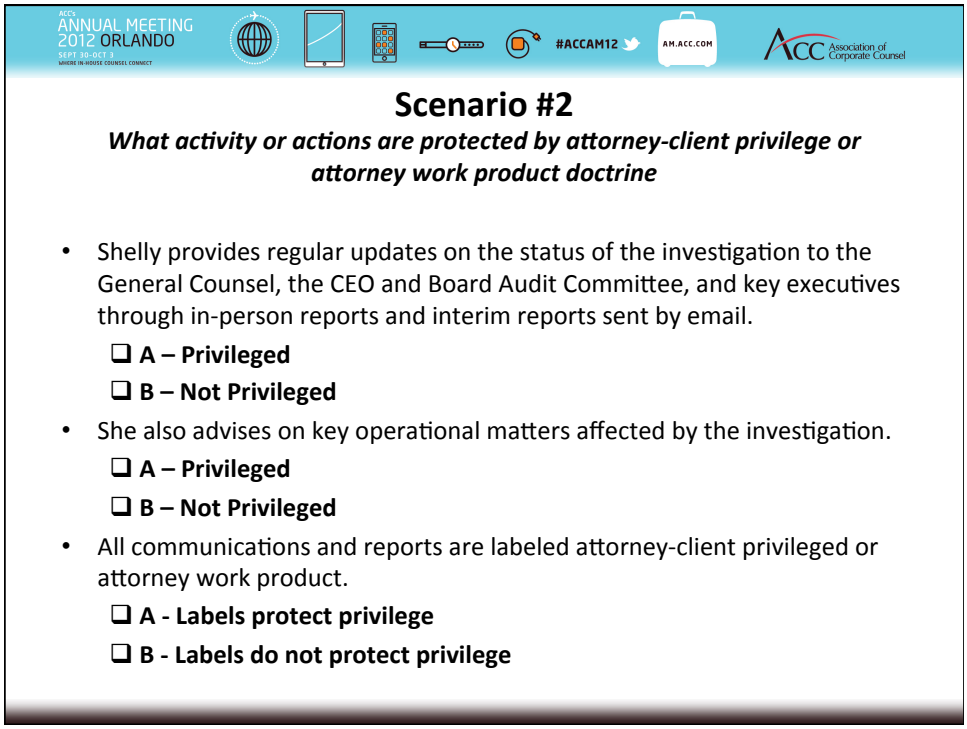


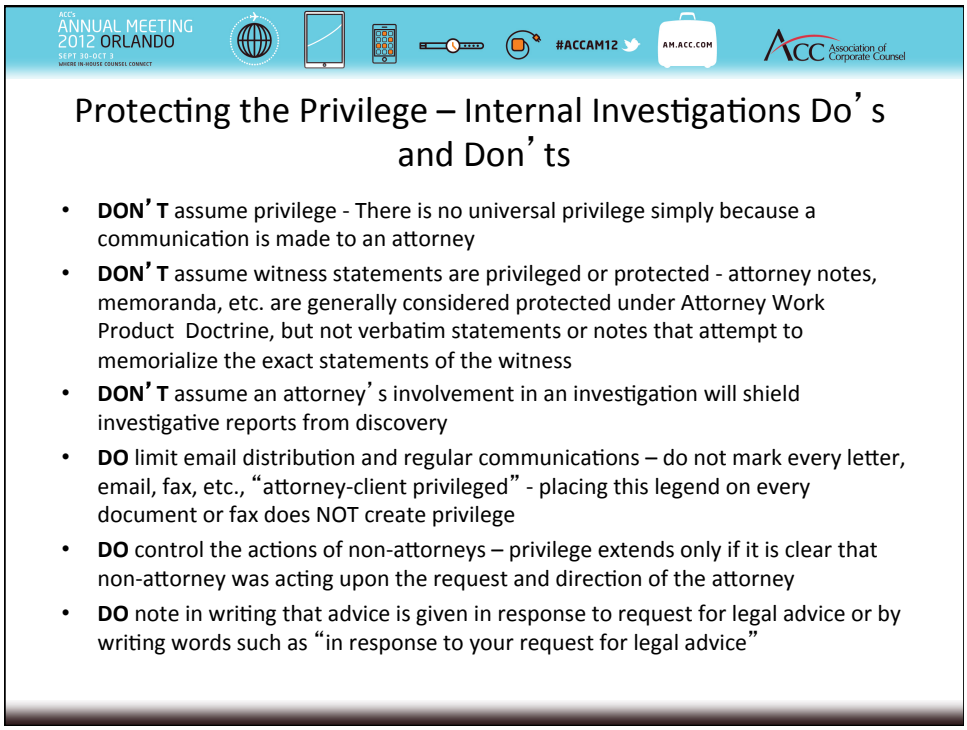


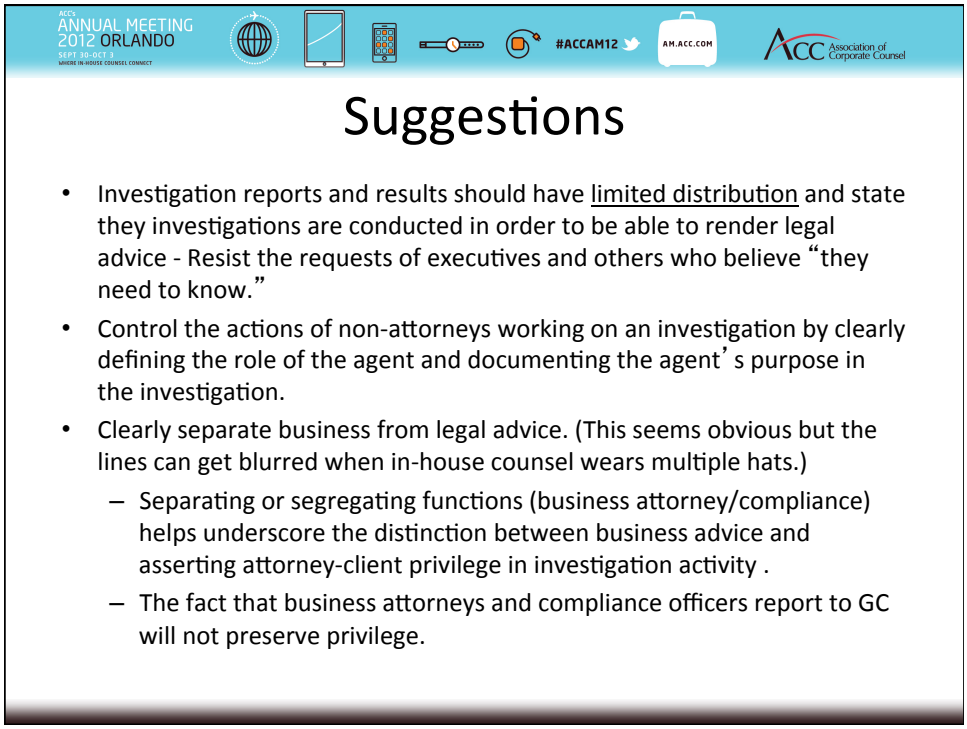


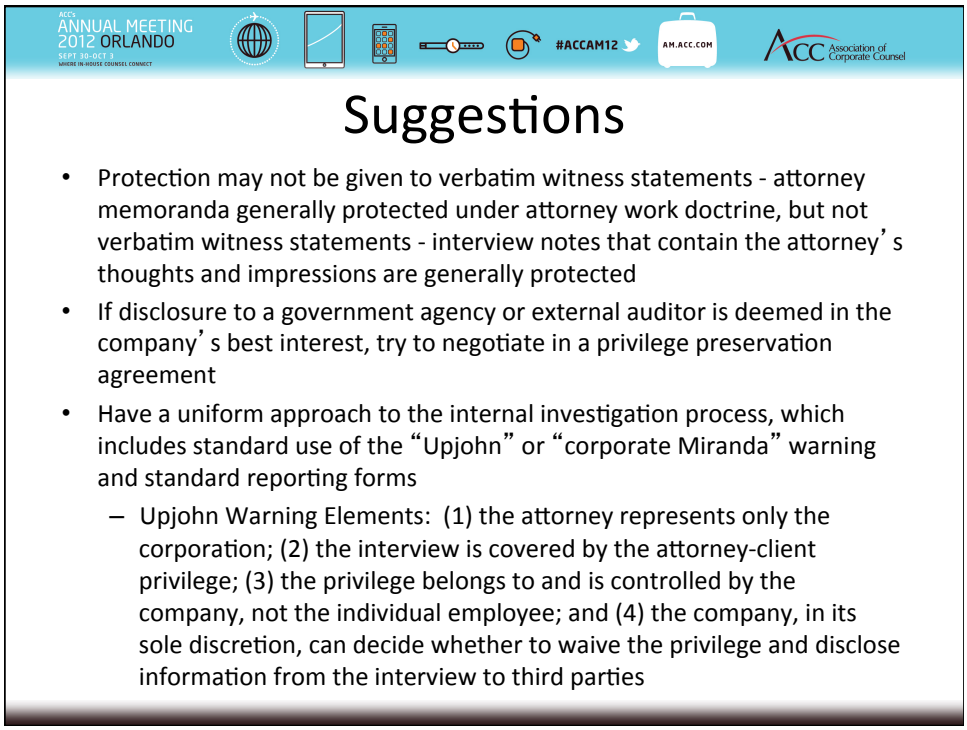


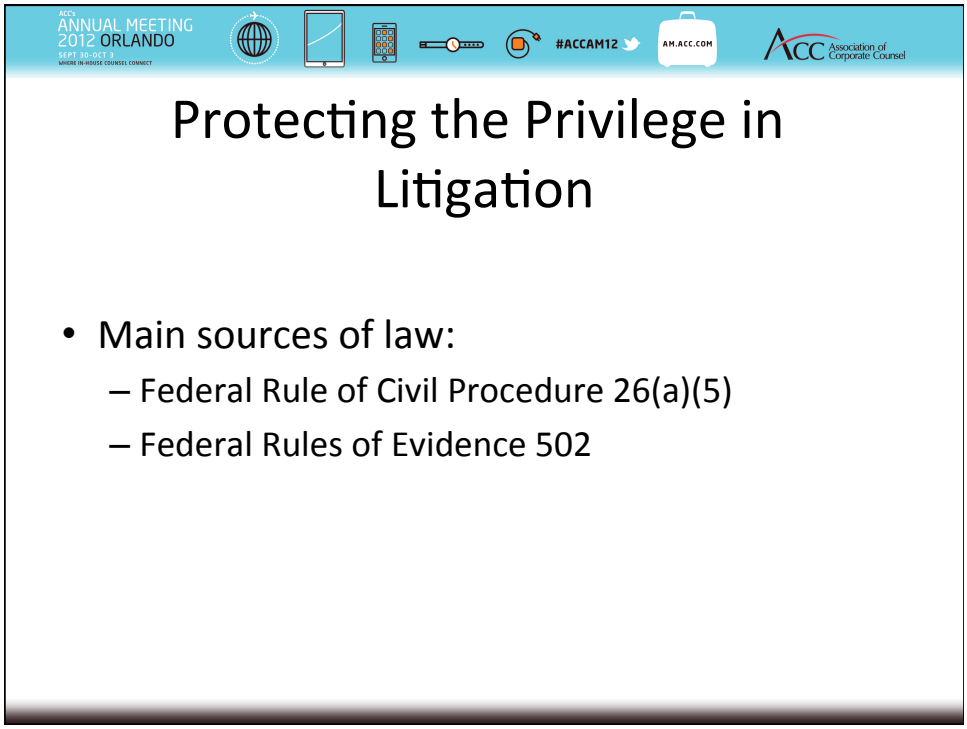


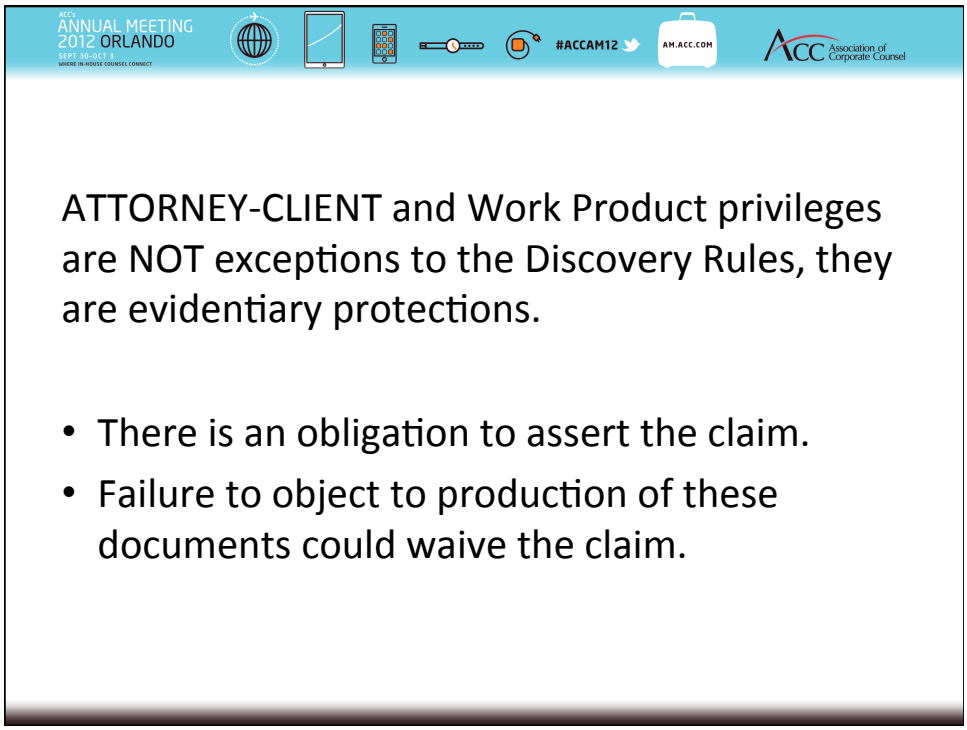


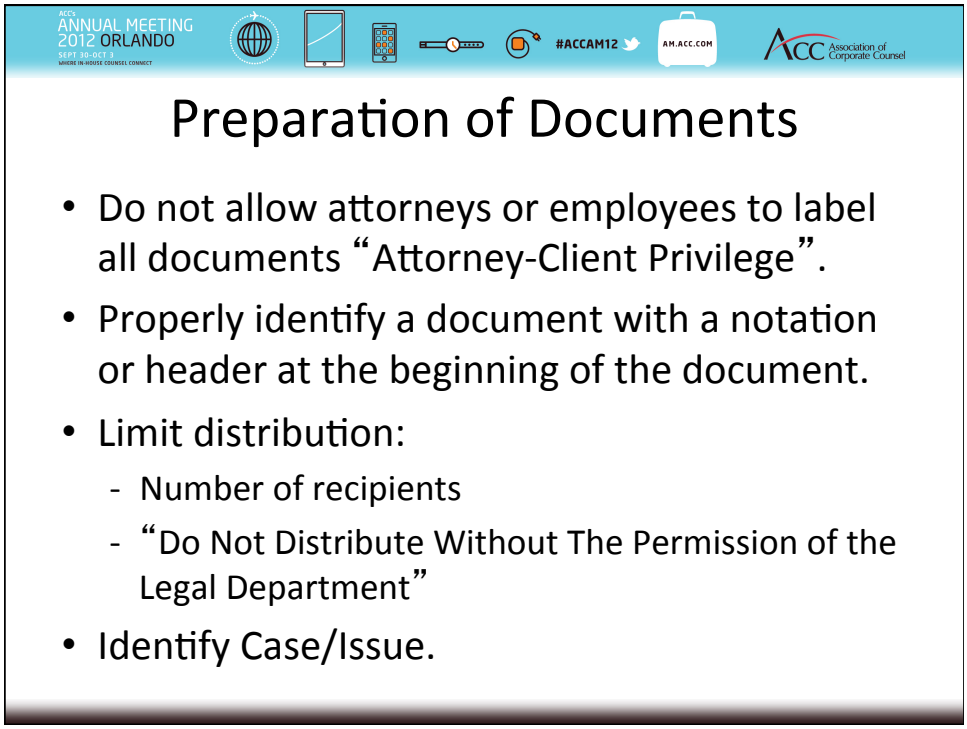


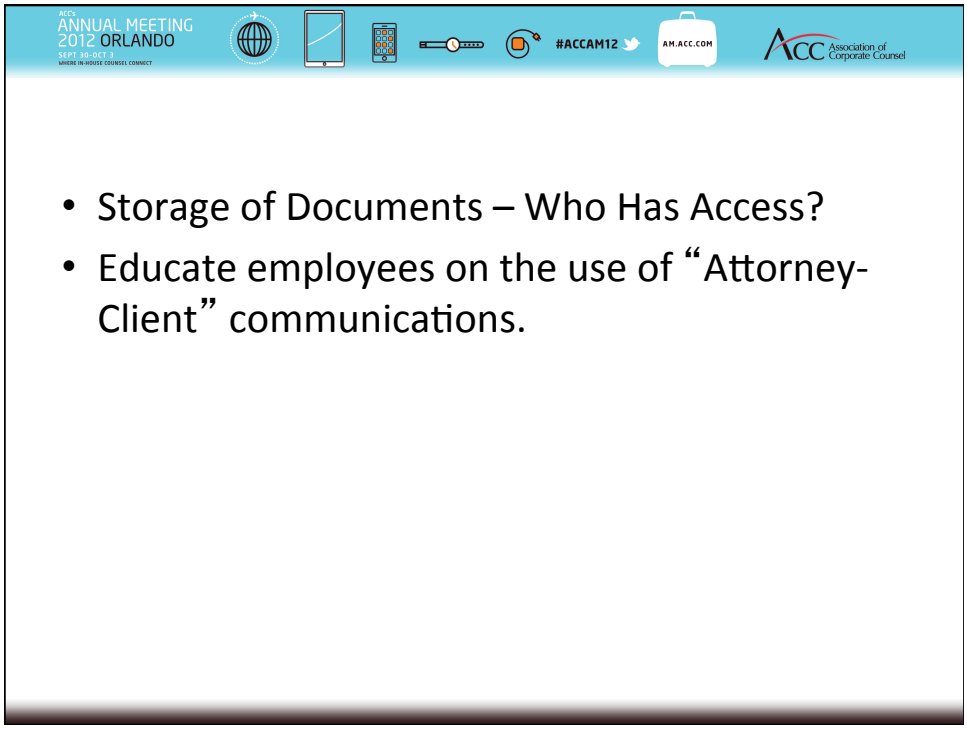


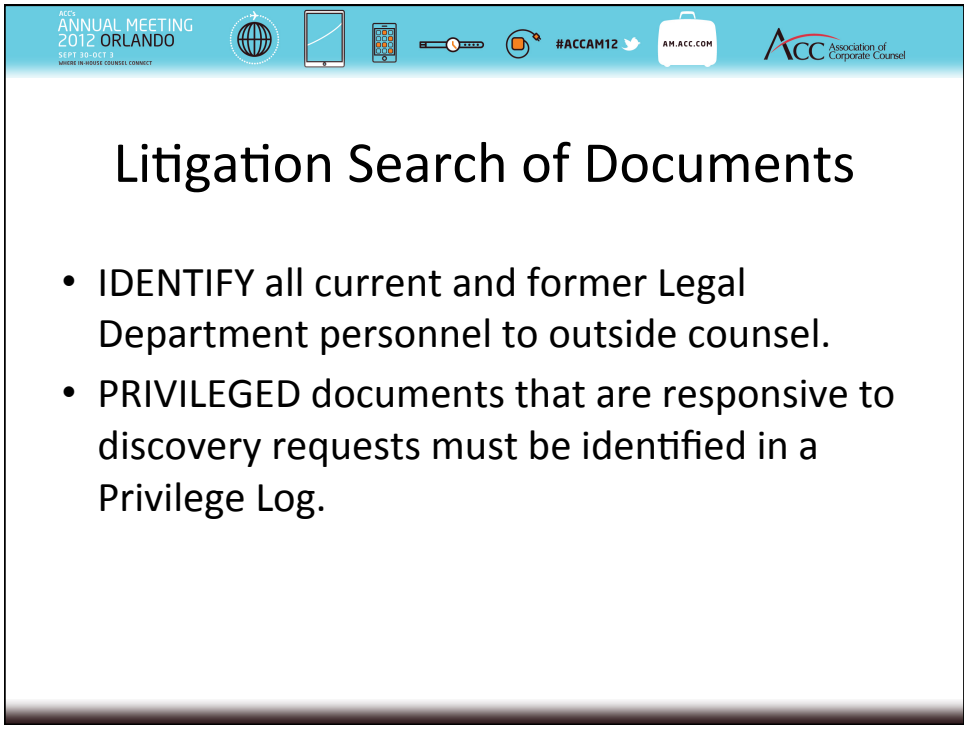


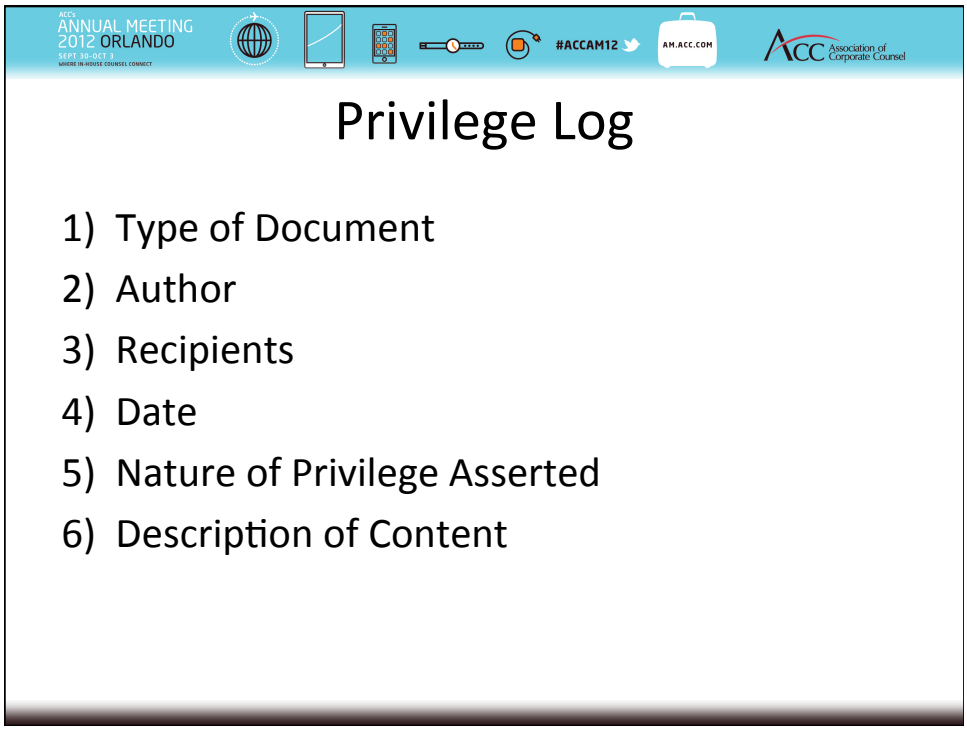


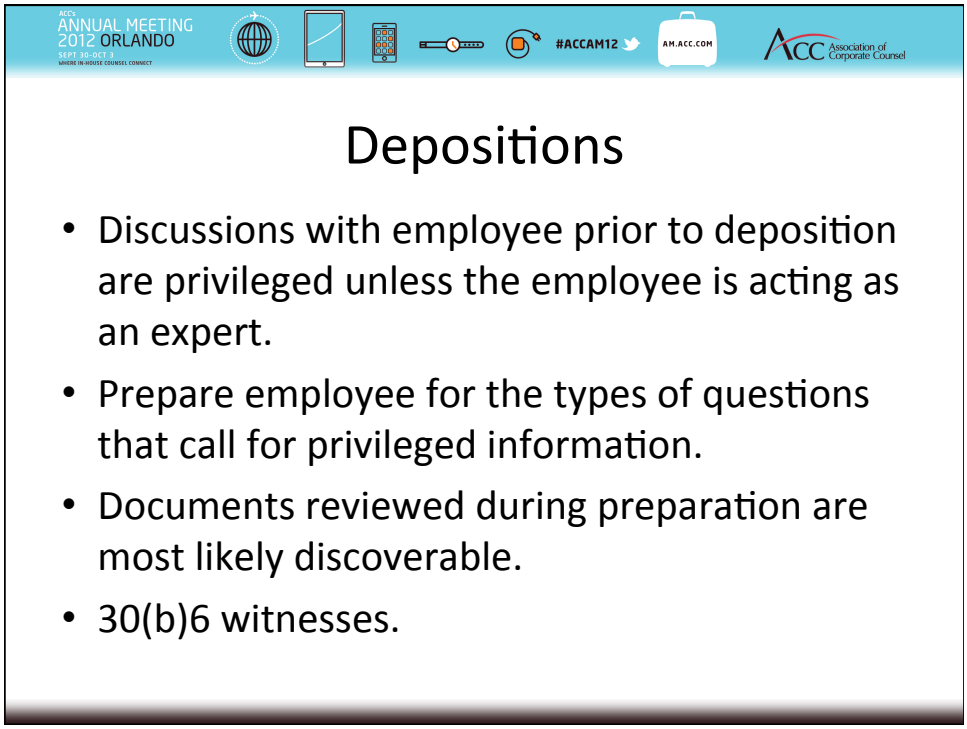


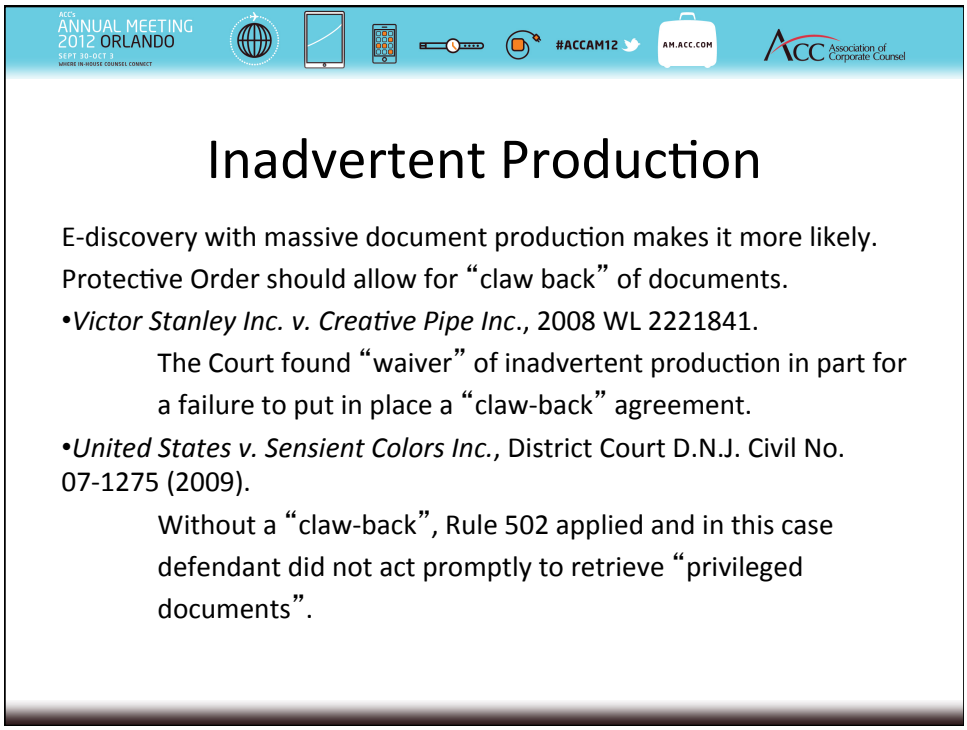


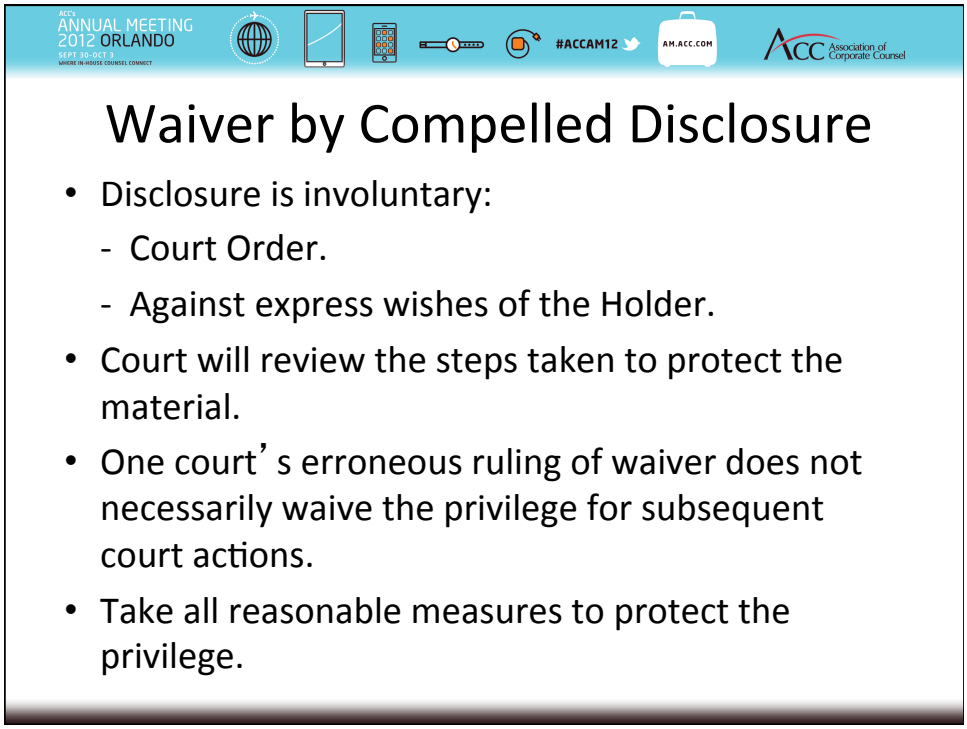


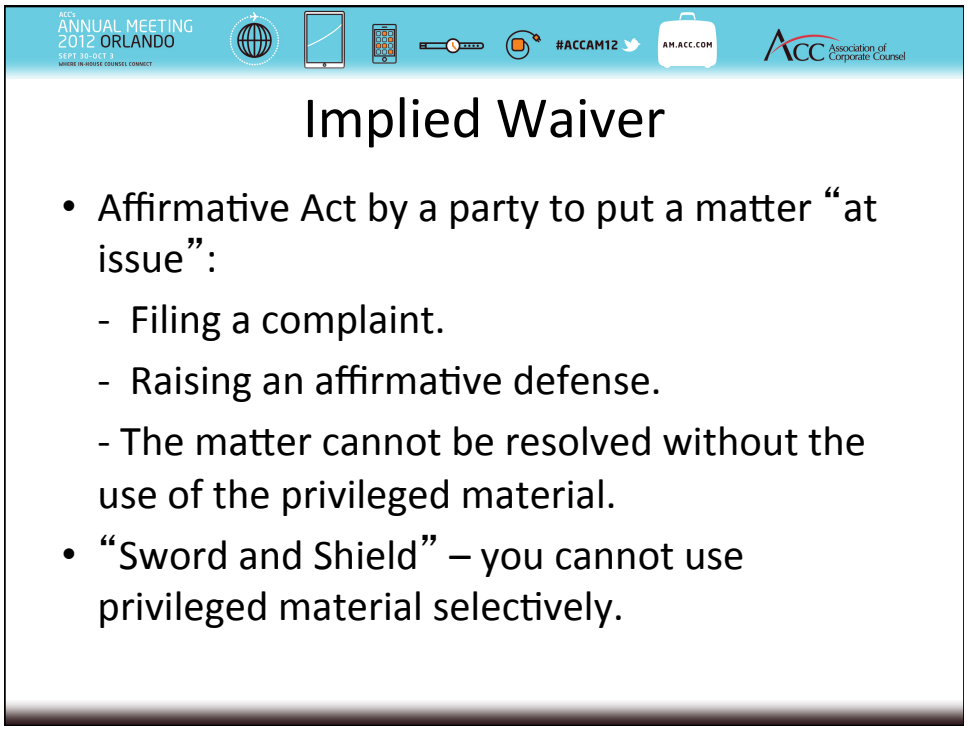


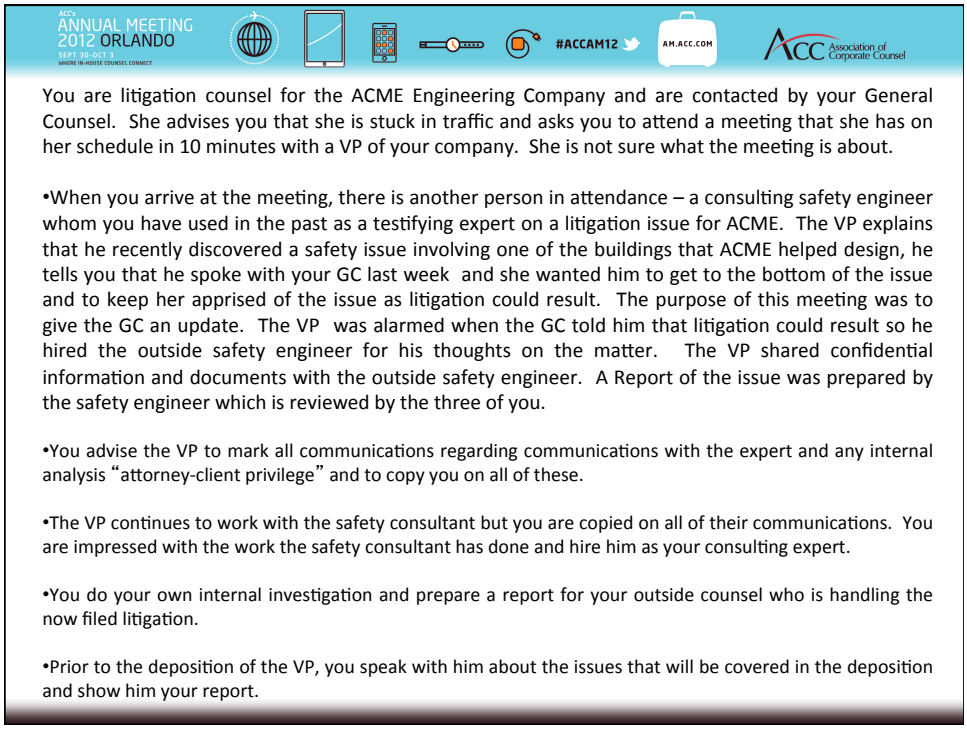












You are litigation counsel for the ACME Engineering Company and are contacted by your General Counsel. She advises you that she is stuck in traffic and asks you to attend a meeting that she has on her schedule in 10 minutes with a VP of your company. She is not sure what the meeting is about.

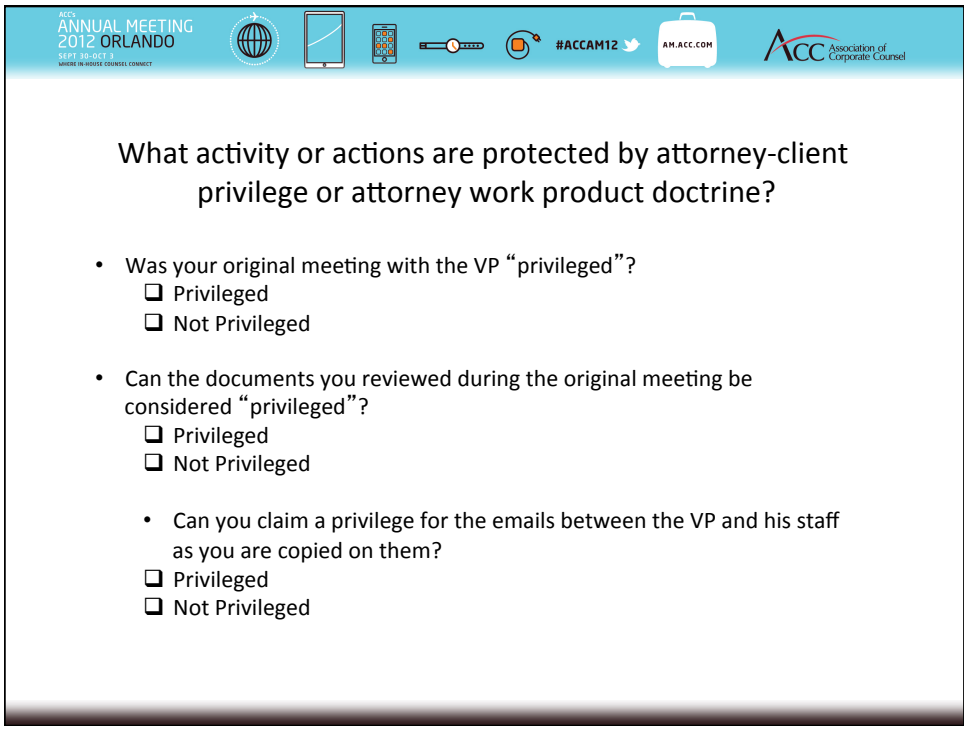
•When you arrive at the meeting, there is another person in attendance – a consulting safety engineer whom you have used in the past as a testifying expert on a litigation issue for ACME. The VP explains that he recently discovered a safety issue involving one of the buildings that ACME helped design, he tells you that he spoke with your GC last week and she wanted him to get to the bottom of the issue and to keep her apprised of the issue as litigation could result. The purpose of this meeting was to give the GC an update. The VP was alarmed when the GC told him that litigation could result so he hired the outside safety engineer for his thoughts on the matter. The VP shared confidential information and documents with the outside safety engineer. A Report of the issue was prepared by the safety engineer which is reviewed by the three of you.

•You advise the VP to mark all communications regarding communications with the expert and any internal analysis "attorney-client privilege" and to copy you on all of these.

•The VP continues to work with the safety consultant but you are copied on all of their communications. You are impressed with the work the safety consultant has done and hire him as your consulting expert.

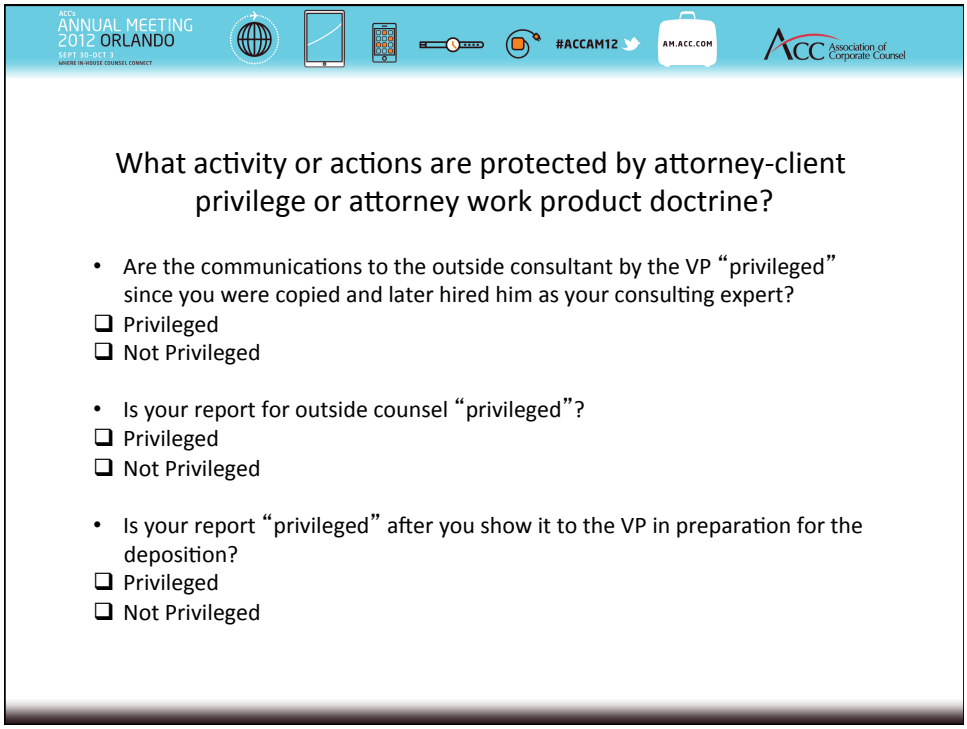
•You do your own internal investigation and prepare a report for your outside counsel who is handling the now filed litigation.

•Prior to the deposition of the VP, you speak with him about the issues that will be covered in the deposition and show him your report.



What activity or actions are protected by attorney-client privilege or attorney work product doctrine?

- Was your original meeting with the VP "privileged"?
  - ❑ Privileged
  - ❑ Not Privileged
- Can the documents you reviewed during the original meeting be considered "privileged"?
  - ❑ Privileged
  - ❑ Not Privileged
  - Can you claim a privilege for the emails between the VP and his staff as you are copied on them?
    - ❑ Privileged
    - ❑ Not Privileged



THE ATTORNEY-CLIENT PRIVILEGE AND ASSOCIATED CONFIDENTIALITY CONCERNS IN THE POST-ENRON ERA

By
Douglas R. Richmond*

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I. INTRODUCTION

Confidentiality is central to the practice of law. Indeed, confidentiality is a good part of the bedrock on which both litigation and transactional practices are built.

Lawyers' duty to protect client communications and information is variously embodied and enforced: the attorney-client privilege is a critical component of evidence law, the work product doctrine provides important immunity against the discovery of attorneys' files and mental impressions, and state ethics rules make confidentiality a vital professional responsibility concern. Of these three aspects of confidentiality, however, none is as widely accepted or enduring as the attorney-client privilege. Even so, there seems to be a sense among lawyers that the attorney-client privilege is eroding—they can no longer assure themselves or their clients that confidential communications can in fact be shielded from adversaries.[1]

Lawyers' unease about the strength of protection afforded by the attorney-client privilege traces back to 1999, when then-Deputy Attorney General Eric H. Holder, Jr. distributed a memorandum to all United States Attorneys and senior lawyers within the Department of Justice addressing the federal prosecution of corporations.[2] The "Holder Memorandum," as it came to be known, "provides guidance as to what factors should generally inform a prosecutor" in deciding whether to charge a corporation with a crime in a particular case.[3] One of the factors to

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[1] *See* Molly McDonough, *Flying Under the Radar,* ABA J., Jan. 2005, at 34, 36 (identifying the erosion of the attorney-client privilege as a critical current legal issue "that will affect the justice system and the legal profession").

[2] Memorandum from the Deputy Attorney General of the United States of America, to All Component Heads and United States Attorneys (June 16, 1999), *available at* http://www.usdoj.gov/criminal/fraud/policy/Chargingcorps.html.

[3] *Id.* at 1.

be considered is a "corporation's timely and voluntary disclosure of wrongdoing and its willingness to cooperate in the investigation of its agents, including, if necessary, the waiver of the corporate attorney-client and work product privileges."[4] The Holder Memorandum further provides that in "gauging the extent" of a corporation's cooperation, federal prosecutors may consider the company's willingness "to disclose the complete results of its internal investigation, and to waive the attorney-client and work product privileges."[5] The Holder Memorandum was followed in 2003 by the "Thompson Memorandum," in which then-Deputy Attorney General Larry Thompson reinforced and reiterated many of the same points.[6]

In addition to the policies expressed in the Holder Memorandum and Thompson Memorandum, the federal government has laid siege to the attorney-client privilege and work product immunity by attacking them in ex parte proceedings via crime-fraud exceptions,[7] and by deeming their waiver to be "cooperation" for purposes of avoiding regulatory action or civil penalties.[8] In early 2004, the United States Sentencing Commission approved new guidelines

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[4] *Id.* at 3.

[5] *Id.* at 6.

[6] *See* AM. BAR ASS'N, TASK FORCE ON THE ATTORNEY-CLIENT PRIVILEGE, REPORT 14-15 (2005), *available at* http://www.abanet.org/buslaw/attorneyclient/home.shtml (last visited June 22, 2005).

[7] AM. COLL. OF TRIAL LAW., THE EROSION OF THE ATTORNEY-CLIENT PRIVILEGE AND WORK PRODUCT DOCTRINE IN FEDERAL CRIMINAL INVESTIGATIONS 3 (2002).

[8] *See SEC Issues Report of Investigation and Statement Setting Forth Framework For Evaluating Cooperation In Exercising Prosecutorial Discretion,* SEC Release No. 2001-117 (Oct. 23, 2001) (discussing a report identifying four broad measures of a company's cooperation to with the Securities and Exchange Commission causing the SEC to decide against enforcement action related to the company's "financial statement irregularities" to include "providing the Commission staff with *all* information relevant to the underlying violations and the company's remedial efforts") (emphasis added), *available at* http://www.sec.gov/news/press/2001-117.txt (last visited May 28, 2005).

providing that in some circumstances a corporation may be required to waive the attorney-client privilege and work product immunity to satisfy the requirements of cooperation and thus minimize any criminal penalty.[9] Although this blow to the privilege and work product immunity has been softened by a subsequent Supreme Court decision rendering the federal sentencing guidelines advisory rather than mandatory,[10] corporate counsel remain justifiably concerned about the guidelines' effect.[11]

Events on the civil front have been no more reassuring. Recent corporate scandals have brought lawyers' confidentiality obligations to the fore in unflattering ways, accompanied by suggestions from various groups that investor and public confidence in the financial markets demand that lawyers favor disclosure over confidentiality when presented with instances of possible client misconduct.[12] Electronic discovery issues and the transmission of documents in electronic form have revealed new ways in which the attorney-client privilege may be inadvertently waived, or in which client confidentiality may be compromised.[13]

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[9] *See Sentencing Commission Approves Changes to Guidelines Pertaining to Oragnizations,* 20 ABA/BNA LAW. MAN. ON PROF'L CONDUCT 207 (Apr. 21, 2004).

[10] *See* United States v. Booker, 125 S. Ct. 738 (2005).

[11] *See* Leonard Post, *Eroding Privilege Hurts Corporate Compliance,* NAT'L L.J., Apr. 25, 2005, at 6 (discussing this issue and related concerns).

[12] For a thoughtful and balanced analysis of the disclosure obligations of lawyers practicing before the SEC, see Giovanni P. Prezioso, Speech by SEC Staff: Remarks before the American Bar Association Section of Business Law 2004 Spring Meeting (Apr. 3, 2004), *available at* http://www.sec.gov/news/speech.shtml#staff04.

[13] *See* Terry L. Hill & Jennifer S. Johnson, *The Impact of Electronic Data upon an Attorney's Client,* 54 FED'N DEF. & CORP. COUNS. Q. 95, 106-12 (2004) (discussing inadvertent waiver of privilege and work product immunity in electronic distribution of information); David H. Bernstein & D. Peter Harvey, *Ethics and Privilege in the Digital Age,* 39 TRADEMARK REP. 1240, 1266-77 (2003) (discussing privilege, work product and waiver in the digital age).

In fact, the attorney-client privilege has always been narrowly construed and enforced,[14] and it has always been capable of being waived by almost any voluntary disclosure running contrary to its assertion.[15] In many instances lawyers too casually assume the application of the privilege, or do not appreciate the ease with which it may be waived.[16] Similarly, lawyers often are too quick to assume the application of the work product doctrine, and many do not appreciate the broad confidentiality obligation imposed by state ethics rules. It is against this backdrop that this Article examines the current contours of the attorney-client privilege and related confidentiality concerns.

Looking ahead, Section II discusses fundamental aspects of the attorney-client privilege, the work product doctrine, and lawyers' ethical duty of confidentiality. Section III discusses privilege and work product in the employment of public relations consultants. Parties in high profile cases do battle in court and in the press, and public relations consultants are often involved in litigation-related decisions. Section IV examines an important subject in light of recent corporate scandals and related reforms: attorneys' communications with clients' auditors, and the associated effect on the attorney-client privilege and work product immunity. Because parallel government and civil proceedings are now a fixture on the litigation landscape, Section V examines the selective waiver doctrine. Section VI discusses privilege and work product in

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[14] *See, e.g.,* People v. Urbano, 26 Cal. Rptr. 3d 871, 874-76 (Cal. Ct. App. 2005) (holding that privilege did not apply to defendant's statements to lawyer in courtroom made so loudly that they could be easily overheard by others).

[15] Gray v. Bicknell, 86 F.3d 1472, 1482 (8th Cir. 1996); Profit Mgmt. Dev., Inc. v. Jacobson, Brandvik & Anderson, Ltd., 721 N.E.2d 826, 835 (Ill. App. Ct. 1999).

[16] *See* Lugosch v. Congel, 219 F.R.D. 220, 235 (N.D.N.Y. 2003) (explaining that "[c]ontrary to modern and ill-informed perceptions," the attorney-client privilege is narrowly construed and riddled with exceptions, and that it is a "less than sacrosanct rule" subject to "waivers upon waivers").

common interest arrangements. Section VII examines recent developments in the law of inadvertent waiver, a serious and recurring issue for litigants. Recognizing the role technology now plays in law practice, Section VIII discusses the transmission and receipt of invisible information in electronic documents. Finally, Section IX analyzes waiver of the attorney-client privilege by trustees, examiners, liquidators and receivers.

II. PRIVILEGE, IMMUNITY AND CONFIDENTIALITY

Confidential communications between attorneys and clients are protected from discovery by the attorney-client privilege and often by lawyers' work product immunity. These doctrines are separate and distinct from lawyers' duty of confidentiality under ethics rules.

A. The Attorney-Client Privilege

The attorney-client privilege is one of the oldest common law privileges protecting confidential communications,[17] and it has now been widely codified. The privilege is intended to "ensure full disclosure by clients who feel safe confiding in their attorney."[18] Only full and frank communications between clients and their attorneys allow attorneys to provide effective, expeditious and informed representation.[19] Additionally, recognizing the privilege encourages the public to seek early legal assistance.[20]

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[17] Swidler & Berlin v. United States, 524 U.S. 399, 403 (1998); *see also* Wemark v. State, 602 N.W.2d 810, 815 (Iowa 1999); *In re* Miller, 584 S.E.2d 772, 782 (N.C. 2003); Doe v. Maret, 984 P.2d 980, 982 (Utah 1999).

[18] Lane v. Sharp Packaging Sys., Inc., 640 N.W.2d 788, 798 (Wis. 2002).

[19] *See In re Miller,* 584 S.E.2d at 782-83 (quoting and citing cases).

[20] McLaughlin v. Freedom of Info. Comm'n, 850 A.2d 254, 258 (Conn. App. Ct. 2004); Genova v. Longs Peak Emergency Physicians, P.C., 72 P.3d 454, 461-62 (Colo. Ct. App. 2003) (quoting Nat'l Farmers Union Prop. & Cas. Co. v. Dist. Court, 718 P.2d 1044 (Colo. 1985)).

The leading privilege test was announced years ago in *United States v. United Shoe Machinery Corp*.[21] The *United Shoe* test provides that the privilege applies if:

> (1) the asserted holder of the privilege is or sought to become a client; (2) the person to whom the communication was made (a) is the member of the bar of court, on 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 of law or (ii) legal services or (iii) assistance in some legal preceding, and not (d) for the propose of committing a crime or tort; and (4) the privilege has been (a) claimed and (b) not waived by the client.[22]

Although the *United Shoe* test implies that the privilege covers only communications from the client to the attorney, that is not the case; confidential communications from an attorney to a client are also privileged.[23] Both clients and lawyers are "privileged persons."[24]

The right to assert the privilege belongs to the client;[25] the privilege exists for the client's benefit.[26] The privilege may be invoked any time during the attorney-client relationship, or after the relationship terminates. The privilege even survives the client's death.[27]

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[21] 89 F. Supp. 357, 358-59 (D. Mass. 1950).

[22] *In re* Sunrise Sec. Litig., 130 F.R.D. 560, 595 (E.D. Pa. 1989) (quoting *United Shoe* and *In re* Grand Jury Investigation, 599 F.2d 1224, 1233 (3d Cir. 1979)).

[23] Byrd v. State, 929 S.W.2d 151, 154 (Ark. 1996); Metro. Life Ins. Co. v. Aetna Cas. & Sur. Co., 730 A.2d 51, 60 (Conn. 1999); Clausen v. Nat'l Grange Mut. Ins. Co., 730 A.2d 133, 137-38 (Del. Super. Ct. 1997); Squealer Feeds v. Pickering, 530 N.W.2d 678, 684 (Iowa 1995); Rent Control Bd. v. Praught, 619 N.E.2d 346, 350 (Mass. App. Ct. 1993); Palmer v. Farmers Ins. Exch., 861 P.2d 895, 906 (Mont. 1993); Boyd v. Comdata Network, Inc., 88 S.W.3d 203, 213 (Tenn. Ct. App. 2002).

[24] RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 70 (2000) [hereinafter RESTATEMENT].

[25] OXY Resources Cal. LLC v. Superior Court, 9 Cal. Rptr. 3d 621, 644-45 (Cal. Ct. App. 2004); *Boyd,* 88 S.W.3d at 213.

[26] State *ex rel.* Polytech, Inc. v. Voorhees, 895 S.W.2d 13, 14 (Mo. 1995).

There is no blanket privilege covering all attorney-client communications.[28] The privilege must be claimed with respect to each specific communication at issue, and a court examining a party's privilege claims must scrutinize each communication independently.[29] The party asserting the privilege bears the burden of establishing its application to a particular communication.[30]

The form of the communication is irrelevant to privilege analysis so long as the communication is intended to be confidential; it is the act of communicating that counts. E-mails may be privileged,[31] for example, even if they are not encrypted.[32] Nonverbal communications may be privileged just as are written and spoken communications.[33]

A party seeking to protect a written or electronic communication from discovery does not have to identify it as "privileged" or "confidential" for the attorney-client privilege to attach.[34]

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[27] Swidler & Berlin v. United States, 524 U.S. 399, 405 (1998); *see also In re* Miller, 584 S.E.2d 772, 779 (N.C. 2003) (collecting state court cases).

[28] Wesp v. Everson, 33 P.3d 191, 197 (Colo. 2001).

[29] *Id.*

[30] *Id.* at 198; St. Luke Hosps., Inc. v. Kopowski, 160 S.W.3d 771, 775 (Ky. 2005); *In re* E.I. DuPont de Nemours & Co., 136 S.W.3d 218, 223 (Tex. 2004).

[31] Baptiste v. Cushman & Wakefield, Inc., No. 03Civ.2102(RCC)(THK), 2004 WL 330235, at **1-2 (S.D.N.Y. Feb. 20, 2004); Blumenthal v. Kimber Mfg. Co., 826 A.2d 1088, 1096-1101 (Conn. 2003); City of Reno v. Reno Police Protective Ass'n, 59 P.3d 1212, 1218 (Nev. 2002).

[32] *In re* Asia Global Crossing, Ltd., 322 B.R. 247, 256 (Bankr. S.D.N.Y. 2005).

[33] *See, e.g.,* State v. Meeks, 666 N.W.2d 859, 868-70 (Wis. 2003) (involving client's nonverbal communications bearing on competence to stand trial).

[34] *See Baptiste,* 2004 WL 330235, at **1-2 (rejecting argument that failure to label e-mail as privileged deprived it of privileged status); *Blumenthal,* 826 A.2d at 1098 (discussing e-mail and stating: "Whether a document expressly is marked as "confidential" is not dispositive, but is merely one factor a court may consider in determining confidentiality."); Chrysler Corp. v.

On the other side of the coin, a party cannot shield a communication from discovery simply by branding it "confidential" or "privileged."[35] The test always is whether a communication satisfies the elements necessary to establish the privilege—not how the communication is identified or labeled.

A corporation is entitled to assert the attorney-client privilege,[36] as is a partnership.[37] Organizations may claim the privilege with respect to communications with in-house counsel.[38] In the corporate context, the most common problem is determining who among the corporation's employees speaks on its behalf. Courts have traditionally applied two tests to analyze corporate privilege claims: the "control group" test and the "subject matter" test. A few courts have adopted a third test that closely tracks the subject matter test.[39]

Under the control group test, the communication must be made by an employee who is in a position "to control or take a substantial part in the determination of corporate action in response to legal advice" for the privilege to attach.[40] Only these employees qualify as the

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Sheridan, No. 227511, 2001 WL 773099, at *3 (Mich. Ct. App. July 10, 2001) (involving the inadvertent disclosure of an e-mail that was not identified as "privileged" or "confidential").

[35] *Blumenthal,* 826 A.2d at 1098; *cf.* Ledgin v. Blue Cross & Blue Shield of Kan. City, 166 F.R.D. 496, 499 (D. Kan. 1996) (describing a party's document stamp of "attorney work product" as a "self-serving embellishment" that did not preclude discovery).

[36] Commodity Futures Trading Comm'n v. Weintraub, 471 U.S. 343, 348 (1985).

[37] *See, e.g., In re* Bieter Co., 16 F.3d 929, 935 (8th Cir. 1994) (discussing the applicability of the attorney-client privilege in the partnership context).

[38] *See, e.g.,* Florida Marlins Baseball Club, LLC v. Certain Underwriters at Lloyd's London, 900 So. 2d 720, 721 (Fla. Dist. Ct. App. 2005) (finding that in-house lawyer was providing legal advice, not business advice, and thus upholding privilege claim).

[39] *See In re Bieter Co.,* 16 F.3d at 935-36.

[40] EDNA S. EPSTEIN, THE ATTORNEY-CLIENT PRIVILEGE AND THE WORK-PRODUCT DOCTRINE 100 (4th ed. 2001).

"client" for attorney-client privilege purposes.[41] The control group test essentially requires that the employee with whom an attorney communicates be a member of senior management for the communication to be privileged. The control group test has been severely criticized because of its chilling effect on corporate communications, because it frustrates the very purpose of the privilege by discouraging subordinate employees from communicating important information to corporate counsel, because it makes it difficult for corporate counsel to properly advise their clients and to ensure their clients' compliance with the law, and because it yields unpredictable results.[42] Nonetheless, a few jurisdictions still adhere to this test.[43]

Under the subject matter test, a communication with an employee of any rank may be privileged if it is made for the purpose of securing legal advice for the corporation, the employee is communicating at a superior's request or direction, and the employee's responsibilities include the subject matter of the communication.[44] The subject matter test also includes a "need to know" element; that is, the communication must not be disseminated beyond those persons who, because of the corporate structure, need to know its contents.[45]

The third test is essentially indistinguishable from the subject matter test. This test is commonly referred to as the "modified *Harper & Row* test," or the "*Diversified Industries* test,"

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[41] *Id.*

[42] *See* Upjohn Co. v. United States, 449 U.S. 383, 391-93 (1981).

[43] *See, e.g.,* Consolidation Coal Co. v. Bucyrus-Erie Co., 432 N.E.2d 250, 256-58 (Ill. 1982) (reasoning that control group test strikes a reasonable balance by protecting consultation with counsel by decision makers or those who substantially influence corporate decisions while minimizing amount of relevant factual information that is shielded from discovery).

[44] EPSTEIN, *supra* note 40, at 100.

[45] *See* S. Bell Tel. & Tel. Co. v. Deason, 632 So. 2d 1377, 1383 (Fla. 1994).

after the cases from which it derives, *Harper & Row Publishers, Inc. v. Decker,*[46] and *Diversified Industries, Inc. v. Meredith*.[47] Using this test:

> The attorney-client privilege is applicable to an employee's communication if (1) the communication was made for the purpose of securing legal advice; (2) the employee making the communication did so at the direction of his corporate superior; (3) the superior made the request so that the corporation could secure legal advice; (4) the subject matter of the communication is within the scope of the employee's duties; and (5) the communication is not disseminated beyond those persons who, because of the corporate structure, need to know its contents.[48]

The modified *Harper & Row* or *Diversified Industries* test was crafted as an alternative to the subject matter test to focus more on why the attorney was consulted and to prevent the routine routing of information through counsel to prevent later disclosure.[49]

With respect to partnerships, it is generally the rule that all partners are considered to be the client in all attorney-client communications involving partnership affairs.[50] Employees of the partnership may serve as its agents for purposes of making privileged communications.[51] Whether a partnership employee's communications with partnership counsel are in fact privileged is determined by any of the tests applied to corporations.[52]

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[46] 423 F.2d 487 (7th Cir. 1970).

[47] 572 F.2d 596 (8th Cir. 1977).

[48] *In re Bieter Co.,* 16 F.3d 929, 936 (8th Cir. 1994) (quoting Diversified Indus., Inc. v. Meredith, 572 F.2d 596, 609 (8th Cir. 1977)).

[49] *Deason,* 632 So. 2d at 1383 n.10.

[50] 1 PAUL R. RICE ET AL., ATTORNEY CLIENT PRIVILEGE IN THE UNITED STATES § 4.49, at 266 (2d ed. 1999) (discussing general partnerships and distinguishing limited partnerships).

[51] RESTATEMENT, *supra* note 24, at § 73 cmt. d.

[52] *See In re Bieter Co.,* 16 F.3d at 935-40 (applying modified *Harper & Row* test in case involving a partnership).

Courts narrowly construe the attorney-client privilege because it limits full disclosure of the truth.[53] There is much the privilege does not protect. For example, the privilege ordinarily does not protect a client's identity,[54] as illustrated by recent cases in which courts compelled law firms to reveal to the government the identities of clients who participated in aggressive tax avoidance strategies.[55] Similarly, the privilege does not protect an attorney's observations about a client's demeanor or mental capacity because "any member of the public could make those observations."[56] While the privilege protects the content of an attorney-client communication from disclosure, it does not protect from disclosure the facts communicated.[57] Nor does the privilege shield from discovery communications generated or received by an attorney acting in

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[53] PSE Consulting, Inc. v. Frank Mercede & Sons, Inc., 838 A.2d 135, 167 (Conn. 2004); *In re* Bryan, 61 P.3d 641, 656 (Kan. 2003); E.I. du Pont de Nemours & Co. v. Forma-Pack, Inc., 718 A.2d 1129, 1138 (Md. 1998); Whitehead v. Nev. Comm'n on Judicial Discipline, 873 P.2d 946, 948 (Nev. 1994); *In re* Grand Jury Subpoena Dated June 30, 2003, 770 N.Y.S.2d 568, 572 (N.Y. Sup. Ct. 2003); Callahan v. Nystedt, 641 A.2d 58, 61 (R.I. 1994); Lane v. Sharp Packaging Sys., Inc., 640 N.W.2d 788, 798 (Wis. 2002) (quoting cases).

[54] United States v. BDO Seidman, 337 F.3d 802, 811 (7th Cir. 2003) (noting, however, that "the identity of a client may be privileged in the rare circumstance when so much of an actual confidential communication has been disclosed already that merely identifying the client will effectively disclose that communication"); United States v. Sindel, 53 F.3d 874, 876 (8th Cir. 1995) (noting three exceptions to this rule, all related to criminal consequences for the client); Tenet Healthcare Corp. v. La. Forum Corp., 538 S.E.2d 441, 444-45 (Ga. 2000) (noting two exceptions to this rule: (1) where identifying the client may expose the client to criminal liability for acts previously committed about which the client consulted the attorney; and (2) where disclosure of the client's identity would reveal the substance of confidential attorney-client communications).

[55] *See, e.g.,* United States v. Jenkens & Gilchrist, P.C., No. 03 5693, 2004 WL 870824, at *1 (N.D. Ill. Apr. 20, 2004) (Moran, J.); United States v. Sidley Austin Brown & Wood LLP, No. 03 C 9355, 2004 WL 816448, at *7 (N.D. Ill. Apr. 15, 2004) (Kennelly, J.).

[56] Giannicos v. Bellevue Hosp. Med. Ctr., 798 N.Y.S.2d 893, 896 (N.Y. Sup. Ct. 2005).

[57] Mackey v. IBP, Inc., 167 F.R.D. 186, 200 (D. Kan. 1996).

some other capacity, or communications in which an attorney is giving business advice rather than legal advice.[58]

The attorney-client privilege certainly is not absolute,[59] and it may be waived either voluntarily or by implication.[60] The burden of establishing a waiver generally is borne by the party seeking to overcome the privilege,[61] although some courts hold that that the party asserting the privilege bears the burden of establishing that it has not been waived.[62] The most difficult cases, of course, are those involving implied waivers; case law affords little guidance for courts or lawyers in terms of how broadly implied waivers sweep.[63]

B. The Work Product Doctrine

"The attorney-client privilege and the work product doctrine are separate and distinct."[64] Unlike the attorney-client privilege, which is the client's to assert, it is commonly said that the

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[58] 1 RICE ET AL., *supra* note 50, § 7.1, at 7, 11.

[59] Genova v. Longs Peak Emergency Physicians, P.C., 72 P.3d 454, 462 (Colo. Ct. App. 2003); Hoechst Celanese Corp. v. Nat'l Union Fire Ins. Co., 623 A.2d 1118, 1121 (Del. 1994); Newman v. State, 863 A.2d 321, 331 (Md. 2004); Ross v. Med. Univ. of S.C., 453 S.E.2d 880, 884-85 (S.C. 1994); State v. Aquino-Cervantes, 945 P.2d 767, 771 (Wash. Ct. App. 1997).

[60] United States v. Mass. Inst. of Tech., 129 F.3d 681, 684 (1st Cir. 1997).

[61] Wesp v. Everson, 33 P.3d 191, 198 (Colo. 2001); State *ex rel.* Med. Assurance of W. Va., Inc. v. Recht, 213 S.E.2d 80, 89 (W. Va. 2003); *see generally* EPSTEIN, *supra* note 40, at 34-41 (discussing allocation of the burden of proof in waiver disputes).

[62] *See, e.g., In re* Asia Global Crossing, Ltd., 322 B.R. 247, 255 (Bankr. S.D. N.Y. 2005); Iron Workers Local Union No. 17 Ins. Fund v. Philip Morris, Inc., 35 F. Supp. 2d 582, 590 (N.D. Ohio 1999).

[63] *In re* Keeper of the Records, 348 F.3d 16, 22-23 (1st Cir. 2003).

[64] Elkton Care Ctr. Assocs. Ltd. P'ship v. Quality Care Mgmt., Inc., 805 A.2d 1177, 1183 (Md. Ct. Spec. App. 2002).

lawyer holds work product immunity.[65] In fact, both the lawyer and the client hold work product immunity, and either may assert it to avoid discovery.[66] Similarly, either the client or the lawyer can waive work product protection, although only with respect to himself.[67]

The protection afforded by work product immunity is broader than that conferred by the attorney-client privilege.[68] Work product immunity is not limited, as is the attorney-client privilege, to confidential communications between an attorney and a client. The work product doctrine protects lawyers' effective trial preparation by immunizing certain information and materials from discovery, including materials prepared by attorneys' agents and consultants.[69] The doctrine is rooted in courts' desire to foreclose unwarranted inquiries into attorneys' files and mental impressions in the guise of liberal discovery.[70]

There are two categories or types of attorney work product: "fact" or "ordinary" work product, but better described as "tangible" work product; and "opinion" or "core" work product, sometimes termed "intangible" work product. To qualify as tangible work product, the material sought to be protected must be a document or tangible thing prepared in anticipation of litigation

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[65] OXY Resources Cal. LLC v. Superior Court, 9 Cal. Rptr. 3d 621, 645 (Cal. Ct. App. 2004); Clausen v. Nat'l Grange Mut. Ins. Co., 730 A.2d 133, 138 (Del. Super. Ct. 1997).

[66] *In re* Grand Jury Subpoena Duces Tecum, 112 F.3d 910, 924 n.15 (8th Cir. 1997).

[67] *In re* Grand Jury Proceedings, 43 F.3d 966, 972 (5th Cir. 1994).

[68] *In re* Columbia/HCA Healthcare Corp. Billing Practices Litig., 293 F.3d 289, 304 (6th Cir. 2002) (quoting *In* re Antitrust Grand Jury, 805 F.2d 155, 163 (6th Cir. 1986)).

[69] *In re* Cendant Corp. Sec. Litig., 343 F.3d 658, 662 (3d Cir. 2003) (protecting communications with party's trial strategy and deposition preparation consultant).

[70] *See* Hickman v. Taylor, 329 U.S. 495, 510 (1947).

by or for a party, or by or for the party's representative.[71] "Opinion" work product refers to an attorney's conclusions, legal theories, mental impressions, or opinions.[72]

The work product doctrine is codified in Federal Rule of Civil Procedure 26(b)(3) and its state counterparts. Rule 26(b)(3) provides in pertinent part:

> Subject to the provisions of subdivision (b)(4) of this rule, 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.[73]

Work product protection is not absolute.[74] As Rule 26(b)(3) makes clear, a party may discover its adversary's tangible work product if it demonstrates substantial need of the materials to prepare its case and it is unable without undue hardship to obtain the substantial equivalent of the materials by other means.[75] The discovering party must specifically explain its need for the

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[71] FED R. CIV. P. 26(b)(3).

[72] State *ex rel.* Atchison, Topeka & Santa Fe Ry. Co. v. O'Malley, 898 S.W.2d 550, 552 (Mo. 1995); *see also* EPSTEIN, *supra* note 40, at 568.

[73] FED. R. CIV. P. 26(b)(3).

[74] *In re* Cendant Corp. Sec. Litig., 343 F.3d 658, 663 (3d Cir. 2003).

[75] In contrast, communications protected by the attorney-client privilege do not become discoverable by virtue of the fact that the party seeking them is unable to obtain the information from other sources. St. Luke Hosps., Inc. v. Kopowski, 160 S.W.3d 771, 776-77 (Ky. 2005).

materials sought.[76] Whether immunity for tangible work product will be abrogated in a given case typically depends on available alternative sources of the information sought, the parties' relative resources, and the need to protect the target party's expectation of confidentiality.[77]

Opinion work product, on the other hand, receives almost absolute protection against discovery.[78] To discover an adversary's opinion work product a party must demonstrate something far greater than the substantial need and undue hardship necessary to obtain tangible work product.[79] Opinion work product is discoverable only if the attorneys' conclusions, mental impressions or opinions are at issue in the case and there is a compelling need for their discovery.[80] The circumstances in which this test is met are exceptional and rare.[81] A court that allows the discovery of a lawyer's tangible work product must be careful to ensure that it does not also expose to discovery the lawyer's opinion work product.[82] There is, for example, a significant difference between a witness's statement and an attorney's notes concerning that

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[76] EPSTEIN, *supra* note 40, at 550.

[77] *Id*. at 567.

[78] *In re Cendant Corp.,* 343 F.3d at 663 (quoting *In re* Ford Motor Co., 110 F.3d 954, 962 n.7 (3d Cir. 1997)).

[79] *In re* Grand Jury Subpoenas, 265 F. Supp. 2d 321, 333 (S.D.N.Y. 2003).

[80] *See* Holmgren v. State Farm Mut. Auto. Ins. Co., 976 F.2d 573, 577 (9th Cir. 1992).

[81] *In re Cendant Corp.,* 343 F.3d at 663.

[82] State *ex rel.* Ford Motor Co. v. Westbrooke, 151 S.W.3d 364, 367 (Mo. 2004) (quoting MO. SUP. CT. R. 56.01(b)(3)); LaPorta v. Gloucester County Bd. of Chosen Freeholders, 774 A.2d 545, 548 (N.J. Super. Ct. App. Div. 2001) (quoting Hickman v. Taylor, 329 U.S. 495 (1947)).

statement, the latter being opinion work product and therefore strictly protected because they contain the attorney's mental impressions or reflect her case theories.[83]

In contrast to the attorney-client privilege, which is not limited to communications about litigation,[84] information must be generated or prepared "in anticipation of litigation" to qualify as work product.[85] Documents prepared in the ordinary course of business, or that would have been prepared regardless of whether litigation was anticipated, are not entitled to work product immunity.[86] It is "not necessary that litigation be threatened or imminent, as long as the prospect of litigation is identifiable because of claims that have already arisen."[87] Some courts state the "anticipation of litigation" requirement a bit differently, holding that work product immunity attaches only if there is "a substantial probability that litigation will ensue."[88]

Of course, it may be that materials claimed to be work product were prepared for more than one purpose. Because courts approach this problem in one of two ways, the result in such a case depends on the jurisdiction. In some jurisdictions, a court must discern "the primary motivating purpose" behind the documents' creation.[89] "If the primary motivating purpose is

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[83] Giannicos v. Bellevue Hosp. Med. Ctr., 793 N.Y.S.2d 893, 896 (N.Y. Sup. Ct. 2005).

[84] *In re* Tex. Farmers Ins. Exch., 990 S.W.2d 337, 340 (Tex. App. 1999).

[85] Save Sunset Beach Coalition v. City of Honolulu, 78 P.3d 1, 20 (Haw. 2003); Wichita Eagle & Beacon Pub. Co. v. Simmons, 50 P.3d 66, 85 (Kan. 2002); Miller v. J.B. Hunt Transp., Inc., 770 A.2d 1288, 1291-93 (N.J. Super. Ct. App. Div. 2001). *But see* Laguna Beach County Water Dist. v. Superior Court, 22 Cal. Rptr. 3d 387, 393 (Cal. Ct. App. 2004) (explaining that California law imposes no "anticipation of litigation" requirement).

[86] *In re* Copper Mkt. Antitrust Litig., 200 F.R.D. 213, 221 (S.D.N.Y. 2001).

[87] Nat'l Tank Co. v. 30th Judicial Dist. Ct., 851 S.W.2d 193, 205 (Tex. 1993).

[88] *Wichita Eagle & Beacon*, 50 P.3d at 85.

[89] *In re* Pfizer Inc. Sec. Litig., No. 90 Civ. 1260 (SS), 1993 WL 561125, at *3 (S.D.N.Y. Dec. 23, 1993) (quoting cases); *Ex Parte* Cryer, 814 So. 2d 239, 247 (Ala. 2001) (quoting cases);

other than to assist in pending or impending litigation," then the materials are not protected as work product.[90] Other jurisdictions have abandoned the primary motivating purpose test for a "because of" test.[91] Applying this test, "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."[92]

Finally, it should be understood that work product immunity extends to subsequent litigation.[93] If information was created in anticipation of litigation with respect to Case *A* and otherwise meets all of the work product criteria, it remains immune from discovery in Case *B*. Although there is some debate about whether the subsequent litigation must be closely related to the original litigation for work product immunity to attach in the second case, courts have generally avoided drawing this distinction, and those courts that have addressed the issue have not required a close relationship between the cases.[94]

Heffron v. Dist. Court of Okla. County, 77 P.3d 1069, 1079 (Okla. 2003); Arnold v. City of Chattanooga, 19 S.W.3d 779, 784 (Tenn. Ct. App. 1999).

[90] *In re Pfizer Inc. Sec. Litig.,* 1993 WL 561125, at *3.

[91] *See, e.g.,* United States v. Adlman, 134 F.3d 1194, 1202 (2d Cir. 1998); United States v. Chevron Texaco Corp., 241 F. Supp. 2d 1065, 1082 (N.D. Cal. 2002); Wells Dairy, Inc. v. Am. Indus. Refrigeration, Inc., 690 N.W.2d 38, 48 (Iowa 2004).

[92] *Chevron Texaco,* 241 F. Supp. 2d at 1082.

[93] Frontier Ref., Inc. v. Gorman-Rupp Co., 136 F.3d 695, 703 (10th Cir. 1998); Maldonado v. State, 225 F.R.D. 120, 131 (D.N.J. 2004).

[94] *See Frontier Ref., Inc.,* 136 F.3d at 703 (citing cases).

C. Lawyers' Ethical Duty of Confidentiality

"It is axiomatic that among the highest duties an attorney owes a client is the duty to maintain the confidentiality of client information."[95] Lawyers' duty to maintain client confidences is a fundamental agency law principle.[96] The duty is further found in ethics rules. Model Rule of Professional Conduct 1.6(a), for example, states that a lawyer "shall not reveal information relating to the representation of a client unless the client gives informed consent, the disclosure is authorized to carry out the representation or the disclosure is permitted by [Rule 1.6(b)]."[97] In states still adhering to the Model Code of Professional Responsibility, lawyers' duty of confidentiality is enforced by way of DR 4-101(B)(1), which provides that with few exceptions a lawyer "shall not knowingly . . . reveal a confidence or secret of his client."[98] For DR 4-101 purposes, "a 'confidence' is information learned directly from the client, whereas a 'secret' is defined more broadly."[99] A client "secret" includes not only "embarrassing or detrimental information that the client reveals," but also detrimental or embarrassing information about the client "available from other sources."[100]

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[95] Commonwealth v. Downey, 793 N.E.2d 377, 381 (Mass. App. Ct. 2003).

[96] LAWRENCE J. FOX & SUSAN R. MARTYN, RED FLAGS: A LAWYER'S HANDBOOK ON LEGAL ETHICS 87 (2005).

[97] MODEL RULES OF PROF'L CONDUCT R. 1.6(a) (2004) [hereinafter MODEL RULES].

[98] MODEL CODE OF PROF'L RESPONSIBILITY DR 4-101(B)(1) (1969) (footnote omitted) [hereinafter MODEL CODE].

[99] Akron Bar Ass'n v. Holder, 810 N.E.2d 426, 434 (Ohio 2004).

[100] *Id.*

Rule 1.6(a) and DR 4-101 are intended to encourage clients to trust their attorneys and to be candid with them.[101] Lawyers' duty of confidentiality, although not absolute,[102] is very broad.[103] Any exceptions the rules provide are narrowly limited.[104] Lawyers' duty of confidentiality continues after the conclusion of a representation.[105]

Rule 1.6 and DR 4-101 prevent the disclosure of information that is neither privileged nor work product.[106] "Confidential" is not synonymous with "privileged" or "immune."[107] Thus, and by way of example, a lawyer's duty of confidentiality prevents her from revealing a client's identity or facts that a client communicates to her, even though the attorney-client privilege and

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[101] *In re* Disciplinary Proceeding Against Schafer, 66 P.3d 1036, 1041 (Wash. 2003).

[102] Commonwealth v. Downey, 793 N.E.2d 377, 382 (Mass. App. Ct. 2003).

[103] *In re* Bryan, 61 P.3d 641, 656 (Kan. 2003).

[104] *Id.* (discussing Kansas version of Rule 1.6).

[105] Cont'l Resources, Inc. v. Schmalenberger, 656 N.W.2d 730, 735 (N.D. 2003) (quoting comment to N.D. Rule of Prof'l Conduct 1.6); Kala v. Aluminum Smelting & Ref. Co., 688 N.E.2d 258, 262 (Ohio 1998).

[106] *See In re* Gonzalez, 773 A.2d 1026, 1031 (D.C. 2001) ("An attorney's duty of confidentiality applies not only to privileged 'confidences,' but also to unprivileged secrets; it 'exists without regard to the nature or source of the information or the fact that others share the information.'") (quoting Perillo v. Johnson, 205 F.3d 775, 800 n.9 (5th Cir. 2000)); Tenet Healthcare Corp. v. La. Forum Corp., 538 S.E.2d 441, 445 (Ga. 2000) ("An attorney's ethical . . . duty to maintain client secrets is distinguishable from the attorney-client privilege.").

[107] *See* Doe v. Md. Bd. of Social Workers, 840 A.2d 744, 749 (Md. Ct. Spec. App. 2004) (explaining that information "can be confidential and, at the same time, non-privileged," and that "privilege" is the legal protection given to certain communications and relationships, while "confidential" describes a type of communication or relationship).

work product immunity do not protect them.[108] Moreover, lawyers are bound by their duty of confidentiality at all times, not just where they face inquiry from others.[109]

Lawyers' duty of confidentiality is especially broad in the many jurisdictions that have enacted versions of Model Rule 1.6(a). In these jurisdictions a lawyer's duty of confidentiality attaches "not merely to matters communicated in confidence by the client, but also to all information relating to the representation, whatever its source."[110] Lawyers may breach their duty of confidentiality under Rule 1.6(a) by revealing information that is available from sources other than their clients, including public information.[111] In Model Code states, lawyers are prohibited from revealing public information about a client only if it constitutes a client secret, i.e., the information is detrimental or embarrassing to the client.[112]

III. COMMUNICATIONS WITH PUBLIC RELATIONS CONSULTANTS

As numerous recent cases illustrate, parties in high profile civil matters and criminal defendants often find their cases being tried in the media. Businesses accused of serious

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[108] *See* FOX & MARTYN, *supra* note 96, at 93.

[109] Newman v. State, 863 A.2d 321, 332 (Md. 2004); Lawyer Disciplinary Bd. v. McGraw, 461 S.E.2d 850, 860 (W. Va. 1995).

[110] State *ex rel.* Okla. Bar Ass'n v. McGee, 48 P.3d 787, 791 (Okla. 2002).

[111] *See, e.g., In re* Anonymous, 654 N.E.2d 1128, 1129-30 (Ind. 1995) (holding that lawyer violated Rule 1.6(a) by revealing information "readily available from public sources"); *McGraw,* 461 S.E.2d at 861-62 ("The ethical duty of confidentiality is not nullified by the fact that information is part of a public record or by the fact that someone else is privy to it.").

[112] Akron Bar Ass'n v. Holder, 810 N.E.2d 426, 435 (Ohio 2004) (stating that under DR 4-101, "an attorney is not free to disclose embarrassing or harmful features of a client's life just because they are documented in public records").

misconduct are especially threatened by negative media attention. Not surprisingly, litigants and targets of government inquiries often turn to public relations consultants for assistance.[113]

When public relations professionals assist parties in litigation, it is foreseeable that they will interact with the lawyers representing those parties, may review documents prepared by or for counsel, and will participate in meetings attended by counsel or in which legal issues or strategy are discussed. It is just as foreseeable that these activities may expose otherwise confidential communications to discovery. For example, the presence of a public relations consultant at a meeting between a senior executive of a corporation under government investigation and defense counsel may open that meeting to discovery because, in general, the presence of a third party to a communication robs it of the confidentiality that the attorney-client privilege is intended to ensure.[114] On the other hand, the presence of a third-party does not waive the privilege if the third-party is there "to facilitate the effective rendition of legal services."[115] When it comes to public relations consultants, privilege law is at best unclear.

Courts routinely hold that communications with public relations consultants are not privileged.[116] *Calvin Klein Trademark Trust v. Wachter*[117] is an illustrative case.

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[113] *See generally In re* Grand Jury Subpoenas, 265 F. Supp. 2d 321, 330 (S.D.N.Y. 2003) ("[D]ealing with the media in a high profile case probably is not a matter for amateurs.").

[114] *See* Oxyn Telecomms., Inc. v. Onse Telecom, No. 01 Civ. 1012(JSM), 2003 WL 660848, at *2 (S.D.N.Y. Feb. 27, 2003); Newman v. State, 863 A.2d 321, 333 (Md. 2004).

[115] *Oxvyn Telecomms.,* 2003 WL 660848, at *2; *see also Newman,* 863 A.2d at 334-35 (finding no waiver where client's friend attended meeting at attorney's behest to lessen client's stress and to otherwise aid the attorney's representation of the client).

[116] *See, e.g.,* Haugh v. Schroder Inv. Mgmt. N. Am., Inc., No. 02 Civ. 7955 DLC, 2003 WL 21998674 (S.D.N.Y. 2003); Calvin Klein Trademark Trust v. Wachter, 198 F.R.D. 53 (S.D.N.Y. 2000); Blumenthal v. Drudge, 186 F.R.D. 236, 242-43 (D.D.C. 1999).

[117] 198 F.R.D. 53 (S.D.N.Y. 2000).

In *Calvin Klein,* the law firm of Boies, Schiller & Flexner ("Boies") hired a public relations firm, RLM, to provide communications consulting in connection with Boies' representation of Calvin Klein, Inc. ("CKI"). When the defendants sought to discover various documents from RLM and to depose an RLM employee, CKI refused on privilege and work product grounds.[118]

The court concluded that none of the subject documents were privileged for at least three reasons. First, the documents did not contain or reveal confidential communications from CKI for the purpose of obtaining legal advice. The possibility that communications between Boies and RLM might help Boies formulate legal advice was not sufficient to trigger the privilege. The attorney-client privilege protects communications between a client and its attorney, not communications that are important to the attorney's legal advice to the client.[119]

Second, even if any of the documents contained privileged communications, their disclosure to RLM waived the privilege.[120] Rather than serving as a translator, for example, RLM was simply dispensing public relations advice. RLM's service to Boies consisted of reviewing press coverage, calling members of the media to comment on the litigation, and locating reporters who might treat CKI favorably.[121] As the court explained:

> The possibility that such activity may also have been helpful to [Boies] in formulating legal strategy is neither here nor there if RLM's work and advice simply serves to assist counsel in assessing the probable public reaction to various strategic alternatives, as opposed to enabling counsel to understand aspects

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[118] *Id.* at 54.

[119] *Id.* (quoting United States v. Ackert, 169 F.3d 136, 139 (2d Cir. 1999)).

[120] *Id.*

[121] *Id.* at 54-55.

> of the client's own communications that could not otherwise be appreciated in the rendering of legal advice.[122]

Third, there was no evidence that RLM was performing any functions materially different from those that any ordinary public relations firm would have performed had it been hired by CKI instead of being hired by Boies.[123] Indeed, when Boies came along, RLM was already consulting with CKI pursuant to a contract entered into some eight months earlier.[124] "It may be," the court observed, "that the modern client comes to court as prepared to massage the media as to persuade the judge[,] but nothing in the client's communications for the former purpose constitutes the obtaining of legal advice or justifies a privileged status."[125]

As for CKI's work product argument, the court observed that most public relations advice is not protected because the work product doctrine is intended to protect litigation strategy itself, not strategy related to the effects of the litigation on the client's customers, the media, or the public.[126] Even so, work product immunity is not waived simply because an attorney provides her work product to a public relations consultant who the attorney hires and who keeps confidential the work product she is provided. This is especially so if the public relations consultant needs to know the attorney's strategy to provide public relations advice and, in turn, the public relations advice bears on the attorney's own litigation strategy or tactics.[127]

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[122] *Id.* at 55.

[123] *Id.*

[124] *Id.* at 54.

[125] *Id.* at 55 (footnote omitted).

[126] *Id.*

[127] *Id.*

The *Calvin Klein* court determined that several categories of documents retained their work product immunity even though they had been given to RLM. The court ordered CKI to produce all other documents and to produce the RLM employee for deposition.[128]

Calvin Klein does not necessarily reflect the majority rule; other courts have found that communications with public relations consultants are privileged.[129] In *H.W. Carter & Sons, Inc. v. Wiiliam Carter Co.,*[130] for example, the court held that the presence of a public relations consultant at a meeting between the defendant and its counsel did not waive the attorney-client privilege because the consultant "participated to assist the lawyers in rendering legal advice, which included how [the] defendant should respond to [the] plaintiff's lawsuit."[131] The court in *In re Grand Jury Subpoenas*[132] held that:

> (1) confidential communications (2) between lawyers and public relations consultants (3) hired by the lawyers to assist them in dealing with the media in cases such as this [high profile grand jury investigation into Martha Stewart's alleged insider trading] (4) that are made for the purpose of giving or receiving advice (5) directed at handling the client's legal problems are protected by the attorney-client privilege.[133]

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[128] *Id.* at 56.

[129] *See, e.g.,* Fed. Trade Comm'n v. Glaxosmithkline, 294 F.3d 141, 148 (D.C. Cir. 2002); *In re* Grand Jury Subpoenas, 265 F. Supp. 2d 321, 326-32 (S.D.N.Y. 2003); *In re* Copper Mkt. Antitrust Litig., 200 F.R.D. 213, 215-20 (S.D.N.Y. 2001); H.W. Carter & Sons, Inc. v. William Carter Co., No. 95 Civ. 1274 (DC), 1995 WL 301351, at *3 (S.D.N.Y. May 16, 1995); *In re* Monsanto Co., 998 S.W.2d 917, 932 (Tex. App. 1999).

[130] No. 95 Civ. 1274 (DC), 1995 WL 301351 (S.D.N.Y. May 16, 1995).

[131] *Id.* at *3.

[132] 265 F. Supp. 2d 321 (S.D.N.Y. 2003).

[133] *Id.* at 331.

It is exceptionally difficult to predict based upon existing case law when communications with public relations consultants are privileged. Courts extend the attorney-client privilege to non-lawyers very rarely, and even then confine it to its narrowest possible limits.[134] As a result, only three general statements can safely be made. First, the privilege is more likely to attach where the lawyer hires the public relations consultant.[135] The likelihood of the privilege applying is diminished where the client hires the public relations consultant.[136] Second, for the privilege to apply there must be a clear nexus between the public relations consultant's work and the attorney's role in representing the client.[137] In other words, the client must show that communications with a public relations consultant were made so that it could obtain legal advice from its attorney.[138] If the public relations consultant was retained for the value of her own advice, the privilege will not attach.[139] Third, the privilege is more likely to attach where a client does not have in-house public relations capabilities, or the client is a foreign corporation unfamiliar with the United States legal system, such that the public relations consultant can be fairly equated with the client.[140]

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[134] *See* Blumenthal v. Drudge, 186 F.R.D. 236, 243 (D.D.C. 1999) (quoting Linde Thomson Langworthy Kohn & Van Dyke, P.C. v. Resolution Trust Corp., 5 F.3d 1508, 1514 (D.C. Cir. 1993)).

[135] *See In re* Grand Jury Subpoenas, 265 F. Supp. 2d 321, 331 (S.D.N.Y. 2003).

[136] *See, e.g.,* Calvin Klein Trademark Trust v. Wachner, 198 F.R.D. 53, 54-55 (S.D.N.Y. 2000) (involving public relations consultant working for client when hired by law firm).

[137] *See* Haugh v. Schroder Inv. Mgmt. N. Am., Inc., No. 02 Civ. 7955 DLC, 2003 WL 21998674, at *3 (S.D.N.Y. Aug. 25, 2003).

[138] *Id.*

[139] Blumenthal v. Drudge, 186 F.R.D. 236, 243 (D.D.C. 1999).

[140] *See, e.g.,* Fed. Trade Comm'n v. Glaxosmithkline, 294 F.3d 141, 148 (D.C. Cir. 2002) (involving public relations consultants who "acted as part of a team with full-time employees" of

Because this area of privilege law is uncertain, lawyers who engage public relations consultants to aid their clients, or who must work with public relations consultants employed by media savvy clients, should assume that their communications with those consultants and their clients' communications with the consultants will not be privileged. As a result, any important communications with public relations professionals should be verbal rather than written or embodied in e-mails. This reduces the risk that confidential communications will be discovered. The only documents that should be given to public relations consultants are those that are public records, such as pleadings, annual reports, and documents filed with regulatory bodies; and those that the lawyer expects to be discovered in litigation.

Work product law in this area is much more settled.[141] Even courts that have declined to extend the attorney-client privilege to communications with public relations consultants have denied discovery based on the work product doctrine.[142] For work product immunity to attach to communications with a public relations consultant (1) the communications must be made in anticipation of litigation; (2) the consultant must keep the communications confidential; and (3) the public relations strategy must bear on the attorney's own litigation strategy.[143]

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the defendant); *In re* Copper Mkt. Antitrust Litig., 200 F.R.D. 213, 217-220 (S.D.N.Y. 2001) (involving a Japanese corporation and public relations consultant that was essentially incorporated into the corporation's staff to perform a corporate function).

[141] *See* Bernstein & Harvey, *supra* note 13, at 1257 ("Greater consensus exists with respect to the work product doctrine.").

[142] *See, e.g.,* Haugh v. Schroder Inv. Mgmt. N. Am., Inc., No. 02 Civ. 7955 DLC, 2003 WL 219984, at **4-5 (S.D.N.Y. Aug. 25, 2003); Calvin Klein Trademark Trust v. Wachner, 198 F.R.D. 53, 55-56 (S.D.N.Y. 2000).

[143] *See Calvin Klein,* 198 F.R.D. at 55.

IV. COMMUNICATIONS WITH ACCOUNTANTS AND AUDITORS

The Securities and Exchange Commission requires public companies to file annually a form 10-K that includes a financial statement certified by an accountant functioning as an independent auditor.[144] In auditing a company's financial statements, an auditor must determine whether the company's financial statements, viewed as a whole, fairly represent its financial condition and performance in accordance with generally accepted accounting principles.[145] Among the factors that an auditor considers are whether the company has adequate reserves for claims against it, and whether there are material claims known to the company that are as yet unasserted.[146] Because auditors ordinarily lack the ability to make legal judgments, they attempt to gather information about claims by having the company write its regular outside counsel and ask them to describe and evaluate claims that they are handling or of which they may be aware.[147] Lawyers' responses to auditors' inquiries have come to be known as "audit response letters" or "FASB 5 letters,"[148] the former term typically used by lawyers and the latter term employed by accountants. In some cases, accountants learn of matters that lawyers are handling for clients outside of the audit letter process.[149] Regardless, lawyers must always be concerned

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[144] John K. Villa, *Audit Letter Responses in the Wake of Sarbanes-Oxley,* ACC DOCKET, Oct. 2003, at 164, 165.

[145] Kenneth B. Winer & Scott Seabolt, *Responding to Audit Inquiries in a Time of Heightened Peril,* 36 SEC. REG. & LAW REP. BNA 1902, 1903 (2004).

[146] Villa, *supra* note 144, at 165.

[147] Winer & Seabolt, *supra* note 145, at 1903.

[148] Villa, *supra* note 144, at 165.

that communications with clients' independent auditors may waive the attorney-client privilege or work product immunity.

Lawyers answer auditors' inquiries in standard audit letter responses adhering to the so-called "treaty" between the ABA and the American Institute of Certified Public Accountants,[150] secure in the knowledge that absent unusual circumstances, conformity with the treaty's requirements means that their audit response letters do not waive the attorney-client privilege or work product immunity.[151] Whether this principle remains true after passage of the Sarbanes-Oxley Act of 2002[152] is a hot topic in professional liability circles and is beyond the scope of this article,[153] but clearly the effect that lawyers' communications with clients' accountants may have on the attorney-client privilege and work product immunity is a critical current issue.[154]

As a rule, the disclosure of privileged information to a client's outside auditor waives the attorney-client privilege.[155] This is because the disclosure of information to a client's outside

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[149] *See, e.g.,* Merrill Lynch & Co. v. Allegheny Energy, Inc., No. 02 Civ. 7689(HB), 2004 WL 2389822, at *2 (S.D.N.Y. Oct. 26, 2004) (describing communications between outside auditor and company's director of internal audit that led to attorneys' work product being given to outside auditor).

[150] Am. Bar Ass'n, *Statement of Policy Regarding Lawyers' Responses to Auditor's Requests for Information,* 31 BUS. LAW. 1709 (1976).

[151] Villa, *supra* note 144, at 166.

[152] Pub. L. No. 107-204, 116 Stat. 745.

[153] For practical discussions of this issue, see Villa, *supra* note 144; Winer & Seabolt, *supra* note 145.

[154] LATHAM & WATKINS LLP, THE AUDITOR'S NEED FOR ITS CLIENT'S DETAILED INFORMATION VS. THE CLIENT'S NEED TO PRESERVE THE ATTORNEY-CLIENT PRIVILEGE AND WORK PRODUCT PROTECTION: THE DEBATE, THE PROBLEMS, AND PROPOSED SOLUTIONS 1-3 (Corp. Couns. Consortium 2004) [hereinafter THE AUDITOR'S NEED] (on file with the author).

[155] Chevron Corp. v. Pennzoil Co., 974 F.2d 1156, 1162 (9th Cir. 1992); Ferko v. Nat'l Ass'n for Stock Car Auto Racing, Inc., 218 F.R.D. 125, 134 (E.D. Tex. 2003); *In re* Pfizer Inc.

accountant "destroys the confidentiality seal required of communications protected by the attorney-client privilege, notwithstanding that the federal securities laws require an independent audit."[156] Indeed, it is generally the case that disclosure of confidential communications to a third party waives the attorney-client privilege, and there is no obvious reason to abrogate this rule in the context of attorneys' communications with clients' outside auditors.[157]

Assuming that the attorney-client privilege does not attach to lawyers' communications with clients' outside auditors, what of the work product doctrine?[158] Disclosures to third parties do not automatically waive work product immunity.[159]

Courts are split on this issue.[160] *Medinol, Ltd. v. Boston Scientific Corp*.[161] and *Merrill Lynch & Co. v. Allegheny Energy, Inc.*,[162] are representative cases on opposite sides of the waiver issue decided by different courts in the same federal judicial district.

Sec. Litig., No. 90 Civ. 1260 (SS), 1993 WL 561125, at *7 (S.D.N.Y. Dec. 23, 1993); Chinn v. Endocare, Inc., No. Civ.A. 20262, 2003 WL 21517869, at *1 (Del. Ch. Ct. July 1, 2003).

[156] *In re Pfizer Inc. Sec. Litig.,* 1993 WL 561125, at *7.

[157] *See* EPSTEIN, *supra* note 40, at 185 (noting that sharing communications with "third parties who are not agents of the attorney for purposes of assisting the attorney in giving legal advice negates the requisite element that confidentiality attend the making of the communication for the privilege to attach").

[158] *See Ferko,* 218 F.R.D. at 136 ("Courts ordinarily apply the work-product doctrine only after deciding that the attorney-client privilege does not apply.").

[159] *In re* Grand Jury Subpoena, 220 F.3d 406, 409 (5th Cir. 2000); *see, e.g.,* Gutter v. E.I. DuPont de Nemours & Co., No. 95-CV-2152, 1998 WL 2017926, at *5 (S.D. Fla. May 18, 1998) (finding that work product immunity attached to lawyers' letters to client's outside auditors).

[160] *See* Laguna Beach County Water Dist. v. Superior Court, 22 Cal. Rptr. 3d 387, 392 (Cal. Ct. App. 2004) (noting that federal courts are split on this issue before holding that disclosure to auditor does not waive work product immunity).

[161] 214 F.R.D. 113 (S.D.N.Y. 2002).

[162] No. 02 Civ. 7689(HB), 2004 WL 2389822 (S.D.N.Y. Oct. 26, 2004).

In *Medinol,* the plaintiff, Medinol, sued Boston Scientific in a license dispute. That dispute led Boston Scientific to terminate the employment of a number of executives, to engage counsel to conduct an internal investigation, and to report the investigation and its results to a special litigation committee of its board of directors.[163] Minutes of meetings of that committee were shown to Boston Scientific's outside public accountants, Ernst & Young, in connection with their audit of the company's financial statement.[164] Medinol sought to discover the minutes shown to Ernst & Young and Boston Scientific resisted on work product grounds. In resolving the dispute in Medinol's favor, the court began by observing:

> While in some cases disclosure to accountants does not waive the protections of the work product doctrine, there is a difference between disclosure to accountants who have been retained by a lawyer to understand technical aspects of a case and whose interests are therefore allied with the client, and outside auditors who, in order to be effective, must have interests that are independent of and not always aligned with those of the company.[165]

The *Medinol* court acknowledged that work product immunity is not waived where a party shares confidential information with a third party who is aligned in interest or who shares common litigation objectives.[166] On the other side of that coin, sharing confidential information with a party whose interests are *not* aligned or who does *not* have common litigation objectives is a waiver.[167] The issue, then, was how to classify Ernst & Young. The court placed the accounting firm in the second camp, reasoning:

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[163] *Medinol,* 214 F.R.D. at 114.

[164] *Id.*

[165] *Id.*

[166] *Id.* at 115.

[167] *Id.*

> Customarily, management asks counsel who represent it in its lawsuits to make the relevant disclosures to the auditor and express opinions about exposures and probable outcomes. . . . The independent auditor, however, must come to his own understanding of reasonableness, based on the evidence. The auditor's review supports the auditor's independent opinion about the fairness of the company's financial reports, not the audited company's litigation interests. Thus, the auditor's interests are not necessarily aligned with the interests of the company. 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.[168]

Ernst & Young reviewed the minutes of the meetings of Boston Scientific's special litigation committee in its role as the company's auditor. Accordingly, Ernst & Young's interests were not aligned with Boston Scientific's.[169] And, although sharing the minutes with the accountants did not significantly increase the risk that they would come into adversaries' hands, it did not serve any litigation purpose or policy reason supporting work product immunity, either.[170] Thus, the *Medinol* court concluded, the minutes were not protected by the work product doctrine and the plaintiff was entitled to discover them.[171]

The court in *Merrill Lynch & Co. v. Allegheny Energy, Inc.*,[172] reached a different conclusion. In that case, Merrill Lynch investigated the criminal behavior of one of its energy traders, Gordon, through its in-house legal staff and outside counsel. That investigation

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[168] *Id.* at 115-16 (footnote omitted).

[169] *Id.* at 116.

[170] *Id.*

[171] *Id.* at 117.

[172] No. 02 Civ. 7689(HB), 2004 WL 2389822 (S.D.N.Y. Oct. 26, 2004).

culminated in two written reports.[173] In response to public reports of the theft, the lead client services partner at Deloitte & Touche, Merrill Lynch's outside auditor, spoke with Merrill Lynch's internal audit head, McDermott, about Gordon's conduct and Merrill Lynch's subsequent actions.[174] McDermott gave the investigative reports to Deloitte & Touche to help it identify potential internal control, accounting or audit issues of which it was not otherwise aware through the audit process.[175] McDermott provided the reports to Deloitte & Touche with the understanding that they were prepared by counsel and were therefore privileged, that Deloitte & Touche would keep them confidential, and that Deloitte & Touche would disclose them to no one.[176] Allegheny later sought to discover the reports in litigation arising out of a transaction allegedly affected by Gordon's conduct. Merrill Lynch conceded that by giving the reports to Deloitte & Touche it waived the attorney-client privilege with respect to them, but contended that they were protected from discovery by the work product doctrine.[177]

Allegheny did not dispute that the reports were work product; it contended that Merrill Lynch waived work product immunity when it provided them to Deloitte & Touche.[178] The *Merrill Lynch* court disagreed, framing "the critical inquiry" as whether "Deloitte & Touche should be conceived of as an adversary or a conduit to a potential adversary."[179] Deloitte &

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[173] *Id.* at *2.

[174] *Id.*

[175] *Id.*

[176] *Id.*

[177] *Id.* at *3.

[178] *Id.* at *4.

[179] *Id.* at *6.

Touche was neither of those things in the court's view and, further, it was largely aligned in interest with Merrill Lynch.[180] As the court explained:

> [A]ny tension between an auditor and a corporation that arises from an auditor's need to scrutinize and investigate a corporation's records and book-keeping practices simply is not the equivalent of an adversarial relationship contemplated by the work product doctrine. Nor should it be. A business and its auditor can and should be aligned insofar as they both seek to prevent, detect, and root out corporate fraud. Indeed, this is precisely the type of limited alliance that courts should encourage.[181]

Moreover, the court intuitively observed, to construe a company's auditor as an adversary and thus obliterate the work product doctrine in these circumstances "could very well discourage corporations from conducting a critical self-analysis and sharing the fruits of such an inquiry with the appropriate actors."[182]

The court recognized the argument that shielding the reports from Allegheny might be seen as lessening auditors' independence, but easily rejected it, stating:

> This conclusion does not necessarily mean that auditors will be any less independent. . . . Instead, the aim should be for corporations to share information with their auditors to facilitate a meaningful review and, ultimately, the availability of more accurate information for the investing public. It is also important to encourage complete disclosure between a company and its auditor, so that auditors are not inadvertently shielded from complete frankness by corporate management, so that they can later claim that they had no knowledge of alleged malfeasance.[183]

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[180] *Id.*

[181] *Id.*

[182] *Id.* at *7.

[183] *Id.*

The court found that Allegheny was not entitled to discover Merrill Lynch's two internal reports.[184] The fact that Merrill Lynch and Deloitte & Touche were not adversaries defeated Allegheny's waiver argument.[185]

In summary, the confidentiality of communications with auditors is an unsettled aspect of the work product doctrine. Most of the decisions on the subject have been rendered by district courts and therefore lack precedential value.[186] Lawyers wishing to improve the chances that the disclosure of information to auditors will not waive work product immunity should condition disclosure on the auditor's promise to keep the information confidential.[187] Auditors should further be required to inform the client or the lawyers of attempts to discover the information so that they can resist discovery if they so choose.

V. SELECTIVE WAIVER

Clients can voluntarily waive their attorney-client privilege. When a client voluntary waives the privilege, the waiver encompasses not only the disclosed communication, but further extends to "whatever additional communications must be provided to the third party to give that party a fair chance to meet the advantages gained by the privilege holder through the disclosure."[188] Courts do not permit "selective waiver" of the privilege; they do not allow a

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[184] *Id.* at *8.

[185] *Id.*

[186] *See* FutureSource LLC v. Reuters Ltd., 312 F.3d 281, 283 (7th Cir. 2002) (stating that "[t]he reasoning of district judges is of course entitled to respect, but the decision of a district judge cannot be a controlling precedent").

[187] *See Merrill Lynch,* 2004 WL 2389822, at *1.

[188] 2 RICE ET AL., *supra* note 50, § 9:79, at 357-58.

party to waive only those communications that are favorable to its case and then resist disclosure of communications that are unfavorable.[189]

This traditional view of selective waiver has been expanded, such that the situation or scenario described above is best described as "partial waiver."[190] "Selective waiver" as that term is commonly understood today refers to a situation in which a client reveals confidential communications to one outsider while withholding them from another.[191] The typical situation is one in which a company is facing a government inquiry and, as part of that inquiry, either wishes to reveal privileged or immune information to the government or is arguably compelled to do so. At the same time, the company is facing pending or imminent civil litigation arising out of the same set of facts that spawned the government inquiry. The company believes that it must waive the privilege or work product immunity as to the government, but if it does so, the plaintiffs in the civil litigation will use the information revealed to the government to great advantage. Thus, the company attempts to selectively waive the privilege or immunity; it produces otherwise privileged or immune information to the government, perhaps accompanied by the government's promise to maintain the confidentiality of the information disclosed to it, but withholds that same information from the plaintiffs in the civil case. Courts have largely rejected this approach to selective waiver.[192] A disclosure of confidential information to one

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[189] *Id.* at 361; *see also* Westinghouse Elec. Corp. v. Republic of the Philippines, 951 F.2d 1414, 1423 n.7 (3d Cir. 1991) (describing this approach as "partial waiver" and explaining that "[p]artial waiver permits a client who has disclosed a portion of privileged communications to continue asserting the privilege as to the remaining portions of the same communications").

[190] *See Westinghouse,* 951 F.2d at 1423 n.7.

[191] *See* United States v. Mass. Inst. of Tech., 129 F.3d 681, 685 (1st Cir. 1997).

[192] *See, e.g., In re* Columbia/HCA Healthcare Corp. Billing Practices Litig., 293 F.3d 289, 302-07 (6th Cir. 2002) (holding that defendant waived its privilege and work product immunity); *Mass. Inst. of Tech.,* 129 F.3d at 684-88 (finding waiver of privilege and work

outsider generally waives the privilege and work product immunity as to all outsiders, as well explained in *In re Columbia/HCA Healthcare Corp. Billing Practices Litigation*.[193]

In re Columbia/HCA arose out of a Department of Justice ("DoJ") investigation of Columbia/HCA for possible Medicaid and Medicare fraud. Either in anticipation of this investigation or in response to it, Columbia/HCA conducted internal audits of its Medicare patient records focusing on the billing codes assigned to patients in order to receive Medicare reimbursement.[194] Ultimately, Columbia/HCA began negotiating with the government to settle the fraud investigation. As part of this effort, Columbia/HCA agreed to produce to the government some of its internal audit documents.[195] In exchange for this cooperation, DoJ agreed to certain confidentiality provisions. The agreement under which the documents were produced to DoJ provided that:

> [t]he disclosure of any report, document, or information by one party to the other does not constitute a waiver of any applicable

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product immunity); *In re* Steinhardt Partners, L.P., 9 F.3d 230, 235 (2d Cir. 1993) (finding waiver of work product immunity where there was no confidentiality agreement with the SEC); *Westinghouse Elec. Corp.,* 951 F.2d at 1423-31 (finding waiver of privilege and work product immunity); *In re* Martin Marietta Corp., 856 F.2d 619, 623-26 (4th Cir. 1988) (finding waiver of privilege and tangible work product but not opinion work product); McKesson HBOC, Inc. v. Superior Court, 9 Cal. Rptr. 3d 812, 819-21 (Cal. Ct. App. 2004) (finding waiver of privilege and work product); McKesson Corp. v. Green, 610 S.E.2d 54, 56 (Ga. 2005) (agreeing with lower court that defendant waived work product immunity). *But see* Diversified Indus., Inc. v. Meredith, 572 F.2d 596, 611 (8th Cir. 1978) (recognizing selective waiver concept); Maruzen Co. v. HSBC USA, Inc., No. 00 CIV. 1079(RO), 00 CIV. 1512(RO), 2002 WL 1628782, at **1-2 (S.D.N.Y. July 23, 2002) (holding that work product immunity not waived where defendants had confidentiality agreements with government agencies); Saito v. McKesson HBOC, Inc., No. Civ.A. 18553, 2002 WL 31657622, at **7-11 (Del. Ch. Nov. 13, 2002) (involving work product and adopting selective waiver rule where disclosures are made to law enforcement agencies under a confidentiality agreement).

[193] 293 F.3d 289 (6th Cir. 2002).

[194] *Id.* at 291-92.

[195] *Id.* at 292.

> privilege or claim under the work product doctrine. Both parties reserve the right to contest the assertion of any privilege by the other party to the agreement, but will not argue that the disclosing party, by virtue of the disclosures it makes pursuant to this agreement, has waived any applicable privilege or work product doctrine claim.[196]

DoJ and Columbia/HCA eventually settled the fraud investigation, with Columbia/HCA paying an $840 million fine.[197] When the results of the investigation came to light, a number of insurance companies and individuals began scrutinizing their bills from Columbia/HCA. This resulted in numerous lawsuits in which the plaintiffs alleged that Columbia/HCA over billed them for its services.[198] The plaintiffs naturally sought to obtain copies of the audits that Columbia/HCA provided to the government.[199] Columbia/HCA resisted on attorney-client privilege and work product grounds, but lost those arguments in the trial court.[200] The case then made its way to the Sixth Circuit on an interlocutory appeal by Columbia/HCA.

Columbia/HCA argued that it could selectively waive its attorney-client privilege and work product immunity; that is, its disclosure of its internal documents to the government was not a waiver as to the various private plaintiffs, especially in light of its confidentiality agreement with DoJ.[201] After conducting an extensive analysis of the selective waiver doctrine,[202] the *In re*

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[196] *Id.* (quoting agreement) (footnote omitted).

[197] *Id.*

[198] *Id.*

[199] *Id.* at 293.

[200] *Id.*

[201] *See id.*

[202] *See id.* at 295-302.

Columbia/HCA court addressed the doctrine in the attorney-client privilege context. For several reasons the court rejected "the concept of selective waiver, in any of its various forms."[203]

First, the selective waiver doctrine does not foster full and frank communications between a client and its attorney, which is one of the principal reasons for recognizing the attorney-client privilege.[204] The approach urged by Columbia/HCA and other selective waiver advocates merely encourages the voluntary disclosure of otherwise confidential information to government agencies; the attorney-client privilege was never intended to protect a client's communications with the government.[205] Second, any form of selective waiver transforms the attorney-client privilege into just another tactical weapon in litigation.[206] Third, and with respect to the idea that a confidentiality agreement legitimizes selective waiver, it is important to remember that the attorney-client privilege derives from the common law.[207] "It is not a creature of contract, arranged between parties to suit the whim of the moment."[208] Although the recognition of selective waiver where a confidentiality agreement is employed may protect the expectations of the parties to the agreement, it does not serve "the 'public ends' of adequate legal representation that the attorney-client privilege is intended to protect."[209]

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[203] *Id.* at 302.

[204] *See id.*

[205] *Id.* (quoting Westinghouse Elec. Corp. v. Republic of the Philippines, 951 F.2d 1414, 1425 (3d Cir. 1991)).

[206] *Id.* (quoting *In re* Steinhardt Partners, L.P., 9 F.3d 230, 235 (2d Cir. 1993)).

[207] *Id.* at 303.

[208] *Id.*

[209] *Id.*

The court acknowledged that there was considerable appeal to selective waiver when the initial disclosure is to an arm of the government.[210] By waiving the privilege as to the government, the client furthers the truth-seeking process and increases the likelihood of corporate self-policing.[211] Unfortunately, this argument has no logical stopping point. Insofar as truth seeking is concerned, private litigants stand almost in the government's shoes, especially in shareholder derivative suits and qui tam actions.[212]

Furthermore, a countervailing argument can be made that the government should not hinder the truth-seeking process by entering into confidentiality agreements such as that struck with Columbia/HCA. The government "should act to bring to light illegal activities, not to assist wrongdoers in concealing the information from the public domain."[213]

In the end, a client's decision to negotiate a settlement and in those negotiations reveal confidential information is simply a tactical decision. That decision, like all other tactical decisions in litigation, has "an upside and a downside."[214] The downside for the client, quite obviously, is the certain loss of its privilege across the board.[215]

After dealing with the attorney-client privilege, the court turned to the work product doctrine. The court noted at the outset that Columbia/HCA's waiver of the attorney-client

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[210] *Id.*

[211] *Id.*

[212] *Id.*

[213] *Id.*

[214] *Id.* at 304.

[215] *See id.* ("Just as the attorney-client privilege itself provides certainty to litigants that information relayed to one's attorney will not be disclosed, rejection of selective waiver provides further certainty that waiver of the privilege ensures that the information will be disclosed.") (footnote omitted).

privilege did not necessarily mean that it also had waived work product immunity.[216] But, after throwing Columbia/HCA that bone, the court embarked on analysis of selective waiver cases that did not bode well for Columbia/HCA.[217]

In ultimately determining that Columbia/HCA waived work product immunity, the court noted that in the selective waiver context, the initial disclosure of confidential information must be made to an adversary.[218] That clearly was the situation at hand; there was no doubt that DoJ was Columbia/HCA's adversary at the time of the subject disclosures.[219] That being so, there was no compelling reason to differentiate between selective waiver of the privilege and selective waiver of work product immunity:[220]

> Many of the reasons for disallowing selective waiver in the attorney-client privilege context also apply to the work product doctrine. The ability to prepare one's case in confidence, which is the chief reason articulated . . . for the work product protections, has little to do with talking to the Government. Even more than attorney-client privilege waiver, waiver of the protections afforded by the work product doctrine is a tactical litigation decision. Attorney and client both know the material in question was prepared in anticipation of litigation; the subsequent decision on whether or not to "show your hand" is quintessential litigation strategy. Like attorney-client privilege, there is no reason to transform the work product doctrine into another "brush on the attorney's palette," used as a sword rather than a shield.[221]

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[216] *Id.* (quoting and citing cases).

[217] *See id.* at 305-06.

[218] *Id.* at 306 n.28.

[219] *Id.*

[220] *Id.* at 306.

[221] *Id.* at 306-07 (citations omitted).

The court concluded that the standard for selectively waiving work product immunity should be no more stringent than the standard for selectively waiving the attorney-client privilege. Once work product immunity is waived, "waiver is complete and final."[222]

It is difficult to dispute the *In re Columbia/HCA* court's reasoning as to selective waiver of the attorney-client privilege. The voluntary disclosure of confidential communications to a third-party generally waives the privilege.[223] An investigating government agency is not within a magic circle of others with whom the client shares a common interest, such that confidences can be shared without fear of loss; the investigating agency is an adversary.[224] Nor can a client who voluntarily shares confidential information with the government reasonably argue that it was compelled to do so, such that its disclosure was involuntary.[225] Though it is true that failure to cooperate with the government may subject the client to potentially harsh criminal or civil penalties, the client is free to decide that whatever punishment the government might mete out is not as bad as the potential result in related civil litigation if confidential information is revealed, and thus assert the attorney-client or work product immunity against the government.[226]

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[222] *Id.* at 307.

[223] *In re* Keeper of the Records, 348 F.3d 16, 23 (1st Cir. 2003); Genentech, Inc. v. United States Int'l Trade Comm'n, 122 F.3d 1409, 1415 (Fed. Cir. 1997).

[224] *See* United States v. Mass. Inst. of Tech., 129 F.3d 681, 684-85 (1st Cir. 1997).

[225] *See id.* at 686 ("Anyone who chooses to disclose a privileged document to a third party . . . has an incentive to do so, whether for gain or to avoid disadvantage.").

[226] Of course, this argument holds less force in criminal matters where an indictment would effectively put a company out of business and to avoid indictment the company must "cooperate" with the government, such cooperation to include waiving its attorney-client privilege and work product immunity.

There is no logical basis to forge a "government investigation exception" to the selective waiver doctrine, as some urge.[227] As the *In re Columbia/HCA* court explained, such an exception has no logical limits.[228] There is nothing to suggest that the recognition of a government investigation exception is necessary to encourage parties to voluntarily cooperate with government agencies; indeed, corporations have long cooperated in government investigations despite the fact that their associated disclosures are neither privileged nor immune from discovery in other contexts.[229] Contrary to the view expressed by the dissent in *In re Columbia/HCA*, an exception cannot be justified on the basis that government investigations are "generally more important" than civil litigation arising out of the same set of facts.[230]

Consider a case in which a large corporation engages in accounting fraud so serious that investors are ruined, or employees lose their pensions.[231] The fact that the government may extract a large fine from the corporation or send its officers to prison may give investors or employees some sense of satisfaction, but it does nothing to lessen their financial harm. On the other hand, civil litigation against those who allegedly perpetrated or aided and abetted the fraud

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[227] *See, e.g., In re* Columbia/HCA Healthcare Corp. Billing Practices Litig., 293 F.3d 289, 308 (6th Cir. 2002) (Boggs, C.J., dissenting) (advocating "a government investigation exception to the third-party waiver rule").

[228] *Id.* at 303.

[229] *See* Westinghouse Elec. Corp. v. Republic of the Philippines, 951 F.2d 1414, 1426 (3d Cir. 1991) (discussing corporations' cooperation in SEC investigations).

[230] *In re Columbia/HCA,* 293 F.3d at 312 (Boggs, C.J., dissenting).

[231] *See* Howard Witt, *Lay Says He Is Much Poorer—And Misunderstood,* CHI. TRIB., July 9, 2004, at 18, 18 (reporting former Enron CEO Ken Lay's acknowledgement that many former Enron employees and shareholders lost their life savings and retirement funds in the company's collapse).

may restore some of the losses suffered by shareholders or employees.[232] Here, civil litigation is by any objective measure "more important" than an associated government inquiry. As for subjective considerations, such as deterrence, large judgments and settlements in civil cases deter other potential offenders just as well as regulatory penalties or criminal fines.

With respect to work product, it is generally accepted that the voluntary disclosure of work product to an adversary waives any immunity that would otherwise attach to the information revealed.[233] After all, the need for immunity disappears as soon as work product is shared with the adversary.[234] Even so, some courts hold that work product immunity survives voluntary disclosure to the government where disclosure is made pursuant to a confidentiality agreement,[235] or where the information disclosed constitutes opinion work product as compared to tangible work product.[236]

As a practical matter, clients and attorneys who disclose confidential information to government agencies in adversarial roles should expect that their disclosures waive the attorney-

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[232] *See, e.g., Morgan Pays $2.2 Billion on Enron,* CHI. TRIB., June 15, 2005, Sec. 3, at 3 (reporting that JPMorgan Chase & Co. agreed to pay $2.2 billion to settle a class action lawsuit over its role in helping Enron Corp. engineer its far-reaching frauds).

[233] *In re* Steinhardt Partners, L.P., 9 F.3d 230, 235 (2d Cir. 1993); *Westinghouse,* 951 F.2d at 1428 (distinguishing between disclosures to adversaries and third-parties).

[234] *In re Steinhardt Partners,* 9 F.3d at 235.

[235] *See, e.g.,* Maruzen Co. v. HSBC USA, Inc., No. 00 CIV. 1079(RO), 00 CIV. 1512(RO), 2002 WL 1628782, at **1-2 (S.D.N.Y. July 23, 2002); Saito v. McKesson HBOC, Inc., No. Civ.A. 18553, 2002 WL 31657622, at **7-11 (Del. Ch. Nov. 13, 2002); *see also In re Steinhardt Partners,* 9 F.3d at 236 (suggesting that there might be no waiver of work product immunity where a disclosing party and the SEC "have entered into an explicit agreement that the SEC will maintain the confidentiality of the disclosed materials").

[236] *See, e.g., In re* Martin Marietta Corp., 856 F.2d 619, 625-26 (4th Cir. 1988).

client privilege and work product immunity.[237] To the extent that they want to try to protect that information from other outsiders, they should produce it pursuant to an agreement that obligates the government to maintain the confidentiality of the information disclosed. There is some chance that such an agreement will maintain the privilege and immunity, especially in states where the issue has not already been decided in favor of disclosure, such that the attorney and client can reasonably argue that they had reasonable expectations of confidentiality at the time of disclosure to the government.[238] The chances of success are slimmer in federal courts, where the clear weight of authority flatly rejects selective waiver.[239] Even here, however, work product immunity may survive if the information is accompanied by a well-drafted confidentiality agreement.

An interesting selective waiver dilemma arises where work product is at issue and the attorney does not want it revealed. Assume, for example, that ABC Corporation is the subject of

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[237] There are cases in which a party communicates with the government in connection with an investigation into its alleged conduct and the government later seeks disclosure of materials supporting those communications or additional related communications. When the party resists, claiming that in cooperating it never intended to waive the attorney-client privilege or work product immunity, the government asserts that it impliedly waived all claims of privilege or immunity through its voluntary communications. Courts reject this approach on fairness grounds. *See, e.g.,* John Doe Co. v. United States, 350 F.3d 299, 302-07 (2d Cir. 2003) (finding no work product waiver); *In re* Keeper of the Records, 348 F.3d 16, 26-29 (1st Cir. 2003) (finding no privilege waiver).

[238] *See Saito,* 2002 WL 31657622, at **7-8 (involving work product immunity).

[239] In 2003, the Securities and Exchange Commission ("SEC") recommended that Congress enact legislation to enhance the SEC's ability to obtain significant but otherwise unobtainable information (i.e., information that is either privileged or immune). THE AUDITOR'S NEED, *supra* note 154, at 13. In May 2003, members of Congress introduced H.R. 2179, which proposes an amendment to the 1934 Securities & Exchange Act to provide that in certain circumstances a person or entity may provide privileged or immune materials to the SEC or another appropriate regulatory agency without waiving attorney-client privilege or work product protections. *Id.* at 13-14 (quoting H.R. 2179). Of course, even if H.R. 2179 becomes law, it will not protect against waiver in all situations or circumstances involving the federal government. *See id*. at 14 (noting this fact with respect to communications with outside auditors).

a government investigation. The government demands that ABC waive its attorney-client privilege and work product immunity in connection with the investigation. ABC decides to do so in an effort to avoid possible criminal charges.[240] This concerns ABC's regular outside counsel, Attorney, who worries that the surrender of his work product may expose him to criminal charges or to a civil action for fraud based on advice he gave ABC. Can Attorney prevent ABC from giving his work product to the government?

Because both the lawyer and the client hold work product immunity, the client may waive it as to itself,[241] but the client may not waive its lawyer's work product immunity.[242] In many instances, however, a lawyer's ability to protect her work product will be short lived. In cases involving allegations of crime or fraud, the government will be able to use the work product revealed by the client to argue that the crime-fraud exception to the work product doctrine vitiates the attorney's work product immunity.[243] Once the government makes a prima facie crime-fraud showing, the lawyer's work product immunity is gone and the government will obtain all of the lawyer's documents and information.[244]

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[240] *See* Andrew Longstreth, *Double Agent,* AM. LAW., Feb. 2005, at 68, 70 (noting that companies "now readily waive the privilege" in such circumstances).

[241] *In re* Grand Jury Proceedings, 43 F.3d 966, 972 (5th Cir. 1994); *In re* Grand Jury Proceedings, Thurs. Special Grand Jury Sept. Term, 1991, 33 F.3d 342, 349 (4th Cir. 1994); *In re* Doe, 662 F.2d 1073, 1079 (4th Cir. 1981).

[242] *In re Grand Jury,* 43 F.3d at 972; *In re Doe,* 662 F.2d at 1079.

[243] *See In re Doe,* 662 F.2d at 1079-81.

[244] *In re Grand Jury Proceedings, Thurs. Special,* 33 F.3d at 348 (holding that to overcome opinion work product the government need only make a prima facie crime fraud showing; there is no requirement that it show something more than is necessary to obtain the attorney's fact work product).

Returning to our hypothetical example, ABC may waive its work product immunity, but the corporation's waiver does not bind Attorney. To the extent that ABC possesses Attorney's work product (e.g., opinion letters, analytical memoranda, etc.) it can turn over those materials to the government. Although ABC's surrender of Attorney's work product in its possession does not affect Attorney's ability to assert opinion work product objections to other information or materials,[245] the government can use the materials that ABC gave it to make a prima facie crime-fraud showing for the purpose of obtaining Attorney's opinion work product (e.g., personal notes, memoranda to other lawyers in his office for which ABC was not billed, etc.) over Attorney's objection.

VI. COMMON INTEREST ARRANGEMENTS

Lawsuits and other adversarial proceedings today often involve multiple defendants. There are times that codefendants and joint targets of government inquiries share common interests in their defense of matters, and thus want to coordinate their efforts without destroying the privileged status of their communications with their respective lawyers. Such cooperation is possible because there is within the law of attorney-client privilege the "common interest doctrine," which is an exception to the general rule that the disclosure of privileged information to third-parties waives the attorney-client privilege.[246] The common interest doctrine effectively widens the circle of people to whom clients may disclose confidential communications.[247]

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[245] *In re* Asia Global Crossing, Ltd., 322 B.R. 247, 262 (Bankr. S.D.N.Y. 2005); Buck v. Aetna Life & Cas. Co., Civ. A. No. 91-2832, 1992 WL 130024, at *2 (E.D. Pa. June 5, 1992).

[246] Black v. S.W. Water Conservation Dist., 74 P.3d 462, 469 (Colo. Ct. App. 2003).

[247] Boyd v. Comdata Network, Inc., 88 S.W.3d 203, 214 (Tenn. Ct. App. 2002).

Under the common interest doctrine, the "sharing of privileged information that otherwise would constitute a waiver does not relinquish the protections of the privilege, so long as the parties maintain the confidentiality of the shared information."[248] Although developed in the context of the attorney-client privilege, the common interest doctrine has been expanded to protect against the waiver of work product immunity.[249]

Common interest arrangements differ from situations in which a single lawyer represents two clients with common interests. Where a single lawyer represents co-clients, communications between the co-clients to the lawyer about the matter of mutual interest are not privileged as between the clients unless they agree that separate communications may be kept confidential.[250] Under the common interest doctrine, on the other hand, the parties' common interest does not imply an agreement to share all relevant information.[251] "Confidential communications disclosed to only some members of the arrangement remain privileged against other members as well as against the rest of the world."[252]

A. Joint Defense Agreements in Litigation

The common interest doctrine often surfaces where a plaintiff sues multiple defendants, who then share a common interest in defeating the plaintiff's claims. To present a unified front,

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[248] Lance Cole, *Revoking Our Privileges: Federal Law Enforcement's Multi-Front Assault on the Attorney-Client Privilege (and Why it is Misguided),* 48 VILL. L. REV. 469, 511 (2003) (footnotes omitted).

[249] *See* Ariz. Indep. Redistricting Comm'n v. Fields, 75 P.3d 1088, 1100-01 (Ariz. Ct. App. 2003).

[250] *See* RESTATEMENT, *supra* note 24, at § 75 cmt. d.

[251] *Id.* § 76 cmt. e.

[252] *Id.* (contrasting common interest and co-client relationships).

the defendants, represented by different lawyers, agree to coordinate their defense by way of a "joint defense agreement," with their communications protected by a "joint defense privilege."[253] In fact, the joint defense privilege is not a new or separate privilege.[254] Rather, it is a common interest arrangement that, like all other common interest arrangements, assumes the existence of a valid underlying attorney-client privilege. A joint defense agreement itself does not create a common interest or joint defense privilege.[255]

The joint defense privilege also protects group members' work product.[256] For the joint defense privilege to apply to work product it must be shown that the information at issue falls within the ambit of the qualified immunity afforded by the work product doctrine. Again, the joint defense privilege protects against waiver and thus assumes valid underlying immunity—it does not create a new form of protection.[257]

To assert the joint defense privilege, a party must establish (1) that the protected communications were made in the course of a joint litigation effort; and (2) that they were

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[253] Multiple plaintiffs may enter into agreements that spawn the same privilege and confidentiality issues. *See, e.g.*, Associated Wholesale Grocers, Inc. v. Americold Corp., 975 P.2d 231 (Kan. 1999).

[254] Gulf Islands Leasing, Inc. v. Bombardier Capital, Inc., 215 F.R.D. 466, 470 (S.D.N.Y. 2003).

[255] Ariz. Indep. Redistricting Comm'n v. Fields, 75 P.3d 1088, 1099 n.11 (Ariz. Ct. App. 2003); OXY Resources Cal. LLC v. Superior Court, 9 Cal. Rptr. 3d 621, 637-38 (Cal. Ct. App. 2004); Brooklyn Navy Yard Cogeneration Partners, L.P. v. PMNC, 753 N.Y.S.2d 343, 345 (N.Y. Sup. Ct. 2002) (quoting case).

[256] Ferko v. Nat'l Ass'n for Stock Car Auto Racing, Inc., 219 F.R.D. 396, 401 (E.D. Tex. 2003); Lugosch v. Congel, 219 F.R.D. 220, 240 (N.D.N.Y. 2003).

[257] Metro Wastewater Reclamation Dist. v. Cont'l Cas. Co., 142 F.R.D. 471, 478 (D. Colo. 1992).

designed to further that effort.[258] Some courts also require that a party asserting the privilege prove that it has not been waived.[259] Of course, the communications to be protected must have been made in confidence,[260] and must further parties' joint defense. If communications are not intended to further parties' joint defense, but instead relate to claims that the parties may have against one another, for example, they are discoverable.[261]

One defendant asserting defenses or making claims that may be adverse to another joint defense group member does not waive the joint defense privilege.[262] Furthermore, a waiver by one joint defense group member does not waive any other party's privilege as to the same communications.[263] A waiver of the joint defense privilege requires the consent of all members of the joint defense group.[264]

Unless the parties to a joint defense agreement consent to terminating the privilege, it can only be waived by subsequent litigation between them.[265] A joint defense group member who wants to keep information it shares with its attorney from being disclosed to other members of

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[258] *In re* Grand Jury Proceedings, 156 F.3d 1038, 1042-43 (10th Cir. 1998).

[259] *See, e.g.*, Ageloff v. Noranda, Inc., 936 F. Supp. 72, 76 (D.R.I. 1996).

[260] Boyd v. Comdata Network, Inc., 88 S.W.3d 203, 214 (Tenn. Ct. App. 2002).

[261] *See, e.g.,* Brooklyn Navy Yard Cogeneration Partners, L.P. v. PMNC, 753 N.Y.S.2d 343, 345-46 (N.Y. Sup. Ct. 2002).

[262] Old Tampa Bay Enters., Inc. v. Gen. Elec. Co., 745 So. 2d 517, 518 (Fla. Dist. Ct. App. 1999).

[263] Sec. Investor Protection Corp. v. Stratton Oakmont, Inc., 213 B.R. 433, 436 n.3 (Bankr. S.D.N.Y. 1997).

[264] *See* Metro Wastewater Reclamation Dist. v. Cont'l Cas. Co., 142 F.R.D. 471, 478 (D. Colo. 1992).

[265] *Stratton Oakmont*, 213 B.R. at 436.

the joint defense group must request such confidentiality from counsel. Otherwise, it is assumed that any information exchanged as part of the joint defense effort can be freely disclosed to other members of the defense group and their counsel.[266]

1. Cases and Controversies

Most joint defense problems involve successive client conflicts and the threatened disclosure of client confidences. In the typical situation, counsel for one member of a joint defense group formerly represented the plaintiff. The plaintiff alleges that its former attorneys possess its confidential information, that the attorneys have shared that information with the other members of the joint defense group or should be presumed to have done so, and that all defense counsel must be disqualified as a result.

Former client conflicts of interest are governed by Model Rule 1.9(a), which as amended in 2002 provides:

> A lawyer who has formerly represented a client in a matter shall not thereafter represent another person in the same or a substantially related matter in which that person's interests are materially adverse to the interests of the former client unless the former client gives informed consent, confirmed in writing.[267]

The prior version of the rule was nearly identical, except that the former client was only required to consent "after consultation"; the principle that such consent had to be informed was implied rather than express, and there was no requirement that the consent be confirmed in writing.[268]

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[266] Ageloff v. Noranda, Inc., 936 F. Supp. 72, 76-77 (D.R.I. 1996).

[267] MODEL RULES, *supra* note 97, at R. 1.9(a).

[268] A.B.A., THE 2002 CHANGES TO THE ABA MODEL RULES OF PROF'L CONDUCT 37-40 (2003) (showing the 2002 amendments to Model Rule 1.9) [hereinafter THE 2002 CHANGES].

One of the primary purposes of Rule 1.9 is the protection of the former client's confidences.[269] Because it would be very difficult for the former client to demonstrate that the attorney revealed its confidences to its detriment, most courts presume a breach of confidence once the potential for the disclosure of confidential information is shown.[270] Some courts go further to impute the disclosure of the former client's confidences to other lawyers in the subject lawyer's firm, thus disqualifying the entire firm.[271]

In *National Medical Enterprises, Inc. v. Godbey*,[272] National Medical Enterprises ("NME") retained Ed Tomko of the law firm of Baker & Botts to represent two of its former executives, Cronen and Wicoff, in connection with a number of criminal investigations and civil suits arising out of NME's operation of psychiatric hospitals. Broadly speaking, NME was accused of misconduct and fraud in obtaining payment for unjustified medical treatment. While representing Cronen and Wicoff, Tomko obtained confidential information from them and from NME, as well as in conferences and meetings at which a joint defense was discussed.[273]

Tomko's communications with NME, its employees and former employees, and their counsel was subject to a joint defense agreement. That agreement provided in pertinent part:

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[269] Douglas R. Richmond, *The Rude Question of Standing in Attorney Disqualification Disputes,* 25 AM. J. TRIAL ADVOC. 17, 26 (2001).

[270] *See, e.g.*, Bergeron v. Mackler, 623 A.2d 489, 494 (Conn. 1993); Chrispens v. Coastal Ref. & Mktg., Inc., 897 P.2d 104, 114 (Kan. 1995); Sullivan County Reg'l Refuse Disposal Dist. v. Town of Acworth, 686 A.2d 755, 758 (N.H. 1996); Cont'l Resources, Inc. v. Schmalenberger, 656 N.W.2d 730, 736-37 (N.D. 2003); State v. Crepeault, 704 A.2d 778, 783 (Vt. 1997); State *ex rel*. Ogden Newspapers, Inc. v. Wilkes, 566 S.E.2d 560, 563 (W. Va. 2002).

[271] *See, e.g.*, Flatt v. Superior Court, 885 P.2d 950, 954 (Cal. 1994); *In re* Guardianship of Mowrer, 979 P.2d 156, 159 (Mont. 1999); Bechtold v. Gomez, 576 N.W.2d 185, 190 (Neb. 1998); Nat'l Med. Enters., Inc. v. Godbey, 924 S.W.2d 123, 131 (Tex. 1996).

[272] 924 S.W.2d 123 (Tex. 1996).

[273] *Id.* at 125.

> 1. Unless expressly stated in writing to the contrary, any communications between or among any of the client members and/or the attorney members . . . are confidential and are protected from disclosure to any third party by the joint defense privilege, the attorney-client privilege and the work product doctrine.
>
> 3. None of the information obtained by any client member or any attorney member pursuant to this agreement shall be disclosed to any third party without the consent of the attorney member who disclosed the information in the first instance.
>
> 6. Each client member understands and acknowledges . . . that he or she is represented by his or her own attorney in this matter; that while the attorneys representing the other members have a duty to preserve the confidences disclosed to them pursuant to this agreement, they will not be acting as his or her attorney in this matter; and that the attorney representing the other client members will owe a duty of loyalty to their own respective clients only. Each client member further understands and acknowledges that the attorney members representing other client members have the right, and may have the obligation, to take actions against his or her own interests . . . .[274]

Tomko and Baker & Botts ultimately withdrew from representing Cronen and Wicoff for reasons unrelated to the looming dispute.[275] Some seventeen months later, Baker & Botts sued NME on behalf of a number of former NME patients. The allegations in this suit tracked those in the matters in which Tomko had represented Cronen and Wicoff, although the Baker & Botts lawyers suing NME had not been involved in Cronen's and Wicoff's defense.[276]

NME moved to disqualify Baker & Botts on the ground that Tomko possessed information obtained from NME that he was obligated to treat as confidential, and to which all Baker & Botts lawyers presumptively had access. Cronen filed his own motion to disqualify Baker & Botts, although he was not named as a defendant in the new suit. The trial court denied

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[274] *Id.*

[275] *Id.* at 126.

[276] *See id.* at 126-27.

both motions.[277] NME and Cronen filed a petition for mandamus with the Texas Supreme Court.[278]

The *National Medical Enterprises* court began by observing that Baker & Botts' disqualification turned on whether Tomko should be disqualified under the circumstances. Baker & Botts should not be disqualified unless Tomko would be.[279]

Although Tomko never represented NME in the Cronen and Wicoff matters, the lack of an attorney-client relationship did not mean that he owed it no duties. Tomko, like all of the other attorneys and clients who were parties to the joint defense agreement, had a duty to preserve shared confidences.[280] Even though he never represented NME, "he was admitted into its confidences with his pledge to preserve them."[281] This meant that he could not represent the plaintiffs in the pending suit against NME. Even if there were a way for him to honor his obligations under the joint defense agreement while prosecuting claims against NME, such conduct would create a strong appearance of impropriety.[282]

Given that Tomko could not represent the plaintiffs in the pending case, the question then became whether the other Baker & Botts attorneys should be disqualified.[283] There was no evidence that Tomko had disclosed NME's confidences to the Baker & Botts lawyers

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[277] *Id.* at 126-27.

[278] *Id.* at 128.

[279] *Id.* at 128-29.

[280] *Id.* at 129.

[281] *Id.*

[282] *Id.*

[283] *Id.* at 131.

representing the plaintiffs. Indeed, Tomko had gone to great lengths to screen the information from disclosure.[284]

Under Texas law, there is an irrebuttable presumption that an attorney in a law firm has access to the confidences of the clients and former clients of all other attorneys in the firm.[285] The *National Medical Enterprises* court saw no reason why the presumption should not apply to the situation at hand, stating:

> The attorney's duty to preserve confidences shared under a joint defense agreement is no less because the person to whom they belong was never a client. The attorney's promise places him in the role of a fiduciary, the same as toward a client . . . . The difficulty in proving a misuse of confidences, and the anxiety that a misuse may occur, is no less for the non-client. The doubt cast upon the legal profession is the same in either situation. Because the reasons for the presumption apply equally in both situations, and there are no other bases for differentiating between them, we hold that an attorney's knowledge of a non-client's confidential information that he has promised to preserve is imputed to other attorneys in the same firm.[286]

The court next turned to Cronen's motion to disqualify Baker & Botts. The only question with respect to Cronen's motion was whether Baker & Botts' representation of the plaintiffs in the pending litigation was adverse to Cronen. The court concluded that it was. "Adversity is a product of the likelihood of the risk and the seriousness of its consequences."[287] Although the probability that the pending litigation would affect Cronen was small, it existed nonetheless. As the court analogized:

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[284] *Id.*

[285] *Id.*

[286] *Id.* at 132.

[287] *Id.*

> The chances of being struck by lightening are slight, but not slight enough, given the consequences, to risk standing under a tree in a thunderstorm. Cronen is not likely to be struck by lightening in the pending case, even though he is in the midst of a severe thunderstorm, but he is entitled to object to being forced by his former lawyer to stand under a tree while the storm rages on.[288]

Baker & Botts was therefore disqualified in the pending litigation.[289]

Perhaps the leading disqualification case arising out of a joint defense agreement is *Essex Chemical Corp. v. Hartford Accident & Indemnity Co.*[290] That case stemmed from a 1988 takeover attempt of Essex Chemical Corp. and Essex Specialty Products. Skadden, Arps, Slate, Meagher & Flom represented Essex in all takeover and acquisition negotiations, and in subsequent litigation. Skadden became intimately familiar with all aspects of Essex's business operations. The firm had access to numerous Essex documents relating to all aspects of its business, and it worked closely with Essex personnel and advisors, including the company's in-house counsel and investment banker.[291]

Some five years later, Essex sued several insurance companies in a declaratory judgment action. One of Essex's insurers, Home, retained Skadden to represent it in that action. In 1996, the various defendants in the coverage litigation, including Skadden, entered into a joint defense agreement. Thereafter, Essex moved to disqualify Skadden, and it further sought to disqualify the remaining five defense firms based on their execution of the joint defense agreement.[292]

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[288] *Id.* at 133.

[289] *Id.*

[290] 993 F. Supp. 241 (D.N.J. 1998).

[291] *Id.* at 243-44.

[292] *Id.* at 244.

The Magistrate on the case granted Essex's motion to disqualify all defense counsel, ruling that Skadden's disqualification was mandated by New Jersey Rule of Professional Conduct 1.9(a)(1). The other defense counsel had to be disqualified because of their participation in the joint defense group. Specifically, the Magistrate found that Skadden's participation in the joint defense group created a risk that the confidential information that Skadden acquired in its former representation of Essex could be used to the company's detriment in the current action.[293] The Magistrate further concluded that the defendants' execution of the joint defense agreement gave rise to an implied attorney-client relationship between Essex and all defense counsel. This obviated Essex's need to show that the other defense firms actually received confidential information from Skadden. The Magistrate also found that the joint defense privilege prevented defense counsel from rebutting the presumption of shared confidences. Finally, the Magistrate found that the joint defense agreement created an appearance of impropriety that compelled the disqualification of all defense counsel.[294]

The defendants appealed to the district court. The *Essex Chemical* court first found that the Magistrate's application of an irrebuttable presumption of shared confidences between Skadden and the other defense counsel was improper. This required a double imputation of knowledge: first from the Skadden attorneys involved in the 1988 litigation to all Skadden attorneys, and then from Skadden to all defense counsel.[295] Double imputation requires painstaking factual analysis, which the Magistrate did not employ. Defense counsel had to be given the opportunity to establish (1) that they acquired no confidential information from

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[293] *Id.*

[294] *Id.* at 244-45.

[295] *Id.* at 251.

Skadden; and (2) the precise nature of the relationship among all defense counsel. Essential to that inquiry was an examination of the joint defense agreement, which defined the relationship and obligations of the defense group members.[296]

The court next found that the Magistrate erred in finding that the joint defense agreement gave rise to an implied attorney-client relationship between Essex and all members of the joint defense group. This it did succinctly, stating that the Magistrate's determination was "contrary to law and unsupported by the record."[297]

With respect to the alleged appearance of impropriety accompanying Skadden's participation in the joint defense group, the *Essex Chemical* court noted that whether an appearance of impropriety exists must be determined from the viewpoint of informed and concerned citizens.[298] This requires a careful analysis of all relevant facts and circumstances as seen through the eyes of a reasonable person, and whether any legitimate purpose would be served by disqualification. Given the extreme nature of disqualification, the appearance of impropriety must have a reasonable basis in fact.[299] That was not the situation at hand. The Magistrate's appearance of impropriety analysis lacked any factual foundation.[300] The disqualification order therefore had to be reversed on this basis as well.

Finally, the court balanced the hardship that the Magistrate's order caused. Even if there was an actual conflict of interest, the defendants argued, the hardship to them substantially

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[296] *Id.* at 252.

[297] *Id.* at 253.

[298] *Id.*

[299] *Id.*

[300] *Id.* at 254.

outweighed any hardship to Essex.[301] They further argued that the disqualification of all defense counsel would have a chilling effect on the formation of joint defense groups without serving any legitimate purpose.[302] Essex argued that the threat to the legal profession posed by defense counsel's continued representation far outweighed any hardship to the defendants.[303]

The Magistrate did not address the relative hardships posed by defense counsel's disqualification. Indeed, his order did not even mention the issue. The *Essex Chemical* court thus reversed the disqualification order on this basis.[304]

After reversing the disqualification order, the court remanded the matter to the Magistrate. The court directed the Magistrate to conduct a hearing to ascertain the material facts surrounding Skadden's participation in the joint defense group and to determine whether, or to what extent, Skadden shared Essex's confidential information with other defendants.[305]

2. Drafting Joint Defense Agreements

Although joint defense agreements need not be written,[306] the lack of a written agreement breeds potentially disastrous confusion.[307] In *United States v. Weissman*,[308] for example, where

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[301] *Id.*

[302] *Id.*

[303] *Id.*

[304] *Id.* at 255.

[305] *Id.*

[306] *See* RESTATEMENT, *supra* note 24, at § 76(1) (imposing no writing requirement in common interest arrangements); *see also In re* Skiles, 102 S.W.3d 323, 326 (Tex. App. 2003) (observing that Texas statutory joint defense privilege does not require a written agreement).

there was no written agreement and the attorneys involved could not agree on whether an agreement had been reached at the time of a key meeting, the defendant could not meet his burden to demonstrate that a joint defense agreement existed.[309] The defendant's damaging revelations at that meeting were therefore admissible in his criminal trial, and led to his conviction.[310] As the *Weissman* court observed, "[s]ome form of joint strategy is necessary to establish a [joint defense agreement], rather than merely the impression of one side."[311]

All joint defense agreements should be reduced to writing and include certain essential provisions. First, all defense counsel should represent in the agreement that they have completed thorough conflict of interest checks and that they know of no conflicts with the plaintiff. Although this is no guarantee that conflicts will not surface later, it may encourage more thorough conflict inquiries by group members.

Second, the agreement should state that each law firm represents its own client only and does not represent any other defendant, and that each party will look only to its own attorneys for advice. This is important because the existence of an attorney-client relationship is a question of fact,[312] and all defense group members should want to prevent an attorney-client relationship

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[307] *See, e.g.,* Denney v. Jenkens & Gilchrist, No. 03 Civ.5460 SAS, 2004 WL 2712200, at **5-6 (S.D.N.Y. Nov. 23, 2004) (finding waiver where one party denied existence of joint defense strategy).

[308] 195 F.3d 96 (2d Cir. 1999).

[309] *Id.* at 99-100.

[310] *See id.* at 98-100.

[311] *Id.* at 100.

[312] Stender v. Vincent, 992 P.2d 50, 58 (Haw. 2000); Bd. of Overseers of the Bar v. Mangan, 763 A.2d 1189, 1192-93 (Me. 2001); Attorney Grievance Comm'n v. Shaw, 732 A.2d 876, 883 (Md. 1999); Gramling v. Mem'l Blood Ctrs. of Minn., 601 N.W.2d 457, 459 (Minn. Ct.

from being implied between them.[313] This disclaimer is also important because the existence of an attorney-client relationship sometimes turns on the subjective belief of the prospective client,[314] and a group member's belief that it shares an attorney-client relationship with another party's counsel in the face of an express provision to the contrary arguably is unreasonable.

Third, the agreement should not provide for the engagement or payment of common counsel, and the joint defense group should not engage common counsel. The use of common counsel risks creating an attorney-client relationship where one would not otherwise exist.[315]

Fourth, the agreement should provide that confidential information will not be revealed to third-parties absent the consent of all group members, and that information sharing between group members does not waive the attorney-client privilege or work product immunity with respect to third-parties. It may be wise to state that a voluntary or implied waiver by one defense group member will not bind or affect other group members. This provision should also permit consultants or experts retained by group members to review protected information so long as they execute written agreements in which they promise to maintain confidentiality.

Fifth, the agreement must state that the defendants have a common interest in the defense of the lawsuit, and that the agreement is intended to further that interest. The agreement need not specify the common interest in great detail. If the agreement is entered into for some limited

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App. 1999); *In re* Disciplinary Action Against Giese, 662 N.W.2d 250, 255 (N.D. 2003); DiLuglio v. Providence Auto Body, Inc., 755 A.2d 757, 766 (R.I. 2000).

[313] *See* United States v. Henke, 222 F.3d 633, 637 (9th Cir. 2000) (stating that "[a] joint defense agreement establishes an implied attorney-client relationship with the co-defendant").

[314] *In re* Jackson, 842 So. 2d 359, 362 (La. 2003); *In re Disciplinary Action Against Giese,* 662 N.W.2d at 255.

[315] *See, e.g.*, City of Kalamazoo v. Mich. Disposal Serv. Corp., 125 F. Supp. 2d 219, 231-38 (W.D. Mich. 2000).

purpose, however, it should specify that purpose so that problems do not develop later regarding the scope of the agreement.

Sixth, the agreement should state that the parties agree to share and use confidential information in the subject case only, and only pursuant to the terms of the joint defense agreement. This provision should also prohibit any group member from using any information outside the case at bar without the consent of all group members.

Seventh, the agreement should provide for group members' withdrawals. Similarly, the agreement should address group members' settlements or dismissal from the case.

Finally, the agreement should be signed by the parties, not just by their attorneys. If nothing else, this forces client representatives to read the agreement, thus reducing the risk of subsequent problems. For example, a client that acknowledges it will look only to its own attorneys for advice should not be able to argue later that it shared an implied attorney-client relationship with counsel for another defendant, or subjectively believed that it did so.

B. Common Interest Arrangements in Business Transactions Where Litigation is Anticipated

Parties may enter into business transactions that affect the interests or rights of others. Sometimes these transactions require the parties to share information that they do not want to share with competitors or interested parties who may challenge their deal in adversary proceedings. The issue, then, is whether parties to a transaction can enter into a common interest arrangement that allows them to exchange privileged information without fear of waiver long before they are actually sued by a third-party. Indeed, that was the issue in a California case, *OXY Resources California LLC v. Superior Court.*[316]

[316] 9 Cal. Rptr. 3d 621, 626-27 (Cal. Ct. App. 2004).

In *OXY Resources,* OXY Resources California LLC ("OXY") and EOG Resources, Inc. ("EOG"), entered into a complex transaction in which they exchanged interests in a number of oil and gas producing properties, including property subject to a preferential purchase right held by Calpine Natural Gas LP ("Calpine").[317] Roughly six weeks before finalizing their transaction, EOG and OXY entered into a joint defense agreement. The agreement recited that the parties intended to exchange certain assets; that they anticipated that the past and future ownership and operation of those assets would present various factual and legal issues common to them, and that as "anticipated potential defendants" they would share a common interest in defending claims by third-parties; that they might wish to make joint efforts in preparing any defense to anticipated actions or proceedings; that the documents and information exchanged in the transaction, and associated communications, were privileged, immune, and otherwise exempt from discovery; and that no sharing of information between them would be deemed to waive any otherwise applicable privilege or exemption from disclosure.[318]

EOG and OXY publicly announced their transaction several days after it was completed. Calpine later sued them on a variety of theories, all related to the alleged deprivation of its preferential purchase right.[319]

In discovery, Calpine sought the production of 202 documents from EOG and OXY, 30 of which were pre-acquisition communications, while the remaining documents were prepared after EOG and OXY completed their deal. EOG and OXY sought to shield all of the documents from discovery under their joint defense agreement. Moving to compel production of the

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[317] *Id.* at 627.

[318] *Id.* at 628-29.

[319] *Id.* at 629.

documents, Calpine argued that there is no joint defense privilege in California; that EOG and OXY could not retroactively invoke their joint defendant status to shield communications made long before the action was filed; and that they waived any privilege by disclosing communications "to an adverse party on the opposite side of a business transaction."[320]

The trial court granted Calpine's motion to compel as to the post-acquisition documents, but denied it with respect to the pre-acquisition documents. Both OXY and Calpine petitioned for writs of mandamus.[321]

At the outset, the *OXY Resources* court noted that it was not free to create a new privilege; it could apply only those privileges created by California statutes.[322] Rejecting OXY's characterization of its claimed "joint defense privilege" or "common interest privilege" as an extension of the attorney-client privilege,[323] the *OXY Resources* court determined that "the common interest doctrine is more appropriately characterized under California law as a non-waiver doctrine, analyzed under standard waiver principles applicable to the attorney-client privilege and the work product doctrine."[324] The court thus set about to examine the litigants' specific claims in light of these standard waiver principles, which it described this way:

> Applying . . . waiver principles in the context of communications among parties with common interests, it is essential that participants in an exchange have a reasonable expectation that information disclosed will remain confidential. If a disclosing party does not have a reasonable expectation that a third party will preserve the confidentiality of the information, then any applicable

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[320] *Id.* at 630.

[321] *Id.* at 631-32.

[322] *Id.* at 634.

[323] *Id.* at 635.

[324] *Id.* (footnote omitted).

> privileges are waived. An expectation of confidentiality, however, is not enough to avoid waiver. In addition, disclosure of the information must be reasonably necessary for the accomplishment of the purpose for which the lawyer was consulted. . . . Thus, "[f]or the common interest doctrine to attach, most courts seem to insist that the two parties have a common interest in securing legal advice related to the same matter—and that the communications be made to advance their shared interest in securing legal advice on that common matter."[325]

With respect to EOG's and OXY's joint defense agreement itself, Calpine colorfully alleged that it was void as against public policy because it was "'a premeditated and intentional plan to shield conspiratorial communications involving a transaction that directly and adversely affected [its] contractual rights.'"[326] Though recognizing that there is a potential for abuse when parties rely on common interest arrangements to protect pre-lawsuit communications, the *OXY Resources* court explained that this concern did not render the agreement void, because the agreement could not shield non-privileged communications from disclosure.[327] Again, the common interest doctrine requires a valid underlying claim of privilege.[328] Thus, the court held that the trial court abused its discretion in denying Calpine's motion to compel the production of thirteen documents withheld from it solely on the basis of the joint defense agreement.[329]

Turning next to the common interest doctrine generally, the court noted that the non-waiver principles expressed in the California Evidence Code were not limited in application to

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[325] *Id.* at 636-37 (citations omitted).

[326] *Id.* at 638 (quoting Calpine's brief).

[327] *Id.*

[328] *Id.*

[329] *Id.* at 638-39.

communications disclosed to others during litigation.[330] For example, section 912 of the California Evidence Code provides: "A disclosure in confidence of a communication that is protected by [the attorney-client privilege] . . . when disclosure is reasonably necessary for the accomplishment of the purpose for which the lawyer . . . was consulted, is not a waiver of the privilege."[331] Furthermore, the need to share privileged information may arise in the negotiation of commercial transactions.[332] By refusing to find a waiver where parties share privileged information in commercial transactions, courts can create an environment in which businesses deal more openly with one another, and in so doing promote commerce generally.[333]

Having determined that the common interest doctrine protects privileged communications where litigation is not imminent, the *OXY Resources* court held that the trial court abused its discretion in denying Calpine's motion to compel the production of the pre-acquisition documents and in granting that motion as to post-acquisition documents. In short, the trial court's findings in both respects rested on an inadequate evidentiary foundation.[334]

OXY Resources is a very practical decision. Businesses often need to share otherwise privileged or confidential information in order to make reasonable acquisition, merger and sale decisions, and they ought not have to enter into transactions blindly for fear that sharing such information with their deal partners will expose it to unfriendly others. Furthermore, the

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[330] *Id.* at 642.

[331] *Id.* at 635-36 (citations and footnote omitted).

[332] *Id.* at 642.

[333] *See id.* (quoting Hewlett-Packard Co. v. Bausch & Lomb Inc., 115 F.R.D. 308, 311 (N.D. Cal. 1987)).

[334] *Id.* at 641-44.

common interest doctrine does not require existing or impending litigation.[335] Before seizing upon the *OXY Resources* holding to enter into similar arrangements, however, lawyers should keep at least three things in mind. First, *OXY Resources* turned on the language of key sections of the California Evidence Code. The attorney-client privilege has been widely codified, and other states may have very different statutes or evidence rules.

Second, in *OXY Resources*, OXY and EOG could be virtually certain of litigation with Calpine by virtue of Calpine's contractual right of first refusal in the disputed property.[336] What if the likelihood of litigation is not so clear? In some jurisdictions the abstract possibility of litigation may not implicate the common interest doctrine. Even those courts that recognize common interest arrangement prepared for *potential* litigation require "a palpable threat of litigation" at the time of the communication, rather than "a mere awareness that . . . questionable conduct may some day result in litigation."[337]

Third, an adversary positioned as Calpine was may be able to twist transactional parties' common interest agreement to its advantage by arguing that the agreement itself evidences a conspiracy or other tortious conduct. That is, if the transaction were lawful with respect to all concerned, the parties would not need to cloak their communications in the privilege. Indeed, such an agreement may unfairly impair a third party's ability to enforce its rights with respect to the underlying transaction by depriving it of necessary evidence. Thus, a third party might argue that it is entitled to argue or instruct the jury on an adverse inference at trial, or that the crime-fraud exception to the attorney-client privilege vitiates the agreement. At the very least, a third

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[335] Black v. S.W. Water Conservation Dist., 74 P.3d 462, 469 (Colo. Ct. App. 2003).

[336] *See OXY Resources,* 9 Cal. Rptr. 3d at 627.

[337] *In re* Santa Fe Int'l Corp., 272 F.3d 705, 711 (5th Cir. 2001).

party's lawyers could get great mileage from such an agreement by pointedly inquiring into the need for it when cross-examining witnesses for the parties to the transaction.

For attorneys drafting documents memorializing common interest arrangements in connection with transactions, many of the principles that apply to preparing joint defense agreements once litigation is underway apply equally. The chance of future litigation should be phrased as a strong possibility. If likely litigants can be identified at the time the agreement is drafted they should be identified and the reasons for their expected adversity described.

VII. RECENT DEVELOPMENTS IN THE LAW OF INADVERTENT WAIVER

All experienced lawyers can recall cases in which a party revealed confidential information to an adversary or a third party without meaning to. Perhaps it was a letter to a client detailing litigation strategy that was inadvertently delivered to an adversary among a mountain of documents produced in discovery, a letter faxed to another party in a transaction instead of being faxed to the client, or an e-mail message accidentally copied to recipients for which it was never intended. Of course, the lawyers on the receiving end of materials inadvertently disclosed have their own problem. That is, what are they to do with the privileged or immune materials that have come into their hands?

There is no consensus among jurisdictions as to whether the inadvertent disclosure of privileged materials waives any protection that would otherwise attach.[338] Courts confronted with inadvertent disclosures typically take one of three approaches to determining whether the disclosure waives the attorney-client privilege or work product immunity.[339] These approaches

[338] Save Sunset Beach Coalition v. City of Honolulu, 78 P.3d 1, 21 (Haw. 2003).

[339] *See* Elkton Care Ctr. Assocs. Ltd. P'ship v. Quality Care Mgmt., Inc., 805 A.2d 1177, 1183 (Md. Ct. Spec. App. 2002) (asserting that in inadvertent waiver cases, any distinction

apply to any type of inadvertent disclosure, including, for example, the inadvertent disclosure of files on computer hard drives.[340]

Under the "lenient approach," the privilege must be knowingly waived, and the determination of inadvertence ends the analysis.[341] Under the "strict approach," any document produced, whether inadvertently or otherwise, loses its privileged status upon production.[342] Finally, there is the "middle," "moderate," or "modern" approach, which requires courts to make waiver determinations on a case-by-case basis.[343] Courts applying this approach consider (1) the reasonableness of the precautions taken to avoid inadvertent disclosure; (2) the time taken to rectify the error; (3) the scope of the discovery; (4) the extent of the disclosure; and (5) whether the overriding interests of fairness and justice are served by absolving the party of its error.[344] The first element typically is the most critical,[345] although all of the factors are important and must be considered.[346] This approach is the majority rule.[347]

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between attorney-client privilege and work product immunity disappears) (quoting Hartford Fire Ins. v. Garvey, 109 F.R.D. 323, 328 (N.D. Cal. 1985)).

[340] *See, e.g.,* United States v. Rigas, 281 F. Supp. 2d 733 (S.D.N.Y. 2003) (applying the "middle" or "moderate" approach to inadvertent disclosure).

[341] Harp v. King, 835 A.2d 953, 966 (Conn. 2003).

[342] *See id.* (quoting *Gray* and referring to this approach as the "strict test").

[343] *Save Sunset Beach Coalition,* 78 P.3d at 23; *Elkton Care Ctr.,* 805 A.2d at 1184.

[344] Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co., 104 F.R.D. 103, 105 (S.D.N.Y. 1985) (involving documents produced by defendant in lieu of answering an interrogatory).

[345] *See id.* (focusing on this factor).

[346] *See Harp,* 835 A.2d at 969-70 (applying and discussing all five factors); *Elkton Care Ctr.,* 805 A.2d at 1185 (same).

[347] John K. Villa, *Inadvertent Disclosure of Privileged Material: What is the Effect on the Privilege and the Duty of Receiving Counsel?,* ACC DOCKET, Oct. 2004, at 108, 110.

A. Recent Cases and Controversies

Not all inadvertent disclosures of confidential information involve documents. *Jasmine Networks, Inc. v. Marvell Semiconductor, Inc.,*[348] illustrates the danger of carelessness when using the telephone.

In that case, Marvell was negotiating with Jasmine to purchase a portion of Jasmine's semiconductor business and to employ a group of Jasmine's engineers. Three Marvell executives, including its general counsel and an in-house patent attorney, used a speakerphone to call a senior Jasmine executive.[349] The executive was out and they got her voicemail. After leaving a message, they continued to talk among themselves, not realizing that they failed to hang up their speakerphone.[350] Their conversation revealed that Marvell's real intention was not to purchase anything, but rather to steal Jasmine's technology and pirate away Jasmine personnel using purloined information about their compensation and stock options.[351]

The Jasmine executive checked her voicemail and heard the entire conversation. That caused Jasmine to further investigate the intended transaction, and it discovered more misconduct by Marvell.[352] Jasmine then sued Marvell for trade secret misappropriation.[353]

Marvell moved for a preliminary injunction, seeking to enjoin Jasmine from using the recorded voicemail conversation. Marvell argued that because the conversation involved its

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[348] 12 Cal. Rptr. 3d 123 (Cal. Ct. App. 2004), *review granted,* 94 P.3d 475 (Cal. 2004).

[349] *Id.* at 125.

[350] *Id.*

[351] *Id.* at 125-26.

[352] *Id.* at 126.

[353] *Id.*

attorneys, its contents were protected by the attorney-client privilege.[354] Jasmine argued that Marvell had waived its privilege by disclosing the information in the voicemail message, and that the conversation fell within the crime-fraud exception to the privilege.[355] The trial court granted Marvell's motion for a preliminary injunction, concluding that the contents of the conversation were privileged, and further finding that Marvell had not waived the privilege because it did not intend to disclose the contents of the conversation.[356]

The appellate court determined that the trial court erred when it found that Marvell had not waived the privilege. Under California law, an "intent to disclose is not required in order for the holder to waive the privilege through uncoerced disclosure."[357] Although it is true in California "that an attorney's inadvertent disclosure does not waive the privilege absent the privilege holder's intent to waive,"[358] here a non-lawyer executive participated in the call and Marvell's general counsel additionally had purely business responsibilities.[359] Accordingly, California inadvertent waiver rules that might have saved Marvell had only its lawyers been involved did not apply,[360] and the crime-fraud exception stripped the conversation of its privilege in any event.[361]

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[354] *Id.*

[355] *Id.* at 124.

[356] *Id.* at 126-27.

[357] *Id.* at 128.

[358] *Id.*

[359] *Id.* at 128-29.

[360] *See id.* at 128.

[361] *Id.* at 132.

The California Supreme Court has granted review in *Jasmine,* depriving the case of precedential value.[362] Even so, *Jasmine* is valuable because it teaches that technology is not always lawyers' friend. Speakerphones may transmit background conversations that participants do not intend to share with others outside their office. "Mute" buttons on telephones may not work. The camera and microphone on videoconference equipment may be working when the lawyers in the room think they are off. There is ample opportunity for error in electronic communication, and equal need for caution.

Although inadvertent waiver would appear to be of greatest concern to the party alleged to have waived its privilege, lawyers receiving privileged materials as a result of adversaries' inadvertence must mind their own ethical obligations. In Formal Opinion 92-368, the American Bar Association's Standing Committee on Ethics and Professional Responsibility opined that a lawyer "who receives materials that on their face appear to be subject to the attorney-client privilege or otherwise confidential, under circumstances where it is clear that they were not intended for the receiving lawyer, should refrain from examining the materials, notify the sending lawyer and abide the instructions of the lawyer who sent them."[363] In *Holland v. Gordy Co.*,[364] a Michigan court went so far as to state that the position expressed in Formal Opinion 92-368 binds ABA members.[365] The court in *Resolution Trust Corp. v. First of America Bank*[366]

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[362] Jasmine Networks v. Marvell Semiconductor, 94 P.3d 475 (Cal. 2004).

[363] ABA Comm. on Ethics & Prof'l Responsibility, Formal Op. 92-368, at 1 (1992).

[364] Nos. 231183, 231184, 231185, 2003 WL 1985800 (Mich. Ct. App. Apr. 29, 2003).

[365] *Id.* at *10 n.20.

[366] 868 F. Supp. 217 (W.D. Mich. 1994).

reached the same conclusion nearly a decade earlier, further suggesting the converse—that lawyers who are not ABA members are not bound by the opinion.[367]

The suggestion that ABA ethics opinions bind ABA members is nonsense. Lawyers are bound by the ethics rules of the states in which they practice, and by rules of conduct adopted by courts and regulatory authorities before which they appear. If lawyers are bound by the positions expressed in ABA ethics opinions, are they also bound to accept or adopt all other positions taken by the ABA? More fundamentally, it makes no sense to have one set of ethical duties for ABA members and another set for lawyers who do not belong to the ABA, especially since ABA membership is not mandatory.

The ABA retreated from Formal Opinion 92-368 when it created Rule 4.4(b) in 2002.[368] Model Rule 4.4(b) provides: "A lawyer who receives a document relating to the representation of the lawyer's client and knows or reasonably should know that the document was inadvertently sent shall promptly notify the sender."[369] Whether a lawyer who receives a misdirected document is required to take additional steps, such as returning the document to the sender, is beyond the scope of the Model Rules.[370] If the law in a particular jurisdiction does not require a lawyer to return a document inadvertently sent to her, "the decision to voluntarily return such a document is a matter of professional judgment ordinarily reserved to the lawyer."[371]

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[367] *Id.* at 221 ("The ABA's interpretations [in Formal Op. 92-368] are binding *only on* ABA members.") (emphasis added).

[368] *See* THE 2002 CHANGES, *supra* note 268, at 83-84 (showing addition of paragraph (b) and new comments to Model Rule 4.4).

[369] MODEL RULES, *supra* note 97, at R. 4.4(b).

[370] *Id.* cmt. 2.

[371] *Id.* cmt. 3.

The Association of the Bar of the City of New York's Committee on Professional and Judicial Ethics (the "New York Committee") analyzed a lawyer's obligations upon receiving a communication containing confidences or secrets that is not intended for him in an April 2004 opinion.[372] The New York Committee determined that:

> [A] lawyer receiving a misdirected communication containing confidences or secrets (1) has obligations to promptly notify the sending attorney, to refrain from review of the communication, and to return or destroy the communication if so requested, but, (2) in limited circumstances, may submit the communication for in camera review by a tribunal, and (3) is not ethically barred from using information gleaned prior to knowing or having reason to know that the communication contains confidences or secrets not intended for the receiving lawyer. However, it is essential as an ethical matter that the receiving attorney promptly notify the sending attorney of the disclosure in order to give the sending attorney a reasonable opportunity to promptly take whatever steps he or she feels are necessary.[373]

The New York Committee concluded that a lawyer who receives a misdirected communication may retain the communication for the sole purpose of submitting it to a tribunal for in camera review, if:

> [T]he lawyer (1) promptly notifies the sending lawyer about the mistaken transmission, and, if requested, provides a copy to the sending lawyer, (2) believes in good faith, and in good faith anticipates arguing to the tribunal, that the inadvertent disclosure has waived the attorney-client or other applicable privilege or that the communication may not appropriately be withheld from production for any other reason, and (3) reasonably believes disclosing the communication to the tribunal is relevant to the argument that privilege has been waived or otherwise does not apply.[374]

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[372] Ass'n of the Bar of the City of N.Y., Comm. on Prof'l & Judicial Ethics, Formal Op. No. 2003-04 (Apr. 9, 2004).

[373] *Id.* at *1.

[374] *Id.* at *8.

This limited permitted use does not apply, however, if the sender notifies the receiving attorney of the inadvertent disclosure and demands the documents' return without review before the receiving attorney actually gets them.[375] In that case there has effectively been no disclosure.[376]

A harder question arises where the receiving attorney reviews a communication before realizing that he is not the intended recipient. Suppose, for example, an attorney receives a one page facsimile transmission containing the other side's confidential information. It is not reasonable to expect that lawyer to purge the information from his mind, or to be able to litigate or negotiate further as though he has never seen it.[377] To disqualify, sanction, or professionally discipline the receiving lawyer in that situation would be unfair to the lawyer and to the client.[378]

B. An Odd Twist: Voluntary But Mistaken Disclosure of Privileged Documents

It is generally accepted that the attorney-client privilege belongs to, or is held by, the client. It is also generally accepted that a lawyer may voluntarily waive the privilege for the client.[379] It is not always the case, however, that an apparently voluntary waiver by a lawyer binds the client, as illustrated by a recent Wisconsin case, *Harold Sampson Children's Trust v. Linda Gale Sampson 1979 Trust.* [380]

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[375] *Id.*

[376] *Id.*

[377] *Id.*

[378] *See id.* ("To put the attorney at ethical risk for using information that cannot be suppressed from knowledge potentially would penalize the innocent receiving attorney and their [sic] client for the error of another.").

[379] EPSTEIN, *supra* note 40, at 270-71.

[380] 679 N.W.2d 794 (Wis. 2004).

In *Harold Sampson,* one of the plaintiffs, Beth Bauer, prepared a number of documents related to her views on litigation strategy and associated issues for her attorney's use. The plaintiffs' attorney at the time, Robert Elliott, believed that the documents were not privileged and turned them over to defense counsel in response to a discovery request.[381] Elliott was replaced as counsel several months later for unrelated reasons, and the plaintiffs' new counsel soon determined that privileged documents had been produced. The plaintiffs' new lawyers requested that the defendants' lawyers return the documents, but defense counsel refused.[382]

It was undisputed that the documents were privileged, that the plaintiffs had authorized Elliott to disclose all non-privileged documents in discovery, and that the documents were produced without the plaintiffs' knowledge or consent.[383] The question was whether "a lawyer's voluntary production of documents in response to opposing counsel's discovery request constitutes a waiver of the attorney-client privilege under [a Wisconsin statute] when the lawyer does not recognize that the documents are subject to the attorney-client privilege and the documents are produced without the consent or knowledge of the client."[384] The trial court answered this question "no," but the Wisconsin Court of Appeals answered it "yes," and the case then made its way to the Wisconsin Supreme Court.[385]

The Wisconsin statute on which the dispute turned provides in pertinent part:

> A person upon whom this chapter confers a privilege against disclosure of the confidential matter or communication waives the

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[381] *Id.* at 796.

[382] *Id.*

[383] *Id.*

[384] *Id.* at 795 (footnote omitted).

[385] *Id.*

> privilege if the person or his or her predecessor, while holder of the privilege, voluntarily discloses or consents to disclosure of any significant part of the matter or communication.[386]

Another Wisconsin statute provides that the attorney-client privilege belongs to the client, and that the client may refuse to disclose and prevent another person from disclosing confidential communications.[387] The Wisconsin Supreme Court therefore concluded that Elliott did not waive his clients' privilege by producing the documents, and held that only a client can waive the attorney-client privilege.[388]

The court of appeals had reasoned that because the clients delegated discovery to Elliott, and because an attorney is a client's agent, Elliott's voluntary production of the documents waived the attorney-client privilege.[389] The supreme court rejected this approach.[390] In an earlier case in which the supreme court had applied agency theory to impute an attorney's conduct to his client, equity supported penalizing the client for the attorney's misconduct; more particularly, penalizing the client in that case would motivate clients to police disruptive attorneys and thus improve the justice system.[391] In *Harold Sampson,* however, the clients were already motivated to prevent the release of their privileged documents, and protecting the attorney-client privilege promotes the functioning of the justice system.[392]

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[386] *Id.* at 799 (quoting WIS. STAT. § 905.11).

[387] *Id.* at 798 (quoting WIS. STAT. § 905.03(2)).

[388] *Id.* at 796.

[389] *Id.* at 800.

[390] *See id.* at 801.

[391] *Id.* at 802.

[392] *Id.*

The defendants countered that recognizing a waiver would promote quality legal representation and would foster the proper functioning of the judicial system by holding counsel to a reasonable standard of care in handling privileged information.[393] The court disagreed, reasoning that it would be placing too great a burden on the attorney-client relationship if it were to recognize a waiver on the facts at hand.[394] As the court explained:

> The purpose of the attorney-client privilege is to promote "full and frank communication" between client and attorney. Full and frank communication is in turn promoted by endowing the communication with confidentiality. If the privilege did not exist, "everyone would be thrown upon his own legal resources." Deprived of all professional assistance, a man would not venture to consult any skillful person, or would only dare to tell his counselor half his case. Attorney-client communication is promoted when a client may give documents to an attorney that further the representation without fearing that the attorney will release the documents to an adversary who will use the documents against the client. Clients aware that an attorney's disclosure waives the privilege may keep critical information from their attorney, thus thwarting the policy of free flow of information that lies behind the attorney-client privilege. One way to encourage a client to communicate fully with his or her attorney is to hold that only the client should be able to waive the attorney-client privilege.[395]

The defendants also argued that the purpose of a trial is to find the truth, and that a finding of waiver would help reveal the truth and thus promote justice.[396] While acknowledging the defendants' point, the court reasoned that the preservation of confidentiality in attorney-client communications better promotes the smooth functioning of the judicial system.[397]

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[393] *Id.*

[394] *Id.*

[395] *Id.* at 802-03 (footnotes omitted).

[396] *Id.* at 803.

[397] *Id.*

The *Harold Sampson* court concluded that the plaintiffs had not waived the attorney-client privilege. The supreme court thus affirmed the trial court's order that the documents be returned to the plaintiffs, that the defendants not use the documents for any purpose, and that the defendants not share the documents with their experts.[398]

Harold Sampson is a strange and flawed decision. Although the Wisconsin Supreme Court stated that the case was not an inadvertent disclosure case, such that the inadvertent disclosure rules adopted by other jurisdictions did not apply,[399] the court treated it as such, and essentially applied the "lenient approach" to inadvertent disclosures.

The court's attempt to distinguish inadvertent disclosure cases was weak. Specifically, the court reasoned that it was not presented with an inadvertent disclosure because "[t]he only mistake seems to have been the attorney's conclusion that the documents were not privileged."[400] But that is also "the only mistake" that lawyers make in cases where, for example, they inadvertently include privileged documents among non-privileged ones in a document production. The *Harold Sampson* court should have branded the case before it one of inadvertent disclosure and then applied the lenient approach to determine whether Elliott's disclosure of the plaintiffs' documents waived the attorney-client privilege. Because the lenient approach holds that the privilege must be knowingly waived, the result would have been the same. That course would have allowed the court to logically avoid established agency law to reach its desired result instead of simply casting aside that law for no good reason.

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[398] *Id.* at 803-04.

[399] *Id.* at 799.

[400] *Id.* at 799-800.

With respect to agency law, there is much the *Harold Sampson* court ignored. The attorney-client relationship is an agency relationship.[401] An agent is presumed to be acting within the scope of his authority where his actions are legal and the third-party with whom he is dealing has no notice of the agent's limitations.[402] Where an agent has apparent authority to act for a principal, the principal is bound by the agent's unauthorized acts on his behalf.[403] An agent's apparent authority arises from the principal's manifestation of authority to a third-party, not from the principal's manifestation to the agent.[404]

Applying these basic agency principles to the facts of *Harold Sampson,* Elliott was the plaintiffs' agent, he presumably was acting within the scope of his authority when he produced the documents at issue, and he had apparent authority to produce the documents. Accordingly, he waived the plaintiffs' privilege. And, although it is true that Elliott could not have effected a waiver if the defendants knew or should have known that he did not have authority to produce the documents,[405] there was no way for them to know that. They could not have ethically communicated with the plaintiffs to determine the scope of Elliott's authority.[406] It cannot be

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[401] Rosenauer v. Scherer, 105 Cal. Rptr. 2d 674, 690 (Cal. Ct. App. 2001); Seaboard Sur. Co. v. Boney, 761 A.2d 985, 989, 992 (Md. Ct. Spec. App. 2000); Multilist Serv. of Cape Girardeau, Mo., Inc. v. Wilson, 14 S.W.3d 110, 114 (Mo. Ct. App. 2000); Crane Creek Ranch, Inc. v. Cresap, 103 P.3d 535, 537 (Mont. 2004); Daniel v. Moore, 596 S.E.2d 465, 469 (N.C. Ct. App. 2004) (quoting case); State *ex rel.* Okla. Bar Ass'n v. Taylor, 4 P.3d 1242, 1253 n.39 (Okla. 2000); DiLuglio v. Providence Auto Body, Inc., 755 A.2d 757, 766 (R.I. 2000) (quoting case); Hill & Griffith Co. v. Bryant, 139 S.W.3d 688, 696 (Tex. App. 2004).

[402] WILLIAM A. GREGORY, THE LAW OF AGENCY AND PARTNERSHIP 185 (3d ed. 2001).

[403] *Id.* at 182.

[404] RESTATEMENT (SECOND) OF AGENCY § 8 (1958).

[405] GREGORY, *supra* note 402, at 184.

[406] *See* MODEL RULES, *supra* note 97, at R. 4.2 (governing communications with persons represented by counsel); MODEL CODE, *supra* note 98, at DR 7-104(A)(1) (same).

argued that the defendants should have known that Elliott was acting outside the scope of his authority simply because he produced privileged documents; clients and lawyers sometimes produce documents that are privileged or that might otherwise enjoy work product immunity when they think that doing so serves important strategic goals.[407]

The Wisconsin Supreme Court acknowledged that under agency law principles a litigant ordinarily is bound by its lawyer's acts,[408] but it simply declared that law to be undesirable in this situation.[409] The chief problem with picking and choosing when to apply settled law—instead of approaching a problem in a way that respects that law, such as taking the lenient approach to inadvertent waiver—is that it yields horribly uncertain results. Furthermore, what appears to be result-oriented reasoning diminishes public confidence in courts.

Because it is the rule everywhere that the attorney-client privilege is held by the client rather than by the lawyer, litigants may be tempted to rely on *Harold Sampson* in efforts to defeat waiver allegations. For the reasons expressed here, they should not.

VIII. THE TRANSMISSION AND RECEIPT OF INVISIBLE INFORMATION

Documents created with word processing software contain "metadata."[410] Metadata is information embedded in a document's electronic file that is automatically created by the

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[407] The defendants would have been justified in assuming that Elliott knew what he was doing when he produced the documents. Elliott was "a 'prominent, experienced, competent, well-respected board certified civil trial lawyer, who [was] known to have handled many difficult[,] complex and high-profile civil lawsuits.'" Harold Sampson Children's Trust v. Linda Gale Sampson 1979 Trust, 679 N.W.2d 794, 797 (Wis. 2004) (quoting discovery referee).

[408] *Id.* at 801.

[409] *Id.* at 802.

[410] David Hricik & Robert R. Jueneman, *The Transmission and Receipt of Invisible Confidential Information,* PROF. LAW., Spring 2004, at 18, 18; Jason Krause, *Hidden Agendas,*

software the author is using without the author's intent or knowledge.[411] It is, quite simply, "data about data."[412] Metadata may include the author's name, the names of prior authors, the identity of the server or hard disk where the document is saved, file properties and summary information, document revisions and versions, template information, the names of people to whom the document has been sent, comments, the time spent editing the document, custom document properties, and more.[413] "Metadata can be as revealing as a postmark on a letter, fingerprints on the envelope, and DNA from saliva on the seal."[414] Furthermore, because lawyers often reuse documents and templates, the amount of metadata that a document contains is often impossible to judge.[415]

Many lawyers know that documents transmitted electronically contain metadata. One lawyer has even boasted publicly that "'[t]he first thing I do when I get something is look for [metadata] like the author's name, revisions, and history.'"[416] The problem, quite obviously, is the associated transmission of confidential information.[417]

ABA J., July 2004, at 26, 26; Donna Payne & Bruce Lewis, *What You Can't See, Can Hurt You,* LEGAL TIMES, Sept. 27, 2004, at 16, 16; Thomas E. Spahn, *Litigation Ethics in the Modern Age,* BRIEF, Winter 2004, at 12, 16.

[411] Hill & Johnson, *supra* note 13, at 102.

[412] Spahn, *supra* note 410, at 16.

[413] Hricik & Jueneman, *supra* note 410, at 18; Krause, *supra* note 410, at 27; Payne & Lewis, *supra* note 410, at 16.

[414] Krause, *supra* note 410, at 26.

[415] *Id.*

[416] *Id.* (quoting lawyer).

[417] *See id.* (describing confidential information learned from an examination of metadata found in a document from a major intellectual property lawsuit).

Given lawyers' ethical obligation to maintain clients' confidences, they should exercise reasonable care to strip metadata from documents exchanged with adversaries, electronically filed with courts, or disclosed to the public.[418] Alternatively, lawyers might transmit documents in electronic formats that do not allow metadata to be revealed.[419] The easiest solution, of course, is simply to send paper copies of documents.

Since the threat to client confidentiality and attorney work product posed by metadata is now known, it is appropriate to focus on the lawyers who receive electronic documents loaded with invisible information. Do they have any ethical obligations with respect to the metadata hidden in the documents sent to them? On the one hand, it might be reasonably argued that lawyers' duty to competently represent their clients obligates them to uncover the metadata in the documents they receive and, if possible, use any information revealed to their clients' advantage.[420] On the other hand, it can just as easily be argued that electronically ransacking a document to uncover metadata is dishonest—it is no different than rummaging through another lawyer's briefcase when he leaves the room, or eavesdropping on another lawyer's private conversation with her client.

The New York State Bar Association's Committee on Professional Ethics attempted to resolve this debate in a 2001 ethics opinion.[421] The Committee saw no difference between a lawyer's surreptitious examination of metadata and "less technologically sophisticated means of

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[418] Hricik & Jueneman, *supra* note 410, at 18.

[419] *Id.* at 18-19 (describing how this can be accomplished).

[420] MODEL RULES, *supra* note 97, at R. 1.1 ("A lawyer shall provide competent representation to a client."); MODEL CODE, *supra* note 98, at EC 6-1 ("Because of his vital role in the legal process, a lawyer should act with competence and proper care in representing clients.").

[421] Op. No. 749, 2001 WL 1890308 (N.Y. State Bar Ass'n Comm. on Prof'l Ethics Dec. 14, 2001).

invading the attorney-client relationship" that have been "rejected as inconsistent with the ethical norms of the profession."[422] The Committee concluded that a lawyer's surreptitious use of technology to obtain another party's potentially confidential information would violate New York's ethics rules prohibiting conduct involving dishonesty, deceit, fraud or misrepresentation, and conduct prejudicial to the administration of justice.[423]

Because a lawyer intends another party to see the text of the document being transmitted but does not intend the other party to see the invisible information embedded in it, it is tempting to analyze the transmission and receipt of confidential information in the form of metadata under any of the rules governing the inadvertent disclosure of privileged information.[424] Under the moderate approach to inadvertent disclosure, for example, a court would need to look at the precautions against disclosure taken by the transmitting attorney, such as whether she "scrubbed" the document before sending it, or whether she had the ability to transmit the document in an electronic form that does not lend itself to technological analysis by the recipient.[425]

There are two problems with an inadvertent waiver approach to metadata transmission and retrieval. First, metadata cannot be easily removed from documents; scrubbing software is not foolproof.[426] This fact also undermines the argument that a lawyer who electronically transmits a document to a third-party knowingly shares with that party any metadata in the document, since the lawyer could scrub the document before sending it and still transmit

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[422] *Id.* at *2.

[423] *Id.*

[424] *See id.* at *3.

[425] *See supra* notes 343-47 and the accompanying text (discussing the "middle," "moderate," or "modern" approach to inadvertent disclosure of confidential information).

[426] Hricik & Jueneman, *supra* note 410, at 18.

metadata. Second, a transmitting lawyer may never know that her adversary is retrieving metadata from her documents, such that she does not know to take the sort of remedial steps that a court might consider important in an inadvertent waiver analysis.[427]

The issues raised here are not easily resolved. Lawyers who transmit documents electronically need to exercise reasonable care to avoid revealing clients' confidential information in metadata.[428] On the other side of the coin, lawyers who are inclined to search documents they receive for metadata do so at the risk that their conduct will be declared dishonest or prejudicial to the administration of justice. In litigation, there is the risk that electronic snooping may lead to disqualification.

IX. RECEIVERS, TRUSTEES, LIQUIDATORS AND EXAMINERS

Businesses fail all the time, mostly without allegations of wrongdoing on the part of their owners, officers, directors, or professional service providers. But that is not always the case. If litigation ensues, assertion and waiver of the failed or failing entity's attorney-client privilege can be an issue. If a business continues under new management charged with turning around its fortunes, the authority to assert and waive the privilege passes with control of the company to the new managers.[429] "Displaced managers may not assert the privilege over the wishes of current managers, even as to statements the former might have made to counsel concerning matters

[427] *See id.* at 20 (observing that a lawyer is unlikely to know that an adversary is electronically gathering information about her or her clients).

[428] N.Y. State Bar Ass'n, Comm. on Prof'l Ethics, Op. 782, at 2 (2004), *available at* http://www.nysba.org (last visited May 29, 2005).

[429] Commodity Futures Trading Comm'n v. Weintraub, 471 U.S. 343, 349 (1985).

within the scope of their corporate duties."[430] Most disputes arise where a bankruptcy trustee, bankruptcy examiner, liquidator, or receiver is involved and privileged communications made before the bankruptcy, liquidation or receivership are the subject of discovery.

A. Bankruptcy Trustees and Examiners

The mere filing of a bankruptcy petition does not waive the debtor's attorney-client privilege.[431] A bankruptcy trustee's power to waive the privilege depends on whether the debtor is an entity or an individual.[432] In the case of an individual debtor, a trustee's ability to waive the debtor's attorney-client privilege depends on the facts of the particular case. In general:

> The inquiry [of whether a bankruptcy trustee can waive the attorney-client privilege] requires balancing the interests of a full and frank discussion in the attorney-client relationship and the harm to the debtor upon a disclosure with the trustee's duty to maximize the value of the debtor's estate and represent the interests of the estate.[433]

Courts are unlikely to permit the trustee to waive of the debtor's attorney-client privilege in cases in which the trustee and the debtor have an adversarial relationship.[434]

Things are more settled where a corporation or partnership is involved. In *Weintraub v. Commodity Futures Trading Comm'n*,[435] the Supreme Court held that the trustee of a bankrupt

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[430] *Id.*

[431] *In re* Muskogee Envtl. Conservation Co., 221 B.R. 526, 532 (Bankr. N.D.Okla. 1998) (citing Weintraub v. Commodity Futures Trading Comm'n, 471 U.S. 343 (1985)).

[432] 2 RICE ET AL., *supra* note 50, § 9:12, at 30.

[433] Moore v. Eason (*In re* Bazemore), 216 B.R. 1020, 1023-24 (Bankr. S.D. Ga. 1998); *see also In re* Foster, 188 F.3d 1259, 1265-66 (10th Cir. 1999) (accepting this balancing test).

[434] *See, e.g., In re* Miller, 247 B.R. 704, 710-11 (Bankr. N.D. Ohio 2000) (involving alleged bankruptcy fraud by debtor).

corporation has the power to waive the corporation's attorney-client privilege with respect to pre-bankruptcy communications.[436] This is because the trustee of a bankrupt corporation fills the role "most closely analogous to that of a solvent corporation's management."[437] The same principle clearly holds true where the bankrupt entity is a limited partnership,[438] and there is no reason that it should not extend to general partnerships.[439] Any partnership—whether limited or general—is like a corporation in that it can only act through its agents, and the same rules should therefore apply.[440]

Bankruptcy courts may appoint examiners, whose duties typically are more limited than those of trustees.[441] An examiner usually is appointed for the purpose of investigating alleged dishonesty, fraud, incompetence, misconduct or mismanagement of the debtor by its current

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[435] 471 U.S. 343 (1985).

[436] *Id.* at 358.

[437] *Id.* at 353.

[438] United States v. Campbell, 73 F.3d 44, 47 (5th Cir. 1996); Meoli v. Am. Med. Serv. of San Diego, 287 B.R. 808, 815-17 (S.D. Cal. 2003).

[439] *See* Hopper v. Frank, 16 F.3d 92, 96 (5th Cir. 1994) (concluding that there is no reason to treat corporations and partnerships differently for purposes of attorney-client relationships); *In re* Bieter Co., 16 F.3d 929, 935 (8th Cir. 1994) (stating that the attorney-client privilege test that it previously adopted, "although expressly applicable to corporations and their employees, is no less instructive as applied to a partnership or some other client entity").

[440] *See Campbell,* 73 F.3d at 47 (discussing limited partnerships); Zimmerman v. Dan Kamphausen Co., 971 P.2d 236, 239 (Colo. Ct. App. 1998) (explaining that "[a]s a general rule every partner is an agent of a general partnership for the purpose of carrying on its authorized business"); TEX. REV. CIV. STAT. ANN. art. 6132b, § 301(1) (Vernon 1970 & Cum. Supp. 2004) (stating that a partnership can sue and be sued in its partnership name).

[441] *In re* Boileau & Johnson, Inc., 736 F.2d 503, 506 (9th Cir. 1984).

management, while a trustee has the power to operate the debtor's business.[442] An examiner has a statutory duty to file a report of his investigation and to transmit a copy of that report to any creditors' committees or equity security holders' committees, to any indenture trustees, and to any other entities that the bankruptcy court designates.[443]

A court may, however, empower an examiner to perform managerial functions normally carried out by a trustee.[444] In such a case, the examiner has the authority to waiver the debtor's attorney-client privilege.[445] Additionally, a court may authorize an examiner to waive the debtor's attorney-client privilege, as was done in the Enron bankruptcy.[446]

B. Liquidators and Receivers

In the later 1980's and early 1990's, many failed financial institutions were taken over by regulators, and various federal agencies became liquidators or receivers for the institutions.

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[442] *In re* Am. Bulk Transp. Co., 8 B.R. 337, 340 (Bankr. D. Kan. 1980); *see also* 11 U.S.C.A. §§ 1106(a)(3) & (b) (1993) (providing that an examiner shall "except to the extent the court orders otherwise, investigate the acts, conduct, assets, liabilities, and financial condition of the debtor, the operation of the debtor's buskiness and the desirability of the continuance of such business, and any other matter relevant to the case or to the formulation of a plan").

[443] 11 U.S.C.A. §§ 1106(a)(3) & (4) (1993).

[444] *In re Boileau,* 736 F.2d at 506; *see also* 11 U.S.C.A. §1106(b) (1993) ("An examiner appointed under section 11094(c) of this title shall perform the duties specified in paragraphs (3) and (4) of subsection (a) of this section, and, except to the extent the court orders otherwise, any other duties of the trustee that the court orders the debtor in possession not to perform.").

[445] *In re Boileau,* 736 F.2d at 506.

[446] Order Pursuant to 11 U.S.C. §§ 1104(c) and 1106(b) Directing Appointment of Enron Corp. Examiner, *In re* Enron Corp., Case No. 01-16034(AJG) (Bankr. S.D.N.Y. Apr. 8, 2002), at 3 ("ORDERED that the Examiner shall have the power to waive, on an issue-by-issue basis, the attorney-client privilege of the debtors' estates with respect to pre-petition communications relating to matters to be investigated by the Examiner hereunder. . . . Such a waiver shall be a limited and not a general waiver. . . .") (on file with the author).

The agencies sued the institutions' law firms for assisting the institutions' managers in various frauds. Claiming to stand in the shoes of the institutions, the agencies demanded that the law firms turn over their entire files. When firms resisted on attorney-client privilege grounds, the agencies asserted that they had the right to waive the privilege, thus removing it as an impediment to discovery. In other instances, the government asserted a failed institution's attorney-client privilege in an effort to resist discovery by professionals that it had sued.[447]

From these battles two general rules emerged. First, a liquidator does not succeed to a failed entity's attorney-client privilege and thus does not have the power to waive it.[448] Second, a receiver does succeed to a failed entity's attorney-client privilege and thus can waive it.[449] The reasoning behind these different outcomes is that a receiver continues the entity's operations; the entity to which the privilege belongs continues to exist.[450] The receiver functions as a manager, or much like a bankruptcy trustee. That is not the case where a government agency functions as a liquidator.[451] A liquidator takes control of a company's assets for the purpose of disposing of them. "There is no thought or effort to reconstitute the entity or to run it at all."[452] A transfer of an entity's assets to a liquidator does not transfer the entity's attorney with them.[453]

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[447] *See, e.g.,* FDIC v. Cherry, Bekaert & Holland, 131 F.R.D. 202 (M.D. Fla. 1990).

[448] *See* FDIC v. Amundson, 682 F. Supp. 981, 986-87 (D. Minn. 1988); FDIC v. McAtee, 124 F.R.D. 662, 664 (D. Kan. 1988).

[449] *See* Odmark v. Westside Bancorp., 636 F. Supp. 552, 554-55 (W.D. Wash. 1986).

[450] *See McAtee,* 124 F.R.D. at 664.

[451] *See Amundson,* 682 F. Supp. at 987.

[452] *Id.*

[453] *See McAtee,* 124 F.R.D. at 664 (quoting *In re* Yarn Processing Patent Validity Litig., 520 F.2d 83, 90 (5th Cir. 1976)).

These rules remain true today, as *Commodity Futures Trading Comm'n v. Standard Forex, Inc.*,[454] demonstrates. In *Standard Forex,* the CFTC sued Standard Forex and several of its former officers and directors. The Magistrate on the case appointed a receiver and entered other injunctive relief.[455] The CFTC subpoenaed Standard Forex's law firm, Longo & Bell, to turn over certain documents to the receiver. Longo & Bell resisted on attorney-client privilege grounds, joined by two of the company's former officers and directors, Lao and Feng.[456] The Magistrate ordered Longo & Bell to turn over the documents, reasoning that the power to assert or waive the company's privilege rested with the receiver, who was functioning as the Standard Forex' management in receivership.[457] Lao, Feng and Longo & Bell sought review of the Magistrate's order by the district court.[458]

The district court noted that its orders appointing the receiver granted him very broad powers, much like the powers granted to bankruptcy trustees.[459] Additionally, the receiver performed many management and legal roles that otherwise would have been performed by the company's former managers.[460] It was therefore obvious that the receiver, and not the former officers and directors, had ultimate control of the company.[461]

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[454] 882 F. Supp. 40 (E.D.N.Y. 1995).

[455] *Id.* at 41.

[456] *Id.*

[457] *Id.*

[458] *Id.*

[459] *Id.* at 42.

[460] *Id.* at 43.

[461] *Id.*

Nonetheless, the district court was willing to transfer control of the company's attorney-client privilege to the receiver only if there was a "valid reason" to do so.[462] The CFTC and the receiver supplied the reason:

> The CFTC contends that the Receiver should be granted control over the attorney-client privilege so that the Receiver can assist the CFTC in discovering the truth as to Standard Forex' violation of the Commodity Exchange Act and whether any of the individual defendants directly or indirectly violated the Act. In essence, the CFTC believes that the communications possessed by Longo & Bell may provide evidence on the issue of who actually controlled Standard Forex during the time relevant to this action and who knowingly induced it to engage in the illegal conduct alleged. The CFTC is especially interested in whether this is true of defendants Lao and Feng. . . . The CFTC also believes that Longo & Bell may have copies of documents relevant to this action. . . .
>
> The Receiver has also indicated that the documents possessed by Longo & Bell contain information that will assist him in taking action against certain third parties to recover assets of Standard Forex. This is an essential element of the Receiver's role here.[463]

Although there was no evidence that anyone would be prejudiced by granting the receiver control over Standard Forex' attorney-client privilege, Lao, Feng and Longo & Bell contended that the privilege had to remain with the corporation.[464] The district court easily rejected this argument, "since a corporation can only act through its management," and the receiver was the only party operating Standard Forex.[465] The district court thus affirmed the Magistrate's order directing production of the documents at issue.[466]

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[462] *Id.*

[463] *Id.* at 44 (footnote omitted).

[464] *Id.*

[465] *Id.*

[466] *Id.* at 45.

X. CONCLUSION

Many lawyers and clients view the attorney-client privilege as sacrosanct. There is, however, much that the privilege does not protect. As a doctrine, the attorney-client privilege is fraught with exceptions and heavy with the potential for inadvertent waiver. On top of this, the federal government has launched an assault on the privilege in connection with corporate criminal investigations, and recent corporate scandals have raised as an issue the appropriate limits of attorneys' duty of confidentiality. The same concerns that are causing courts, scholars and practicing lawyers to carefully examine the limits of the attorney-client privilege also apply in many cases to lawyers' work product immunity and obligations under state ethics rules.

Now, more than ever, lawyers must understand the many aspects of the attorney-client privilege, work product immunity, and ethical duty of confidentiality. They must understand the problems posed when they engage public relations consultants, they must avoid inadvertent waivers, they must appreciate the confidentiality issues posed by the use of technology in practice, they must realize that a client's cooperation with the government may give rise to selective waiver arguments, and so on. Lawyers' important duties to preserve clients' confidences, which have always required great diligence and caution on lawyers' part, are becoming harder to satisfy in a changing legal climate.

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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

I. Introduction

§ 33:1. Scope note

This Chapter describes how the attorney-client privilege, joint defense privilege, and work product doctrine protect certain confidential communications and trial preparation materials from disclosure.[1] It focuses on privilege and work product in the corporate context. Although it is beyond dispute that corporations and their counsel are entitled to the protection provided by the attorney-client privilege and work product doctrine, a corporation's assertion of these privileges is complicated by the very fact that a corporation is a legal entity rather than a natural person. This Chapter provides practical advice about how in-house and outside counsel for corporations can coordinate their practices to maximize the likelihood that attorney-client communications and work product material will not be disclosed, either through court order or by accident. What follows is not a substitute for research on a particular jurisdiction's rules for privilege and work product. Those rules differ, sometimes substantially, among jurisdictions. Legislative and judicial balancing of the competing policies between privilege and disclosure likewise varies widely from jurisdiction to jurisdiction and court to court as illustrated by the widely variant approaches to waiver due to the inadvertent production of privileged documents.[2] Nonetheless, because an "uncertain privilege is … little better than no privilege at all,"[3] this Chapter gives a focused overview of work product and the attorney-client privilege and identifies the most common situations in which those privileges are put at risk.

The sections that follow address the practical aspects of privilege law. They look at the methods of identifying and preserving protection, the types of challenges that may be brought against privileges, and situations in which a party may lose claims of privilege. A working understanding of privilege law in the corporate context includes the following topics, all covered in this Chapter:

- the basic law of attorney-client privilege, joint defense privilege, and work product (§§ 33:4 to 33:38);
- the distinction between protected legal advice or work product and business advice or other nonlegal work that is not protected (§§ 33:9, 33:11);
- the conflict between the policies favoring broad discovery and the policies underlying the privileges (§§ 33:4 and 33:25);
- various avenues by which legitimate claims of privilege may be lost and practical advice to guard against such loss through proper document creation, management, and storage procedures (§§ 33:49 to 33:60);
- privilege issues that the special rules of privilege that apply to corporations and specific corporate transactions or investigations (§§ 33:10 to 33:25 and 33:39 to 33:48);
- different ways in which privilege claims may be "waived" and means of protecting against waiver (§§ 33:61 to 33:68);
- legal and strategic issues that confront counsel in litigation (or other adversarial proceedings) when the opposing party challenges privilege claims (§§ 33:69 to 33:79); and
- the crime-fraud exception to the privilege, and how to defend against crime-fraud challenges (§§ 33:80 to 33:96).

At the end of this Chapter, in Sections 33:97 to 33:104, we have provided a practice checklist and sample documents which will be of use in identifying, asserting, and protecting privilege claims.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] A Note on Terminology: The protection given by courts for certain confidential communications between the client and counsel is called the attorney-client privilege. The joint defense privilege is not really a free-standing privilege but an exception to the rule that disclosure of attorney-client communications destroys their confidentiality and thus the privilege. The work product doctrine exempts trial preparation materials from the requirement to produce all documents responsive to discovery requests in litigation. For ease of reference, all three will be referred to as "privileges" where no substantive differences among the doctrines require separate notation. The self-evaluative privilege is covered in Chapter 35 "Internal Investigations" (§§ 35:1 et seq.).

[FN2] *See* § 33:62.

[FN3] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 389, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

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by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

I. Introduction

§ 33:2. Objectives, concerns, and preliminary considerations

Many corporate lawyers, even those with extensive litigation experience, take the privilege for granted. Many assume that just about every document they write or receive in the performance of their legal duties is covered by a privilege. In fact, the privileges—attorney-client and work product—are nowhere near as encompassing.

It is a fair guess that upwards of 90% of the documents created or received by in-house counsel do not meet the requirements for protection under the attorney-client privilege. Few of in-house counsel's day-to-day communications are kept confidential,[1] provide legal (as opposed to policy or business) advice,[2] and would not have been made but for the privilege.[3]

The purpose of the attorney-client privilege is to foster free communication between client and counsel, so that the client will not hesitate to disclose information to counsel and counsel will not hesitate to provide legal advice to the client. Without the promise of continued confidentiality, clients may be unwilling to fully and freely consult with counsel. The purpose of the work product doctrine is similar. It permits counsel to engage in strategy analysis, play the devil's advocate, gather facts, and prepare to represent the client in litigation without fear that those activities will be disclosed to opposing counsel.

With greater and greater frequency, counsel and their clients—particularly corporate clients—are discovering that the assumption of continuing confidentiality was misplaced. Under our liberal discovery regime, corporate clients have been required to produce large numbers of documents in response to discovery requests in litigation. The burden and complexity has only increased with the advent of e-discovery. In conjunction with the production of documents, the corporation must produce privilege logs identifying each and every document responsive to the discovery requests that is being withheld under claims of attorney-client privilege, work product, or any other applicable "privilege." Although the amended Federal Rules of Civil Procedure dealing with e-discovery provide for "clawback" or "quick peek" agreements that can reduce the time and expense of document review for privilege, the limited protection from claims of waiver makes those options less than optimal for corporations. More frequently than in the past, plaintiffs and prosecutors are challenging those claims of privilege, and on occasion, courts order parties to produce some of those hitherto confidential documents to opposing counsel or require witnesses to disclose confidential communications which the corporation had assumed would be protected.

Furthermore, courts are often less sympathetic to privilege claims made by corporations than claims made by natural persons. Courts have time and again expressed concern that the corporate setting provides too many

opportunities to throw a cloak of secrecy over nonprivileged information by routing documents or other communications to or through the corporate legal department. In addition, plaintiffs' attorneys and government prosecutors are increasingly using privilege challenges as a strategic weapon in litigation against corporations.

Finally, a judge's decision on whether a specific document is privileged or not turns on a multitude of independent factors: the judge's past experience and view of privilege law, the claimant's ability to establish the context within which the document or other communication at issue was created to demonstrate its privileged nature, the order in which the judge reviews challenged privilege claims, and the degree to which the judge believes the privilege claimant and claimant's counsel are to be trusted in their representations to the court, and the relative significance of the challenged documents to the challenging party's claims or defenses. Because privilege determinations are dependent on both the facts and the law, courts have tremendous leeway when ruling on specific claims.

The parameters that affect whether a corporate client can assert and maintain a privilege or work product claim are often established before a dispute matures into litigation and discovery. Nonetheless, to the extent that in-house and outside counsel control the documents they generate, and can manage how claims of privilege are preserved and later presented in court, they can advance their client's interests by avoiding common mistakes that can lead to the loss of protection for attorney work product and attorney-client communications.

Although it cannot be stated with any authority, it is fair to surmise that most claims of privilege are lost at the very moment the document is written or the nonwritten communication is transmitted. This is so because the privileges are limited, and each document or communication must fit certain criteria before a court will protect its confidentiality.[4] In responding to discovery requests, the client—through its counsel—has the burden to prove that each of those criteria have been met, initially through the preparation of a privilege log[5] and, if the court so requires, privilege challenge proceedings.[6] These criteria can only be met if—long before anyone thought of litigation or thought that the documents might be responsive to a discovery request—the client and counsel created and maintained the documents (or oral communications) in accordance with the prescriptions for privilege and work product protection.[7]

All of this poses very practical problems for clients and their counsel. How can they rely on a confidentiality which may be lost at the very moment and under the very circumstances where its preservation is most important?[8]

This Chapter provides practical guidelines, so that counsel can recognize what is (or should be) privileged and take steps to protect it even before confidentiality is challenged, and, if challenged, convince a court (or other tribunal) to respect and preserve that confidentiality.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* §§ 33:8, 33:12 to 33:19.

[FN2] *See* §§ 33:9, 33:11.

[FN3] *See* § 33:4

[FN4] *See* §§ 33:4 to 33:33.

[FN5] *See* § 33:54.

[FN6] *See* §§ 33:69 to 33:79.

[FN7] *See* § 33:49 to 33:53.

[FN8] As a prudential matter, lawyers should also keep in mind the question of whether a communication can be phased in such a way as to minimize the damage if a court should find it is not privileged.

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I. Introduction

§ 33:3. Alternative approaches, practices, and procedures

Few corporations place much value on the "privileges" until they are challenged, and as a result, few corporate counsel prepare and manage "privileged" documents and communications to ensure they will be protected. To do so requires the adoption, implementation and enforcement of rules governing the memorialization of legal advice, the transmission of that advice within (and without) the corporation, and the maintenance of legal files, all of which may be considered too time-consuming and costly in light of the possible advantages to be obtained at some uncertain time in the future.[1] Only after the corporation is facing challenges to its now dearly held privilege claims are those extra steps fully appreciated.

How can counsel and the client decide what time, effort and expense to invest in guarding its privileges?

First, the company must make some initial evaluation of its legal interests and its need for legal advice and representation in litigation. To the extent the company identifies specific needs for legal advice and representation, and a need to preserve confidentiality for that legal work, it should establish policies and procedures to govern the provision of legal advice and for its representation in litigation by in-house and outside counsel.[2] For instance, the company may want to establish strict rules on how requests for legal advice and legal advice should be communicated within the company so that privileged communications are clearly demonstrated and shared with only a very limited set of employees who need to act on the legal advice. In-house counsel should also take steps to educate its corporate clients on the basic rules of privilege and work product and on the practices that must be followed to ensure that privileged materials and communications will be protected if challenged.[3] Although it takes time, expense, and effort to adopt and implement procedures designed to protect privileged information, those procedures may prove a real cost saving in subsequent litigation, by greatly facilitating the identification, logging, and protection of privileged information in litigation.

Second, the company may wish to consider how it divides its legal work between inside and outside counsel. For a variety of reasons, courts are more likely to accord privileged status to documents prepared by outside counsel.[4] This is particularly so where counsel's legal advice is closely intertwined with business advice, such as areas of regulatory compliance, where courts may treat the advice not as "legal" but as part of running the business. Thus, where the corporate client is concerned about its ability to preserve privilege claims, it may well want to assign that work to outside counsel. In other instances, the corporation may want to divide its legal work by asking inside counsel to focus on factual investigation while asking outside counsel to provide legal analysis and recommendations based on those facts. This division of responsibility may be particularly efficacious for regulatory and other legal compliance work, including work that may relate to government civil or criminal investigations where courts are often unwilling to protect the "facts" or other evidence of the corporation's

"knowledge" from discovery. Corporations may be required to turn over highly sensitive internal investigative memoranda and work product when legal evaluation of the facts is intermixed with the facts themselves. The division of legal work between inside and outside counsel can also have a far-reaching impact on the corporation's ability to maintain its privileges if an opposing party invokes the crime-fraud exception to the privilege.[5]

Third, the corporate client may wish to control the exchange of materials between outside counsel and the corporation by requesting that outside counsel communicate through a specific contact person (whether in-house counsel or the principal executive decisionmaker) to underscore the importance of maintaining confidentiality for those communications and make sure that they are shared only with those in house who have a need to receive the communications.[6]

Finally, if it has not already done so, the corporation may want to invest by developing an internal e-discovery response team comprised of employees from the legal, IT, records management, and perhaps compliance and human resources functions. Although newly adopted Federal Rule of Evidence 502 promises hitherto unavailable protection against the loss of privilege and work product claims through inadvertent production in litigation,[7] that Rule has yet to be tested in the courts. Because Rule 502 requires parties to take "reasonable steps" to protect privileged materials from inadvertent production, courts may well find there has been a waiver when the producing party failed to institute effective document management policies before litigation arose.

The issues outlined above must be considered before there is any litigation and before any of the corporation's privilege claims are challenged. After a lawsuit has been filed, or a government investigation instituted, it is too late to prepare privileged documents properly, change patterns of distribution for legal memoranda within the company, or assign critical legal work to counsel best suited not only to do the work but to preserve the confidentiality of the advice given and work performed on behalf of the company.

Once the company finds itself in litigation, the focus shifts.[8] Now the corporation must decide what claims of privilege it wishes to assert. The corporate client faces issues of choice of law that affect the nature and scope of the attorney-client and work product privileges.[9] The company must identify documents responsive to discovery requests or investigative subpoenas and, for each document withheld from production, prepare a privilege log to support the claim of privilege.[10] This is not an easy task. If outside counsel are retained to represent the company, they must be educated about the company's internal operations, the roles of the authors and recipients of privileged documents, the legal issues and adversary proceedings reflected in those documents, and the corporation's decisionmaking processes and organization. To ensure that privileged documents are recognized as such, and that the privilege claims are accurately represented in the log, it may be necessary to assign in-house counsel and key employees to assist outside counsel in the review of privileged materials and preparation of the log. Although this can be an expensive and potentially disruptive process, if the log is challenged, that time and effort may make the difference between the corporation's ability to preserve its privilege claims and expensive, and potentially devastating, privilege challenge proceedings.[11]

If any of those privilege claims are challenged, it may again be necessary to call upon company employees to assist in locating evidence to support the challenged privilege claims and to prepare affidavits in support of each of the privilege elements. Inside and outside counsel may be called upon to work together to prepare these evidentiary submissions.[12]

If the time and effort needed to defend privilege claims seem to exceed the value of what is being protected, counsel and their clients must be aware of the potential hidden costs of losing privilege challenges. If the documents and information disclose sensitive internal information, are subject to misinterpretation or adverse inferences, or otherwise appear to throw a negative light on the company, this can present significant (and costly) problems for the company. Not only might they spark further litigation (or investigation), but they can be used by the media in ways that have a negative impact on the company's image and, if publicly traded, its stock value. Once privileged documents lose their privileged status, they can be used by anyone for any purpose. Ironically, however, the company itself may not be able to use those documents to defend itself without risking waiver of privilege claims for communications and documents that remain confidential because of the risk that affirmative use of formerly privileged documents will cause a waiver for all other privileged documents on the same subject matter.[13] Thus, the loss of privilege protection may in some instances place the company in a "catch-22" bind: formerly confidential documents and statements are used against it, but it is unable to respond without potentially subjecting additional confidential documents and communications to disclosure.

The risks of loss of privilege protection lie not only in litigation. Counsel need to be aware of the implications of a variety of corporate transactions on its ability to maintain privilege protection. Careful planning and drafting will often permit the corporation to preserve the confidentiality of privileged materials and prevent successors or others privy to the privileged materials from disclosing them or using them in a manner adverse to the corporate client's interests.[14]

This Chapter cannot provide perfect answers or guaranteed solutions to the questions of what to protect and how to protect it, but our hope is that it will arm in-house and outside counsel with information, analyses, and perspectives that will assist them in making these decisions.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] The benefits would be realized only if the documents were responsive to discovery requests (or government subpoenas), the assertion of privilege for them was challenged, the challenge was successful and the documents, in the context of that proceeding, had a negative impact on the corporate client or its interests.

[FN2] *See, e.g.*, §§ 33:51 to 33:52.

[FN3] *See* §§ 33:4 to 33:21, 33:26 to 33:35.

[FN4] As indicated in various places in this Chapter, courts may be more suspicious of privilege claims for materials generated by in-house counsel because of concern that the corporation will be over broad in its claims, because in-house counsel are less likely to observe formalities in rendering legal advice, and because in-house counsel often provide mixed business and legal advice. In addition, while legal practice often permits a corporation to object to producing documents from the files of its outside counsel, thus avoiding disputes over claims of privilege to outside counsel's documents, corporations cannot object to providing responsive documents (or privilege logs reflecting responsive documents) from the files of in-house counsel. *See, e.g.*, § 33:11.

[FN5] *See, e.g.*, §§ 33:39 to 33:43. Because in-house counsel are often engaged in day-to-day monitoring of the corporation's activities, and thus its compliance with the plethora of government regulations and statutes that impact its operations, it is hard for a corporation to establish that it did not consult

counsel 'for the purpose of committing a crime or fraud' if the corporation is later charged with having violated some regulation or statute. Opposing counsel will argue that in-house counsel's compliance monitoring was 'legal advice' that 'furthered the fraud' and that that advice therefore should be disclosed. If the corporation specifically seeks legal compliance advice from outside counsel, it is more likely that the court will uphold the privilege for that advice.

[FN6] Although privileged communications which remain internal to the corporation are not disclosed to third parties, distribution within the corporation itself must be limited to those with a need to receive the communication for a court to recognize and uphold the privilege claim. *See* §§ 33:10 to 33:19, 33:97.

[FN7] *See, e.g.*, §§ 33:54 to 33:57 and §§ 33:65 to 33:66.

[FN8] Of course, if the adversary proceeding will extend for a long period of time, or if there are likely to be many similar actions filed over a period of time, it is very important for the corporation to reassess how it seeks legal advice and how it manages internally and externally generated privileged communications. Documents created after the filing of a case may not be responsive to discovery in that particular case, but may well be responsive to discovery in later-filed cases.

[FN9] *See* §§ 33:4 to 33:5, 33:10 to 33:12, 33:26 to 33:27, 33:69 to 33:72.

[FN10] *See* §§ 33:54, 33:73 and §§ 33:74 to 33:78. In preparing the privilege log, counsel must be particularly sensitive to choice of law issues. By way of example, the court in Sterling Finance Management, L.P. v. UBS PaineWebber, Inc., 336 Ill. App. 3d 442, 270 Ill. Dec. 336, 782 N.E.2d 895 (1st Dist. 2002), ruled that Illinois privilege law—which follows the "control group" test—would be applied rather than the privilege law of the state with the most significant contacts absent special reasons why the forum state's privilege law should not control.

[FN11] *See* §§ 33:73 to 33:79.

[FN12] *See* a model evidentiary submission at § 33:101.

[FN13] *See* §§ 33:61 to 33:68.

[FN14] *See* §§ 33:20 to 33:23, 33:36 to 33:37, 33:39 to 33:48.

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Successful Partnering Between Inside and Outside Counsel
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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

II. Attorney-Client Privilege
A. In General

§ 33:4. Attorney-client privilege: policy

The attorney-client privilege exists to encourage frank communication between client and counsel.[1] The privilege "is founded upon the necessity, in the interests and administration of justice, of the aid of persons having knowledge of the law and skilled in its practice, which assistance can only be safely and readily availed of when free from the consequences or the apprehension of disclosure."[2] The privilege is not an end in itself, but a means of achieving the goal of improving the administration of justice by ensuring that counsel has access to all information necessary for the competent rendition of legal advice.[3]

The protections offered by the attorney-client privilege come into constant conflict with the liberal regime of notice pleading and broad discovery which underlie our adversarial system of justice. As the United States Supreme Court has stated:

> We do not create and apply an evidentiary privilege unless it promotes sufficiently important interests to outweigh the need for probative evidence.... Inasmuch as testimonial exclusionary rules and privileges contravene the fundamental principle that the public ... has a right to every man's evidence, any such privilege must be strictly construed.[4]

Thus, courts universally construe the privilege narrowly to effectuate its purposes.[5] The attorney-client privilege "protects only those disclosures necessary to obtain informed legal advice which might not otherwise have been made absent the privilege."[6] It is therefore important to bear in mind the rationale behind the privilege whenever asserting a claim for protection, since courts will sometimes rely upon the policy behind the privilege to uphold (or abrogate) claims of privilege regardless of compliance with the technical requirements for asserting the privilege. For instance, a court may hold that in-house counsel's report to senior management of a regulatory violation is not privileged on the grounds that the statute itself requires self reporting and that the communication therefore would have been made in the absence of any privilege.

There are two important points for the practitioner to remember about the policies underlying the attorney-client privilege. First, although care should be taken by counsel and the client to maintain all prerequisites to a privilege, failure of one or more of these prerequisites does not necessarily foreclose the possibility of protection if there are strong policy arguments in favor of recognizing the privilege. For instance, communications made in the erroneous belief that the recipient was the party's legal counsel have on occasion been protected. Second, counsel should remain mindful of the circumstances in which a communication has been made. Communications

that do not further the purposes for which the attorney-client privilege exists may be discoverable despite satisfying the requirements for protection. Thus, for instance, counsel's legal advice to the client will not be protected if the client's purpose was not to obey but to evade the law.[7]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 389, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981); In re Grand Jury Investigation, 399 F.3d 527, 530–31, 66 Fed. R. Evid. Serv. 652 (2d Cir. 2005) (discussing the strong policy rationales for attorney-client privilege between government officials and their counsel); Al Odah v. U.S., 346 F. Supp. 2d 1 (D.D.C. 2004) (finding Guantanamo Bay detainees have right to counsel in habeas proceedings, and holding government monitoring of meetings between detainees and counsel violates attorney-client privilege).

[FN2] Hunt v. Blackburn, 128 U.S. 464, 470, 9 S. Ct. 125, 32 L. Ed. 488 (1888).

[FN3] Upjohn v. United States, 449 U.S. 383, 389–90, 101 S.Ct. 677 (1981); *See also* 1 Kenneth S. Broun et al., McCormick on Evidence § 87 (6th ed. 2006) ("The consequent loss to justice of the power to bring all pertinent facts before the court is, according to the theory, outweighed by the benefits to justice (not to the individual client) of a franker disclosure in the lawyer's office."); ABA Task Force on Attorney-Client Privilege, American Bar Association, Recommendation 111 1 (2005), http://www.abanet.org/buslaw/attorneyclient/materials/hod/recommendation_adopted.pdf (noting that to waive the privilege the ABA House of Delegates stated that the privilege is necessary "to (1) promote compliance with law through effective counseling, (2) ensure effective advocacy for the client, (3) ensure access to justice and (4) promote the proper and efficient functioning of the American adversary system of justice").

[FN4] University of Pennsylvania v. E.E.O.C., 493 U.S. 182, 189, 110 S. Ct. 577, 107 L. Ed. 2d 571, 57 Ed. Law Rep. 666, 51 Fair Empl. Prac. Cas. (BNA) 1118, 52 Empl. Prac. Dec. (CCH) P 39539, 28 Fed. R. Evid. Serv. 1169, 15 Fed. R. Serv. 3d 369 (1990) (citations and quotations omitted).

[FN5] *See* Wachtel v. Health Net, Inc., 482 F.3d 225, 231, 40 Employee Benefits Cas. (BNA) 1545, 73 Fed. R. Evid. Serv. 113 (3d Cir. 2007) ("Because the attorney-client privilege has this effect of withholding relevant information from fact-finders, federal courts must apply it only where necessary to achieve its purpose."); Westinghouse Elec. Corp. v. Republic of Philippines, 951 F.2d 1414, 1423, 35 Fed. R. Evid. Serv. 1070, 22 Fed. R. Serv. 3d 377 (3d Cir. 1991);In re Grand Jury Investigation of Ocean Transp., 604 F.2d 672, 675, 1979-1 Trade Cas. (CCH) ¶62522 (D.C. Cir. 1979); U.S. v. Kinsella, 545 F. Supp. 2d 148 (D. Me. 2008) ("the privilege is narrowly confined because it hinders the courts in the search for truth" (quotation omitted)).

[FN6] Fisher v. U.S., 1976-1 C.B. 411, 425 U.S. 391, 403, 96 S. Ct. 1569, 48 L. Ed. 2d 39, 76-1 U.S. Tax Cas. (CCH) P 9353, 37 A.F.T.R.2d 76-1244 (1976).

[FN7] *See* §§ 33:80 to 33:88.

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Chapter
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by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

II. Attorney-Client Privilege
B. Elements

§ 33:5. Attorney-client privilege: elements

The attorney-client privilege is the oldest and most venerable privilege in our jurisprudence.[1] Although grounded in the common law, most states have codified it.[2] In diversity and state law actions, questions of privilege are governed by state law.[3] In a predominantly federal question case, the federal common law of privilege governs.[4] The federal common law of privilege is not a codified set of handy rules available to corporate counsel for easy reference, but expressly authorizes courts to develop common law privileges on a case by case basis.[5] Indeed, when privilege questions arise in a federal question case, Federal Rule of Evidence 501 mandates that the privilege be "governed by the principles of common law as they may be interpreted" by the federal court in light of its reason and experience.[6] Consequently, when questions on the appropriate assertion of the privilege arise, whether under state or federal law, the privilege must be assessed under the statutory provisions and/or the common law applicable in the jurisdiction where the privilege is asserted or the jurisdiction to which the court looks for controlling law. Naturally, the lack of one uniform set of attorney-client privilege rules leads to inconsistency in application, making it difficult to establish procedures that will protect in-house counsel and corporate communications in every jurisdiction.

Regardless of the source of privilege law, the privilege always is narrowly construed because it obstructs the truth-finding process.[7] Thus, the proponent of the privilege has the burden to prove each element of the privilege claim.[8] The proponent must also prove the privilege has not been waived.[9] Thus, merely establishing the relationship of attorney and client does not create a presumption that shields communications with the privilege.[10] For instance, the privilege does not protect all correspondence between the client and the lawyer,[11] all documents provided by a client to the lawyer,[12] or all reports and information received by the lawyer from a third party.[13]

The classic definition of the attorney-client privilege was set out by Judge Wyzanski in United States v. United Shoe Mach. Corp.:

> The privilege applies only if (1) the asserted holder of the privilege is or was sought to become a client; (2) the person to whom the communication was made (a) is a member of the bar of a court, or his subordinate and (b) in connection with this communication is acting as a lawyer; (3) the communication relates to a fact of which the attorney was informed (a) by his client (b) without the presence of strangers (c) for the purpose of securing primarily either (i) an opinion on law or (ii) legal services or (iii) assistance in some legal proceeding, and not (d) for the purpose of committing a crime or tort.[14]

Although not adopted in these precise terms by many jurisdictions, all formulations of the attorney-client privilege have the following elements in common:

1. a communication;
2. made between privileged persons;
3. in confidence;
4. for the purpose of obtaining or providing legal assistance for the client.[15]

At a minimum, counsel must understand the scope and limitations of each of the four basic elements of the privilege to establish procedures most likely to protect corporate privileges. The following sections address each of these elements.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Geoffrey C. Hazard, Jr., A Historical Perspective on the Attorney-Client Privilege, 66 Cal. L. Rev. 1062 (1978); 1 Kenneth S. Brown et al., McCormick on Evidence § 87 (6th ed. 2006) (tracing origins of the privilege to the barrister's code of honor in Elizabethan England).

[FN2] *See, e.g.*, Or. Rev. Stat. § 40.225; Cal. Evid. Code § 952; Ind. Code Ann. § 46-3-1.

[FN3] Fed. R. Evid. 501; *see also* §§ 33:70 to 33:71.

[FN4] Fed. R. Evid. 501.

[FN5] *See* Jaffee v. Redmond, 518 U.S. 1, 6–10, 116 S. Ct. 1923, 135 L. Ed. 2d 337, 44 Fed. R. Evid. Serv. 1 (1996) (discussing federal common law of privilege as applied to patient-psychiatrist privilege); Trammel v. U.S., 445 U.S. 40, 47, 100 S. Ct. 906, 63 L. Ed. 2d 186, 5 Fed. R. Evid. Serv. 737 (1980) (In enacting Rule 501, Congress provided courts with the flexibility to develop rules of privilege as appropriate.).

[FN6] Fed. R. Evid. 501.

[FN7] Fisher v. U.S., 1976-1 C.B. 411, 425 U.S. 391, 403, 96 S. Ct. 1569, 48 L. Ed. 2d 39, 76-1 U.S. Tax Cas. (CCH) P 9353, 37 A.F.T.R.2d 76-1244 (1976) (The attorney-client privilege "protects only those disclosures necessary to obtain informed legal advice which might not otherwise have been made absent the privilege."); Wachtel v. Health Net, Inc., 482 F.3d 225, 231, 40 Employee Benefits Cas. (BNA) 1545, 73 Fed. R. Evid. Serv. 113 (3d Cir. 2007) ("Because the attorney-client privilege has this effect of withholding relevant information from fact-finders, federal courts must apply it only where necessary to achieve its purpose."); U.S. v. Doe, 429 F.3d 450, 453, 68 Fed. R. Evid. Serv. 1070 (3d Cir. 2005) ("Because this ancient and valuable privilege is at the expense of the full discovery of the truth, it should be strictly construed."); Diversified Industries, Inc. v. Meredith, 572 F.2d 596, 602, 1977-2 Trade Cas. (CCH) ¶61591, 1978-1 Trade Cas. (CCH) ¶61879, 23 Fed. R. Serv. 2d 1473, 24 Fed. R. Serv. 2d 1201 (8th Cir. 1977) (rejected by, Republic of Philippines v. Westinghouse Elec. Corp., 132 F.R.D. 384, 17 Fed. R. Serv. 3d 1476 (D.N.J. 1990)) and (disapproved of by, U.S. v. Massachusetts Institute of Technology, 957 F. Supp. 301, 97-1 U.S. Tax Cas. (CCH) P 50269, 37 Fed. R. Serv. 3d 711, 79 A.F.T.R.2d 97-595 (D. Mass. 1997)) and (rejected by, In re Columbia/HCA Healthcare Corp. Billing

Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)) ("[T]he adverse effect of its application on the disclosure of truth may be such that the privilege is strictly construed."); *see* § 33:4 for a discussion of policy concerns.

[FN8] U.S. v. Martin, 278 F.3d 988, 999–1000, (9th Cir. 2002), as amended on denial of reh'g, (Mar. 13, 2002) ("The burden is on the party asserting the privilege to establish all the elements of the privilege."); Avianca, Inc. v. Corriea, 705 F. Supp. 666, 675, 13 Fed. R. Serv. 3d 883 (D.D.C. 1989), judgment aff'd, 70 F.3d 637 (D.C. Cir. 1995)(same); U.S. v. Jones, 696 F.2d 1069, 1072, 11 Fed. R. Evid. Serv. 1890 (4th Cir. 1982) (same); Eaglepicher Management Co. v. Federal Ins. Co., 2008 WL 1776517 (D. Ariz. 2008) (same).

[FN9] *See* Town of Norfolk v. U.S. Army Corps of Engineers, 968 F.2d 1438, 1457, 35 Env't. Rep. Cas. (BNA) 1013, 22 Envtl. L. Rep. 21337 (1st Cir. 1992) ("A person asserting the attorney-client privilege with respect to a document provided by an attorney has the burden of showing … that the privilege has not been waived."); U.S. v. Landof, 591 F.2d 36, 3 Fed. R. Evid. Serv. 647 (9th Cir. 1978) ("One of the elements that the asserting party must prove is that it has not waived the privilege."); U.S. v. Kinsella, 545 F. Supp. 2d 148 (D. Me. 2008); Zamorano v. Wayne State University, 2008 WL 3929573 (E.D. Mich. 2008); *see also* §§ 33:68 to 33:69.

[FN10] In re Grand Jury Proceedings, 727 F.2d 1352, 1356, Fed. Sec. L. Rep. (CCH) P 91487, 15 Fed. R. Evid. Serv. 428 (4th Cir. 1984) ("[I]t is the unquestioned rule that the mere relationship of attorney-client does not warrant a presumption of confidentiality."); Matter of Fischel, 557 F.2d 209, 212, 2 Fed. R. Evid. Serv. 363 (9th Cir. 1977) ("The privilege … will not conceal everything said and done in connection with an attorney's legal representation of a client."); Diversified Industries, Inc. v. Meredith, 572 F.2d 596, 602, 1977-2 Trade Cas. (CCH) ¶61591, 1978-1 Trade Cas. (CCH) ¶61879, 23 Fed. R. Serv. 2d 1473, 24 Fed. R. Serv. 2d 1201 (8th Cir. 1977) (rejected by, Republic of Philippines v. Westinghouse Elec. Corp., 132 F.R.D. 384, 17 Fed. R. Serv. 3d 1476 (D.N.J. 1990)) and (disapproved of by, U.S. v. Massachusetts Institute of Technology, 957 F. Supp. 301, 97-1 U.S. Tax Cas. (CCH) P 50269, 37 Fed. R. Serv. 3d 711, 79 A.F.T.R.2d 97-595 (D. Mass. 1997)) and (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)) ("A communication is not privileged simply because it was made by or to a person who happens to be a lawyer."); Beery v. Thomson Consumer Electronics, Inc., 218 F.R.D. 599, 603–04 (S.D. Ohio 2003) ("The mere existence of an attorney-client relationship, … does not transform every attorney-client communication into a privileged one.").

[FN11] *See* Chaudhry v. Gallerizzo, 174 F.3d 394, 402, 43 Fed. R. Serv. 3d 1063 (4th Cir. 1999) (listing types of correspondence that are "usually not protected from disclosure by the attorney-client privilege"); U.S. v. Naegele, 468 F. Supp. 2d 165 (D.D.C. 2007) ("retainer letters and correspondence relating to the representation" not protected by the privilege); North Carolina Elec. Membership Corp. v. Carolina Power & Light Co., 110 F.R.D. 511, 516 (M.D. N.C. 1986) (noting transmittal letters and drafts are not confidential communications).

[FN12] *See* Fisher v. U.S., 1976-1 C.B. 411, 425 U.S. 391, 402, 96 S. Ct. 1569, 48 L. Ed. 2d 39, 76-1 U.S. Tax Cas. (CCH) P 9353, 37 A.F.T.R.2d 76-1244 (1976) (establishing two-prong test: documents must be privileged in the client's hand and must have been sent to the lawyer for the purpose of obtaining legal advice); U.S. v. Osborn, 561 F.2d 1334, 1338, 77-2 U.S. Tax Cas. (CCH) P 9733, 40 A.F.T.R.2d 77-6000 (9th Cir. 1977) (transmitting corporate records to a lawyer for the purpose of obtaining legal advice does not make those records privileged, because they were not privileged when initially created).

[FN13] *See* In re Sealed Case, 737 F.2d 94, 99, 1984-1 Trade Cas. (CCH) ¶66062, 15 Fed. R. Evid. Serv. 1811 (D.C. Cir. 1984) ("[W]hen an attorney conveys to his client facts acquired from other persons or sources, those facts are not privileged."); U.S. v. Naegele, 468 F. Supp. 2d 165 (D.D.C. 2007) (same); In re Ampicillin Antitrust Litigation, 81 F.R.D. 377, 389–90, 202 U.S.P.Q. 134, 1978-1 Trade Cas. (CCH) ¶62043, 25 Fed. R. Serv. 2d 1248 (D.D.C. 1978) (An attorney-client communication discussing "publicly-obtained information … should be privileged to the extent that the communication was treated as confidential by the client and would tend to reveal a confidential communication of the client."); *cf.* Segerstrom v. U.S., 2001-1 U.S. Tax Cas. (CCH) P 50315, 87 A.F.T.R.2d 2001-1153, 2001 WL 283805 (N.D. Cal. 2001) (finding that the attorney-client privilege may apply where, "in addition to reflecting facts received from third parties, the communication [between attorneys, the client, or their agents] is 'so interwoven with the privileged communications that disclosure of the former leads to disclosure to the latter'") (quoting Matter of Fischel, 557 F.2d 209, 212, 2 Fed. R. Evid. Serv. 363 (9th Cir. 1977)). For a discussion of who may participate in privileged communications, *see* § 33:17.

[FN14] U.S. v. United Shoe Machinery Corp., 89 F. Supp. 357, 358–59 (D. Mass. 1950) (rejected by, American Standard Inc. v. Pfizer Inc., 828 F.2d 734, 3 U.S.P.Q.2d 1817 (Fed. Cir. 1987)).

[FN15] *See, e.g.*, Or. Rev. Stat. § 40.225(2) (containing those four elements); Cal. Evid. Code § 952 (same); *see also* Restatement (Third) of the Law Governing Lawyers § 68 (2000) (reciting those four elements as "the general formulation of the attorney-client testimonial privilege").

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II. Attorney-Client Privilege
B. Elements

§ 33:6. Attorney-client privilege: elements—Communications

The first element, *a communication*, is commonly defined as "information transmitted between a client and his lawyer in the course of that relationship."[1] A communication can take any form, including written or spoken words or words conveyed through electronic means, such as a telephone or tape recording.[2] Nonverbal communicative acts, such as a gesture or facial expression, may also qualify as communications if intended to convey information.[3]

Although communication is the focus of the privilege, as a technical matter courts will protect documents and other materials that are not communicated but that are prepared by the attorney or client in anticipation of, or to facilitate, the provision of legal advice. Thus, courts have no difficulty protecting drafts and memoranda in lawyers' files that were prepared for the purpose of rending legal advice but never communicated to the client.[4] Similarly, materials prepared by the client that memorialize information on which the client seeks legal advice may be protected even if not directly transmitted to the attorney.[5]

Although originally, the privilege applied only to communications from the client to the lawyer,[6] it now applies to advice and communications from the lawyer to the client.[7]

Importantly, the privilege only protects communications, not the facts included in those communications.[8] Accordingly, a client "cannot be compelled to answer the question, 'What did you say or write to the attorney?' but may not refuse to disclose any relevant fact within his knowledge merely because he incorporated a statement of such fact into his communication to his attorney." Although a party cannot prevent an opponent from discovering "facts," the party may be able to protect the specific communication of facts, particularly when selected and colored by the opinions of the client.[9]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See, e.g.*, Cal. Evid. Code § 952; *see also* Farahmand v. Jamshidi, 66 Fed. R. Evid. Serv. 556 (D.D.C. 2005) (defining "communication" as "any expression through which a privileged person … undertakes to convey information to another privileged person and any document or other record revealing such an expression" (quoting Restatement (Third) of the Law Governing Lawyers § 69 (2000))); *see also* 24 Charles Alan Wright & Kenneth W. Graham, Jr., Federal Practice and Procedure § 5484 nn.1 to 17 (2008) (examining various definitions of "communication" and noting that it has been "somewhat problematic" to define the term).

[FN2] *See, e.g.*, U.S. v. Spector, 793 F.2d 932, 938, 20 Fed. R. Evid. Serv. 1322 (8th Cir. 1986) (tape recording made by client at the direction of his attorney to assist the attorney in the representation was protected by the privilege); *see generally* Restatement (Third) of the Law Governing Lawyers § 69 cmt. b (2000) (reviewing the types of communications covered by the privilege).

[FN3] *See* Taylor v. Sheldon, 172 Ohio St. 118, 15 Ohio Op. 2d 206, 173 N.E.2d 892, 895 (1961) ("Communication may well be by act or sign. Words themselves are not in any way essential to the act of communication."). *See generally* Restatement (Third) of the Law Governing Lawyers § 69 cmt. e (2000) (positing that "[t]he privilege extends to nonverbal communicative acts intended to convey information"); 24 Charles Alan Wright & Kenneth W. Graham, Jr., Federal Practice and Procedure § 5484 nn. 80 to 117 (2008) (reviewing the law regarding nonverbal communications).

[FN4] *See* Ideal Elec. Co. v. Flowserve Corp., 230 F.R.D. 603, 608–10, 62 Fed. R. Serv. 3d 770 (D. Nev. 2005) (protecting attorney drafts of affidavits as privileged); American Nat. Bank and Trust Co. of Chicago v. AXA Client Solutions, LLC., 2002 WL 1058776 (N.D. Ill. 2002) (draft letters containing legal advice and opinions of in-house counsel that were prepared and kept in confidence are privileged); Softview Computer Products Corp. v. Haworth, Inc., 58 U.S.P.Q.2d 1422, 2000 WL 351411 (S.D. N.Y. 2000) (finding that drafts of documents prepared by attorney for transmission to third parties are protected by attorney client privilege where they contain confidential information communicated by client and maintained in client).

[FN5] *See, e.g.*, Angst v. Mack Trucks, Inc., 1991 WL 86931 (E.D. Pa. 1991) (protecting notes made by client in anticipation of retaining attorney); U.S. v. DeFonte, 441 F.3d 92, 96, 69 Fed. R. Evid. Serv. 761 (2d Cir. 2006) ("Certainly, an outline of what a client wishes to discuss with counsel — and which is subsequently discussed with one's counsel — would seem to fit squarely within our understanding of the scope of the privilege.").

[FN6] *See* Coastal States Gas Corp. v. Department of Energy, 617 F.2d 854, 862, 54 A.L.R. Fed. 256 (D.C. Cir. 1980) ("While its purpose is to protect a client's disclosures to an attorney, the federal courts extend the privilege also to an attorney's written communications to a client, to ensure against inadvertent disclosure, either directly or by implication, of information which the client has previously confided to the attorney's trust.").

[FN7] *See, e.g.*,U.S. v. United Shoe Machinery Corp., 89 F. Supp. 357, 358–59 (D. Mass. 1950) (rejected by, American Standard Inc. v. Pfizer Inc., 828 F.2d 734, 3 U.S.P.Q.2d 1817 (Fed. Cir. 1987)); R.J. Reynolds Tobacco Co. v. Premium Tobacco Stores, Inc., 2001 WL 1286727 (N.D. Ill. Oct.24, 2001) ("Communications by a client to a lawyer for advice on the legal implications of proposed contract terms are protected, as well as the advice the lawyer gives regarding those terms."); U.S. v. Bauer, 132 F.3d 504, Bankr. L. Rep. (CCH) P 77588, 48 Fed. R. Evid. Serv. 524 (9th Cir. 1997) ("At the outset, it is important to recognize that the attorney-client privilege is a two-way street: The attorney-client privilege protects confidential disclosures made by a client to an attorney in order to obtain legal advice, … *as well as an attorney's advice in response to such disclosures*." (emphasis in original) (citation and quotation omitted)).

[FN8] S*ee* Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 395–96, 101 S. Ct. 677, 66 L. Ed. 2d

584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981) (finding that the client may be required to testify about underlying facts, but may not be required to testify about what she said to her attorney about the underlying facts); U.S. v. Cunningham, 672 F.2d 1064 (2d Cir. 1982)(holding that the client "may be examined as to any fact but may not, absent a waiver, be compelled to say whether or not he communicated that fact to his counsel"); U.S. v. El Paso Co., 682 F.2d 530, 538, 82-2 U.S. Tax Cas. (CCH) P 9534, 11 Fed. R. Evid. Serv. 502, 34 Fed. R. Serv. 2d 918, 50 A.F.T.R.2d 82-5530 (5th Cir. 1982) (holding that the attorney-client privilege protects only evidence of client communications and not the underlying facts).

[FN9] *See* Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 395, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981) ("[T]he protection of the privilege extends only to communications and not to facts."). *But see* Johnson v. Sea-Land Service, Inc., 2001 WL 897185 (S.D. N.Y. 2001) (finding that plaintiff's response to counsel's request for background information, which included "plaintiff's description and characterization of what his doctor told him, as well as his own impressions of his physical condition and the conduct of defendant," was protected by the attorney-client privilege *because the plaintiff's description of the facts was contained in a communication to his attorney*); In re Grand Jury Proceedings, 2001 WL 1167497 (S.D. N.Y. 2001) (finding that documents summarizing facts, providing factual background, representing a chronology of factual information of a case, or relaying information found during an investigation that are prepared at counsel's request to provide the information necessary for counsel to render legal advice are subject to the attorney-client privilege).

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Successful Partnering Between Inside and Outside Counsel
Database updated April 2012
Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

II. Attorney-Client Privilege
B. Elements

§ 33:7. Attorney-client privilege: elements—Privileged persons

The second element, *privileged person*, covers both the attorney and the client.

The privilege belongs to the client.[1] Under some circumstances, however, the privilege has been extended to confidential communications between the attorney and the client's consultants, representatives, associates, or employees where those communications are made for the purpose of obtaining information necessary to provide legal advice to the client or where the client's employee or agent must act on that legal advice on behalf of the client.[2]

To come within the privilege, an attorney communication must be by a licensed practitioner.[3] The privilege will also encompass someone working for or at the direction of an attorney, such as secretaries and legal assistants, who facilitate the provision of legal advice to the client.[4] On occasion, the privilege can also encompass other agents of the attorney who facilitate the attorney-client communication.[5]

Payment of fees for legal services does not determine who is a "privileged person."[6]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* In re Seagate Technology, LLC, 497 F.3d 1360, 1372, 83 U.S.P.Q.2d 1865 (Fed. Cir. 2007), cert. denied, 128 S. Ct. 1445, 170 L. Ed. 2d 275 (2008) ("The attorney-client privilege belongs to the client, who alone may waive it."); In re Impounded Case (Law Firm), 879 F.2d 1211, 1213, 28 Fed. R. Evid. Serv. 974 (3d Cir. 1989); In re von Bulow, 828 F.2d 94, 100, 23 Fed. R. Evid. Serv. 862, 8 Fed. R. Serv. 3d 897 (2d Cir. 1987) ("The privilege belongs solely to the client and may only be waived by him."); In re Special September 1978 Grand Jury (II), 640 F.2d 49, 62, 6 Fed. R. Evid. Serv. 616 (7th Cir. 1980).

[FN2] In re Grand Jury Subpoenas dated In re Grand Jury Subpoenas dated March 9, 2001, 179 F. Supp. 2d 270 (S.D. N.Y. 2001) ("Confidential communications between a third party representative of the client, such as an accountant or other non-testifying expert, and the client's attorney, or between two different attorneys for a client, may be protected from disclosure if the communications are made on behalf of the client for the purpose of obtaining legal advice."); In re Copper Market Antitrust Litigation, 200 F.R.D. 213, 217 (S.D. N.Y. 2001) (finding that the attorney-client privilege protects communica-

tions between an attorney and a client's agent where such communication was for the purpose of rendering legal advice); Miller v. Haulmark Transport Systems, 104 F.R.D. 442, 445, 18 Fed. R. Evid. Serv. 340, 3 Fed. R. Serv. 3d 453 (E.D. Pa. 1984)(communications in presence of client's insurance agent protected where agent could provide information that would facilitate counsel's provision of legal advice) *see also* § 33:18 to 19 (discussing the scope of privilege for communications between corporate counsel and agents and independent contractors working on behalf of the corporation).

[FN3] In re Lindsey, 158 F.3d 1263, 50 Fed. R. Evid. Serv. 13, 42 Fed. R. Serv. 3d 27 (D.C. Cir. 1998) ("[T]he privilege applies only if the person to whom the communication was made is a member of the bar of a court …") (quotation omitted); Zenith Radio Corp. v. Radio Corp. of America, 121 F. Supp. 792, 794, 101 U.S.P.Q. 316 (D. Del. 1954) (recognizing bar membership as a requirement for application of the privilege, although membership in the bar of the geographical location where the service is performed is not dispositive); Gucci America, Inc. v. Guess?, Inc., 2010 WL 2720079 (S.D. N.Y. 2010) (denying protection of the attorney-client privilege where in-house counsel was not licensed to practice law by virtue of his inactive status with the bar, and the company did not perform adequate due diligence to have a reasonable belief that the in-house counsel was licensed to practice law).

[FN4] *See, e.g.,* U.S. v. Kovel, 296 F.2d 918, 921–23, 62-1 U.S. Tax Cas. (CCH) P 9111, 9 A.F.T.R.2d 366, 96 A.L.R.2d 116 (2d Cir. 1961) (holding that the privilege extends to communications between the client and all persons who act as the attorney's agents, including "secretaries, file clerks, telephone operators, messengers, clerks not yet admitted to the bar, and aides of other sorts," as well as communications between the client and all persons who facilitate the client's communication with the attorney, such as translators and accountants); Colo. Rev. Stat. § 13-90-107(1)(b) (2006) (extending the privilege to "an attorney's secretary, paralegal, legal assistant, stenographer, or clerk"); HPD Laboratories, Inc. v. Clorox Co., 202 F.R.D. 410, 416, 59 U.S.P.Q.2d 1506, 57 Fed. R. Evid. Serv. 1143 (D.N.J. 2001) (communications prepared by paralegals may be protected by the attorney-client privilege if they assist an attorney in passing on legal advice or convey legal advice to the client formulated "under the supervision and at the direction of the attorney"; however, legal advice developed and disseminated by the paralegal acting independently, without prior consultation with the attorney, is not privileged); *See generally* Restatement (Third) of the Law Governing Lawyers § 70 cmt. g (2000) (lawyers' agents include secretaries, file clerks, computer operators, and paralegals).

[FN5] *See* U.S. v. Kovel, 296 F.2d 918, 62-1 U.S. Tax Cas. (CCH) P 9111, 9 A.F.T.R.2d 366, 96 A.L.R.2d 116 (2d Cir. 1961) (extending privilege to encompass accountant who's assistance was necessary to interpret the client's information to counsel so that counsel could offer legal advice); U.S. v. Schwimmer, 892 F.2d 237, 243, 29 Fed. R. Evid. Serv. 434 (2d Cir. 1989) (information shared between client and accountant hired by attorney to assist in defense was privileged); In re Grand Jury Subpoenas Dated March 24, 2003 Directed to (A) Grand Jury Witness Firm and (B) Grand Jury Witness, 265 F. Supp. 2d 321, 61 Fed. R. Evid. Serv. 1076 (S.D. N.Y. 2003) (upholding privilege for communications between counsel and public relations firm made for purpose of assisting counsel in providing legal advice); *but see* Burton v. R.J. Reynolds Tobacco Co., 200 F.R.D. 661, 669 (D. Kan. 2001) (communications with public relations firm not privileged where public relations firm not assisting attorney in providing legal advice to client).

[FN6] In re Bame, 251 B.R. 367, 36 Bankr. Ct. Dec. (CRR) 131, 44 Collier Bankr. Cas. 2d (MB) 1078 (Bankr. D. Minn. 2000) ("The existence of an attorney-client relationship and privilege is not dependent

on the client himself paying the attorney. The relationship and the privilege may exist even though the attorney's fees are paid by a third party."); U.S. v. Edwards, 39 F. Supp. 2d 716 (M.D. La. 1999) ("An attorney-client relationship and privilege may exist even though the attorney's fees are paid by a third person.").

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Successful Partnering Between Inside and Outside Counsel
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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
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II. Attorney-Client Privilege
B. Elements

§ 33:8. Attorney-client privilege: elements—Confidentiality

The third element of the attorney-client privilege is *confidentiality*. A communication is "in confidence" if, at the time of the communication, (1) the client expressed the intent that it was to be confidential and to be kept confidential, or (2) the lawyer reasonably assumed the client intended the communication to be confidential.[1] The determination of confidentiality is based on the facts and circumstances at the time of the communication.[2] If a third party not within the privileged group is present, there can be no expectation of privacy and no privilege.[3] Moreover, no privilege attaches to a communication that the client understands will be, or intends to be, conveyed to a third party.[4]

For instance, where a business proposal is sent to counsel for legal advice with the intent that it be disclosed to a third party, the communication will not be deemed to be made in confidence and thus will not be privileged. In general, the intention of the client will be a question of fact, and the burden is on the party asserting the privilege to establish the factual predicate for the claim.[5]

This creates a special challenge for in-house counsel who are often asked to draft letters to third parties or to comment upon documents drafted by corporate representatives intended for public distribution. In such cases, it is important to remember that an in-house counsel draft of a document intended to be sent to a third party is not likely to be protected since it contains information "meant" to be revealed.[6] The same principle applies to a corporate representative's draft public statement sent to in-house counsel for review. However, in-house counsel's comments or changes to the corporate representative's draft may be protected if the comments or substantive changes on the draft reveal legal advice.[7] Thus, it is important for in-house counsel to include on marked-up drafts some substantive indication that the comments or editorial changes reflect counsel's *legal advic*e on the matter. For instance, if in-house counsel reviewing proposed advertising copy removes a claim that the product is better than that of a competitor's, simply placing a note in the margin stating that the claim would violate the law because it has not been substantiated would establish the legal nature of in-house counsel's revisions.

Some courts—most notably the District of Columbia courts—construe the privilege to protect an attorney-client communication only to the extent it contains *confidential information* provided by the client.[8] For example, in Mead Data Central, Inc. v. United States Dep't of Air Force,[9] the Air Force objected, on the basis of attorney-client privilege, to providing certain of its legal opinions on various contracts which Mead sought pursuant to the Freedom of Information Act. The court recognized that the legal opinions at issue were communications to or by an attorney as part of the attorney's provision of legal advice on the status of the contracts. However, the information on which the legal advice rested was provided to Air Force counsel not by the client

but by third parties. The court found that counsel's legal opinions were not protected by the attorney-client privilege since they were not based on confidential client information.[10]

The majority of courts take a broader view and apply privilege to attorney advice, legal services, and communications without the need to establish a direct connection to the communication of confidential information by the client.[11] Even the District of Columbia courts construe the privilege to protect attorney communications to the client that are "based at least in part," upon a confidential communication to the lawyer from the client.[12] Moreover, the confidential information conveyed by the client does not always need to be restated by the attorney in her communication for the privilege to apply.[13] Nevertheless, because of the importance some courts place on the role of "confidential client information," prudence suggests that counsel make it clear that legal advice is based on confidential information provided by the client.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* In re Grand Jury Proceedings, 727 F.2d 1352, 1355, Fed. Sec. L. Rep. (CCH) P 91487, 15 Fed. R. Evid. Serv. 428 (4th Cir. 1984) ("The primary requirement … of the privilege is that the communication was intended to be confidential, or, to use the language of one recent decision, was intended 'to be held in the breast of [his] lawyer.'"); U.S. v. Jones, 696 F.2d 1069, 11 Fed. R. Evid. Serv. 1890 (4th Cir. 1982) ("Any disclosure inconsistent with maintaining the confidential nature of the attorney-client relationship waives the attorney-client privilege."); Denius v. Dunlap, 209 F.3d 944, 952, 143 Ed. Law Rep. 736, 16 I.E.R. Cas. (BNA) 654 (7th Cir. 2000) ("The privilege is implicitly waived if the client communicates information to his attorney without the intent that that information remain confidential."); Exxon Corp. v. Department of Conservation and Natural Resources, 859 So. 2d 1096, 1104 (Ala. 2002) ("The evidence must show that the [communication] was intended to be confidential in order to be protected by the privilege."); *see generally* Restatement (Third) of the Law Governing Lawyers § 71 cmt. b (2000) (collecting cases) ("A communication must be made in circumstances reasonably indicating that it will be learned only by the lawyer, client, or other privileged person.").

[FN2] *See* Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981) (noting that all indicia, including explicit instructions from the Chairman that the information was highly confidential, pointed to the intent for the communication to be and to remain confidential); In re Grand Jury Proceedings, 727 F.2d 1352, 1356, Fed. Sec. L. Rep. (CCH) P 91487, 15 Fed. R. Evid. Serv. 428 (4th Cir. 1984) ("Any disclosure inconsistent with maintaining the confidential nature of the attorney-client relationship waives the attorney-client privilege."); In re Asia Global Crossing, Ltd., 322 B.R. 247, 251 (Bankr. S.D. N.Y. 2005) (holding that "[a]ssuming a communication is otherwise privileged, the use of the company's e-mail system does not, without more, destroy the [attorney-client] privilege"); *see also* Restatement (Third) of the Law Governing Lawyers § 71 (2000) (collecting cases).

[FN3] *See, e.g.*,Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 396, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981);Burlington Industries v. Exxon Corp., 65 F.R.D. 26, 33, 184 U.S.P.Q. 651, 19 Fed. R. Serv. 2d 533 (D. Md. 1974).

[FN4] *See, e.g.*, U.S. v. Bergonzi, 216 F.R.D. 487, 493 (N.D. Cal. 2003) ("[C]ommunications between client and attorney for the purpose of relaying communication to a third party is not confidential and not protected by the attorney-client privilege."); Rediker v. Warfield, 11 F.R.D. 125, 128 (S.D. N.Y. 1951) ("When a communication is made by a client to his attorney with the understanding that it is to be imparted to a third party, no privilege exists.").

[FN5] *See*In re Ampicillin Antitrust Litigation, 81 F.R.D. 377, 202 U.S.P.Q. 134, 1978-1 Trade Cas. (CCH) ¶62043, 25 Fed. R. Serv. 2d 1248 (D.D.C. 1978); *see also* Muncy v. City of Dallas, Texas, 2001 WL 1795591 (N.D. Tex. 2001) (preliminary drafts of documents ultimately intended to be made public are protected by the attorney-client privilege because they may reflect confidential client information and the legal advice and opinion of counsel; applying the privilege to all information provided to counsel for the purpose of drafting documents *to the extent such information is not disclosed to third persons in the final version*); North Carolina Elec. Membership Corp. v. Carolina Power & Light Co., 110 F.R.D. 511, 517 (M.D. N.C. 1986)(noting that drafts of letters are not privileged without proof that they have not been sent to a third party); Andritz Sprout-Bauer, Inc. v. Beazer East, Inc., 174 F.R.D. 609, 633 (M.D. Pa. 1997)("Drafts of documents prepared by counsel or circulated to counsel for comments … are considered privileged if they were prepared or circulated for the purpose of … obtaining legal advice and contain information … not included in the final version.").

[FN6] *See* Ocean Mammal Inst. v. Gates, 2008 WL 2185180 (D. Haw. 2008) (drafts of documents intended to be disclosed to third parties are not protected unless the communications contained in the documents were excluded from the final public version); U.S. Postal Service v. Phelps Dodge Refining Corp., 852 F. Supp. 156 (E.D. N.Y. 1994) (holding that even if in-house counsel comments on a draft letter, sending the letter to a third party normally deprives the communication of confidentiality, but that the communication may be privileged if "prepared with the assistance of an attorney for the purpose of obtaining legal advice and/or contain information a client considered but decided not to include in the final version").

[FN7] *See* U.S. v. New York Metropolitan Transp. Authority, 2006 WL 3833120 (E.D. N.Y. 2006) ("Draft documents ultimately sent to third parties retain their privilege *if they were prepared for the purpose of obtaining legal advice* and/or contain information a client considered but decided not to include in the final version." (internal quotation omitted) (emphasis added)); American Nat. Bank and Trust Co. of Chicago v. AXA Client Solutions, LLC., 2002 WL 1058776 (N.D. Ill. 2002) (draft letters to customers prepared in confidence and containing the legal advice of in house counsel were privileged); *see also* § 33:10 (discussing the difference between business and legal advice).

[FN8] *See* In re Sealed Case, 737 F.2d 94, 99, 1984-1 Trade Cas. (CCH) ¶66062, 15 Fed. R. Evid. Serv. 1811 (D.C. Cir. 1984) (recognizing that the advice from the lawyer to the client is privileged as far as it contains opinions based on information furnished by the client in confidence); Cobell v. Norton, 377 F. Supp. 2d 4 (D.D.C. 2005) ("In the case of attorney-to-client communications, attorney-client privilege may only properly be invoked if the communications rest on *confidential* information obtained from a client." (emphasis in original) (quotation marks and citation omitted)); Sackman v. Liggett Group, Inc., 920 F. Supp. 357, 364, 35 Fed. R. Serv. 3d 36 (E.D. N.Y. 1996), opinion vacated on other grounds, 167 F.R.D. 6, Prod. Liab. Rep. (CCH) P 14638, 32 U.C.C. Rep. Serv. 2d 143 (E.D. N.Y. 1996) ("The attorney-client privilege extends to information given by the client to the attorney, as well as professional advice given by the an attorney that discloses such information." (quotation marks and citations omitted)); North Carolina Elec. Membership Corp. v. Carolina Power & Light Co., 110 F.R.D. 511, 514 (M.D. N.C. 1986) (attorney to client communications "are protected by privilege only if they tend to reveal confidential client communications"); SCM Corp. v. Xerox Corp., 70 F.R.D. 508, 522, 1976-2 Trade Cas. (CCH) ¶61207, 1976-2 Trade Cas. (CCH) ¶61208, 2 Fed. R. Evid. Serv. 535 (D. Conn. 1976) (holding "[u]nless the legal advice reveals what the client has said, no legitimate interest of the client is impaired by disclosing the advice").

[FN9] Mead Data Central, Inc. v. U.S. Dept. of Air Force, 566 F.2d 242, 3 Media L. Rep. (BNA) 1001 (D.C. Cir. 1977).

[FN10] Mead Data Central, Inc. v. U.S. Dept. of Air Force, 566 F.2d 242, 254, 3 Media L. Rep. (BNA) 1001 (D.C. Cir. 1977); *see also* In re Sulfuric Acid Antitrust Litigation, 432 F. Supp. 2d 794 (N.D. Ill. 2006) (hypothetical situations in antitrust manual prepared by outside counsel not protected by privilege because lawyer testified that scenarios were changed from actual events so that no client confidences would be revealed); Cobell v. Norton, 226 F.R.D. 67, 88 (D.D.C. 2005) (holding that "[t]he privilege does not protect an attorney's opinion or advice, but only 'the secrecy of the underlying facts' obtained from the client"); U.S. v. United Shoe Machinery Corp., 89 F. Supp. 357, 360 (D. Mass. 1950) (rejected by, American Standard Inc. v. Pfizer Inc., 828 F.2d 734, 3 U.S.P.Q.2d 1817 (Fed. Cir. 1987)) ("[A] high percentage of the communications passing to or from [in-house counsel and staff] fall outside the privilege because they report or comment on information coming from persons outside the corporation or from public documents, or are summaries of conferences held with or in the presence of outsiders.").

[FN11] *See, e.g.*, Burlington Industries v. Exxon Corp., 65 F.R.D. 26, 37, 184 U.S.P.Q. 651, 19 Fed. R. Serv. 2d 533 (D. Md. 1974) (noting that while certain advisory communications from the attorney to the client were not in direct response to a client request, in light of an ongoing attorney-client relationship, self-initiated attorney communications were properly protected as implied requests for legal advice); In re CV Therapeutics, Inc. Securities Litigation, 2006 WL 1699536 (N.D. Cal. 2006), as clarified on reconsideration, 2006 WL 2585038 (N.D. Cal. 2006) ("self-initiated attorney communications intended to keep the client posted on legal developments and implications" are protected by the attorney-client privilege).

[FN12] In re Sealed Case, 737 F.2d 94, 99, 1984-1 Trade Cas. (CCH) ¶66062, 15 Fed. R. Evid. Serv. 1811 (D.C. Cir. 1984) (counsel's unsolicited legal advice was privileged because it was based in part on confidential information previously disclosed to counsel by management); *see* Carey-Canada, Inc. v. California Union Ins. Co., 118 F.R.D. 242, 247–48 (D.D.C. 1986) ("The fact that communications in this instance originated from the attorney to the client does not alter the application of the privilege because the communications were based on confidential information provided by the client in the course of pending litigation."); Coastal States Gas Corp. v. Department of Energy, 617 F.2d 854, 862, 54 A.L.R. Fed. 256 (D.C. Cir. 1980) ("[F]ederal courts extend the privilege … to an attorney's written communications to a client, to ensure against inadvertent disclosure, either directly or by implication, of information which the client has previously confided to the attorney's trust.").

[FN13] *See, e.g.*, In re Sealed Case, 877 F.2d 976, 979, 28 Fed. R. Evid. Serv. 358 (D.C. Cir. 1989) ("The attorney's communications (his advice) to the client must be … protected, because otherwise it is rather easy to deduce the client's communications to counsel; … it permits an inference to be drawn as to the nature of the client's communications with its lawyers, and perhaps as to their motivation … for

consulting with counsel."); Matter of Fischel, 557 F.2d 209, 211, 2 Fed. R. Evid. Serv. 363 (9th Cir. 1977) (holding that disclosure of an attorney's communications or advice to the client will effectively reveal the substance of the client's confidential communications and extending the privilege both to the client's communication and to the attorney's advice in response).

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Successful Partnering Between Inside and Outside Counsel
Database updated April 2012
Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

II. Attorney-Client Privilege
B. Elements

§ 33:9. Attorney-client privilege: elements—Legal purpose

The fourth element of the attorney-client privilege is *legal purpose*. The attorney-client privilege applies only when the attorney is consulted for the purpose of providing legal advice.[1] Some courts have extended the privilege to cover situations when an attorney is consulted for the purpose of providing legal *services*.[2] However, when an attorney is acting not as a lawyer but as a friend or as a business adviser, no privilege will attach to the advice or services provided by that attorney.[3]

The element of legal purpose plays a particularly crucial role when courts determine whether the attorney-client privilege applies in situations involving in-house counsel. For the privilege to apply to in-house counsel/client communications, in-house counsel must be acting in a professional legal capacity and not as a business advisor.[4] For the tests courts apply to determine if an attorney is providing business or legal advice and for more detail in the area of the privilege as it applies to in-house counsel, *see* § 33:11.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See, e.g.*, In re Grand Jury (Attorney-Client Privilege), 527 F.3d 200, 201 (D.C. Cir. 2008) ("Attorney-client privilege applies to a document a client transfers to his attorney 'for the purpose of obtaining legal advice.'" (quoting Fisher v. U.S., 1976-1 C.B. 411, 425 U.S. 391, 404–05, 96 S. Ct. 1569, 48 L. Ed. 2d 39, 76-1 U.S. Tax Cas. (CCH) P 9353, 37 A.F.T.R.2d 76-1244 (1976))); In re County of Erie, 473 F.3d 413, 419 (2d Cir. 2007) (communication was made "for the purpose of obtaining or providing legal advice"); U.S. v. Chevron Corp., 96-1 U.S. Tax Cas. (CCH) P 50201, 77 A.F.T.R.2d 96-1548, 1996 WL 264769 (N.D. Cal. 1996), order amended, 96-2 U.S. Tax Cas. (CCH) P 50569, 78 A.F.T.R.2d 96-5146, 1996 WL 444597 (N.D. Cal. 1996) ("[A]ttorney-client privilege is triggered only by the exchange of some measure of legal advice."); Griffith v. Davis, 161 F.R.D. 687, 697, 32 Fed. R. Serv. 3d 1322 (C.D. Cal. 1995) (to be protected, the communication must be for the purpose of seeking legal advice); *cf.* In re Spring Ford Industries, Inc., 2004 WL 1291223 (Bankr. E.D. Pa. 2004) (lawyer's provision of information on terms of lease is not the provision of legal advice).

[FN2] *See, e.g.*,In re Grand Jury, 475 F.3d 1299, 1304, (D.C. Cir. 2007);Roesler v. TIG Ins. Co., 251 Fed. Appx. 489 (10th Cir. 2007); In re Grand Jury Proceedings, 727 F.2d 1352, 1355, Fed. Sec. L. Rep. (CCH) P 91487, 15 Fed. R. Evid. Serv. 428 (4th Cir. 1984) ("[T]he privilege applies only when the per-

son claiming the privilege has as a client consulted an attorney for the purpose of securing a legal opinion or services."); *see also* Cal. Stat. § 954 (West 2008) (attorney-client privilege exists between a law corporation and persons to whom it renders professional services).

[FN3] *See, e.g.*, Amway Corp. v. Procter & Gamble Co., 2001 WL 1818698 (W.D. Mich. 2001) (stating that the "mere fact that a certain function is performed by an individual with a law degree will not render the communications made to the individual privileged"); PepsiCo, Inc. v. Baird, Kurtz & Dobson LLP, 305 F.3d 813, 816, 59 Fed. R. Evid. Serv. 523 (8th Cir. 2002) ("[A]ttorney-client privilege applies only to confidential communications made to facilitate legal services, and does not apply where lawyer acts as conduit for client funds, scrivener, or business advisor.") (citing U.S. v. Horvath, 731 F.2d 557, 561, 84-1 U.S. Tax Cas. (CCH) P 9482, 15 Fed. R. Evid. Serv. 1048, 53 A.F.T.R.2d 84-1138 (8th Cir. 1984); In re Sealed Case, 737 F.2d 94, 99, 1984-1 Trade Cas. (CCH) ¶66062, 15 Fed. R. Evid. Serv. 1811 (D.C. Cir. 1984) (finding the privilege only applies if the attorney is "acting as a lawyer").

[FN4] *See, e.g.*, U.S. v. Chevron Corp., 96-1 U.S. Tax Cas. (CCH) P 50201, 77 A.F.T.R.2d 96-1548, 1996 WL 264769 (N.D. Cal. 1996), order amended, 96-2 U.S. Tax Cas. (CCH) P 50569, 78 A.F.T.R.2d 96-5146, 1996 WL 444597 (N.D. Cal. 1996) ("[A] corporation must make a clear showing that in-house counsel's advice was given in a professional legal capacity.");Rossi v. Blue Cross and Blue Shield of Greater New York, 73 N.Y.2d 588, 542 N.Y.S.2d 508, 540 N.E.2d 703, 706 (1989). *See* § 33:11.

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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

II. Attorney-Client Privilege
C. When Applied to Corporations

§ 33:10. Attorney-client privilege: corporations

As discussed in § 33:5, the four elements of the attorney-client privilege are: (1) a communication; (2) made between privileged persons; (3) in confidence; and (4) for a legal purpose. When applied to corporations, the elements of legal purpose and privileged person deserve special attention. In the following sections, we will address these two elements as applied to corporations and their in-house counsel.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

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II. Attorney-Client Privilege
C. When Applied to Corporations

§ 33:11. Attorney-client privilege: corporations—Legal purpose

The fourth element of the attorney-client privilege, *legal purpose*, is scrutinized more closely in the case of corporate in-house counsel. This heightened scrutiny has been applied by the courts to guard against corporations using in-house counsel as a shield against discovery.[1] In-house counsel often have dual roles—or wear two hats—as both lawyer and business advisor.[2] Because they have multifaceted duties and participate in day-to-day corporate activities, determining where the privilege begins and ends can be difficult indeed.[3]

Courts have articulated several tests to determine if communication was made for business or legal advice. Some courts require that the corporation "clearly demonstrate that the communication" to be protected "was made for the express purpose of securing legal advice."[4] Others state that the communication must be for the primary purpose of seeking or rendering legal advice or assistance.[5] Other courts have required that the legal advice be the "predominant" element in the communication.[6] To satisfy the "predominantly legal" standard, a corporation may be required to demonstrate that "the communication would not have been made but for the client's need for legal advice or services."[7] Because of these strict requirements, in-house counsel should always identify the legal purpose of privileged communications on the face of the communication itself or orally inform the recipient that the communication is intended to further the provision of legal advice.[8]

Applying the "primarily" legal, "predominantly" legal or "but for" standards is an art rather than a science.[9] Courts have historically struggled with the application of these standards. In Note Funding Corp. v. Bobian Inv. Co., the district court addressed the frequent interconnection between corporate counsel's business and legal roles, recognizing that:

> [i]n pursuing large and complex financial transactions, commercial entities often seek the assistance of attorneys who are well equipped both by training and by experience to assess the risks and advantages in alternative business strategies. When providing this assistance, counsel are not limited to offering their client purely abstract advice as to the rules of law that may apply to their situation. Of necessity, counsel will often be required to assess specific tactics in putting together transactions or shaping the terms of commercial agreements, and their evaluation of alternative approaches may well take into account not only the potential impact of applicable legal norms, but also the commercial needs of their client and the financial benefits or risks of these alternative strategies.[10]

The Note Funding court held that a privilege claim is not vitiated merely because in-house counsel's advice

may "encompass commercial as well as legal considerations …."[11] Instead, the court must examine whether (1) the corporation had consulted in-house counsel "at least in part, because of his legal expertise …," and (2) in-house counsel's advice rested "'predominantly' on his assessment of the requirements imposed, or the opportunities offered, by applicable rules of law …."[12] If the answers to these questions are "yes," counsel is functioning in a legal capacity and the privilege claim shall be upheld.[13]

There are no specific judicially-established criteria to guide in-house counsel in determining when a communication is "primarily" or "predominantly" legal.[14] The lack of specific criteria means that courts have reached differing results when determining whether privilege will apply to in-house counsel services. For example, in Georgia-Pacific Corp. v. GAF Roofing Manufacturing Corp.,[15] in-house counsel for GAF was asked to review a proposed asset purchase agreement and comment upon the environmental issues raised by the proposed agreement. In-house counsel later advised a GAF senior executive and other GAF in-house counsel that the proposed contract might not cover certain environmental claims and recommended negotiation strategies for changes to the contract. In-house counsel then met with the sellers' counsel and negotiated various contract terms. When problems with the contract resulted in litigation, the sellers sought to compel in-house counsel to testify about the advice and recommendations he made to management and his advice on the impact of the contract language. Judge Robert Patterson of the United States District Court for the Southern District of New York required in-house counsel to disclose the contents of communications between the corporate officer and in-house counsel. The court found these communications were unprotected business communications because in-house counsel "was not exercising a lawyer's traditional function" but "acting as the negotiator on behalf of the corporation in a business, not legal, capacity."[16] It should be noted that this decision was not without controversy.[17]

In an almost identical fact situation, the United States District Court for the Northern District of Illinois, in Diversey United States Holdings, Inc. v. Sara Lee Corp.,[18] had no difficulty finding that privilege covered information gathering and negotiation services provided by in-house counsel. Diversey sought to compel disclosure of documents reflecting communications between Sara Lee's in-house counsel and Sara Lee executives on the interpretation of an environmental liability clause in a purchase agreement entered into between the two companies. Sara Lee's in-house counsel participated in the negotiations on the language used in the contested clause. Prior to negotiating the clause, in-house counsel circulated draft language to the risk manager and others for comments. The court determined the documents were protected by the attorney-client privilege because in-house counsel was both seeking information (by circulation of the draft for comment) and rendering legal advice (drafting suggested language). Indeed, the court found in-house counsel's role was typical of the services provided by a lawyer, stating:

> [t]his strikes us as the gathering of information by an attorney from the client to enable the attorney to provide competent legal services in this case, the drafting of a contract. Drafting legal documents is a core activity of lawyers, and obtaining information and feedback from clients is a necessary part of the process.[19]

The burden of proving each element of the attorney-client privilege clearly rests on the proponent of the privilege.[20] The burden of distinguishing between protected legal communications and unprotected business advice is an "inquiry [that] is necessarily fact-specific."[21] Thus, to determine if in-house counsel's documents or testimony fall within the protected parameters, the *purpose*,[22]*context*,[23] and *content*[24] of each communication in question must be analyzed.

Under Upjohn v. United States, the regulatory environment surrounding the attorney-client communication should be taken into account during this fact-specific analysis because "[i]n light of the vast and complicated array of regulatory legislation confronting the modern corporation, corporations, unlike most individuals, 'constantly go to lawyers to find out how to obey the law.'"[25] However, some courts have been reluctant to strictly adhere to that policy out of fear that it would require holding *all* attorney-client communication in such a regulatory environment privileged.[26]

In defending claims of privilege for the work of in-house counsel, it is important to submit particularized evidence to support each element of the privilege asserted. A mere statement that counsel served as in-house counsel while employed by the corporate client and that the advice or information sought dealt with matters handled by in-house counsel in his legal capacity, without more, will not satisfy this burden.[27] For example, in Teltron v. Alexander,[28] the defendant deposed Teltron's Vice President and in-house counsel. Plaintiff objected to many questions, asserting attorney-client privilege. To substantiate the challenged privilege claims, plaintiff submitted the corporation's Chief Executive Officer's affidavit stating that the deponent served as in-house counsel throughout the entire term of his employment and that the information sought from the deponent during the deposition related to matters handled by him in his legal capacity. The court found that the information contained in the CEO's affidavit was not sufficient to clearly show that the information that plaintiff sought to protect was given in the deponent's legal capacity.[29]

As a practical matter, there is no magic formula or silver bullet to remedy the uncertainty of how a court might view a specific communication or service of in-house counsel when it comes to determining legal purpose. There are, however, some sensible steps or precautions that may aid the corporation in its burden to clearly demonstrate that the communication is privileged. For suggestions on how to manage document creation and storage and to establish that documents are primarily or predominantly legal, *see* §§ 33:51 and 33:52 along with the checklist provided at § 33:97.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Southern Bell Tel. & Tel. Co. v. Deason, 632 So. 2d 1377, 1383, 27 A.L.R.5th 829 (Fla. 1994) ("to minimize the threat of corporations cloaking information with the attorney-client privilege in order to avoid discovery, claims of the privilege in the corporate context will be subjected to a heightened level of scrutiny"); Teltron, Inc. v. Alexander, 132 F.R.D. 394, 396 (E.D. Pa. 1990) (corporations must clearly demonstrate that the advice from in-house counsel sought to be protected was given in counsel's professional legal capacity to prevent corporations from shielding business transactions from discovery by funneling communications through an attorney); Rossi v. Blue Cross and Blue Shield of Greater New York, 73 N.Y.2d 588, 542 N.Y.S.2d 508, 540 N.E.2d 703, 705 (1989) ("privilege obstructs the truth finding process … the need to apply it 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"); SCM Corp. v. Xerox Corp., 70 F.R.D. 508, 515, 1976-2 Trade Cas. (CCH) ¶61207, 1976-2 Trade Cas. (CCH) ¶61208, 2 Fed. R. Evid. Serv. 535 (D. Conn. 1976) ("Legal departments are not citadels in which public, business or technical information may be placed to defeat discovery and thereby ensure confidentiality."); U.S. v. Davis, 132 F.R.D. 12, 16 (S.D. N.Y. 1990) ("In-house counsel's law degree and office are not … used to create a 'privileged sanctuary for corporate records.'"); Spectrum Systems Intern. Corp. v. Chemical Bank, 157 A.D.2d 444, 447, 558 N.Y.S.2d 486, 488 (1st Dep't 1990), order aff'd as

modified, 78 N.Y.2d 371, 575 N.Y.S.2d 809, 581 N.E.2d 1055 (1991) ("[W]here corporations are concerned, the line between legal and nonlegal communications may be blurred requiring that caution be exercised to prevent the mere participation of an attorney in an internal investigation from being used to seal off disclosure.").

[FN2] Andritz Sprout-Bauer, Inc. v. Beazer East, Inc., 174 F.R.D. 609, 633 (M.D. Pa. 1997) (issues as to the role of an attorney and whether privilege should apply arise most often with in-house counsel who may perform a variety of functions for the corporation); *see also* City of Springfield v. Rexnord Corp., 196 F.R.D. 7, 9, 47 Fed. R. Serv. 3d 791 (D. Mass. 2000) (stating that "an in-house lawyer may wear several hats (*e.g.*, business advisor, financial consultant) and because the distinctions are often hard to draw, the invocation of the attorney-client privilege may be questionable in many instances").

[FN3] TVT Records v. Island Def Jam Music Group, 214 F.R.D. 143, 145 (S.D. N.Y. 2003) ("It is not always discernable in what capacity [in-house counsel, who also serve as high ranking management executives] may have been functioning at the time they participated in particular communications, whether as lawyers or business managers."); U.S. Postal Service v. Phelps Dodge Refining Corp., 852 F. Supp. 156, 163–64 (E.D. N.Y. 1994); *but see* U.S. v. United Shoe Machinery Corp., 89 F. Supp. 357, 360 (D. Mass. 1950) (rejected by, American Standard Inc. v. Pfizer Inc., 828 F.2d 734, 3 U.S.P.Q.2d 1817 (Fed. Cir. 1987)) (noting that the same privilege rules applied to outside counsel should be applied to in-house counsel because the only difference between them is that "house counsel gives advice to one regular client, the outside counsel to several regular clients").

[FN4] Kramer v. Raymond Corp., 1992 WL 122856 (E.D. Pa. 1992); U.S. ex rel. Parikh v. Premera Blue Cross, 2006 WL 3733783 (W.D. Wash. 2006) (quoting Kramer v, Raymond Corp. and noting that "[b]usiness communications are not protected merely because they are directed to an attorney, and communications at meetings attended or directed by attorneys are not automatically privileged as a result of the attorney's presence"); *see also* In re Vioxx Products Liability Litigation, 501 F. Supp. 2d 789 (E.D. La. 2007) (courts require clear showing that in-house counsel's advice was given in his professional legal capacity to overcome the fear that businesses may hide internal communications by funneling documents through in-house counsel); U.S. v. Chevron Corp., 96-1 U.S. Tax Cas. (CCH) P 50201, 77 A.F.T.R.2d 96-1548, 1996 WL 264769 (N.D. Cal. 1996), order amended, 96-2 U.S. Tax Cas. (CCH) P 50569, 78 A.F.T.R.2d 96-5146, 1996 WL 444597 (N.D. Cal. 1996) ("Corporation must make a clear showing that in-house counsel's advice was given in a professional legal capacity"); In re Sealed Case, 737 F.2d 94, 99, 1984-1 Trade Cas. (CCH) ¶66062, 15 Fed. R. Evid. Serv. 1811 (D.C. Cir. 1984) (same); Amway Corp. v. Procter & Gamble Co., 2001 WL 1818698 (W.D. Mich. 2001) (stating that the proponent of the privilege must make a clear showing that counsel is acting in a professional legal capacity and that the document reflects legal, as opposed to business, advice); Boca Investerings Partnership v. U.S., 31 F. Supp. 2d 9, 99-1 U.S. Tax Cas. (CCH) P 50182, 51 Fed. R. Evid. Serv. 106, 83 A.F.T.R.2d 99-2312 (D.D.C. 1998) (same); Teltron, Inc. v. Alexander, 132 F.R.D. 394, 396 (E.D. Pa. 1990) ("corporation[s] must clearly demonstrate that the advice" from in-house counsel sought to be "protected was given" in counsel's professional legal capacity to shield the communication from discovery).

[FN5] *See* In re Grand Jury, 475 F.3d 1299, 1304, (D.C. Cir. 2007) (legal purpose must be primary); Southern Union Co. v. Southwest Gas Corp., 205 F.R.D. 542, 546 (D. Ariz. 2002); Kramer v. Raymond Corp., 1992 WL 122856 (E.D. Pa. 1992) ("Because in-house counsel may play a dual role of legal ad-

visor and business advisor, the privilege will apply only if the communication's primary purpose is to gain or provide legal assistance."); Griffith v. Davis, 161 F.R.D. 687, 697, 32 Fed. R. Serv. 3d 1322 (C.D. Cal. 1995) (noting communication must be "primarily for the purpose of generating legal advice"); North Carolina Elec. Membership Corp. v. Carolina Power & Light Co., 110 F.R.D. 511, 514 (M.D. N.C. 1986) (same).

[FN6] *See* Harmony Gold U.S.A., Inc. v. FASA Corp., 169 F.R.D. 113, 115 (N.D. Ill. 1996) (legal advice must be the predominant element in the communication rather than incidental to business advice); Leonen v. Johns-Manville, 135 F.R.D. 94, 99 (D.N.J. 1990) (to determine if privilege applies to in-house counsel the inquiry is focused on whether "the communication is designed to meet problems … characterized as predominantly legal"); Marten v. Yellow Freight System, Inc., 1998 WL 13244 (D. Kan. 1998)(same); *see also* City of Springfield v. Rexnord Corp., 196 F.R.D. 7, 9, 47 Fed. R. Serv. 3d 791 (D. Mass. 2000) (stating that as long as the communication was primarily or predominately created for a legal purpose, the privilege is not lost because the communication may also deal with non-legal matters); American Medical Systems, Inc. v. National Union Fire Ins. Co. of Pittsburgh, PA., 1999 WL 816300 (E.D. La. 1999) (noting that "documents prepared for review by both legal and nonlegal staff are not privileged, because the documents cannot be said to have been made for the primary purpose of seeking legal advice"); Neuder v. Battelle Pacific Northwest Nat. Laboratory, 194 F.R.D. 289, 292, 48 Fed. R. Serv. 3d 929 (D.D.C. 2000) (same).

[FN7] Leonen v. Johns-Manville, 135 F.R.D. 94, 99 (D.N.J. 1990) (quoting First Chicago Intern. v. United Exchange Co. Ltd., 125 F.R.D. 55, 57 (S.D. N.Y. 1989)); *see also* Neuberger Berman Real Estate Income Fund, Inc. v. Lola Brown Trust No. 1B, 230 F.R.D. 398, 410 (D. Md. 2005) (concluding the "'but for' formulation is more consistent with the Fourth Circuit's narrow interpretation of the attorney-client privilege"); Reich v. Hercules, Inc., 857 F. Supp. 367, 373, 16 O.S.H. Cas. (BNA) 1942, 1994 O.S.H. Dec. (CCH) P 30536 (D.N.J. 1994).

[FN8] *See, e.g.*, Deel v. Bank of America, N.A., 227 F.R.D. 456, 462 (W.D. Va. 2005) (the court denied attorney-client privilege for completed employee questionnaires where employees were not informed that the information was sought in order to obtain legal advice. From this non-disclosure, the court determined that the company intended "to make a business decision informed by federal law—not obtain a legal opinion using information gathered from its employees.").

[FN9] In re Teleglobe Communications Corp., 493 F.3d 345, 360 (3d Cir. 2007), as amended, (Oct. 12, 2007) ("Because the privilege carries through policy purposes … the Supreme Court has not applied it mechanically."); *see also* Neuberger Berman Real Estate Income Fund, Inc. v. Lola Brown Trust No. 1B, 230 F.R.D. 398, 410 (D. Md. 2005) (quoting Snider & Ellins, Corporate Privilege and Confidential Information, § 2.05 (2004)) ("Commentators generally agree that courts have not reached any consensus as to the 'degree of predominance that must be assigned to the legal aspects of a communication.'"); Note Funding Corp. v. Bobian Investment Co., 1995 WL 662402 (S.D. N.Y. 1995) (recognizing the often "blurry line" between in-house counsel's provision of legal advice and business functions).

[FN10] Note Funding Corp. v. Bobian Investment Co., 1995 WL 662402 (S.D. N.Y. 1995); *see also* TVT Records v. Island Def Jam Music Group, 214 F.R.D. 143 (S.D. N.Y. 2003).

[FN11] Note Funding Corp. v. Bobian Investment Co., 1995 WL 662402 (S.D. N.Y. 1995); Boss Mfg. Co. v. Hugo Boss AG, 1999 WL 47324 (S.D. N.Y. 1999) ("Although the provision of predominantly non-legal services would not be covered by this standard, the fact that counsel engaged in negotiations that involved business as well as legal considerations does not vitiate the privilege."); Picard Chemical Inc. Profit Sharing Plan v. Perrigo Co., 951 F. Supp. 679, 685 (W.D. Mich. 1996) ("[L]egal and business considerations may frequently be inextricably intertwined. This is inevitable when legal advice is rendered in the context of commercial transactions or in the operations of a business in a corporate setting. The mere fact that business considerations are weighed in the rendering of legal advice does not vitiate the attorney-client privilege.").

[FN12] Note Funding Corp. v. Bobian Investment Co., 1995 WL 662402 (S.D. N.Y. 1995); *see also* MSF Holding, Ltd. v. Fiduciary Trust Co. Intern., 2005 WL 3338510 (S.D. N.Y. 2005) ("[W]e look to whether the attorney's performance depends principally on [her] knowledge of or application of legal requirements or principles, rather than [her] expertise in matters of commercial practice.").

[FN13] Note Funding Corp. v. Bobian Investment Co., 1995 WL 662402 (S.D. N.Y. 1995); *see also* Rossi v. Blue Cross and Blue Shield of Greater New York, 73 N.Y.2d 588, 542 N.Y.S.2d 508, 540 N.E.2d 703, 706 (1989).

[FN14] Rossi v. Blue Cross and Blue Shield of Greater New York, 73 N.Y.2d 588, 593, 542 N.Y.S.2d 508, 540 N.E.2d 703, 706 (1989).

[FN15] Georgia-Pacific Corp. v. GAF Roofing Mfg. Corp., 1996 WL 29392 (S.D. N.Y. 1996).

[FN16] Georgia-Pacific Corp. v. GAF Roofing Mfg. Corp., 1996 WL 29392 (S.D. N.Y. 1996); *see also* J. P. Foley & Co., Inc. v. Vanderbilt, 65 F.R.D. 523, 526, Fed. Sec. L. Rep. (CCH) P 94363 (S.D. N.Y. 1974) (when lawyers act as negotiators, the confidential communications between the lawyer and client are not privileged); Sackman v. Liggett Group, Inc., 920 F. Supp. 357, 364, 35 Fed. R. Serv. 3d 36 (E.D. N.Y. 1996), opinion vacated on other grounds, 167 F.R.D. 6, Prod. Liab. Rep. (CCH) P 14638, 32 U.C.C. Rep. Serv. 2d 143 (E.D. N.Y. 1996) (privilege does not apply where a non-lawyer could have performed the service). *But see* U.S. Postal Service v. Phelps Dodge Refining Corp., 852 F. Supp. 156, 160 (E.D. N.Y. 1994) (advice given by in-house counsel could have been given by a non-lawyer, but because remediation of polluted property was not routine business and involved a state regulatory agency, the expectation of confidentiality was greater and the privilege applied).

[FN17] *See* Van Deusen, The Attorney-Client Privilege for In-House Counsel When Negotiating Contracts: A Response to Georgia-Pacific Corp. v. GAI Roofing Manufacturing Corp., 29 Wm. & Mary L. Rev. 1397, 1399 (1998). This article was cited in City of Springfield v. Rexnord Corp., 196 F.R.D. 7, 9 n.1, 47 Fed. R. Serv. 3d 791 (D. Mass. 2000).

[FN18] Diversey U.S. Holdings, Inc. v. Sara Lee Corp., 1994 WL 71462 (N.D. Ill. 1994).

[FN19] Diversey U.S. Holdings, Inc. v. Sara Lee Corp., 1994 WL 71462 (N.D. Ill. 1994) (even though the court found privilege for the attorney's role, it later held that the privilege was waived by selective release of some materials); *see also* R.J. Reynolds Tobacco Co. v. Premium Tobacco Stores, Inc., 2001 WL 1286727 (N.D. Ill. 2001) ("Communications by a client to a lawyer for advice on the legal implications of proposed contract terms are protected, as well as the advice that the lawyer gives regarding

those terms."); Boss Mfg. Co. v. Hugo Boss AG, 1999 WL 47324 (S.D. N.Y. 1999) (in-house counsel's direct involvement in negotiation of the contract is consistent with the traditional role of counsel as a legal advisor).

[FN20] Fulmore v. Howell, 657 S.E.2d 437, 442 (N.C. Ct. App. 2008), review denied, 362 N.C. 470, 666 S.E.2d 119 (2008) and petition for cert. filed, 77 U.S.L.W. 3346 (U.S. Nov. 19, 2008) ("The party who claims the privilege bears the burden of demonstrating that the communication at issue meets all the requirements of the privilege."); F.T.C. v. GlaxoSmithKline, 203 F.R.D. 14, 21 (D.D.C. 2001), rev'd on other grounds, 294 F.3d 141, 2002-2 Trade Cas. (CCH) ¶73728, 58 Fed. R. Evid. Serv. 1443, 53 Fed. R. Serv. 3d 98 (D.C. Cir. 2002) (stating that the burden for establishing the applicability of the attorney-client privilege as well as work product protection is on the party asserting its application).

[FN21] Rossi v. Blue Cross and Blue Shield of Greater New York, 73 N.Y.2d 588, 593, 542 N.Y.S.2d 508, 540 N.E.2d 703, 705 (1989); *see also* In re Grand Jury Proceedings, 220 F.3d 568, 571, 2000-2 U.S. Tax Cas. (CCH) P 50598, 86 A.F.T.R.2d 2000-5318 (7th Cir. 2000) ("The inquiry into whether documents are subject to a privilege is a highly fact-specific one.").

[FN22] Fulmore v. Howell, 657 S.E.2d 437, 443 (N.C. Ct. App. 2008), review denied, 362 N.C. 470, 666 S.E.2d 119 (2008) and petition for cert. filed, 77 U.S.L.W. 3346 (U.S. Nov. 19, 2008) (accident report was for safety purposes, not legal advice); U.S. ex rel. Fago v. M & T Mortg. Corp., 238 F.R.D. 3, 11, 66 Fed. R. Serv. 3d 96 (D.D.C. 2006) (communication was privileged because counsel's purpose in investigating and making recommendations on personnel decisions was legal advice); In re Buspirone Antitrust Litigation, 211 F.R.D. 249, 253, 2002-2 Trade Cas. (CCH) ¶73903 (S.D. N.Y. 2002), dismissed, 60 Fed. Appx. 806 (Fed. Cir. 2003) ("Where non-legal personnel are asked to provide a response to a matter raised in a document, it cannot be said that the 'primary' purpose of the document is to seek legal advice."); Neuder v. Battelle Pacific Northwest Nat. Laboratory, 194 F.R.D. 289, 294, 48 Fed. R. Serv. 3d 929 (D.D.C. 2000) (advice of in-house counsel who served as chairperson of employee review committee was business advice because the committee's purpose was predominately business); Southern Union Co. v. Southwest Gas Corp., 205 F.R.D. 542, 547 (D. Ariz. 2002) (drafts were privileged because they were provided to counsel for the purpose of providing legal advice); Caremark, Inc. v. Affiliated Computer Services, Inc., 195 F.R.D. 610, 614, 47 Fed. R. Serv. 3d 1117 (N.D. Ill. 2000) (document will be protected from disclosure if it was prepared because of the prospect of litigation, and will not lose its protection merely because it was also created to assist with a business decision); Pomerantz v. U.S., 2001-2 U.S. Tax Cas. (CCH) P 50500, 87 A.F.T.R.2d 2001-825, 2001 WL 175944 (S.D. Fla. 2001), report and recommendation adopted, 88 A.F.T.R.2d 2001-5563, 2001 WL 1022387 (S.D. Fla. 2001) (pro forma tax returns and worksheets prepared for the purpose of assisting in pending divorce action and which were not intended to be filed with the IRS were privileged).

[FN23] Banks v. Mario Industries of Virginia, Inc., 274 Va. 438, 454, 650 S.E.2d 687, 695, 26 I.E.R. Cas. (BNA) 1060 (2007) (privilege did not apply to document employee created on work computer because there was no expectation of privacy in that context); North Carolina Elec. Membership Corp. v. Carolina Power & Light Co., 110 F.R.D. 511, 517 (M.D. N.C. 1986) (lobbying efforts coordinated by legal department did not refer to legal problems and thus do not constitute privileged communications); SCM Corp. v. Xerox Corp., 70 F.R.D. 508, 1976-2 Trade Cas. (CCH) ¶61207, 1976-2 Trade Cas. (CCH) ¶61208, 2 Fed. R. Evid. Serv. 535 (D. Conn. 1976) (documents prepared and circulated for simultaneous review by legal and nonlegal personnel not privileged where context does not support a finding that the communication was for primary purpose of seeking legal advice); *accord* Neuder v. Battelle Pacific Northwest Nat. Laboratory, 194 F.R.D. 289, 294, 48 Fed. R. Serv. 3d 929 (D.D.C. 2000); American Medical Systems, Inc. v. National Union Fire Ins. Co. of Pittsburgh, PA., 1999 WL 816300 (E.D. La. 1999).

[FN24] Andritz Sprout-Bauer, Inc. v. Beazer East, Inc., 174 F.R.D. 609, 633 (M.D. Pa. 1997) ("The contents of the communication determine whether the privilege applies."); Kramer v. Raymond Corp., 1992 WL 122856 (E.D. Pa. 1992) (minutes of Corporation Product Liability Management Team were not covered by privilege because the content of the communications did not reveal they were made primarily for a legal purpose); In re Westinghouse Elec. Corp. Uranium Contracts Litigation, 76 F.R.D. 47, 57, 2 Fed. R. Evid. Serv. 87 (W.D. Pa. 1977) (communications to/from counsel are protected when the "face of the document involved suggested that the principal purpose was" legal); *see also* Charter One Bank, F.S.B. v. Midtown Rochester, L.L.C., 191 Misc. 2d 154, 738 N.Y.S.2d 179, 190 (Sup 2002) (memorandum from corporate employee to corporate employee was protected by the attorney-client privilege because the memorandum related only the legal advice requested); Andritz Sprout-Bauer, Inc. v. Beazer East, Inc., 174 F.R.D. 609, 633 (M.D. Pa. 1997) (drafts prepared or circulated by counsel for comments on legal issues are privileged if they contain comments/information not in the final); Muller v. Walt Disney Productions, 871 F. Supp. 678, 682, 34 U.S.P.Q.2d 1061 (S.D. N.Y. 1994) (preliminary drafts of contracts are generally protected since they may reflect client confidences and legal advice); City of Springfield v. Rexnord Corp., 196 F.R.D. 7, 9, 47 Fed. R. Serv. 3d 791 (D. Mass. 2000) (documents prepared in anticipation of media inquiries by in-house counsel not protected because the documents represented client's public statements); Softview Computer Products Corp. v. Haworth, Inc., 58 U.S.P.Q.2d 1422, 2000 WL 351411 (S.D. N.Y. 2000) (documents sent to counsel relating to the timing and content of the corporate client's press release and counsel's response, including discussions of the then-ongoing litigation with a competitor reflecting counsel's views of issues raised in that litigation, were privileged).

[FN25] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 392, 101 S. Ct. 677, 684, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981)(quoting Burnham, The Attorney-Client Privilege in the Corporate Arena, 24 Bus. Law. 901, 913 (1969)).

[FN26] *See, e.g.*, In re Vioxx Products Liability Litigation, 501 F. Supp. 2d 789 (E.D. La. 2007) (noting that "the pervasive nature of governmental regulation is a factor that must be taken into account when assessing whether the work of the in-house attorneys in the drug industry constitutes legal advice, but those drug companies cannot reasonably conclude from the fact of pervasive regulation that virtually everything sent to the legal department, or in which the legal department is involved, will automatically be protected by the attorney-client privilege").

[FN27] *See* Greene, Tweed of Delaware, Inc. v. DuPont Dow Elastomers, L.L.C., 202 F.R.D. 418, 423 (E.D. Pa. 2001) ("The burden of establishing the elements of the privilege can be met only by an evidentiary showing based upon competent evidence and cannot be 'discharged by mere conclusory or ipse dixit, assertions.'" (quoting Saxholm AS v. Dynal, Inc., 164 F.R.D. 331, 333 (E.D. N.Y. 1996))); Borase v. M/A COM, Inc., 171 F.R.D. 10, 14, 37 Fed. R. Serv. 3d 428 (D. Mass. 1997) ("Merely saying that [counsel] was so acting in a memorandum of law is patently insufficient to meet the burden. Neither can it be assumed.") (citing Securities and Exchange Commission v. Gulf & Western Industries,

Inc., 518 F. Supp. 675, 683, Fed. Sec. L. Rep. (CCH) P 98233, 8 Fed. R. Evid. Serv. 1436 (D.D.C. 1981)); *see also* U.S. v. Motorola, Inc., 1999 WL 552553 (D.D.C. 1999) (the burden imposed upon the proponent of the privilege to sustain the privilege "requires presenting facts beyond those contained in the document to establish the existence of a privilege").

[FN28] Teltron, Inc. v. Alexander, 132 F.R.D. 394 (E.D. Pa. 1990).

[FN29] Teltron, Inc. v. Alexander, 132 F.R.D. 394, 396 (E.D. Pa. 1990).

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Successful Partnering Between Inside and Outside Counsel
Database updated April 2012
Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

II. Attorney-Client Privilege
C. When Applied to Corporations

§ 33:12. Attorney-client privilege: corporations—Privileged persons

The second element of the attorney-client privilege, *privileged persons*, raises two special problems when applied to corporations. The first issue is: who will be treated as an attorney for a corporation for purposes of the privilege. The second issue is: which persons acting on behalf of the corporation are the "client" and can therefore engage in corporate privileged communications.

The first issue can be dealt with fairly easily. To be subject to the privilege, counsel must be licensed.[1] In some instances, in-house counsel may be licensed in a jurisdiction different from that in which the corporation is located and in which they are actually working. Courts have held that in such situations, because the requirements of the attorney-client privilege are met, communications with such counsel will be protected.[2] Likewise, numerous other states provide by statute that such attorneys shall be treated the same as if they were licensed in that state, although such statutes also impose certain administrative procedures.[3] The ABA's Model Rules provide that an attorney admitted in another state can provide legal advice "to the lawyer's employer or its organizational affiliates [that] are not services for which the forum requires pro hac vice admission."[4]

The second issue is more complex. The attorney-client privilege that attaches to communications between a corporate client and its counsel is controlled by the corporation's management on behalf of the corporation.[5] As a general matter, an officer or director acting alone cannot force the corporation to disclose privileged information or prevent it from doing so.[6] "A dissident director is by definition not 'management' and, accordingly, has no authority to pierce or otherwise frustrate the attorney-client privilege when such action conflicts with the will of 'management.' "[7] A corporation may have the right to assert its attorney-client privilege against minority shareholders and directors, and even particular corporate officers.[8] Individual officers have no inherent claim to see privileged materials or to waive the corporation's attorney-client privilege without authorization from the board. These rules stem from the legal proposition that a corporation is not a "joint client" consisting of a collection of directors, but instead is a single and uniform client controlled by a majority of its board of directors.[9]

Generally speaking, there are two conflicting approaches to defining the scope of privilege within the corporation. The first approach focuses on the corporation's "control group." Under the "control group" test, only members of senior management who exercise control and take part in the decision to act upon the advice of counsel qualify as the "client" for purposes of applying the attorney-client privilege.[10] In Upjohn v. United States,[11] the United States Supreme Court rejected the "control group" test as too narrow and restrictive, because it both overlooks "the fact that the privilege exists to protect not only the giving of professional advice to

those who can act on it but also the giving of information to the lawyer to enable him to give sound and informed advice," and because "an attorney's advice will also frequently be more significant to non-control group members … who will put into effect the client corporation's policy."[12] Given the realities of corporate operation, employees outside the control group are frequently called upon to provide the information to counsel necessary to ensure that the corporation receives sound legal advice and may also need to receive that legal advice so they can carry out their duties in accordance with legal advice.[13]

The Upjohn Court did not set out a new test to replace the control group test. The Court, however, did cite with approval the Eighth Circuit's opinion in Diversified Indus., Inc. v. Meredith[14] that outlined a second approach, the "subject matter" test.[15] Under the subject matter test, the attorney-client privilege applies to employee-counsel communications within a corporation where:

> (1) the communication was made for the purpose of securing legal advice; (2) the employee making the communication did so at the direction of his corporate superior; (3) the superior made the request so that the corporation could secure legal advice; (4) the subject matter of the communication is within the scope of the employee's corporate duties; and (5) the communication is not disseminated beyond those persons who, because of the corporate structure, need to know its contents.[16]

Under the subject matter test, protection has been extended to communications between non-lawyer employees who pass on legal advice from the company's lawyer.[17]

Since the Supreme Court's decision in Upjohn, many states have adopted the subject matter test.[18] However, because Upjohn was based on federal common law, not all states have followed it or adopted the subject matter test.[19] In states still applying a control group test, only conversations between counsel and members of the "control group" (high level employees who have authority to take action based on legal advice) will be protected.[20]

It is because of the widely divergent standards that may apply to corporate communications with counsel that in-house counsel should establish procedures to obtain information necessary for the rendering of legal advice that, at a minimum, comply with the requirements of the subject matter test. The procedures should clearly demonstrate that the request for information (1) was focused on the specific employee whose duties come within the scope of the information needed, and (2) was provided at the direction of the employee's superior who asked the employee to provide the information to counsel in confidence for the purpose of securing legal advice for the corporation.[21] In addition, when legal advice is transmitted to employees who are not executive decision-makers, counsel should inform those employees that they are receiving the legal advice because they must act upon it and advise them not to share the advice with other employees. For a corporation whose affairs may subject it to jurisdiction in numerous states, prudent practice is to restrict privileged conversations to persons with a demonstrable need to know the advice rendered or to be involved in developing the facts upon which the advice is based.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* §§ 33:7 and 33:9.

[FN2] *See, e.g.*, Florida Marlins Baseball Club, LLC v. Certain Underwriters at Lloyd's London Subscribing to Policy No. 893/HC/97/9096, 900 So. 2d 720 (Fla. 3d DCA Apr. 27, 2005) (finding privilege applicable even though in-house counsel was not admitted to the Florida bar, since he was admitted in Missouri and therefore an "attorney" for attorney-client privilege purposes); Premiere Digital Access, Inc. v. Central Telephone Co., 360 F. Supp. 2d 1168 (D. Nev. 2005) (finding under Nevada law that "[n]otwithstanding Plaintiff's arguments that in-house counsel is not covered by the privilege, the drafter of the email in question … is licensed to practice law in Kansas, and is therefore an attorney for purposes of the privilege").

[FN3] *See, e.g.*, N.J. Stat. Ann. § 1:27-2 (setting forth limited license rules for in-house counsel and noting that subject to certain limitations not affecting attorney-client privilege that "rights and privileges governing the practice of law in this State shall be applicable to a lawyer admitted under this Rule"); Pa. Bar Admission Rule 302 (explaining requirement that in-house counsel obtain license and that "[w]hen a license is required under this rule for performance of legal services …, the performance of such services by the attorney shall be considered to be the active engagement in the practice of law for all purposes").

[FN4] ABA Model Rules of Professional Conduct 5.5(d)(1).

[FN5] *See, e.g.*, U.S. v. Campbell, 73 F.3d 44, 47, 28 Bankr. Ct. Dec. (CRR) 450, Bankr. L. Rep. (CCH) P 76779, 43 Fed. R. Evid. Serv. 719 (5th Cir. 1996) ("When the corporation is solvent, the agent that controls the corporate attorney-client privilege is the corporation's management.");U.S. v. Piccini, 412 F.2d 591, 593 (2d Cir. 1969).

[FN6] U.S. v. Weissman, 1996 WL 737042 (S.D. N.Y. 1996) (officer or director "may not prevent a corporation from waiving an attorney client privilege arising from discussions with corporate counsel about corporate matters").

[FN7] Milroy v. Hanson, 875 F. Supp. 646, 648 (D. Neb. 1995). *See also* Lane v. Sharp Packaging Systems, Inc., 2002 WI 28, 251 Wis. 2d 68, 640 N.W.2d 788, 802 (2002) (extending Milroy to former board members and holding that former board member is not entitled to confidential documents created during his tenure).

[FN8] *See, e.g.*, Tail of the Pup, Inc. v. Webb, 528 So. 2d 506 (Fla. Dist. Ct. App. 2d Dist. 1988) (stockholder, who was also officer and director, had no authority to waive or assert privilege against the wishes of board of directors); Hoiles v. Superior Court, 157 Cal. App. 3d 1192, 204 Cal. Rptr. 111 (4th Dist. 1984) (corporation's privilege was properly asserted against minority shareholder and director); *see also* § 33:14.

[FN9] Matter of Estate of Weinberg, 133 Misc. 2d 950, 509 N.Y.S.2d 240, 242 (Sur. Ct. 1986), order modified, 129 A.D.2d 126, 517 N.Y.S.2d 474 (1st Dep't 1987). Matter of Beiny, 132 A.D.2d 190, 522 N.Y.S.2d 511 (1st Dep't 1987).

[FN10] *See, e.g.*, City of Philadelphia v. Westinghouse Elec. Corp., 210 F. Supp. 483, 485, 6 Fed. R. Serv. 2d 624 (E.D. Pa. 1962) (rejected by, Southern Bell Tel. & Tel. Co. v. Deason, 632 So. 2d 1377, 27 A.L.R.5th 829 (Fla. 1994)) (establishing the control group test for application of the attorney-client privilege to corporate confidential communications); Consolidation Coal Co. v. Bucyrus-Erie Co., 89

Ill. 2d 103, 59 Ill. Dec. 666, 432 N.E.2d 250, 254 (1982) (holding that the control group test strikes the appropriate balance between allowing the corporation to seek and receive legal advice and insulating relevant evidence from discovery).

[FN11] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN12] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 384, 391, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN13] *See, e.g.*, Verschoth v. Time Warner Inc., 85 Fair Empl. Prac. Cas. (BNA) 733, 2001 WL 286763 (S.D. N.Y. 2001), adhered to as amended, 85 Fair Empl. Prac. Cas. (BNA) 1528, 2001 WL 546630 (S.D. N.Y. 2001)(communications reflecting corporate counsel's legal advice that are relayed among corporate employees are protected by the attorney-client privilege if the "originator of the communication … intended that it be kept confidential," and the communication was not circulated "beyond those employees with a need to know the information," determining that those employees who have a "need to know" are those who share the responsibility for the "specific subject matter at issue in a way that depends upon legal advice"); Charter One Bank, F.S.B. v. Midtown Rochester, L.L.C., 191 Misc. 2d 154, 738 N.Y.S.2d 179, 190 (Sup 2002) (holding that a memorandum between two corporate employees memorializing the legal advice provided by corporate counsel to one of the employees is privileged because the memorandum was prepared for the purpose of "facilitating the rendition of legal advice in the course of the professional relationship between the attorney and the corporate client"); *See also* §§ 33:10, 33:13.

[FN14] Diversified Industries, Inc. v. Meredith, 572 F.2d 596, 1977-2 Trade Cas. (CCH) ¶61591, 1978-1 Trade Cas. (CCH) ¶61879, 23 Fed. R. Serv. 2d 1473, 24 Fed. R. Serv. 2d 1201 (8th Cir. 1977) (rejected by, Republic of Philippines v. Westinghouse Elec. Corp., 132 F.R.D. 384, 17 Fed. R. Serv. 3d 1476 (D.N.J. 1990)) and (disapproved of by, U.S. v. Massachusetts Institute of Technology, 957 F. Supp. 301, 97-1 U.S. Tax Cas. (CCH) P 50269, 37 Fed. R. Serv. 3d 711, 79 A.F.T.R.2d 97-595 (D. Mass. 1997)) and (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)).

[FN15] Diversified Industries, Inc. v. Meredith, 572 F.2d 596, 609, 1977-2 Trade Cas. (CCH) ¶61591, 1978-1 Trade Cas. (CCH) ¶61879, 23 Fed. R. Serv. 2d 1473, 24 Fed. R. Serv. 2d 1201 (8th Cir. 1977) (rejected by, Republic of Philippines v. Westinghouse Elec. Corp., 132 F.R.D. 384, 17 Fed. R. Serv. 3d 1476 (D.N.J. 1990)) and (disapproved of by, U.S. v. Massachusetts Institute of Technology, 957 F. Supp. 301, 97-1 U.S. Tax Cas. (CCH) P 50269, 37 Fed. R. Serv. 3d 711, 79 A.F.T.R.2d 97-595 (D. Mass. 1997)) and (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)).

[FN16] Diversified Industries, Inc. v. Meredith, 572 F.2d 596, 609, 1977-2 Trade Cas. (CCH) ¶61591, 1978-1 Trade Cas. (CCH) ¶61879, 23 Fed. R. Serv. 2d 1473, 24 Fed. R. Serv. 2d 1201 (8th Cir. 1977) (rejected by, Republic of Philippines v. Westinghouse Elec. Corp., 132 F.R.D. 384, 17 Fed. R. Serv. 3d 1476 (D.N.J. 1990)) and (disapproved of by, U.S. v. Massachusetts Institute of Technology, 957 F.

Supp. 301, 97-1 U.S. Tax Cas. (CCH) P 50269, 37 Fed. R. Serv. 3d 711, 79 A.F.T.R.2d 97-595 (D. Mass. 1997)) and (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)).

[FN17] *See* Charter One Bank, F.S.B. v. Midtown Rochester, L.L.C., 191 Misc. 2d 154, 738 N.Y.S.2d 179, 190 (Sup 2002) (protecting communication between employees relaying legal advice of counsel because "[l]egal advice to a corporate client inherently involves dispersing the advice to corporate representatives"); Santrade, Ltd. v. General Elec. Co., 150 F.R.D. 539, 545, 27 U.S.P.Q.2d 1446 (E.D. N.C. 1993) (communications between non-lawyer employees protected where legal advice needed so employees can act appropriately).

[FN18] *See, e.g.*, Southern Bell Tel. & Tel. Co. v. Deason, 632 So. 2d 1377, 27 A.L.R.5th 829 (Fla. 1994) (adopting subject matter test and applying it to regulated company): Marriott Corp. v. American Academy of Psychotherapists, Inc., 157 Ga. App. 497, 277 S.E.2d 785 (1981) (rejecting control group test and adopting subject matter test); Command Transp., Inc. v. Y.S. Line (USA) Corp., 116 F.R.D. 94 (D. Mass. 1987) (applying Massachusetts law and following Upjohn); *see also* Tex. R. Evid. 503(a)(2) (amended in 1998 to replace the control group test with the subject matter test); D. I. Chadbourne, Inc. v. Superior Court of City and County of San Francisco, 60 Cal. 2d 723, 36 Cal. Rptr. 468, 388 P.2d 700, 709–10 (1964)(propounding 11-point test).

[FN19] *See* Consolidation Coal Co. v. Bucyrus-Erie Co., 89 Ill. 2d 103, 59 Ill. Dec. 666, 432 N.E.2d 250, 254 (1982) (adopting control group test); Sterling Finance Management, L.P. v. UBS PaineWebber, Inc., 336 Ill. App. 3d 442, 270 Ill. Dec. 336, 782 N.E.2d 895, 900 (1st Dist. 2002) ("Illinois law is clear that the control group test is used to determine whether the corporate attorney-client privilege applies to a communication.").

[FN20] *See, e.g.*,Chicago Trust Co. v. Cook County Hosp., 298 Ill. App. 3d 396, 232 Ill. Dec. 550, 698 N.E.2d 641, 69 A.L.R.5th 771 (1st Dist. 1998); *see also* Caremark, Inc. v. Affiliated Computer Services, Inc., 192 F.R.D. 263, 267 (N.D. Ill. 2000) (extending the control group to include non-employee agents where "the non-employee agent served as an advisor to top management of the corporate client, this advisory role was such that the corporate principal would not normally have made a decision without the agent's opinion or advice, and the agent's opinion or advice in fact formed the basis of the final decision made by those with the actual authority within the corporate principal").

[FN21] *See* §§ 33:49 to 33:52 for additional suggestions regarding managing communications to preserve the privilege.

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Successful Partnering Between Inside and Outside Counsel
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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

II. Attorney-Client Privilege
C. When Applied to Corporations

§ 33:13. Attorney-client privilege: corporations—Privileged persons—Corporate officers, directors and employees

Corporate attorneys must always be aware they represent the business entity, not an individual employee.[1] Communications occur with individual officers, directors, or employees, but the corporation is the client, and the privilege belongs to it. For this reason, the corporation can waive a claim of privilege against the wishes of individual officers.[2] For this reason also, when counsel are conducting an internal investigation or otherwise interviewing corporate employees, the attorney conducting the interview must remind those employees that counsel represents the corporation and not the employee being interviewed.[3]

One of the exceptions to the rule that corporate counsel represents the corporation only arises if a corporate officer seeks legal advice from company counsel about his or her own liability, in which case those communications may be protected. In In re Bevill, Bresler & Schulman Asset Mgmt. Corp.,[4] the Third Circuit set out a five-factor test for determining when a corporate employee's communications with corporate counsel will be privileged because the employee consulted counsel in the employee's individual capacity regarding potential individual liability for acts performed in the employee's corporate capacity. Those factors are:

1. the employee approached counsel for the purpose of seeking legal advice;
2. the employee made it clear to the attorney that the employee was seeking legal advice in his or her individual capacity;
3. counsel knowingly agreed to provide the requested legal advice;
4. the legal advice was sought and given in confidence;
5. the request for legal advice was not focused on the affairs of the company.

The rule set out in Bevill has been followed by a number of other courts.[5] Bevill notwithstanding, if individual's counsel for the corporation affirmatively takes action on behalf of an individual employee, counsel may be deemed to serve as the individual's counsel.[6]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See generally* Chapter 32 "Conflicts of Interest" (§§ 32:1 et seq.); *see also* Matter of Bevill, Bresler & Schulman Asset Management Corp., 805 F.2d 120, 124, Bankr. L. Rep. (CCH) P 71525, 22 Fed. R. Evid. Serv. 52 (3d Cir. 1986) ("[A]ny privilege that exists to a corporate officer's role and functions within a corporation belongs to the corporation, not the officer.").

[FN2] *See, e.g.,* U.S. v. International Broth. of Teamsters, Chauffeurs, Warehousemen and Helpers of America, AFL-CIO, 119 F.3d 210, 216–17, 155 L.R.R.M. (BNA) 3012, 134 Lab. Cas. (CCH) P 10052 (2d Cir. 1997) (holding that campaign manager could not assert the attorney-client privilege because the privilege belonged to the campaign and not campaign manager); In re Grand Jury Proceedings, Detroit, Mich., Aug. 1977, 434 F. Supp. 648, 650, 2 Fed. R. Evid. Serv. 689 (E.D. Mich. 1977), judgment aff'd, 570 F.2d 562 (6th Cir. 1978) (member of corporate control group could not assert privilege where corporation waived the privilege).

[FN3] *See, e.g.,* In re Grand Jury Subpoena: £Under Seal, 415 F.3d 333, 338, Fed. Sec. L. Rep. (CCH) P 93,293 (4th Cir. 2005) (The court found that no attorney client privilege existed for employee of corporation where corporate counsel had informed employee that "[w]e represent the company. These conversations are privileged, but the privilege belongs to the company and the company decides whether to waive it. If there is a conflict, the attorney-client privilege belongs to the company."); U.S. v. Munoz, 233 F.3d 1117, 1128, 55 Fed. R. Evid. Serv. 1479 (9th Cir. 2000)(corporate sales agent failed to refute the evidence that the attorney was working only for the corporation, not for him as well, nor did he show that he held the attorney-client privilege jointly with the corporation. Although he supplied the attorney with information regarding the transaction at issue, he did not sign a retainer agreement with the attorney and did not seek the attorney's advice in an individual capacity); Patricia Brown Holmes, Identity Crisis: Navigating the Ethical Challenges of Multiple Representation in an Internal Investigation, 1609 PLI/Corp. 759, 766 (2007) (describing contents of Upjohn warning); Corporate Internal Investigations § 9.06 (providing sample Upjohn warning); *see also* §§ 33:38 to 33:41.

[FN4] Matter of Bevill, Bresler & Schulman Asset Management Corp., 805 F.2d 120, 125, Bankr. L. Rep. (CCH) P 71525, 22 Fed. R. Evid. Serv. 52 (3d Cir. 1986).

[FN5] *See, e.g.,* Grand Jury Proceedings v. U.S., 156 F.3d 1038, 1041, 41 Fed. R. Serv. 3d 851 (10th Cir. 1998) (applying Bevill and holding that corporate officer can assert individual privilege to communications with corporate counsel even if discussing matters related to the corporation so long as the focus of the discussion was on the officer's personal liability);In re Grand Jury Subpoenas, 144 F.3d 653, 659 (10th Cir. 1998); Ex parte Smith, 942 So. 2d 356, 360 (Ala. 2006) (applying Bevill test to detemine whether privilege applied); U.S. v. Graf, 610 F.3d 1148 (9th Cir. 2010)(adopting the Bevill five pronged test as applicable law in the Ninth Circuit).

[FN6] *See*E. F. Hutton & Co. v. Brown, 305 F. Supp. 371, Fed. Sec. L. Rep. (CCH) P 92506 (S.D. Tex. 1969); U.S. v. Walters, 913 F.2d 388 (7th Cir. 1990).

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§ 33:14. Attorney-client privilege: corporations—Privileged persons—Directors as "joint clients"?

There is no question that the attorney-client privilege protects both individuals and corporations. Nonetheless, "complications in the application of the privilege arise when the client is a corporation, … and not an individual …."[1] One such complication is that a corporation is a fictional person. It can act only through the individuals charged by law with its management, i.e., its directors.[2] Thus, when a corporation seeks and receives legal advice and work product from counsel, are the directors "joint clients" with the corporation with respect to the legal advice given to the corporation? The issue most often arises when a former director or a minority shareholder director, usually in a closely-held corporation, brings an individual action against the corporation and seeks to discover attorney-client and work product communications made to the corporation during the director's tenure.[3] Courts are split on whether to allow the former director access to the corporate privileged communications under a "joint client" or collective corporate client analysis[4] or whether to deny access because there is but one entity/one client — the corporation.[5]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 389–90, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN2] Commodity Futures Trading Com'n v. Weintraub, 471 U.S. 343, 348, 105 S. Ct. 1986, 85 L. Ed. 2d 372, 12 Bankr. Ct. Dec. (CRR) 1247, 12 Collier Bankr. Cas. 2d (MB) 651, Bankr. L. Rep. (CCH) P 70360, 17 Fed. R. Evid. Serv. 529, 1 Fed. R. Serv. 3d 417 (1985) ("As an inanimate entity, a corporation must act through agents."); Inter-Fluve v. Montana Eighteenth Judicial Dist. Court, 2005 MT 103, 327 Mont. 14, 112 P.3d 258, 263, 22 I.E.R. Cas. (BNA) 1397 (2005) (noting that Montana statutory law establishes that corporate powers are exercised through a board of directors); Milroy v. Hanson, 875 F. Supp. 646, 648 (D. Neb. 1995) (same); Montgomery v. eTreppid Technologies, LLC, 548 F. Supp. 2d 1175 (D. Nev. 2008) (finding "[l]imited liability companies, … are most analogous to corporations; therefore, the law of corporations applies for purposes of the attorney-client privilege."); Moore v. C.I.R., T.C. Memo. 2004-259, T.C.M. (RIA) P 2004-259 (2004) (same).

[FN3] *See* Moore v. C.I.R., T.C. Memo. 2004-259, T.C.M. (RIA) P 2004-259 (2004); Dexia Credit Local v. Rogan, 231 F.R.D. 268 (N.D. Ill. 2004); Montgomery v. eTreppid Technologies, LLC, 548 F. Supp. 2d 1175 (D. Nev. 2008); In re Tri-River Trading, LLC, 329 B.R. 252, 45 Bankr. Ct. Dec. (CRR) 49 (B.A.P. 8th Cir. 2005), decision aff'd, 452 F.3d 756, 46 Bankr. Ct. Dec. (CRR) 191 (8th Cir. 2006); Inter-Fluve v. Montana Eighteenth Judicial Dist. Court, 2005 MT 103, 327 Mont. 14, 112 P.3d 258, 22 I.E.R. Cas. (BNA) 1397 (2005).

[FN4] Inter-Fluve v. Montana Eighteenth Judicial Dist. Court, 2005 MT 103, 327 Mont. 14, 112 P.3d 258, 264, 22 I.E.R. Cas. (BNA) 1397 (2005)("We hold that the confidentiality of the attorney-client privilege is not violated when a former director of a closely-held corporation, who has brought claims against the corporation, is allowed to discover communications between corporate counsel and other directors which occurred during his tenure as a director."); People ex. rel. Spitzer v. Greenberg, 50 A.D.3d 195, 851 N.Y.S.2d 196 (1st Dep't 2008), leave to appeal dismissed, 10 N.Y.3d 894, 861 N.Y.S.2d 266, 891 N.E.2d 299 (2008) (same).

[FN5] *See* Montgomery v. eTreppid Technologies, LLC, 548 F. Supp. 2d 1175 (D. Nev. 2008) (holding that "[i]t makes sense that the corporation is the sole client. While the corporation can only communicate with its attorneys through human representatives, those representatives are communicating on behalf of the corporation, not on behalf of themselves as corporate managers or directors.").

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§ 33:15. Attorney-client privilege: corporations—Privileged persons—The collective corporate client

The joint client exception is based on the theory that there is one collective corporate client that includes the corporation and each member of the board of directors.[1] This exception to the rule that privilege belongs to the corporation[2] is based on two realities of corporate operation: (i) the corporate entity can only act through people who must carry out its functions, and (ii) the directors are the collective body responsible for managing the corporation.[3] Courts adopting the joint client exception hold that it is consistent with the directors' responsibilities to the corporation that the directors be considered joint clients with the corporate entity when legal advice is requested and received by the corporation through the collective corporate body.[4]

While recognizing that only the corporation has the power to assert or waive the privilege, as established by the United States Supreme Court in Commodities Futures Trading Comm'n v. Weintraub,[5] courts applying the joint client exception focus on whether the corporate privilege can be asserted against a person who participated in privileged communications on behalf of the corporation.[6]

To resolve this question, courts adopting the joint client exception analyze the issue as analogous to the joint client and common interest privileges.[7] Both the joint client privilege and the common interest privilege recognize that all communications between the parties sharing a common legal interest are privileged and may not be waived, except by agreement of all of the parties.[8] However, should the parties in the joint or common interest relationship become adverse, none may assert the privilege against the others for privileged communications relating to their common legal interest.[9] Since a director, when acting as part of the corporate client, is allowed access to privileged corporate documents, the fact that he is no longer a director "is not sufficient cause to render these communications privileged as against him."[10] The confidentiality as to that director has been lost and may not be asserted to prevent access to privileged materials generated during the director's tenure.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Paul R. Rice, Attorney-Client Privilege in the United States § 4:23 (2008).

[FN2] Commodity Futures Trading Com'n v. Weintraub, 471 U.S. 343, 349, 105 S. Ct. 1986, 85 L. Ed. 2d 372, 12 Bankr. Ct. Dec. (CRR) 1247, 12 Collier Bankr. Cas. 2d (MB) 651, Bankr. L. Rep. (CCH) P 70360, 17 Fed. R. Evid. Serv. 529, 1 Fed. R. Serv. 3d 417 (1985).

[FN3] Inter-Fluve v. Montana Eighteenth Judicial Dist. Court, 2005 MT 103, 327 Mont. 14, 112 P.3d 258, 263, 22 I.E.R. Cas. (BNA) 1397 (2005)("While we accept the premise that the corporation is the client, we observe that a corporation can only act through a person or persons to carry out its many functions, such as receiving legal advice and waiving or asserting the attorney-client privilege. Montana's statutory law establishes that corporate powers are exercised through a board of directors."); Commodity Futures Trading Com'n v. Weintraub, 471 U.S. 343, 348, 105 S. Ct. 1986, 85 L. Ed. 2d 372, 12 Bankr. Ct. Dec. (CRR) 1247, 12 Collier Bankr. Cas. 2d (MB) 651, Bankr. L. Rep. (CCH) P 70360, 17 Fed. R. Evid. Serv. 529, 1 Fed. R. Serv. 3d 417 (1985) ("A corporation cannot speak directly to its lawyers. Similarly, it cannot directly waive the privilege when disclosure is in its best interest. Each of these actions must necessarily be undertaken by individuals empowered to act on behalf of the corporation.").

[FN4] *See* Montgomery v. eTreppid Tech., LLC, 548 F. Supp.2d 1175, 1183–84 (D. Nev. 2008) (adopting the one client rationales but explaining the basis of the joint client exception); Lane v. Sharp Packaging Systems, Inc., 2002 WI 28, 251 Wis. 2d 68, 640 N.W.2d 788, 815 (2002) (Abrahamson, J., dissenting) (arguing corporations act through a collective body of directors with joint obligations to the corporation and who become joint clients when legal advice is given to the corporation).

[FN5] Commodity Futures Trading Com'n v. Weintraub, 471 U.S. 343, 348–49, 105 S. Ct. 1986, 85 L. Ed. 2d 372, 12 Bankr. Ct. Dec. (CRR) 1247, 12 Collier Bankr. Cas. 2d (MB) 651, Bankr. L. Rep. (CCH) P 70360, 17 Fed. R. Evid. Serv. 529, 1 Fed. R. Serv. 3d 417 (1985).

[FN6] Gottlieb v. Wiles, 143 F.R.D. 241, 247 (D. Colo. 1992) ("The fact that former officers and directors lack the power to waive the corporate privilege does not resolve the question of whether they themselves are precluded by the attorney-client privilege or work product doctrine from inspecting documents generated during their tenure."); People ex. rel. Spitzer v. Greenberg, 50 A.D.3d 195, 851 N.Y.S.2d 196 (1st Dep't 2008), leave to appeal dismissed, 10 N.Y.3d 894, 861 N.Y.S.2d 266, 891 N.E.2d 299 (2008) (finding under New York and Delaware law that former directors "are within the circle of persons entitled to view privileged materials without causing waiver of the attorney-client privilege," because the directors were privy to and participated in legal consultations while they were directors.).

[FN7] Joint clients are clients represented by the same attorney on a matter of common legal interest.In re Teleglobe Communications Corp., 493 F.3d 345, 362 (3d Cir. 2007), as amended, (Oct. 12, 2007). The common interest privilege allows attorneys of clients represented by separate counsel to share information related to a matter of common legal interest. In re Teleglobe Communications Corp., 493 F.3d 345, 364 (3d Cir. 2007), as amended, (Oct. 12, 2007); *see also* § 33:19.

[FN8] In re Tri-River Trading, LLC, 329 B.R. 252, 268–69, 45 Bankr. Ct. Dec. (CRR) 49 (B.A.P. 8th Cir. 2005), decision aff'd, 452 F.3d 756, 46 Bankr. Ct. Dec. (CRR) 191 (8th Cir. 2006) ("When two or more persons, each having an interest in some problem, or situation, jointly consult an attorney, their confidential communications with the attorney, though known to each other, will of course be privileged in a controversy of either or both of the clients with the outside world, that is, with parties claiming adversely to both or either of those within the original charmed circle. But it will often happen that the two original clients will fall out between themselves and become engaged in a controversy in which the communications at their joint consultation with the lawyer may be vitally material. In such a contro-

versy it is clear that the privilege is inapplicable." (quotingF.D.I.C. v. Ogden Corp., 202 F.3d 454, 461, 46 Fed. R. Serv. 3d 772 (1st Cir. 2000)).

[FN9] In re Tri-River Trading, LLC, 329 B.R. 252, 268–69, 45 Bankr. Ct. Dec. (CRR) 49 (B.A.P. 8th Cir. 2005), decision aff'd, 452 F.3d 756, 46 Bankr. Ct. Dec. (CRR) 191 (8th Cir. 2006).

[FN10] Inter-Fluve v. Montana 18th Jud. Dist. Ct., 1112 P.3d 258, 264 (Mont. 2005).

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§ 33:16. Attorney-client privilege: corporations—Privileged persons—The corporation as one entity/one client

A second line of cases reject the joint client exception to corporate privilege and instead hold that the sole client for privilege purposes is the corporate entity alone.[1] Former directors or dissident directors have no joint client status *vis a vis* corporate privileges. Interestingly, as with the advocates of the joint client exception, the advocates of the "corporation as one entity/one client" theory ground their reasoning on the United States Supreme Court decision in Commodities Futures Trading Comm'n v. Weintraub.[2] For example, both theories rely on the Weintraub settled principles that (i) privilege can be held by and belongs to the corporation, (ii) corporations, as fictional persons, conduct their affairs in accordance with the laws established for the creation of corporations, (iii) corporations, as fictional persons, depend on the members of the board of directors to manage the corporate operations, and (iv) privilege can be asserted or waived only by the corporation and not by individual directors.[3] However, the similarity ends there.

The courts adopting the "corporation as the client" analysis find the joint client exception unpersuasive for several reasons. First, they reject the existence of a "'collective corporate client' that may take a position adverse to management for purposes of the attorney-client privilege."[4] The privilege belongs only to the corporation and not its collective agents.[5] Second, even though a corporation can only seek and receive legal advice or work product through its directors, the directors are seeking legal counsel for the corporation and not on their own behalf.[6] There is simply no privilege relationship between attorneys for the corporation and the directors of the corporation as individuals.[7] Therefore, when a director leaves the corporation (or disagrees with the majority), there is no individual continuing right to exercise control over or have access to the corporate privileges.[8] Third, the courts adopting the "corporation as the client" analysis reject the joint client exception analogy to the joint client and common interest privileges. Since the directors have no personal attorney-client privilege relationship with the corporate counsel, these privilege principles simply do not apply.[9] Fourth, a director has a fiduciary obligation to maintain confidentiality on privileged information learned and/or reviewed during his tenure.[10] Thus, the expectation of confidentiality is not lost just because the director has already had access to the privileged material.[11] Therefore, because the directors, as individuals, never had an attorney-client relationship with corporate counsel and, as fiduciaries, are required to preserve confidentiality for corporate privilege information, directors have no right of access to the corporate privileged materials after the conclusion of their tenure or when they take a position adverse to the majority.

Practitioners faced with a demand to access corporate privileged materials by a former or dissident director must determine the position of the courts in their jurisdiction. There is no clear majority view even though in re-

cent years the trend has been to apply the "corporation as the client" theory. Indeed, one New Jersey court, while recognizing it was required to apply Delaware law and thus the joint client exception to a dissident director's request for access to corporate privileged information, nonetheless denied access. The court based its well-reasoned decision rejecting the joint client position on the fact that allowing access would have resulted in waiver of the corporation's privilege in a class action litigation.[12] In-house counsel faced with a dissident director's request for corporate privileged documents should develop facts and arguments on how such access is tantamount to waiver of corporate privileges, e.g., the privileged material is placed in a position to be used by others. This showing along with the argument that the corporation holds the privilege and those managing the corporation have no attorney-client relationship with the corporation's counsel may sway a court away from application of the joint client position.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Montgomery v. eTreppid Technologies, LLC, 548 F. Supp. 2d 1175 (D. Nev. 2008).

[FN2] Commodity Futures Trading Com'n v. Weintraub, 471 U.S. 343, 105 S. Ct. 1986, 85 L. Ed. 2d 372, 12 Bankr. Ct. Dec. (CRR) 1247, 12 Collier Bankr. Cas. 2d (MB) 651, Bankr. L. Rep. (CCH) P 70360, 17 Fed. R. Evid. Serv. 529, 1 Fed. R. Serv. 3d 417 (1985).

[FN3] Commodity Futures Trading Com'n v. Weintraub, 471 U.S. 343, 348–49, 105 S. Ct. 1986, 85 L. Ed. 2d 372, 12 Bankr. Ct. Dec. (CRR) 1247, 12 Collier Bankr. Cas. 2d (MB) 651, Bankr. L. Rep. (CCH) P 70360, 17 Fed. R. Evid. Serv. 529, 1 Fed. R. Serv. 3d 417 (1985); Milroy v. Hanson, 875 F. Supp. 646, 648 (D. Neb. 1995); Inter-Fluve v. Montana Eighteenth Judicial Dist. Court, 2005 MT 103, 327 Mont. 14, 112 P.3d 258, 263, 22 I.E.R. Cas. (BNA) 1397 (2005); Gottlieb v. Wiles, 143 F.R.D. 241, 247 (D. Colo. 1992); Dexia Credit Local v. Rogan, 231 F.R.D. 268, 276–77 (N.D. Ill. 2004); Montgomery v. eTreppid Technologies, LLC, 548 F. Supp. 2d 1175 (D. Nev. 2008); Moore v. C.I.R., T.C. Memo. 2004-259, T.C.M. (RIA) P 2004-259 (2004).

[FN4] Milroy v. Hanson, 875 F. Supp. 646, 649 (D. Neb. 1995).

[FN5] Dexia Credit Local v. Rogan, 231 F.R.D. 268, 277 (N.D. Ill. 2004); Commodity Futures Trading Com'n v. Weintraub, 471 U.S. 343, 349, 105 S. Ct. 1986, 85 L. Ed. 2d 372, 12 Bankr. Ct. Dec. (CRR) 1247, 12 Collier Bankr. Cas. 2d (MB) 651, Bankr. L. Rep. (CCH) P 70360, 17 Fed. R. Evid. Serv. 529, 1 Fed. R. Serv. 3d 417 (1985).

[FN6] Dexia Credit Local v. Rogan, 231 F.R.D. 268, 277 (N.D. Ill. 2004) ("Although an agent may be on the 'inside' at the time the confidential communications were made between the corporation (on whose behalf the agent was acting) and counsel, once this agent leaves the corporation's employ, the privilege, and the legal rights associated with it, do not leave with this agent. Rather, the privilege remains with the corporation, because it belongs to the corporation."); Milroy v. Hanson, 875 F. Supp. 646, 649–50 (D. Neb. 1995) ("A dissident director is by definition not 'management' and accordingly, has no authority to pierce or otherwise frustrate the attorney-client privilege when such action conflicts with the will of 'management.'").

[FN7] Montgomery v. eTreppid Technologies, LLC, 548 F. Supp. 2d 1175 (D. Nev. 2008).

[FN8] Commodity Futures Trading Com'n v. Weintraub, 471 U.S. 343, 349, 105 S. Ct. 1986, 85 L. Ed. 2d 372, 12 Bankr. Ct. Dec. (CRR) 1247, 12 Collier Bankr. Cas. 2d (MB) 651, Bankr. L. Rep. (CCH) P 70360, 17 Fed. R. Evid. Serv. 529, 1 Fed. R. Serv. 3d 417 (1985) ("[W]hen control of a corporation passes to new management, the authority to assert and waive the corporation's attorney-client privilege passes as well ….displaced managers may not assert the privilege over the wishes of current managers, even as to statements that the former might have made to counsel concerning matters within the scope of their corporate duties."); Dexia Credit Local v. Rogan, 231 F.R.D. 268, 277 (N.D. Ill. 2004) ("[O]nce this agent leaves the corporation's employ, the privilege, and the legal rights associated with it, do not leave with this agent."); Milroy v. Hanson, 875 F. Supp. 646, 649–50 (D. Neb. 1995) (holding that a dissident director is not management and has no authority to pierce or frustrate the attorney-client privilege).

[FN9] Dexia Credit Local v. Rogan, 231 F.R.D. 268, 278 (N.D. Ill. 2004)(holding there is no personal attorney-client privilege or relationship between the director and corporate counsel).

[FN10] Barr v. Harrah's Entertainment, Inc., 2008 WL 906351 (D.N.J. 2008) ("Therefore, under Weintraub, a former officer or director who is permitted a right of access to a corporation's documents would have an obligation to maintain the confidentiality of any privileged information that he might review, because the corporation's attorney-client privilege belongs to the corporation and cannot be waived by the former officer or director."); Genova v. Longs Peak Emergency Physicians, P.C., 72 P.3d 454, 463 (Colo. Ct. App. 2003) ("Although plaintiff's status as a former director would have entitled him to learn privileged information when he was a director, he would then have been duty bound to keep such information confidential. He would not have been entitled alone to assert or waive the privilege on behalf of [the corporation].").

[FN11] Dexia Credit Local v. Rogan, 231 F.R.D. 268, 278–79 (N.D. Ill. 2004)(holding a director has an obligation to maintain confidentiality of any privileged information that he reviews, because the privilege belongs to the corporation and cannot be waived by the director).

[FN12] *See* Barr v. Harrah's Entertainment, Inc., 2008 WL 906351 (D.N.J. 2008) (in a case requiring application of Delaware law, rejecting Delaware authority adopting the joint client exception because its application would result in the waiver of the corporation's attorney-client privilege in the class action context).

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Because the privilege belongs to the corporation and not to its employees, the corporation's claim of privilege survives the departure of employees who had participated in privileged communications prior to leaving the company.[1] It follows that the corporation may prevent former employees from disclosing privileged information obtained when they were employees.[2] However, under limited circumstances, former corporate employees may be permitted access to privileged or work product materials after they have ended their employment relationship with the corporation.[3]

In general, there is no privilege for communications between former employees and corporate counsel. Among other factors, because the former employee is no longer acting for the corporation there is no fiduciary or agency relationship on which to base an obligation of confidentiality. However, a privilege may arise if the former employee is asked, after the employment terminates, to provide counsel with information necessary for counsel to render legal advice on behalf of the company.[4] In addition, communications between former employees and counsel that occur after the employment ends in preparation for pending or anticipated litigation may be protected as work product.[5]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See, e.g.*, Price v. Porter Novelli, Inc., 2008 WL 2388709 (S.D. N.Y. 2008) ("Any privileged information obtained by [the employee] during the course of her employment, remains privileged, notwithstanding her departure from [the client employer]."); Miramar Const. Co. v. Home Depot, Inc., 167 F. Supp. 2d 182 (D.P.R. 2001) (applying Upjohn to protect communications between corporation's counsel and former employee and discussing other cases similarly extending Upjohn); Infosystems, Inc. v. Ceridian Corp., 197 F.R.D. 303, 306 (E.D. Mich. 2000) (noting that "privileged communications which occur during the period of employment do not lose their protection when the employee leaves the client corporation"); Peralta v. Cendant Corp., 190 F.R.D. 38, 41, 81 Fair Empl. Prac. Cas. (BNA) 1328 (D. Conn. 1999) (finding that "any privileged information obtained … while an employee 'of the client,' including any information conveyed by counsel during that period, remains privileged upon the termination of the employment").

[FN2] *See* Commodity Futures Trading Com'n v. Weintraub, 471 U.S. 343, 349 n.5, 105 S. Ct. 1986, 85 L. Ed. 2d 372, 12 Bankr. Ct. Dec. (CRR) 1247, 12 Collier Bankr. Cas. 2d (MB) 651, Bankr. L. Rep. (CCH) P 70360, 17 Fed. R. Evid. Serv. 529, 1 Fed. R. Serv. 3d 417 (1985) (noting displaced former corporate employees, including officers and directors, retain no control over a corporation's privilege); Isom v. Bank of America, N.A., 177 N.C. App. 406, 628 S.E.2d 458, 462 (2006) (holding, in former employee's wrongful termination suit, attorney-client privilege protected emails between former employee and former employer's attorneys); Valassis v. Samelson, 143 F.R.D. 118, 124–25 (E.D. Mich. 1992) (protective order appropriate to prohibit former employee from disclosing privileged information); *but see* IMC Chemicals, Inc. v. Niro Inc., 2000 WL 1466495 (D. Kan. 2000) (former corporate employee cannot waive a corporation's privilege, but where corporation fails to take reasonable precautions to protect privileged documents the privilege can be impliedly waived).

[FN3] *See* Carnegie Hill Financial, Inc. v. Krieger, 2000 WL 10446 (E.D. Pa. 2000) (permitting former officers and directors of company access to privileged materials they received when serving the company which they alleged was necessary for their defense of the corporation's claims against them); Gottlieb v. Wiles, 143 F.R.D. 241, 247 (D. Colo. 1992) (permitting former CEO and chairman access to privileged and work product information he had access to when serving as an officer and director of the company with express assumption that this would not effect a waiver of the privilege and work product claims); *see also* § 33:33.

[FN4] *See, e.g.*, In re Allen, 106 F.3d 582, 605–06, 36 Fed. R. Serv. 3d 1196 (4th Cir. 1997) (privilege protected counsel's communication with former employee to obtain information needed to provide advice to client); In re Coordinated Pretrial Proceedings in In re Coordinated Pretrial Proceedings in Petroleum Products Antitrust Litigation, 658 F.2d 1355, 1361 n.7, 1981-2 Trade Cas. (CCH) ¶64323 (9th Cir. 1981) (noting that the purpose behind the attorney-client privilege is served when protecting communications between ex-employees and corporate counsel because such employees may possess relevant information needed to advise the client of actual or potential difficulties), *cert. denied*, 455 U.S. 990 (1982); Wuchenich v. Shenandoah Memorial Hosp., 2000 WL 1769577 (W.D. Va. 2000)(recognizing, under some circumstances, communications between a corporate party's former employee and the corporate party's counsel may be privileged); *but see* Infosystems, Inc. v. Ceridian Corp., 197 F.R.D. 303, 305–06 (E.D. Mich. 2000) (holding that since the former employee was no longer under a duty to provide information to corporate counsel, the former employee should be treated like any other third-party when determining whether the communication between the former employee and counsel, occurring after the employment terminated, should be protected under the attorney-client privilege).

[FN5] *See* Peralta v. Cendant Corp., 190 F.R.D. 38, 41–42, 81 Fair Empl. Prac. Cas. (BNA) 1328 (D. Conn. 1999) (holding that communications between corporate counsel and a former employee about facts within scope of employee's former job would be protected from discovery but that communications about post-employment matters, including the litigation itself, would not be privileged); Wade Williams Distribution, Inc. v. American Broadcasting Companies, Inc., 2004 WL 1487702 (S.D. N.Y. 2004) (following the approach used in Peralta); *but see* U.S. ex rel. Hunt v. Merck-Medco Managed Care, LLC, 340 F. Supp. 2d 554 (E.D. Pa. 2004) (communications between former employee and counsel for corporation in preparation for former employee's deposition not protected by the attorney-client privilege); Infosystems, Inc. v. Ceridian Corp., 197 F.R.D. 303, 304–06 (E.D. Mich. 2000) ("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"); City of New York v. Coastal Oil New York, Inc., 2000 WL 145748 (S.D. N.Y. 2000) (permitting counsel to examine opposing party's

former employee about communications with party's counsel in preparation for former employee's deposition).

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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

II. Attorney-Client Privilege
C. When Applied to Corporations

§ 33:18. Attorney-client privilege: corporations—Privileged persons—Agents and independent contractors

Generally speaking, the participation of third parties in attorney-client communications will waive any claims of protection from disclosure for those communications.[1] In the corporate setting, courts have recognized that too formalistic an analysis of the confidentiality element of the attorney-client privilege may not accurately reflect the realities and complexities of corporate activities.[2]

In recent years, a number of courts have held that disclosure of privileged documents and information to agents or contractors hired to perform corporate business functions, where the agent or contractor must provide information to or receive legal advice from corporate counsel, will not waive the privilege.[3] In these situations, the agents or independent contractors may be treated as the "functional equivalent of employee" and their communications with corporate counsel protected by the privilege.[4] Under the rubric of employee equivalents, courts have protected corporate counsel's communications with public relations firms,[5] technical consultants,[6] and even independent contractors fulfilling duties that would normally be assigned to employees.[7] Before the privilege will be extended to non-employees, however, the corporation will need to "make a detailed factual showing that the information sought from or provided to the non-employee would be subject to the attorney-client privilege if he were an employee of the party."[8]

It is important to remember that courts are not uniform in extending protection from disclosure based on a corporation's need for outside assistance or expertise. Counsel should carefully analyze the roles and interests of third party corporate agents, brokers, or contractors, before allowing them to receive or participate in privileged communications or work product. If the third-party's interests are in conflict with the corporation, there is a significant risk that privileged communications in which outsiders participated may lose their privileged status and be subject to discovery.[9]

Courts will draw the line and overrule privilege claims where agents or other non-employees of the corporation participated in attorney-client communications without a demonstrable need for their participation.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* § 33:8.

[FN2] *See* §§ 33:10 to 33:12.

[FN3] *See, e.g.,* Royal Surplus Lines Ins. v. Sofamor Danek Group, 190 F.R.D. 463, 470 (W.D. Tenn. 1999) (upholding claims of privilege between corporate counsel and an independent insurance broker and broker's counsel because the corporation "had no employees knowledgeable about complex commercial insurance" and needed the assistance of the brokerage firm); F.T.C. v. GlaxoSmithKline, 294 F.3d 141, 148, 2002-2 Trade Cas. (CCH) ¶73728, 58 Fed. R. Evid. Serv. 1443, 53 Fed. R. Serv. 3d 98 (D.C. Cir. 2002); Davis v. City of Seattle, 2007 WL 4166154 (W.D. Wash. 2007); Memry Corp. v. Kentucky Oil Technology, N.V., 2007 WL 39373 (N.D. Cal. 2007); Alliance Const. Solutions, Inc. v. Department of Corrections, 54 P.3d 861, 867–71 (Colo. 2002); Dahl v. Bain Capital Partners, LLC, *714 F. Supp. 2d 225, 2010 Trade Cas. (CCH) ¶77069 (D. Mass. 2010)* (noting that privilege will extend to agents when (1) the communication with the agent is necessary for effective consultation between lawyer and client, (2) the agent is functioning in an interpretive role, and (3) the communication is made to the agent for the purpose of rendering legal advice).

[FN4] *See, e.g.,* In re Copper Market Antitrust Litigation, 200 F.R.D. 213, 219 (S.D. N.Y. 2001) (public relations firm was "functional equivalent" of an employee when it was retained to help corporation respond to government investigation and potential litigation); Ross v. UKI Ltd., 2004 WL 67221 (S.D. N.Y. 2004) (deeming financial services contractor the "functional equivalent of employee" in a real estate transaction); Davis v. City of Seattle, 2007 WL 4166154 (W.D. Wash. 2007) (finding privilege not waived where communications were with "functional equivalent of an employee" of corporation); Memry Corp. v. Kentucky Oil Technology, N.V., 2007 WL 39373 (N.D. Cal. 2007) (finding based on the "totality of the relationship between" a non-employee and a corporation, that the non-employee was "the functional equivalent of a [company] employee such that attorney-client communications involving him are and remain privileged").

[FN5] *See* In re Copper Market Antitrust Litigation, 200 F.R.D. 213, 219 (S.D. N.Y. 2001) (outside public relations firm held "functional equivalent" government investigation and in anticipation of litigation); In re Grand Jury Subpoenas Dated March 24, 2003 Directed to (A) Grand Jury Witness Firm and (B) Grand Jury Witness, 265 F. Supp. 2d 321, 61 Fed. R. Evid. Serv. 1076 (S.D. N.Y. 2003) (privilege applies to communications with public relations firm to the extent those communications were "for the purpose of obtaining legal services").

[FN6] *See* Olson v. Accessory Controls and Equipment Corp., 254 Conn. 145, 757 A.2d 14, 28, 16 I.E.R. Cas. (BNA) 1050, 142 Lab. Cas. (CCH) P 59132 (2000) (environmental consultant's report connected to the provision of legal advice was covered by the attorney-client privilege); F.T.C. v. GlaxoSmithKline, 294 F.3d 141, 148, 2002-2 Trade Cas. (CCH) ¶73728, 58 Fed. R. Evid. Serv. 1443, 53 Fed. R. Serv. 3d 98 (D.C. Cir. 2002)(privilege extends to government affairs consultant hired by the corporation where the consultant possesses information needed by corporate attorneys in order to provide legal advice to their client).

[FN7] *See* Alliance Const. Solutions, Inc. v. Department of Corrections, 54 P.3d 861, 867–71 (Colo. 2002) (privilege applied an independent construction company contractor who acted as an employee of the government)); Twentieth Century Fox Film Corp. v. Marvel Enterprises, Inc., 2002 WL 31556383 (S.D. N.Y. 2002) (finding independent contractors in the film industry were the functional equivalent of employees).

[FN8] Horton v. U.S., 204 F.R.D. 670, 672 (D. Colo. 2002); *see also* Freeport-McMoran Sulphur, LLC v. Mike Mullen Energy Equipment Resource, Inc., 2004 WL 1237450 (E.D. La. 2004) (recognizing the "functional equivalent" analysis for the attorney-client privilege but holding the privilege did not apply because the privilege claimant did not establish that the consultant acted as an employee); In re Currency Conversion Fee, 2003 WL 22389169 (S.D. N.Y. 2003) (disallowing privilege claim for communications shared with third party vendor because third party service provider was not the "functional equivalent of a corporate employee").

[FN9] *See, e.g.,* In re Rospatch Securities Litigation, 1991 WL 574963 (W.D. Mich. 1991) ("When an attorney or client freely or voluntarily discloses work product or privileged matter to someone with interests adverse to the client, knowingly increasing the possibility that an opponent will use the material, that action may be deemed to have waived the work product doctrine and the attorney-client privilege."); In re Doe, 662 F.2d 1073, 1081, 9 Fed. R. Evid. Serv. 578, 32 Fed. R. Serv. 2d 1280, 64 A.L.R. Fed. 457 (4th Cir. 1981) (finding materials may lose attorney work product status when shared with parties in conflicting position).

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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

II. Attorney-Client Privilege
C. When Applied to Corporations

§ 33:19. Attorney-client privilege: corporations—Privileged persons—Agents of counsel

As a general matter, communications between a client and an attorney's assistants will be protected by the attorney-client privilege where the other elements of the privilege are satisfied. For example, courts have repeatedly found that communications made to a lawyer's secretary, paralegals, summer associates, investigators and other individuals who are subordinate to the attorney and who are presented to the client as that attorney's agent will be covered by the privilege.[1] And courts have uniformly held that the use or presence of an interpreter where the attorney and client speak different languages will not destroy an otherwise existing attorney-client privilege.[2]

In addition to subordinates and foreign language interpreters, under certain circumstances, communications made to other professionals assisting an attorney also are protected by the attorney-client privilege. In the seminal case of United States v. Kovel,[3] the Second Circuit considered whether the attorney-client privilege applied to communications made by the client to an accountant. Although the court concluded it was without a sufficient factual record to resolve the specific privilege claim at issue, it explained when and why the privilege would attach to communications with professionals such as an accountant: "Accounting concepts are a foreign language to some lawyers in almost all cases, and to almost all lawyers in some cases. Hence the presence of an accountant, whether hired by the lawyer or by the client, while the client is relating a complicated tax story to the lawyer, ought not destroy the privilege."[4] The court continued by explaining that the privilege should not be destroyed even if an attorney was not present when the client consulted with the professional: "there can be no more virtue in requiring the lawyer to sit by while the client pursues these possibly tedious conversations with the accountant than in insisting on the lawyer's physical presence while the client dictates a statement to the lawyer's secretary …"[5]

Numerous other courts have followed suit by adopting and applying the Second Circuit's reasoning in Kovel.[6] Moreover, the Kovel doctrine has been extended to communications with individuals other than accountants such as psychiatrists,[7] handwriting analysts and other experts,[8] insurers,[9] and computer specialists.[10] In addition to oral communications, under certain circumstances, the Kovel doctrine also will protect written documents from disclosure, assuming such documents were created for the purpose of rendering legal advice.[11]

In Kovel, the Second Circuit cautioned that not all communications with third parties would be privileged; only those communications made for the purpose of receiving legal advice.[12] Accordingly, subsequent decisions applying Kovel have explained that "an attorney, merely by placing an accountant on her payroll, does

not, by this action alone, render communications between the attorney's client and the accountant privileged."[13] Rather, the third party's role must be to clarify communications between the attorney and the client or to otherwise act as a translator for the purposes of providing legal advice.[14] Courts will assess whether the professional was consulted before or after counsel was retained when determining whether communications should be considered privileged.[15]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See, e.g.*, Southwest Metals Co. v. Gomez, 4 F.2d 215, 39 A.L.R. 1416 (C.C.A. 9th Cir. 1925) (noting the attorney client privilege applied to secretary, stenographer and clerk); U. S. ex rel. Edney v. Smith, 425 F. Supp. 1038, 1041 (E.D. N.Y. 1976), aff'd, 556 F.2d 556 (2d Cir. 1977) ("Given the complexities of modern existence few, if any, lawyers could as a practical matter represent the interests of their clients without the assistance of a variety of trained legal associates not yet admitted to the bar, clerks, typists, messengers, and similar aides."); Compulit v. Banctec, Inc., 177 F.R.D. 410, 412, 40 Fed. R. Serv. 3d 831 (W.D. Mich. 1997) ("[T]he attorney-client privilege is not lost where a law firm shares privileged information with its associates, legal assistants, and secretaries."); Dabney v. Investment Corp. of America, 82 F.R.D. 464, 465, 4 Fed. R. Evid. Serv. 805, 28 Fed. R. Serv. 2d 105 (E.D. Pa. 1979) ("It has long been held that the privilege applied only to members of the bar of a court or their subordinates …. Examples of such protected subordinates would include any law student, paralegal, investigator, or other person acting as the agent of a duly qualified attorney under circumstances that would otherwise be sufficient to invoke the privilege.") U.S. v. McPartlin, 595 F.2d 1321, 4 Fed. R. Evid. Serv. 416 (7th Cir. 1979) (finding statements made by defendant to investigator acting on behalf of codefendant's attorney were protected by the attorney client privilege); N. L. R. B. v. Harvey, 349 F.2d 900, 907, 59 L.R.R.M. (BNA) 2875, 52 Lab. Cas. (CCH) P 16565, 16 A.L.R.3d 1035 (4th Cir. 1965) (finding communications between client and investigator would be privileged where investigator was hired to assist with the provision of legal advice).

[FN2] *See, e.g.*, Allied Irish Banks v. Bank of America, N.A., 240 F.R.D. 96, 102–03, 67 Fed. R. Serv. 3d 368 (S.D. N.Y. 2007) (finding attorney-client privilege not waived where "communications [are] made to counsel through a hired interpreter, or one serving as an agent of either attorney or client to facilitate communication" (alteration in original) (citation and internal quotations omitted)); U.S. v. Ackert, 169 F.3d 136, 139, 99-1 U.S. Tax Cas. (CCH) P 50298, 51 Fed. R. Evid. Serv. 94, 83 A.F.T.R.2d 99-1040 (2d Cir. 1999) ("If a client and attorney speak different languages, an interpreter could help the attorney understand the client's communications without destroying the privilege."); U.S. v. Salamanca, 2003 DSD 1, 244 F. Supp. 2d 1023 (D.S.D. 2003) (finding translator was agent of attorney and entitled to attorney-client privilege).

[FN3] U.S. v. Kovel, 296 F.2d 918, 62-1 U.S. Tax Cas. (CCH) P 9111, 9 A.F.T.R.2d 366, 96 A.L.R.2d 116 (2d Cir. 1961).

[FN4] U.S. v. Kovel, 296 F.2d 918, 922, 62-1 U.S. Tax Cas. (CCH) P 9111, 9 A.F.T.R.2d 366, 96 A.L.R.2d 116 (2d Cir. 1961).

[FN5] U.S. v. Kovel, 296 F.2d 918, 922, 62-1 U.S. Tax Cas. (CCH) P 9111, 9 A.F.T.R.2d 366, 96 A.L.R.2d 116 (2d Cir. 1961).

[FN6] *See, e.g.*, Grand Jury Proceedings Under Seal v. U.S., 947 F.2d 1188, 34 Fed. R. Evid. Serv. 470, 68 A.F.T.R.2d 91-5950 (4th Cir. 1991) (applying Kovel analysis to determine whether attorney-client privilege applied to communications between client and accountant); U.S. Dept. of Educ. v. National Collegiate Athletic Ass'n., 481 F.3d 936, 937, 218 Ed. Law Rep. 69 (7th Cir. 2007) (noting that "[t]he lawyer-client privilege can embrace a lawyer's agents" (citing U.S. v. Kovel, 296 F.2d 918, 62-1 U.S. Tax Cas. (CCH) P 9111, 9 A.F.T.R.2d 366, 96 A.L.R.2d 116 (2d Cir. 1961)); Cavallaro v. U.S., 284 F.3d 236, 2002-1 U.S. Tax Cas. (CCH) P 50330, 52 Fed. R. Serv. 3d 761, 89 A.F.T.R.2d 2002-1699 (1st Cir. 2002) (applying Kovel analysis when determining whether communications with accountants were covered by attorney client privilege); U.S. v. Antolini, 271 Fed. Appx. 268, 271 n.1 (3d Cir. 2008) ("[W]here the client, or the client's attorney, retains an accountant for the purpose of obtaining or providing legal advice, the attorney-client privilege may attach."); U.S. v. Cote, 456 F.2d 142, 144, 72-1 U.S. Tax Cas. (CCH) P 9268, 29 A.F.T.R.2d 72-637 (8th Cir. 1972) (applying Kovel to find attorney-client privilege applied to audit of client prepared by an accountant at attorney's request to aid in advising client whether to file amended tax return); U.S. v. Judson, 322 F.2d 460, 462–63, 63-2 U.S. Tax Cas. (CCH) P 9658, 12 A.F.T.R.2d 5497 (9th Cir. 1963) (finding Kovel doctrine precluded disclosure of statement of client's net worth prepared by accountant at attorney's request); Linde Thomson Langworthy Kohn & Van Dyke, P.C. v. Resolution Trust Corp., 5 F.3d 1508, 37 Fed. R. Evid. Serv. 1119, 26 Fed. R. Serv. 3d 1330 (D.C. Cir. 1993)(discussing Kovel doctrine and subsequent decisions).

[FN7] U.S. v. Alvarez, 519 F.2d 1036, 1045 (3d Cir. 1975) (rejected by, State v. Craney, 347 N.W.2d 668 (Iowa 1984)) and (rejected by, U.S. v. Talley, 790 F.2d 1468, 20 Fed. R. Evid. Serv. 1302 (9th Cir. 1986)) ("We see no distinction between the need of defense counsel for expert assistance in accounting matters and the same need in matters of psychiatry."); White v. Johnson, 153 F.3d 197, 202 (5th Cir. 1998) (finding privilege applied to communications between client and hypnotist).

[FN8] State v. Mingo, 77 N.J. 576, 392 A.2d 590 (1978) (finding report and testimony of non-testifying handwriting expert were not subject to disclosure); U.S. v. Pipkins, 528 F.2d 559, 563 (5th Cir. 1976) (finding under some circumstances, although not existing in this particular case, handwriting analyst could be entitled to attorney-client privilege).

[FN9] *See, e.g.*, Linde Thomson Langworthy Kohn & Van Dyke, P.C. v. Resolution Trust Corp., 5 F.3d 1508, 1515, 37 Fed. R. Evid. Serv. 1119, 26 Fed. R. Serv. 3d 1330 (D.C. Cir. 1993) ("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.").

[FN10] *See, e.g.*, Coburn v. PN II, Inc., 2008 WL 879746 (D. Nev. 2008) (finding that providing information to court-appointed computer specialist would not result in a waiver of attorney client privilege); Compulit v. Banctec, Inc., 177 F.R.D. 410, 412, 40 Fed. R. Serv. 3d 831 (W.D. Mich. 1997) ("Nor … would the attorney-client privilege be lost if a law firm used an outside document copy service to copy privileged communications.").

[FN11] *See, e.g.*, U.S. v. Judson, 322 F.2d 460, 462–63, 63-2 U.S. Tax Cas. (CCH) P 9658, 12 A.F.T.R.2d 5497 (9th Cir. 1963) (holding that Kovel doctrine applied to documents created, at attorney's request, by accountant for the purpose of advising and defending client); Sharonda B. v. Herrick, 1998 WL 341801 (N.D. Ill. 1998), opinion adopted in part, 1998 WL 547306 (N.D. Ill. 1998)(finding interview notes taken by non-attorneys were protected); *cf.* U.S. v. Nobles, 422 U.S. 225, 239–40, 95 S. Ct. 2160, 45 L. Ed. 2d 141, 20 Fed. R. Serv. 2d 547 (1975) (holding that work product rule protects from disclosure materials prepared by agents for an attorney).

[FN12] Kovel, 296 F.2d at 922 ("If what is sought is not legal advice, but only accounting service …, or if the advice sought is the accountant's rather than the lawyer's, no privilege exists."); *see also*, *e.g.*, U.S. v. Haynes, 216 F.3d 789 (9th Cir. 2000), amended on denial of reh'g, (Aug. 15, 2000) (disclosure by defendants to investigator of marijuana growing activities not protected where defendants requested that investigator not inform attorney and where investigator had opportunity to learn of activities independently); U.S. v. ChevronTexaco Corp., 241 F. Supp. 2d 1065 (N.D. Cal. 2002) ("Kovel explicitly excludes the broader scenario in which the accountant is enlisted merely to give her own *advice* about the client's situation.") (emphasis in original).

[FN13] Cavallaro v. U.S., 284 F.3d 236, 2002-1 U.S. Tax Cas. (CCH) P 50330, 52 Fed. R. Serv. 3d 761, 89 A.F.T.R.2d 2002-1699 (1st Cir. 2002).

[FN14] *See, e.g.*, U.S. v. Ackert, 169 F.3d 136, 139, 99-1 U.S. Tax Cas. (CCH) P 50298, 51 Fed. R. Evid. Serv. 94, 83 A.F.T.R.2d 99-1040 (2d Cir. 1999) (declining to find privilege applied where third party was not a translator or interpreter of client communication); In re G-I Holdings Inc., 218 F.R.D. 428, 434, 2004-1 U.S. Tax Cas. (CCH) P 50154, 92 A.F.T.R.2d 2003-6451 (D.N.J. 2003) (explaining that "[t]he Kovel court thus carefully limited the attorney-client privilege between an accountant and a client to when the accountant functions as a 'translator' between the client and attorney"); U.S. v. ChevronTexaco Corp., 241 F. Supp. 2d 1065 (N.D. Cal. 2002) (requiring that individual have played role as a translator of information from client).

[FN15] *See, e.g.*, Grand Jury Proceedings Under Seal v. U.S., 947 F.2d 1188, 34 Fed. R. Evid. Serv. 470, 68 A.F.T.R.2d 91-5950 (4th Cir. 1991)(holding that "attorney client privilege may relate back no further than to protect communications [with accountant] which occurred immediately prior to the meeting which involved protected communications"); U.S. v. Bein, 728 F.2d 107, 113, 14 Fed. R. Evid. Serv. 1805 (2d Cir. 1984) (finding accountant was not agent of attorney since he was not consulted until after attorney had rendered legal advice).

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II. Attorney-Client Privilege
C. When Applied to Corporations

§ 33:20. Attorney-client privilege: corporations—Related corporations

Historically, courts have held "[t]hat a corporate 'client' includes not only the corporation by whom the attorney is employed or retained, but also parent, subsidiary and affiliate corporations."[1] The "universal rule of law" is that "disclosure of legal advice to a parent or affiliated corporation does not work a waiver of confidentiality of the document, because of the complete community of interest between parent and subsidiary."[2] Moreover, "for purposes of the attorney-client privilege, the subsidiary and the parent are joint clients, each of whom has an interest in the privileged communications" which extend throughout a corporate structure that encompasses a parent corporation, subsidiaries and affiliates.[3] Unfortunately, even though the cases reach the same result—granting privilege protection for shared communications between corporate family members—the rationale for protecting the privilege varies greatly and, in many instances, the courts have simply declared the result without any real analysis.[4]

Recently, however, the Third Circuit in In re Teleglobe Commc'ns Corp., scrutinized inter-corporate relationships and privilege to determine when and under what circumstances privilege may apply between corporate family members.[5] The Teleglobe court reviewed the muddled reasoning of prior court decisions on privilege between and among corporate family members and painstakingly outlined the standard for privilege protection for confidential communications between a parent, subsidiary and affiliate.[6] The court's analysis was founded on two basic realities of modern corporate business organization: (i) the parent, its subsidiaries, and its affiliates in a corporate family are separate legal corporate entities, and (ii) "parent companies often centralize the provision of legal services to the entire corporate group in one in-house legal department …."[7] In light of these modern business realities, when the legally separate entities within a corporate family (parent and wholly-owned or majority-owned subsidiaries or sister corporations) consult common attorneys (a centralized in-house legal department or a common attorney) on a legal matter of common interest, they enter into a joint or co-client representation.[8] Information shared in relation to that common legal interest is privileged between the corporate co-clients.[9] The privilege protection extends, however, only to matters involving the co-clients' common legal interest.[10] The Teleglobe court noted "… it assumes too much to think that members of a corporate family necessarily have a substantially similar *legal* interest (as they must for the community-of-interest privilege to apply, …) in *all* of each other's communications. Thus holding that parents and subsidiaries may freely share documents without implicating the disclosure rule because of a deemed community of interest stretches, we believe, the community-of-interest privilege too far."[11] Moreover, automatically "deeming" privilege to apply to all inter-corporate communication ignores the ethical rules to which the shared counsel must adhere. "Because co-clients agree to share all information related to the matter of common interest with each other and to employ the same attorney, their legal interests must be identical (or nearly so) in order that an attorney can represent them

all with the candor, vigor, and loyalty that our ethics require."[12]

Even though often claimed and applied in situations involving corporate family members, the common interest or joint defense privilege does not apply to protect privileged communications shared between corporate family members represented by a common attorney.[13] The common interest or joint defense privilege, more appropriately the community-of-interest privilege, protects privileged communications shared between entities represented *by separate counsel* where (i) the communication is shared between the *attorneys* for the members of the community of interest, and (ii) all members of the community share a common legal interest in the communication.[14]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] U. S. v. American Tel. & Tel. Co., 86 F.R.D. 603, 616, 1980-2 Trade Cas. (CCH) ¶63568, 1980-81 Trade Cas. (CCH) ¶63696, 1980-81 Trade Cas. (CCH) ¶63705 (D.D.C. 1979)(H.H. Greene, D.J.).

[FN2] Glidden Co. v. Jandernoa, 173 F.R.D. 459, 472–73 (W.D. Mich. 1997)(Scoville, M.J.); *see also* Crabb v. KFC Nat. Management Co., 952 F.2d 403 (6th Cir. 1992) ("It is well settled that attorney-client privilege is not waived merely because the communications involved extend across corporate structures to encompass parent corporations, subsidiary corporations, and affiliated corporations."); Fox v. Massey-Ferguson, Inc., 172 F.R.D. 653, 670 (E.D. Mich. 1995), order aff'd, 91 F.3d 143 (6th Cir. 1996) ("It is well settled that a privilege is not waived by communications which extend throughout a corporate structure that encompasses a parent corporation, subsidiaries and affiliates."); Hartford Fire Ins. Co. v. PLC Enterprises, Inc., 1994 WL 148664 (N.D. Ill. 1994) ("Since the disclosure of otherwise privileged materials to a parent by a wholly owned subsidiary is generally held to not constitute waiver of the attorney-client privilege, the court finds no waiver here."); Guy v. United Healthcare Corp., 154 F.R.D. 172, 177–78 (S.D. Ohio 1993) (King, M.J.) ("The disclosure of otherwise privileged materials to a parent by a wholly owned subsidiary will not result in a waiver of the attorney-client privilege."); Weil Ceramics & Glass, Inc. v. Work, 110 F.R.D. 500, 503 (E.D. N.Y. 1986) ("[T]he attorney-client protection provided for corporate clients includes, the corporation who retained an attorney, its parent, and its wholly-owned and majority-owned subsidiaries considered collectively."); Duplan Corp. v. Deering Milliken, Inc., 397 F. Supp. 1146, 1184, 184 U.S.P.Q. 775 (D.S.C. 1974), *aff'd* in part on interlocutory appeal, Duplan Corp. v. Deering Milliken, Inc., 540 F.2d 1215, 191 U.S.P.Q. 417, 1976-2 Trade Cas. (CCH) ¶60998 (4th Cir. 1976) ("The fact that communications are among formally different corporate entities which are under common ownership or control leads this court to treat such interrelated corporate communications in the same manner as intra-corporate communications.").

[FN3] Glidden Co. v. Jandernoa, 173 F.R.D. 459, 472–73 (W.D. Mich. 1997) (Scoville, M.J.).

[FN4] For example, some courts uphold as privileged corporate family inter-corporate communications on the theory that parent corporations and their wholly-owned or majority owned subsidiaries are a *single entity*. Duplan Corp. v. Deering Milliken, Inc., 397 F. Supp. 1146, 1184, 184 U.S.P.Q. 775 (D.S.C. 1974); Crabb v. KFC Nat. Management Co., 952 F.2d 403 (6th Cir. 1992); Music Sales Corp. v. Morris, 52 U.S.P.Q.2d 1852, 1999 WL 974025 (S.D. N.Y. 1999) ("Corporations consequently can demonstrate sufficient interrelatedness to be treated as one entity for attorney-client privilege purposes

if they *either* are closely affiliated or share an identity of legal interest."); Glidden Co. v. Jandernoa, 173 F.R.D. 459, 472 (W.D. Mich. 1997) ("The universal rule of law, expressed in a variety of contexts, is that the parent and subsidiary share a community of interest, such that the parent (as well as the subsidiary) is the "client" for purposes of the attorney-client privilege."); In re JP Morgan Chase & Co. Securities Litigation, 2007 WL 2363311 (N.D. Ill. 2007) ("[C]onfidential documents shared between members of a corporate family do not waive the attorney-client privilege."); In re 15375 Memorial Corp., 2007 WL 675948 (Bankr. D. Del. 2007) ("[T]he existence of communications of privileged information between a parent and its subsidiary does not constitute waiver of an applicable privilege."); In re Nucletron Mfg. Corp., 1994 WL 16191611 (Bankr. E.D. Va. 1994), quoting U. S. v. American Tel. & Tel. Co., 86 F.R.D. 603, 616, 1980-2 Trade Cas. (CCH) ¶63568, 1980-81 Trade Cas. (CCH) ¶63696, 1980-81 Trade Cas. (CCH) ¶63705 (D.D.C. 1979), ("[A] corporate 'client' includes not only the corporation by whom the attorney is employed or retained, but also parent, subsidiary and affiliate corporations."); Moore v. Medeva Pharmaceuticals, Inc., 2003 DNH 60, 2003 WL 1856422 (D.N.H. 2003) (finding no evidence to carry the burden to show the affiliation between the parties to protect sharing of confidential communications under the one entity analysis).

Privileged protection has also been granted on the basis that affiliated corporations are *joint clients* each with an interest in the privileged communication. Glidden Co. v. Jandernoa, 173 F.R.D. 459, 473 (W.D. Mich. 1997) ("Numerous courts have recognized that, for purposes of the attorney-client privilege, the subsidiary and the parent are joint clients, each of whom has an interest in the privileged communications.").

Privilege between corporate family members has also been found because they share *a community of interest*. Glidden Co. v. Jandernoa, 173 F.R.D. 459, 472–73 (W.D. Mich. 1997) ("[D]isclosure of legal advice to a parent or affiliated corporation does not work a waiver of the confidentiality of the document, because of the complete community of interest between parent and subsidiary."); Music Sales Corp. v. Morris, 52 U.S.P.Q.2d 1852, 1999 WL 974025 (S.D. N.Y. 1999) ("Corporations consequently can demonstrate sufficient interrelatedness to be treated as one entity for attorney-client privilege purposes if they *either* are closely affiliated *or* share an identity of legal interest.").

[FN5] In re Teleglobe Communications Corp., 493 F.3d 345 (3d Cir. 2007), as amended, (Oct. 12, 2007).

[FN6] In re Teleglobe Communications Corp., 493 F.3d 345 (3d Cir. 2007), as amended, (Oct. 12, 2007).

[FN7] In re Teleglobe Communications Corp., 493 F.3d 345, 369 (3d Cir. 2007), as amended, (Oct. 12, 2007).

[FN8] In re Teleglobe Communications Corp., 493 F.3d 345, 369 (3d Cir. 2007), as amended, (Oct. 12, 2007).

[FN9] In re Teleglobe Communications Corp., 493 F.3d 345, 363 (3d Cir. 2007), as amended, (Oct. 12, 2007); Restatement (Third) of The Law Governing Lawyers § 75(2).

[FN10] In re Teleglobe Communications Corp., 493 F.3d 345, 366 (3d Cir. 2007), as amended, (Oct. 12, 2007); Restatement (Third) of The Law Governing Lawyers § 75(1); In re Grand Jury Subpoena

#£06-1, 274 Fed. Appx. 306, 311 (4th Cir. 2008).

[FN11] In re Teleglobe Communications Corp., 493 F.3d 345, 372 (3d Cir. 2007), as amended, (Oct. 12, 2007).

[FN12] In re Teleglobe Communications Corp., 493 F.3d 345, 366 (3d Cir. 2007), as amended, (Oct. 12, 2007).

[FN13] In re Teleglobe Communications Corp., 493 F.3d 345, 365 (3d Cir. 2007), as amended, (Oct. 12, 2007).

[FN14] In re Teleglobe Communications Corp., 493 F.3d 345, 364–65 (3d Cir. 2007), as amended, (Oct. 12, 2007); *see also* Gulf Islands Leasing, Inc. v. Bombardier Capital, Inc., 215 F.R.D. 466, 474 (S.D. N.Y. 2003) (two entities with an affiliate relationship represented by separate counsel failed to meet their burden of proving the applicability of any privilege because they did not show common legal interest in the subject matter of the shared communication), *see also* § 33:25.

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33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

II. Attorney-Client Privilege
C. When Applied to Corporations

§ 33:21. Attorney-client privilege: corporations—Closely held corporations

As a rule, a corporation is a separate entity, separate and distinct from its shareholders.[1] And generally, an attorney retained to represent the corporation does not represent the shareholders.[2] The privilege and work product rules that apply to public corporations, however, do not automatically apply to closely or privately held corporations.[3] An attorney retained by a corporation with a single shareholder may be held to have an attorney-client relationship with the sole shareholder as well as the corporation.[4] This is usually the rule where the litigation or a regulatory matter involves the background, experience, and good standing of the person who controls the corporation, or where the corporation was formed solely for the purpose of facilitating a transaction that required corporate form.[5] "In such cases, the line between individual and corporate representation can become blurred. The determination whether the attorney represented the individual or the small, closely held corporation is fact-intensive and must be considered on a case-by-case basis."[6]

Several courts have developed and applied a laundry list of factors to determine whether in the case of a closely held corporation with few shareholders the attorney represents the corporation, the shareholders, or both.[7] The application of these factors is a fact-intensive inquiry delving into, among other things, prior representations by the attorney of the individual shareholders, the arrangements and sources of payment for the attorney's services, the attorney's access to shareholder confidential information, the ownership interests and involvement in the operations of the corporation by the shareholders, and specific agreements by the corporate attorney to represent the shareholders.[8] Even though all factors must be analyzed, the question of whom the attorney represents often turns on the facts and circumstances that focus on "[w]hether the shareholder could reasonably have believed … the attorney was acting as his individual attorney rather than as the corporation's attorney."[9]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Sipma v. Massachusetts Cas. Ins. Co., 256 F.3d 1006, 1010 (10th Cir. 2001) (finding that under common law a corporation is a legal entity separate from its shareholders).

[FN2] Philin Corp. v. Westhood, Inc., 2005 WL 582695 (D. Or. 2005), citing U.S. v. Edwards, 39 F. Supp. 2d 716 (M.D. La. 1999); Bobbitt v. Victorian House, Inc., 545 F. Supp. 1124, 1126 (N.D. Ill. 1982) (noting that in the ordinary corporate setting, counsel to the corporation does not generally represent its shareholders, directors, or officers).

[FN3] Philin Corp. v. Westhood, Inc., 2005 WL 582695 (D. Or. 2005) (holding "a closely held corporation can present a 'logical exception' to the separate corporate entity theory."); Rosman v. Shapiro, 653 F. Supp. 1441, 1445 (S.D. N.Y. 1987) (finding that where a closely held corporation consists of "only two shareholders with equal interests in the corporation, it is indeed reasonable for each shareholder to believe that corporate counsel is in effect his own individual attorney").

[FN4] *See* In re Brownstein, 288 Or. 83, 602 P.2d 655, 657 (1979) (applying the strict view that the attorney representing the closely-held corporation also represents its shareholders). Most courts do not adopt this mechanistic view and recognize the issue of the attorney-client relationship in a closely-held corporation largely depends on the facts and circumstances surrounding the representation. *See, e.g.,* U.S. v. Edwards, 39 F. Supp. 2d 716 (M.D. La. 1999); First Republic Bank v. Brand, 51 Pa. D. & C.4th 167, 2001 WL 1112972 (C.P. 2001); Anderson v. Derrick, 2007 WL 1166041 (W.D. N.C. 2007).

[FN5] *See, e.g.,* U.S. v. Edwards, 39 F. Supp. 2d 716 (M.D. La. 1999)(attorney held to represent both single shareholder and the corporation where underlying regulatory matter depended upon the "suitability, character, reputation, integrity, honesty, criminal record, habits and prior activities" of individuals holding 100 percent of corporate applicant for casino license); *but see* Bovee v. Gravel, 174 Vt. 486, 811 A.2d 137, 141 (2002) (collecting cases and noting no duty to nonclient shareholders even in a closely held corporation under the facts of the case).

[FN6] U.S. v. Edwards, 39 F. Supp. 2d 716 (M.D. La. 1999); *see also* Bobbitt v. Victorian House, Inc., 545 F. Supp. 1124, 1126 (N.D. Ill. 1982); Chem-Age Industries, Inc. v. Glover, 2002 SD 122, 652 N.W.2d 756, 769 (S.D. 2002); First Republic Bank v Brand, No. 147 Aug. Term 2000, 2001 WL 1112972, at *6 (Pa. Com. Pl. Apr. 30, 2001) (listing factors relevant to determine "whether a corporation's attorney has entered into an attorney-client relationship with the corporation's shareholder."); Anderson v. Derrick, 2007 WL 1166041 (W.D. N.C. 2007) (same).

[FN7] First Republic Bank v. Brand, 51 Pa. D. & C.4th 167, 2001 WL 1112972 (C.P. 2001) (listing 10 factors to consider to determine whether the attorney to a closely held corporation represents the corporation, the shareholders, or both); Classic Coffee Concepts, Inc. v. Anderson, 2006 NCBC 21, 2006 WL 3476598 (N.C. Super. Ct. 2006) (adopting the First Republic Bank factors); Anderson v. Derrick, 2007 WL 1166041 (W.D. N.C. 2007) (same).

[FN8] First Republic Bank v. Brand, 51 Pa. D. & C.4th 167, 2001 WL 1112972 (C.P. 2001).

[FN9] First Republic Bank v. Brand, 51 Pa. D. & C.4th 167, 2001 WL 1112972 (C.P. 2001).

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II. Attorney-Client Privilege
C. When Applied to Corporations

§ 33:22. Attorney-client privilege: corporations—Sale or transfer of business

The sale or transfer of a business cedes control over the attorney-client privilege to the new management. "[W]hen control of a corporation passes to new management, the authority to assert and waive the corporation's attorney-client privilege passes as well."[1] "Control," for purposes of the attorney-client privilege, is determined according to state law.[2] The sale of corporate assets alone, without a transfer of control over the underlying business, does not transfer the right to assert or waive the attorney-client privilege.[3] Thus, before transferring business assets to a new owner, corporations are well advised to remove or destroy any documents or electronically stored information that contains privileged or work product materials.[4]

Upon the sale or divestiture of a subsidiary, the purchaser is considered the new "management" and takes control of the privilege.[5] In Medcom Holding Co. v. Baxter Travenol Labs., Inc.,[6A] Medcom acquired a former subsidiary of Baxter Travenol and then sued Baxter for fraud in connection with the transaction. The court held that all attorney-client communications of the former subsidiary and between the subsidiary and Baxter were "incidents of the sale" to Medcom and were thus transferred to Medcom "subject to the terms of any special agreements."[6] However, to the extent Baxter and its former subsidiary shared a joint defense privilege in defending litigation prior to the sale of the subsidiary to Medcom, Medcom did not have the right to waive the joint defense privilege absent Baxter's consent.[7]

The Medcom limit on the purchaser's control of the privilege is confined to communications intended to further the former parent's and subsidiary's joint legal interests. Courts have therefore held that a subsidiary waives privilege protection by disclosing to its new owners communications that took place prior to the merger when they do not involve a common legal interest between the former parent and subsidiary.[8] Because control of the privilege over most types of other communications passes to the purchaser, in-house counsel should consider securing outside representation for the subsidiary during a spin-off.[9]

The work product doctrine affords even less protection in the merger or divestiture context. Materials prepared by attorneys to effect a corporate transaction are generally considered to be prepared in the ordinary course of business and are therefore not considered work product. However, a legal analysis of potential liability arising from a merging corporation's past activities or from the transaction itself will be protected. For instance, the Second Circuit has held that an accountant's tax analysis of a reorganization of two subsidiaries prepared at the request of corporate counsel was entitled to work product protection.[10] The court concluded the material would not have been prepared but for reasonably foreseeable and already identifiable tax litigation (with a specific, already-identifiable claim). The court shielded the materials with work product protection because they

embodied the same type of attorney impressions about strategy and relative strengths and weaknesses of legal positions that Hickman was intended to protect.[11]

Prior to a merger or divestiture, counsel must often address the question of disclosing privileged or work product materials to meet due diligence demands and other mutual disclosure obligations. Courts have extended the common interest doctrine to hold that certain disclosures for merger negotiations or similar transactions do not cause a waiver, even if the transaction is not consummated. This extension of the privilege is based on the negotiating parties' joint legal interests (*e.g.*, the likelihood that the acquirer will become a party to current or anticipated litigation against the acquired subsidiary) and the precautions routinely taken in merger negotiations to assure confidential treatment of information disclosed by the negotiating parties.[12] Disclosure of privileged or work product materials between the negotiating parties should be limited to matters in which the merging parties would have a reasonable expectation of litigation in which both would have a joint interest.[13] Courts have refused attorney-client privilege or work product protection for communications made in merger negotiations if they were not clearly supported by a common legal interest.[14]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Commodity Futures Trading Com'n v. Weintraub, 471 U.S. 343, 349, 105 S. Ct. 1986, 85 L. Ed. 2d 372, 12 Bankr. Ct. Dec. (CRR) 1247, 12 Collier Bankr. Cas. 2d (MB) 651, Bankr. L. Rep. (CCH) P 70360, 17 Fed. R. Evid. Serv. 529, 1 Fed. R. Serv. 3d 417 (1985). Though Weintraub was decided in the bankruptcy context, numerous courts have applied its holdings outside of the bankruptcy context.

[FN2] *See, e.g.*, Milroy v. Hanson, 875 F. Supp. 646, 650 (D. Neb. 1995)("The relevant substantive law defines how corporations function, and such law dictates who may assert, waive or frustrate the privilege.").

[FN3] *See, e.g.*, In re In-Store Advertising Securities Litigation, 163 F.R.D. 452, 458 (S.D. N.Y. 1995) (although a change in management allows successor corporation to control privilege claims, mere transfer of assets does not); Postorivo v. AG Paintball Holdings, Inc., 2008 WL 343856 (Del. Ch. 2008) (holding that the acquiring entity received privileged communications regarding the operation of the business before and after the asset purchase agreement, but the seller retained privileged communications regarding the negotiation of the asset purchase agreement and all assets and liabilities not transferred); *see also* Jerome G. Snider & Howard A. Ellins, Corporate Privileges and Confidential Information § 2.03[5] at 2-18 (Law Journal Press 1999).

[FN4] *See* Postorivo v. AG Paintball Holdings, Inc., 2008 WL 3876199 (Del. Ch. 2008) (sanctioning party and counsel for acquiring company for violating privilege claims of party transferring assets, where acquiring party continued running acquired business and retained its former employees); Kaufman v. SunGard Inv. System, 2006 WL 1307882 (D.N.J. 2006) (ordering disclosure of privileged e-mails where the selling plaintiff had not removed them from company-owned laptops before transfer of those lap-tops to the defendant).

[FN5] Medcom Holding Co. v. Baxter Travenol Laboratories, Inc., 689 F. Supp. 841, 844–46, 12 Fed. R. Serv. 3d 1189 (N.D. Ill. 1988).

[FN6A] Medcom Holding Co. v. Baxter Travenol Laboratories, Inc., 689 F. Supp. 841, 842, 12 Fed. R. Serv. 3d 1189 (N.D. Ill. 1988).

[FN6] Medcom Holding Co. v. Baxter Travenol Laboratories, Inc., 689 F. Supp. 841, 846, 12 Fed. R. Serv. 3d 1189 (N.D. Ill. 1988); Glidden Co. v. Jandernoa, 173 F.R.D. 459, 474 (W.D. Mich. 1997) (applying Delaware law). Parent corporations may be able to avoid losing control over its privileges by so providing in the operative transfer agreement; In re Mirant Corp., 326 B.R. 646, 651, (Bankr. N.D. Tex. 2005) (former corporate parent could not assert privilege to prevent law firm from disclosing to debtor—a former subsidiary—information provided in connection with corporate spinoff where the "need for investigation in bankruptcy case is far more acute than is any concern for attorney-client communications"). *See* Jerome G. Snider & Howard A. Ellins, Corporate Privileges and Confidential Information § 2.03[5] at 2-19 (Law Journal Press 1999) (citing In re Sealed Case, 120 F.R.D. 66, 70 (N.D. Ill. 1988)).

[FN7] Medcom Holding Co. v. Baxter Travenol Laboratories, Inc., 689 F. Supp. 841, 845–46, 12 Fed. R. Serv. 3d 1189 (N.D. Ill. 1988).

[FN8] *See* Bass Public Ltd. Co. v. Promus Companies Inc., 868 F. Supp. 615, 621, Fed. Sec. L. Rep. (CCH) P 98512 (S.D. N.Y. 1994) (no joint defense privilege existed to prevent former parent corporation from waiving privilege unilaterally after it had become subsidiary of acquiring corporation; former parent and its own subsidiary had never been codefendants in litigation brought by acquiring corporation) and In re Grand Jury Subpoenas, 89-3 and 89-4, John Doe 89-129, 902 F.2d 244, 248–49, 30 Fed. R. Evid. Serv. 273, 28 A.L.R.5th 775 (4th Cir. 1990) (divested subsidiary could not waive privilege unilaterally with respect to documents related to joint defense of counterclaim by Army against company and its former subsidiary; subsidiary could waive privilege unilaterally for documents unrelated to the joint defense).

[FN9] *See* discussion of ways for in-house counsel to protect the parent company's privilege during the spin-off of a subsidiary in In re Teleglobe Communications Corp., 493 F.3d 345, 373–74 (3d Cir. 2007), as amended, (Oct. 12, 2007).

[FN10] U.S. v. Adlman, 134 F.3d 1194, 1200, 98-1 U.S. Tax Cas. (CCH) P 50230, 39 Fed. R. Serv. 3d 1189, 81 A.F.T.R.2d 98-820 (2d Cir. 1998); *see also* U.S. v. Roxworthy, 457 F.3d 590, 2006-2 U.S. Tax Cas. (CCH) P 50458, 65 Fed. R. Serv. 3d 1177, 98 A.F.T.R.2d 2006-5964, 2006 FED App. 0289P (6th Cir. 2006), recommendation regarding acquiescence, AOD-2007-4, 2007 WL 2817569 (I.R.S. AOD 2007) and not acquiesced, 2007-40 I.R.B.720, 2007 WL 2817472 (2007) (work product protection granted for memo on tax treatment of company's transactions involving creation of captive insurance company and stock transfers; company satisfied burden of proving memo was prepared "because of" reasonably anticipated litigation with the IRS, not just in ordinary course of business).

[FN11] *See* §§ 33:26 and 33:27.

[FN12] *See, e.g.,* Hewlett-Packard Co. v. Bausch & Lomb, Inc., 115 F.R.D. 308, 310, 4 U.S.P.Q.2d 1673, 7 Fed. R. Serv. 3d 718 (N.D. Cal. 1987); Louisiana Mun. Police Employees Retirement System v. Sealed Air Corp., 253 F.R.D. 300, Fed. Sec. L. Rep. (CCH) P 94807 (D.N.J. 2008) (privilege and work product protection upheld for due diligence documents exchanged between W.R. Grace and Co. and Sealed Air Corporation at time of merger; communications concerned potential exposure to asbestos

and environmental liabilities and primary purpose of transaction was to insulate entity from multiple liability claims); Cavallaro v. U.S., 284 F.3d 236, 2002-1 U.S. Tax Cas. (CCH) P 50330, 52 Fed. R. Serv. 3d 761, 89 A.F.T.R.2d 2002-1699 (1st Cir. 2002) (finding common interest doctrine applied to documents shared in merger discussions and noting that "the weight of case law suggests that, as a general matter, privileged information exchanged during a merger between two unaffiliated businesses would fall within the common interest doctrine"); Rayman v. American Charter Federal Sav. & Loan Ass'n, 148 F.R.D. 647, 655, 27 Fed. R. Serv. 3d 136 (D. Neb. 1993) (finding common interest doctrine applicable to communications between potential merger partners); *but see* Memry Corp. v. Kentucky Oil Technology, N.V., 2007 WL 832937 (N.D. Cal. 2007) (work product protection, but not privilege protection, for evaluation of intellectual property assets that had been shown to prospective purchasers of assets. Defendant did not establish that the disclosure was conducted under strict confidentiality standards, nor that the seller and prospective purchaser anticipated litigation against a common adversary. Nevertheless, the court found that the document was prepared in anticipation of litigation and thus so merited work product protection).

[FN13] *See, e.g.,* SCM Corp. v. Xerox Corp., 70 F.R.D. 508, 512, 1976-2 Trade Cas. (CCH) ¶61207, 1976-2 Trade Cas. (CCH) ¶61208, 2 Fed. R. Evid. Serv. 535 (D. Conn. 1976) (privilege waived by disclosure of potential antitrust liability to joint venture partner where recipient of information was not a potential co-defendant to antitrust liability).

[FN14] In re JP Morgan Chase & Co. Securities Litigation, 2007 WL 2363311 (N.D. Ill. 2007) (no privilege or work-product protection for documents shared between J.P. Morgan and Bank One prior to merger; companies only shared common legal interest *after* merger); Nidec Corp. v. Victor Co. of Japan, 249 F.R.D. 575, 579–80 (N.D. Cal. 2007) (no common interest privilege protection for communications between JVC and potential bidders; bidders were not likely to become joint defendants with JVC and disclosures were not made in the course of formulating a common legal strategy).

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§ 33:23. Attorney-client privilege: corporations—Bankruptcy

In the corporate context, a bankrupt company's attorney-client privilege is controlled by the trustee in bankruptcy.[1] "Because the attorney-client privilege is controlled, outside of bankruptcy, by a corporation's management, the actor whose duties most closely resemble those of management [i.e., the trustee] should control the privilege in bankruptcy …."[2] Other persons or entities that may "control" a corporation, such as receivers, liquidators, examiners, conservators, and subrogees, similarly gain control of the corporation's privilege claims, at least to the extent the person or entity in control effectively replaces former management and actually "manages" the corporation going forward.[3] At the same time, trustee-like persons who gain control of a corporation may be obligated under prior joint defense arrangements such that they cannot unilaterally waive joint defense protections.[4]

Although the trustee in bankruptcy controls the privilege, post-petition communications between the trustee, trustee's counsel and former corporate directors or management may be privileged where those communications concern matters that were under the control of the former directors or officers and the trustee's counsel needs to consult with former directors or officers in order to provide legal advice to the trustee.[5] Former directors and officers may not compel discovery of privileged company documents after the debtor corporation is controlled by the trustee, unless the documents were prepared by them or addressed to them in their former roles with the debtor corporation.[6]

In situations where a corporation is facing financial difficulties and bankruptcy is a threat, counsel should (1) bear in mind that the corporation (not individual officers or directors) is the client and (2) when appropriate, warn persons who control the corporation's activities and affairs that the right to assert or waive currently protected privileged or work product materials may eventually pass to a third party, *e.g.*, a trustee or receiver, whose legal interests may be adverse to the individual's legal interests. Such a warning is particularly important in cases where shareholder or derivative litigation could impose liability on the officers and directors to the corporation or its shareholders.[7]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Commodity Futures Trading Com'n v. Weintraub, 471 U.S. 343, 351, 105 S. Ct. 1986, 85 L. Ed. 2d 372, 12 Bankr. Ct. Dec. (CRR) 1247, 12 Collier Bankr. Cas. 2d (MB) 651, Bankr. L. Rep. (CCH) P 70360, 17 Fed. R. Evid. Serv. 529, 1 Fed. R. Serv. 3d 417 (1985); Meoli v. American Medical Service of San Diego, 287 B.R. 808, 815–16 (S.D. Cal. 2003) (adopting the Supreme Court's analysis in Weintraub to find that a bankruptcy trustee can waive a privilege on behalf of an insolvent limited partnership).

[FN2] Commodity Futures Trading Com'n v. Weintraub, 471 U.S. 343, 351–52, 105 S. Ct. 1986, 85 L. Ed. 2d 372, 12 Bankr. Ct. Dec. (CRR) 1247, 12 Collier Bankr. Cas. 2d (MB) 651, Bankr. L. Rep. (CCH) P 70360, 17 Fed. R. Evid. Serv. 529, 1 Fed. R. Serv. 3d 417 (1985). The rules of privilege and waiver are different in cases of individual bankruptcy. *See* In re Foster, 188 F.3d 1259, 1265 (10th Cir. 1999); Mitchelson, Jr., Comment, Waiver of the Attorney-Client Privilege by the Trustee in Bankruptcy, 51 U. Chi. L. Rev. 1230, 1258–59 (1984).

[FN3] Courts do not treat liquidators uniformly in this regard because of a theoretical dispute about the continued existence of the original corporate client once a liquidator gains control over its assets and whether an extinct corporation can meet the elements of a privilege claim according to the particular jurisdiction's rules. *See, e.g.*, Federal Deposit Ins. Corp. v. Amundson, 682 F. Supp. 981, 987 (D. Minn. 1988) (FDIC's responsibilities as receiver (managing ongoing concern) differ from responsibilities as liquidator (purchaser of assets only) in ways that may affect assertion of privilege).

[FN4] *See, e.g.*,In re Madison Management Group, Inc., 212 B.R. 894 (Bankr. N.D. Ill. 1997); In re Benun, 339 B.R. 115, 134–35, 46 Bankr. Ct. Dec. (CRR) 52 (Bankr. D. N.J. 2006) (trustee could not waive privilege attached to letter written by attorney in connection with joint defense of individual debtor and debtor corporation); *see also*, § 33:22.

[FN5] *See, e.g.*, In re Worldwide Wholesale Lumber, Inc., 392 B.R. 197 (Bankr. D. S.C. 2008) (holding that communications between former president and sole shareholder of debtor and trustee's counsel were privileged because communications related to matters under former president's control when he was on employee of the debtor).

[FN6] In re Braniff, Inc., 153 B.R. 941, 24 Bankr. Ct. Dec. (CRR) 309 (Bankr. M.D. Fla. 1993) (former officers and directors of debtor could not obtain all privileged materials generated by company or its counsel during the period of their tenure, but could have discovery of privileged documents that had been prepared by, addressed to, or copied to them during their tenure at the company); *see also* Dexia Credit Local v. Rogan, 231 F.R.D. 268 (N.D. Ill. 2004) (former CEO sued by creditor could not compel from debtor documents withheld under attorney-client privilege; debtor and creditor shared common interest privilege); *see also* § 33:14.

[FN7] *See* §§ 33:24 and 33:104.

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§ 33:24. Attorney-client privilege: corporations—Fiduciaries: shareholder and derivative litigation

In Garner v. Wolfinbarger, the Fifth Circuit Court of Appeals recognized an exception to the attorney-client privilege and allowed shareholders who sued the corporation for harming both stockholder interests and the corporation itself to overcome the corporation's assertion of privilege.[1] The Fifth Circuit set out a list of factors for courts to consider in conducting the delicate balancing between the corporation's need to preserve its privileges and the shareholders' need for access to privileged information to establish their case. These factors include:

- The number of shareholders involved and percentage of stock they represent;
- The bona fides of the shareholders;
- The nature of their claims;
- The necessity of obtaining the requested information and its availability from other sources;
- The degree of corporate wrongdoing;
- Whether the requested information relates to past or prospective actions;
- Whether the requested information was advice concerning the litigation itself;
- Whether the request is merely a fishing expedition; and
- The risk that the requested discovery will disclose trade secrets or other confidential information.[2]

On remand, the trial court held that the corporation could not assert any privilege claims against its shareholders because, in the context of that specific litigation, the corporation was in the position of a trustee and the shareholders were beneficiaries to whom the trustee corporation owed a fiduciary duty.[3] Although the so-called Garner doctrine holds that corporations do not have an absolute right to assert the privilege against shareholders, it does not abrogate the corporate privilege in all instances. Shareholders must establish "good cause" for piercing the privilege.[4] In shareholder derivative litigation, where the shareholders sue "on behalf of" the corporation itself, the Garner doctrine has been widely applied.[5]

Courts are not in agreement as to whether the fiduciary exception applies to shareholder litigation outside the context of derivative litigation. Both the Fifth and the Sixth Circuits have held that Garner can apply to cases in which shareholders sue in their own right.[6] Other courts disfavor application of the fiduciary exception in securities fraud litigation.[7] Some courts have applied the Garner doctrine in other shareholder-like actions where a fiduciary duty is owed to a non-shareholder group.[8]

Although Garner creates a fiduciary exception for privileged materials, the mutuality of interests between corporation and shareholders is destroyed by litigation; and shareholders have no right to obtain attorney work

product generated because of the threatened or actual shareholders litigation.[9]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Garner v. Wolfinbarger, 430 F.2d 1093, Fed. Sec. L. Rep. (CCH) P 92759, Fed. Sec. L. Rep. (CCH) P 92819, 14 Fed. R. Serv. 2d 490 (5th Cir. 1970); *see also* Harris v. Wells, 1990 WL 150445 (D. Conn. 1990);In re Dayco Corp. Derivative Securities Litigation, 99 F.R.D. 616, 620–21, Fed. Sec. L. Rep. (CCH) P 99619, 38 Fed. R. Serv. 2d 537 (S.D. Ohio 1983).

[FN2] *See* Garner v. Wolfinbarger, 430 F.2d 1093, 1101 (1970); *see also* Ward v. Succession of Freeman, 854 F.2d 780, 784, Fed. Sec. L. Rep. (CCH) P 94019 (5th Cir. 1988) (listing relevant factors).

[FN3] Garner v. Wolfinbarger, 56 F.R.D. 499, Fed. Sec. L. Rep. (CCH) P 93600, 16 Fed. R. Serv. 2d 576 (S.D. Ala. 1972).

[FN4] In re Teleglobe Communications Corp., 493 F.3d 345, 384 (3d Cir. 2007), as amended, (Oct. 12, 2007) (allowing "shareholders of a corporation to invade the corporation's privilege in order to prove fiduciary breaches by those in control of the corporation upon showing good cause"); Ward v. Succession of Freeman, 854 F.2d 780, 784, Fed. Sec. L. Rep. (CCH) P 94019 (5th Cir. 1988) (finding disclosure appropriate where there is good cause and enumerating factors); Asian Vegetable Research and Development Center v. Institute of Intern. Educ, 1996 WL 14448 (S.D. N.Y. 1996) (holding that since management and shareholders share a "mutuality of interest" in management seeking advice, management judgment must stand on its merit and "not behind an ironclad veil of secrecy"); In re Dow Corning Corp., 261 F.3d 280, 50 Fed. R. Serv. 3d 422 (2d Cir. 2001) (noting, without expressly adopting Garner, that it was unable to decide based on factual record "whether other grounds may exist for disclosure of the communications, for instance, waiver or the application of the shareholder 'good cause' exception to the attorney-client privilege announced in [Garner]").

[FN5] *See, e.g.*, Commodity Futures Trading Com'n v. Weintraub, 471 U.S. 343, 348, 105 S. Ct. 1986, 85 L. Ed. 2d 372, 12 Bankr. Ct. Dec. (CRR) 1247, 12 Collier Bankr. Cas. 2d (MB) 651, Bankr. L. Rep. (CCH) P 70360, 17 Fed. R. Evid. Serv. 529, 1 Fed. R. Serv. 3d 417 (1985) (recognizing that officers and directors are fiduciaries for corporate shareholders); Cohen v. Uniroyal, Inc., 80 F.R.D. 480, 482, Fed. Sec. L. Rep. (CCH) P 96868 (E.D. Pa. 1978) (finding good cause the abrogate the corporate privilege under the Garner factors); Fausek v. White, 965 F.2d 126, 130, 35 Fed. R. Evid. Serv. 1225 (6th Cir. 1992) (applying Garner doctrine in suit by minority against majority shareholders); In re Teleglobe Communications Corp., 493 F.3d 345, 384 (3d Cir. 2007), as amended, (Oct. 12, 2007) (applying Garner under Delaware law to permit disclosure where there is good cause); Citizens and Southern Nat. Bank v. American Sur. Co. of New York, 347 F.2d 18, 9 Fed. R. Serv. 2d 8E.611, Case 2 (5th Cir. 1965) (holding that Garner applied to shareholder derivative suits but not to non-derivative suits).

[FN6] *See* Ward v. Succession of Freeman, 854 F.2d 780, 786, Fed. Sec. L. Rep. (CCH) P 94019 (5th Cir. 1988) (reiterating the Fifth Circuit's rejection of any limitation of the Garner rationale to derivative suits, but noting that bringing suit in their own behalf may weigh against shareholders in the nine-factor Garner analysis); Fausek v. White, 965 F.2d 126, 130, 35 Fed. R. Evid. Serv. 1225 (6th Cir. 1992) (rejecting privilege holder's contention that Garner applies only in shareholder derivative actions and

not where shareholders act only for their own benefit); RMED Intern., Inc. v. Sloan's Supermarkets, Inc., 2003 WL 41996 (S.D. N.Y. 2003), at *5–6 (applying Garner exception to securities fraud action brought by shareholders for damages); Picard Chemical Inc. Profit Sharing Plan v. Perrigo Co., 951 F. Supp. 679 (W.D. Mich. 1996) (citing Fausek and noting that the privilege can apply in non-derivative shareholder actions); Fortson v. Winstead, McGuire, Sechrest & Minick, 961 F.2d 469, 475–76 n.5 (4th Cir. 1992) (advocating Garner analysis in the context of the fiduciary relationship between general partners and limited partners).

[FN7] *See* Weil v. Investment/Indicators, Research and Management, Inc., 647 F.2d 18, 23, Fed. Sec. L. Rep. (CCH) P 98023, 8 Fed. R. Evid. Serv. 475, 31 Fed. R. Serv. 2d 1196 (9th Cir. 1981) (holding that Garner doctrine does not apply to shareholders suing on their own behalf); In re JP Morgan Chase & Co. Securities Litigation, 2007 WL 2363311 (N.D. Ill. 2007) (discussing and rejecting application of fiduciary exception to securities class action before class certification).

[FN8] *See, e.g.*, In re Transocean Tender Offer Securities Litigation, 78 F.R.D. 692, 27 Fed. R. Serv. 2d 180 (N.D. Ill. 1978) (applying Garner to suit by minority shareholders against majority shareholders); Broad v. Rockwell Intern. Corp., Fed. Sec. L. Rep. (CCH) P 95894, 1977 WL 928 (N.D. Tex. 1977) (corporation could not assert privilege against debenture holders to whom it owed fiduciary duty); Fortson v. Winstead, McGuire, Sechrest & Minick, 961 F.2d 469, 475–76 n.5 (4th Cir. 1992) (advocating Garner analysis in the context of the fiduciary relationship between general partners and limited partners); Ward v. Succession of Freeman, 854 F.2d 780, 786, Fed. Sec. L. Rep. (CCH) P 94019 (5th Cir. 1988) (rejecting limitation of Garner to only derivative suits).

[FN9] *See* In re International Systems and Controls Corp. Securities Litigation, 693 F.2d 1235, Fed. Sec. L. Rep. (CCH) P 99036, 35 Fed. R. Serv. 2d 732 (5th Cir. 1982) (holding that once there is sufficient anticipation of litigation to trigger work protection, the mutuality of interests between shareholders and corporate management is destroyed so plaintiff-shareholders have no right to corporate counsel's work product); Panter v. Marshall Field & Co., 80 F.R.D. 718, 723–24, Fed. Sec. L. Rep. (CCH) P 96740, 27 Fed. R. Serv. 2d 1384 (N.D. Ill. 1978) (derivative plaintiff prohibited from obtaining work product prepared for the corporation's defense in the litigation itself); *see also* Sigma Delta, LLC v. George, 2007 WL 4590097 (E.D. La. 2007) (finding plaintiffs had no right of access to protected attorney work product).

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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

II. Attorney-Client Privilege
C. When Applied to Corporations

§ 33:25. Attorney-client privilege: corporations—Fiduciaries: extensions of the Garner doctrine

Garner has been applied beyond shareholder derivative lawsuits to other suits in which the privilege holder was a fiduciary of the party seeking access to privileged materials.[1] Some courts have relied on Garner in holding that a party cannot withhold privileged materials when that party owes the party seeking those materials a duty of loyalty analogous to the fiduciary duty that corporate officers and board members owe to shareholders.[2] For example, when counsel for a corporation provides legal advice regarding the administration of the company's retirement benefit plan, the company may not be permitted to assert attorney-client privilege against plan beneficiaries to the extent those beneficiaries are the real "client."[3] This exception has been extended to the Secretary of Labor for suits brought against an ERISA fiduciary by the government.[4]

Many courts have limited this exception to documents and other communications directly relating to plan administration, as opposed to legal advice regarding plan creation or amendment, or in defense of anticipated or pending litigation.[5] But the boundary between plan administration and other plan-related activity is not always clear. As one court noted: "After all, any legal advice concerning an ERISA plan could be construed as relating, at least indirectly, to the administration of the plan."[6]

Finally, the "fiduciary exception" may not apply to work product.[7]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] In re Grand Jury Subpoena, 274 F.3d 563, 573, 51 Fed. R. Serv. 3d 936 (1st Cir. 2001) (analogizing to Garner in partial support of its holding that a corporation may unilaterally waive attorney-client privilege with respect to any communication with the officer acting in her corporate capacity because of officer's fiduciary duty to the corporation); Fortson v. Winstead, McGuire, Sechrest & Minick, 961 F.2d 469, 476 n.5 (4th Cir. 1992) (declining to apply the Garner exception where relevant law did not create a fiduciary duty of disclosure between law firm retained by general partners and investors); Arcuri v. Trump Taj Mahal Associates, 154 F.R.D. 97, 110 (D.N.J. 1994) (although Garner had been held applicable to unions by district courts in the Third Circuit, the party seeking abrogation failed to meet its burden of demonstrating good cause to pierce the privilege); Henry v. Champlain Enterprises, Inc., 212 F.R.D. 73, 85 (N.D. N.Y. 2003) (distinguishing between Garner and the fiduciary exception: "The Plaintiffs in this case have a derivative cause of action against all the Defendants ex-

cept U.S. Trust. They also have an ERISA cause of action against all of the Defendants. As to the first cause of action (derivative), this Court will apply the Garner doctrine, and as to the second cause of action (ERISA), this Court will apply the Second Circuit's 'fiduciary exception' rule."); Monfardini v. Quinlan, 2004 WL 533132 (N.D. Ill. 2004) (finding that where an individual had fiduciary duties to two different but related corporations, he could not assert privilege claims on behalf of one company to information that would benefit the other); *see also* Cox v. Administrator U.S. Steel & Carnegie, 17 F.3d 1386, 1415, 146 L.R.R.M. (BNA) 2158, 127 Lab. Cas. (CCH) P 11063, R.I.C.O. Bus. Disp. Guide (CCH) P 8527, R.I.C.O. Bus. Disp. Guide (CCH) P 8682, 28 Fed. R. Serv. 3d 1166 (11th Cir. 1994), opinion modified on reh'g, 30 F.3d 1347, 147 L.R.R.M. (BNA) 2012 (11th Cir. 1994) (declining to decide whether Garner applies to fiduciary relationship between a union and its members where the party seeking abrogation of the privilege could not demonstrate good cause pursuant to Garner factors).

[FN2] *See* In re Witness Before Special Grand Jury 2000-2, 288 F.3d 289, 294, 58 Fed. R. Evid. Serv. 1142 (7th Cir. 2002) (extending Garner rationale to government attorneys appearing before a grand jury, who, like corporate attorneys, "should have no privilege to shield relevant information" from those to whom they "owe[] ultimate allegiance");In re Lindsey, 148 F.3d 1100, 1112, 49 Fed. R. Evid. Serv. 753, 41 Fed. R. Serv. 3d 370 (D.C. Cir. 1998), published in full at, 158 F.3d 1263, 50 Fed. R. Evid. Serv. 13, 42 Fed. R. Serv. 3d 27 (D.C. Cir. 1998) (explaining that "a government attorney, even one holding the title Deputy White House Counsel, may not assert an attorney-client privilege before a federal grand jury if communications with the client contain information pertinent to possible criminal violations"); In re ML-Lee Acquisition Fund II, L.P. and ML-Lee Acquisition Fund (Retirement Accounts) II, L.P. Securities Litigation, 848 F. Supp. 527, 563–65, Fed. Sec. L. Rep. (CCH) P 98,198 (D. Del. 1994) (applying Garner "good cause" analysis in litigation between limited partners and general partners); Versuslaw, Inc. v. Stoel Rives, LLP, 127 Wash. App. 309, 111 P.3d 866 (Div. 1 2005), *review denied*, (Jan. 11, 2006) (in malpractice action by client against law firm, discussing whether law firm's fiduciary duty to the client abrogates the firm's claims of privilege for discussions with the firm's loss prevention counsel).

[FN3] *See*In re Long Island Lighting Co., 129 F.3d 268, 21 Employee Benefits Cas. (BNA) 2025, 39 Fed. R. Serv. 3d 614 (2d Cir. 1997); Washington-Baltimore Newspaper Guild, Local 35 v. Washington Star Co., 543 F. Supp. 906, 909, 3 Employee Benefits Cas. (BNA) 1741, 11 Fed. R. Evid. Serv. 816, 34 Fed. R. Serv. 2d 1203 (D.D.C. 1982) ("When an attorney advises a fiduciary about a matter dealing with the administration of an employees' benefit plan, the attorney's client is not the fiduciary personally but, rather, the trust's beneficiaries."). *But see* Wachtel v. Health Net, Inc., 482 F.3d 225, 233–38, 40 Employee Benefits Cas. (BNA) 1545, 73 Fed. R. Evid. Serv. 113 (3d Cir. 2007) (the "fiduciary exception" to the attorney-client privilege does not apply if the beneficiaries are not the "real" client obtaining legal representation from the fiduciary's counsel). *See generally* Chapter 55 "Employee Benefits" (§§ 55:1 et seq.).

[FN4] *See* Donovan v. Fitzsimmons, 90 F.R.D. 583, 586–87, 2 Employee Benefits Cas. (BNA) 1393, 8 Fed. R. Evid. Serv. 740, 31 Fed. R. Serv. 2d 1537 (N.D. Ill. 1981) (rejected by, Washington-Baltimore Newspaper Guild, Local 35 v. Washington Star Co., 543 F. Supp. 906, 3 Employee Benefits Cas. (BNA) 1741, 11 Fed. R. Evid. Serv. 816, 34 Fed. R. Serv. 2d 1203 (D.D.C. 1982)) ("In a real sense … the Secretary is acting on behalf and in the interests of the plan beneficiaries …. Given this identity of interests there is no principled basis for precluding the Secretary from raising [the fiduciary exception] to defeat [the] claims of attorney-client privilege."); *see also* In re Grand Jury Proceedings Grand Jury

No. 97-11-8, 162 F.3d 554, 557, 22 Employee Benefits Cas. (BNA) 2261, 50 Fed. R. Evid. Serv. 1061, 42 Fed. R. Serv. 3d 997 (9th Cir. 1998).

[FN5] *See* Tatum v. R.J. Reynolds Tobacco Co., 247 F.R.D. 488, 43 Employee Benefits Cas. (BNA) 2304 (M.D. N.C. 2008) (holding that fiduciary exception applies to legal advice about how to *communicate* changes in the ERISA plan to participants but not to legal advice on how or why to amend the plan or communications between plan administrators and counsel related to plaintiff's threatened suit); U.S. v. Mett, 178 F.3d 1058, 1063, 23 Employee Benefits Cas. (BNA) 1081, 51 Fed. R. Evid. Serv. 1080 (9th Cir. 1999) ("[I]t is clear that the fiduciary exception has its limits—by agreeing to serve as a fiduciary, an ERISA trustee is not completely debilitated from enjoying a confidential attorney-client relationship"); In re Long Island Lighting Co., 129 F.3d 268, 273, 21 Employee Benefits Cas. (BNA) 2025, 39 Fed. R. Serv. 3d 614 (2d Cir. 1997) (granting LILCO's mandamus petition and reinstating Magistrate Judge's ruling that documents in question concerned plan amendments, not administration, and therefore did not fall within fiduciary exception); M.A. Everett v. USAir Group, Inc., 165 F.R.D. 1 (D.D.C. 1995) (holding that employer only acts as a fiduciary on matters of plan administration, and not when it acts to form, amend, or terminate a plan); Siskind v. Sperry Retirement Program, Unisys, 47 F.3d 498, 505, 28 Employee Benefits Cas. (BNA) 1114 (2d Cir. 1995) (an employer acts as an ERISA fiduciary only in plan management or administration, not in the plan's design or amendment); Wildbur v. ARCO Chemical Co., 974 F.2d 631, 645, 16 Employee Benefits Cas. (BNA) 1235 (5th Cir. 1992) (trial counsel's communications with plan administrators were made for the purpose of defending a pending lawsuit and did not deal with plan administration).

[FN6] U.S. v. Mett, 178 F.3d 1058, 1065, 23 Employee Benefits Cas. (BNA) 1081, 51 Fed. R. Evid. Serv. 1080 (9th Cir. 1999); *see also* Cobell v. Norton, 212 F.R.D. 24, 30 (D.D.C. 2002) ("[I]t is the [fiduciary] who must shoulder the burden of demonstrating that the documents at issue solely concern nonfiduciary matters.").

[FN7] *See* Donovan v. Fitzsimmons, 90 F.R.D. 583, 588, 2 Employee Benefits Cas. (BNA) 1393, 8 Fed. R. Evid. Serv. 740, 31 Fed. R. Serv. 2d 1537 (N.D. Ill. 1981) (rejected by, Washington-Baltimore Newspaper Guild, Local 35 v. Washington Star Co., 543 F. Supp. 906, 3 Employee Benefits Cas. (BNA) 1741, 11 Fed. R. Evid. Serv. 816, 34 Fed. R. Serv. 2d 1203 (D.D.C. 1982)) ("[B]eneficiaries … do not stand in the same position with respect to the attorney, for whom the work-product rule is designed to benefit, as they do to their own trustees"); *see also* Cox v. Administrator U.S. Steel & Carnegie, 17 F.3d 1386, 1423, 146 L.R.R.M. (BNA) 2158, 127 Lab. Cas. (CCH) P 11063, R.I.C.O. Bus. Disp. Guide (CCH) P 8527, R.I.C.O. Bus. Disp. Guide (CCH) P 8682, 28 Fed. R. Serv. 3d 1166 (11th Cir. 1994), opinion modified on reh'g, 30 F.3d 1347, 147 L.R.R.M. (BNA) 2012 (11th Cir. 1994) (holding that Garner did not apply to attorney work product); Wildbur v. ARCO Chemical Co., 974 F.2d 631, 646, 16 Employee Benefits Cas. (BNA) 1235 (5th Cir. 1992) (finding attorney work product doctrine barred disclosures to ERISA pension plan beneficiary); In re International Systems and Controls Corp. Securities Litigation, 693 F.2d 1235, Fed. Sec. L. Rep. (CCH) P 99036, 35 Fed. R. Serv. 2d 732 (5th Cir. 1982) (documents constituting work product of corporation would not be discoverable by shareholders in derivative suit absent showing of substantial need).

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by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

III. Work Product Protection
A. Policy

§ 33:26. Work product protection: overview

The work product doctrine is designed to insulate counsel's preparation for litigation, or other potentially adversarial proceedings, from discovery by those who might use it against counsel or his client. “In performing his various duties … it is essential that a lawyer work with a certain degree of privacy, free from unnecessary intrusion by opposing parties and their counsel.”[1] In Hickman v. Taylor, the United States Supreme Court described the underlying rationale for protecting an attorney's work in anticipation of litigation as follows:

> This work is reflected, of course, in interviews, statements, memoranda, correspondence, briefs, mental impressions, personal beliefs, and countless other tangible and intangible ways aptly though roughly termed by the Circuit Court of Appeals in this case as the “Work product of the lawyer.” Were such materials open to opposing counsel on mere demand, much of what is now put down in writing would remain unwritten. An attorney's thoughts, heretofore inviolate, would not be his own. Inefficiency, unfairness and sharp practices would inevitably develop in the giving of legal advice and in the preparation of cases for trial. The effect on the legal profession would be demoralizing. And the interests of the clients and the cause of justice would be poorly served.[2]

Unlike the attorney-client privilege, which protects a private relationship in order to promote accurate legal advice and compliance with the law,[3] the work product doctrine promotes the adversarial process, by protecting an attorney's preparatory work for litigation.[4] This difference in underlying theory can sometimes allow for greater disclosure of work product (as opposed to attorney-client communications) without effecting a waiver. Thus, for instance, work product can be shared with third parties without any loss of protection so long as the third party is not an adversary and will not provide the work product to an adversary. In contrast, the disclosure of attorney-client communications to a third party will destroy the privilege in virtually all instances.[5]

Since the primary goal of work product protection is to further the interests of justice by freeing counsel from the fear that preparatory materials may fall into the hands of opposing counsel, the policy argument for protection evaporates in the absence of an adversary. If counsel does not anticipate litigation, or some other form of adversarial proceeding, then counsel's preparation cannot be chilled by the prospect of its disclosure through discovery therein.[6]

Because the work product doctrine is codified in Fed. R. Civ. P. 26(b)(3), and substantially similar provisions found in state rules of civil procedure, it is less subject to the vagaries of policy analysis than the attorney-cli-

ent privilege. From a practical perspective, it is therefore important to remember the fundamental distinctions between the policy underlying work product protection and that for the attorney-client privilege. The inapplicability of one protection does not necessarily preclude the possibility of shielding materials from discovery pursuant to the other protection. For instance, if a corporation voluntarily discloses attorney-client privileged documents to the government in the course of a grand jury investigation, the corporation will generally be held to have waived its privilege claims to all other privileged documents on the same subject matter;[7] but there will be no subject matter waiver as to documents reflecting opinion work product.[8]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Hickman v. Taylor, 329 U.S. 495, 510, 67 S. Ct. 385, 91 L. Ed. 451, 1947 A.M.C. 1 (1947).

[FN2] Hickman v. Taylor, 329 U.S. 495, 511, 67 S. Ct. 385, 91 L. Ed. 451, 1947 A.M.C. 1 (1947).

[FN3] *See* 2 J. Strong, McCormick on Evidence § 87, at 313–17 & § 93, at 341 (4th ed. 1992); *see also* § 33:4.

[FN4] In re Subpoenas Duces Tecum, 738 F.2d 1367, 1371, Fed. Sec. L. Rep. (CCH) P 91566, 16 Fed. R. Evid. Serv. 165, 39 Fed. R. Serv. 2d 611 (D.C. Cir. 1984) ("While the attorney-client privilege is intended to promote communication between attorney and client by protecting client confidences, the work product privilege is a broader protection, …"); Aronson v. McKesson HBOC, Inc., 2005 WL 934331 (N.D. Cal. 2005) ("[T]he work product privilege is … designed to balance the needs of the adversary system to promote an attorney's preparation in representing a client against society's 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, Fed. Sec. L. Rep. (CCH) P 91566, 16 Fed. R. Evid. Serv. 165, 39 Fed. R. Serv. 2d 611 (D.C. Cir. 1984)); Beasley v. Avery Dennison Corp., 2006 WL 2854396 (W.D. Tex. 2006) ("'The purpose of the work product privilege is to further "the interests of clients and the cause of justice" by shielding the lawyer's mental processes from his adversary.'"); *see also* Moody v. I.R.S., 654 F.2d 795, 800, 81-2 U.S. Tax Cas. (CCH) P 9484, 48 A.F.T.R.2d 81-5170 (D.C. Cir. 1981) (work product doctrine protects not lawyers or clients but "the adversary trial process itself").

[FN5] Aronson v. McKesson HBOC, Inc., 2005 WL 934331 (N.D. Cal. 2005) ("Generally, waiver of the work product doctrine will be found only where the work product was voluntarily disclosed such that it may become readily accessible to an adversary."); In re Subpoenas Duces Tecum, 738 F.2d 1367, 1372, Fed. Sec. L. Rep. (CCH) P 91566, 16 Fed. R. Evid. Serv. 165, 39 Fed. R. Serv. 2d 611 (D.C. Cir. 1984) ("[N]ot all voluntary disclosures effect a work product waiver," especially if there are "common interests between transferor and transferee.") (quoting U.S. v. American Tel. and Tel. Co., 642 F.2d 1285, 1299, 1980-2 Trade Cas. (CCH) ¶63533, 30 Fed. R. Serv. 2d 503 (D.C. Cir. 1980)); Royal Surplus Lines Ins. v. Sofamor Danek Group, 190 F.R.D. 463, 476 (W.D. Tenn. 1999) (no waiver of work product protection "so long as the disclosure was consistent with the adversarial system"). *Compare* §§ 33:8 and 33:18.

[FN6] Hercules, Inc. v. Exxon Corp., 434 F. Supp. 136, 151, 196 U.S.P.Q. 401 (D. Del. 1977) (rejected by, Advanced Cardiovascular Systems, Inc. v. C.R. Bard, Inc., 144 F.R.D. 372, 25 U.S.P.Q.2d 1354 (N.D. Cal. 1992)) ("The rationale is restricted to 'in anticipation of litigation' on the theory that an attorney who does not envision litigation (except as a remote contingency of any legal action) will not anticipate discovery requests, and therefore the fear of disclosure will not deter full and adequate consideration of the client's problem.").

[FN7] *See generally* In re Martin Marietta Corp., 856 F.2d 619 (4th Cir. 1988); Exotica Botanicals, Inc. v. Terra Intern., Inc., 612 N.W.2d 801, 807 (Iowa 2000) ("'[V]oluntary disclosure of the content of a privileged communication constitutes waiver of privilege as to all communications on the same subject.'") (quoting Miller v. Continental Ins. Co., 392 N.W.2d 500, 504–05 (Iowa 1986).

[FN8] Static Control Components, Inc. v. Lexmark Intern., Inc., 2007 WL 902273 (E.D. Ky. 2007) ("Work product waiver is not a broad waiver of all work product related to the same subject matter like the attorney-client privilege. Instead, work-product waiver only extends to 'factual' or 'non-opinion' work product concerning the same subject matter as the disclosed work product."); In re Martin Marietta Corp., 856 F.2d 619, 626 (4th Cir. 1988) ("We think that when there is subject matter waiver, it should not extend to opinion work product …."); Tennison v. City & County of San Francisco, 226 F.R.D. 615, 621–23 (N.D. Cal. 2005) (finding that subject matter waiver applied to testimony to the extent there was wavier of privilege over fact work product and matters covered in the testimony); U.S. v. Graham, 2003 WL 23198792 (D. Colo. 2003) (holding "selective disclosure to an adversary does not thereafter necessarily require a blanket application of the subject matter waiver rule."); *see also* §§ 33:60 to 33:67.

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III. Work Product Protection
A. Policy

§ 33:27. Work product protection: policy

The work product protection is not as ancient as the attorney-client privilege, offers separate and different protections, and is broader in scope than the privilege.[1] Therefore, in determining whether documents or oral communications should be protected from discovery, counsel should consider the work product doctrine independently from the attorney-client privilege.[2] While the attorney-client privilege protects certain confidential communications between client and counsel, the work product protection shields trial preparation materials from discovery.[3] Unlike the attorney-client privilege, work product is not limited to communications between the client and the lawyer.[4] Instead, the work product doctrine covers both confidential communications and materials generated by counsel relating to counsel's representation of the client in adversarial proceedings.[5] However, the work product doctrine provides only qualified protection and, unlike the attorney-client privilege, can be overcome.[6]

The differences between the protections afforded by the attorney-client privilege and the work product doctrine result from the different principles that underlie each.[7] The attorney-client privilege focuses on encouraging the client to communicate freely with the lawyer.[8]

The work product doctrine is designed to encourage careful and thorough trial preparation by the lawyer.[9] The work product doctrine originated in the seminal decision, Hickman v. Taylor.[10] Hickman arose out of a wrongful death claim against the owners of a tugboat that sank. During discovery in that action, counsel representing the family of one of the deceased seamen sought discovery of records of the tugboat owners' counsel, specifically counsel's witness interview memoranda. When the district court ordered disclosure, the lawyer for the tugboat owners refused to comply and was held in criminal contempt. The Third Circuit Court of Appeals reversed the district court's ruling requiring counsel to produce his "work product," and the United States Supreme Court affirmed.

Hickman arose under the liberal discovery provisions of the newly adopted Federal Rules of Civil Procedure. The Supreme Court found that neither the Court nor members of the bar had contemplated that all files and mental processes of a lawyer would be opened to his adversaries.[11] Even though the Supreme Court agreed with the district court that the materials sought were not confidential client communications protected by the attorney-client privilege, the Court nevertheless found that these "lawyer" materials deserved protection, stating:

> it is essential that a lawyer work with a certain degree of privacy, free from unnecessary intrusion by opposing parties and their counsel. Proper preparation of a client's case demands that he assemble information, sift what he considers to be the relevant from the irrelevant facts, prepare his legal theories and plan his strategy without undue and needless interference. That is the historical and the necessary way in which lawyers act … to promote justice and to protect their clients' interest.[12]

However, the Court did not grant absolute protection for this "work product of the lawyer."[13] The Court emphasized that relevant and nonprivileged facts could not be hidden by an attorney, and that there might be instances where even an attorney's work product might be made available to a litigation adversary, if the adversary established adequate reasons to justify the production.[14]

The work product doctrine outlined by Hickman has been codified in Fed. R. Civ. P. 26(b)(3), which provides:

> [A] party may not discover documents and tangible things that are prepared in anticipation of litigation or for trial by or for another party or its representative (including the other party's attorney, consultant, surety, indemnitor, insurer, or agent). But, subject to Rule 26(b)(4), those materials may be discovered if:
> (i) they are otherwise discoverable under Rule 26(b)(1); and
> (ii) the party shows that it has substantial need for the materials to prepare its case and cannot, without undue hardship, obtain their substantial equivalent by other means.
>
> (B) *Protection Against Disclosure*. If the court orders discovery of those materials, it must protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of a party's attorney or other representative concerning the litigation.[15]

The *Restatement of the Law Governing Lawyers* also defines work product, basically adopting the principles set out in Hickman. Unlike Hickman and Rule 26(b)(3), however, the Restatement expressly defines "ordinary" ("fact") work product[16] and opinion work product.[17] The Restatement also expressly discusses the different standards that must be met to overcome ordinary work product protection and opinion work product protection.[18]

Rule 26(b)(3) governs the application of the work product doctrine in the discovery phase of civil cases in federal courts.[19] However, work product protection has been extended to numerous other proceedings, including criminal cases,[20] grand jury proceedings,[21] arbitrations,[22] trials,[23] and state court proceedings.[24]

Many states have codified the work product doctrine, often by adopting analogs of Rule 26(b)(3).[25] Other states rely on their own local court rules or judicial decisions adopting the principles articulated in Hickman.[26] Even though some state work product rules vary significantly from the federal rule,[27] many state courts look to federal case law for guidance in interpreting and applying the rule.[28]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] The work product doctrine is technically not a "privilege." Hickman v. Taylor, 329 U.S. 495, 509, 67 S. Ct. 385, 91 L. Ed. 451, 1947 A.M.C. 1 (1947). It has been variously described as the work product "doctrine," "immunity," "protection," and "privilege."

[FN2] U.S. v. Nobles, 422 U.S. 225, 238 n.11, 95 S. Ct. 2160, 45 L. Ed. 2d 141, 20 Fed. R. Serv. 2d 547 (1975); Charter One Bank, F.S.B. v. Midtown Rochester, L.L.C., 191 Misc. 2d 154, 738 N.Y.S.2d 179, 185 (Sup 2002) ("Waiver of the attorney-client privilege does not prevent a document from being protected as work product of an attorney."); Laethem Equipment Co. v. Deere and Co., 2007 WL 2873981 (E.D. Mich. 2007) ("'[T]he work-product doctrine is distinct from and broader than the attorney-client privilege. It includes 'any document prepared in anticipation of litigation by or for the attorney.'") (citation omitted); In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 304, 58 Fed. R. Evid. Serv. 1451, 2002, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002) ("[T]he 'work product doctrine is distinct from and broader than the attorney-client privilege' and extends beyond confidential communications between the attorney and client to 'any document prepared in anticipation of litigation by or for the attorney.'").

[FN3] Since the work product doctrine is designed to protect trial preparation materials from discovery, it is not subject to the same stringent confidentiality and waiver requirements and rules as the attorney-client privilege. For example, the work product privilege may be waived when work product material is disclosed to third parties if the disclosure "substantially increases the opportunity for potential adversaries to obtain the information." Lawrence E. Jaffe Pension Plan v. Household Intern., Inc., 237 F.R.D. 176, 183 (N.D. Ill. 2006); *see also* In re JDS Uniphase Corporation Securities Litigation, 2006 WL 2850049 (N.D. Cal. 2006) (auditor-client relationship "was not the kind of adversarial relationship contemplated by the work product doctrine" that implicates waiver when work product material is shared with the auditor); Frank Betz Associates, Inc. v. Jim Walter Homes, Inc., 226 F.R.D. 533 (D.S.C. 2005) (since accountants/auditors are not conduits to potential adversaries, disclosure to independent auditor of information on litigation reserves did not waive work product protection); S.E.C. v. Roberts, Fed. Sec. L. Rep. (CCH) P 94817, 2008 WL 3925451 (N.D. Cal. 2008) (finding that the auditors and the special committee had "aligned interests" and thus were not adversaries); Regions Financial Corp. v. U.S., 2008-1 U.S. Tax Cas. (CCH) P 50345, 101 A.F.T.R.2d 2008-2179, 2008 WL 2139008 (N.D. Ala. 2008) ("[W]ork product protection is provided against 'adversaries' so only disclosing material in a way inconsistent with keeping it from an adversary waives work product privilege, …"); *but see* U.S. v. Textron Inc. and Subsidiaries, 577 F.3d 21 (1st Cir. 2009), petition for cert. filed (U.S. Dec. 24, 2009) (en banc) (overruling the trial court and First Circuit panel, holding that work product protection does not apply to tax accrual work papers shared with auditors, adopting the "primary purpose" test because the papers were prepared primarily for supporting financial statements and not *for use in* litigation).

[FN4] In re Martin Marietta Corp., 856 F.2d 619, 624 (4th Cir. 1988) ("While the attorney-client privilege is intended to promote communication between attorney and client by protecting client confidences, the work-product privilege is a broader protection …."); Tennison v. City & County of San Francisco, 226 F.R.D. 615, 621 (N.D. Cal. 2005) ("The work product doctrine 'is distinct from and broader than the attorney-client privilege.'").

[FN5] *See, e.g.*, Fed. R. Civ. P. Rule 26(b)(3); Onwuka v. Federal Express Corp., 178 F.R.D. 508, 512 (D. Minn. 1997).

[FN6] Fed. R. Civ. P. Rule 26(b)(3). In contrast to the attorney-client privilege, work product can be overcome on the basis of need. *See* The St. Luke Hospitals, Inc. v. Kopowski, 160 S.W.3d 771 (Ky. 2005); Hutchinson v. Farm Family Cas. Ins. Co., 273 Conn. 33, 867 A.2d 1 (2005).

[FN7] City of Springfield v. Rexnord Corp., 196 F.R.D. 7, 8, 47 Fed. R. Serv. 3d 791 (D. Mass. 2000) ("The attorney-client privilege exists to keep inviolate confidences of clients to their attorneys, thereby presumably enhancing the communication exchange. The work product doctrine, however, seeks to enhance the quality of professionalism within the legal field by preventing attorneys from benefiting from the fruit of an adversary's labor.") (citing Harding v. Dana Transport, Inc., 914 F. Supp. 1084, 1097, 69 Fair Empl. Prac. Cas. (BNA) 1603, 69 Empl. Prac. Dec. (CCH) P 44317 (D.N.J. 1996)).

[FN8] *See* § 33:5; Leonen v. Johns-Manville, 135 F.R.D. 94, 98 (D.N.J. 1990).

[FN9] U.S. v. Nobles, 422 U.S. 225, 238, 95 S. Ct. 2160, 45 L. Ed. 2d 141, 20 Fed. R. Serv. 2d 547 (1975); Nobles v. Jacobs/IMC, 2003 WL 23198817 (D.V.I. 2003) (citing U.S. v. Ernstoff, 183 F.R.D. 148, 153, 42 Fed. R. Serv. 3d 694 (D.N.J. 1998)); *see* § 33:26.

[FN10] Hickman v. Taylor, 329 U.S. 495, 67 S. Ct. 385, 91 L. Ed. 451, 1947 A.M.C. 1 (1947).

[FN11] Hickman v. Taylor, 329 U.S. 495, 514, 67 S. Ct. 385, 91 L. Ed. 451, 1947 A.M.C. 1 (1947).

[FN12] Hickman v. Taylor, 329 U.S. 495, 510–11, 67 S. Ct. 385, 91 L. Ed. 451, 1947 A.M.C. 1 (1947).

[FN13] Hickman v. Taylor, 329 U.S. 495, 511, 67 S. Ct. 385, 91 L. Ed. 451, 1947 A.M.C. 1 (1947).

[FN14] Hickman v. Taylor, 329 U.S. 495, 511–12, 67 S. Ct. 385, 91 L. Ed. 451, 1947 A.M.C. 1 (1947).

[FN15] Fed. R. Civ. P. 26(b)(3).

[FN16] *See* Restatement (Third) of Law Governing Lawyers § 87 (2000), *see* §§ 33:10 and 33:11.

[FN17] Restatement (Third) of Law Governing Lawyers §§ 87, 89 (2000).

[FN18] Restatement (Third) of Law Governing Lawyers §§ 88, 89 (2000).

[FN19] *See* Roehrs v. Minnesota Life Ins. Co., 228 F.R.D. 642, 644 (D. Ariz. 2005) ("[W]ork product privilege in diversity cases [is] controlled by Federal Rule of Civil Procedure 26(b)(3), rather than state law."); Stern v. O'Quinn, 253 F.R.D. 663 (S.D. Fla. 2008) ("Regardless of the item or information sought or the stage of litigation at which it is requested … federal law governs the application of the work-product protection, even in diversity cases.") (citing United Coal Companies v. Powell Const. Co., 839 F.2d 958, 966, 25 Fed. R. Evid. Serv. 170, 10 Fed. R. Serv. 3d 947 (3d Cir. 1988); Harper v. Auto-Owners Ins. Co., 138 F.R.D. 655, 658 (S.D. Ind. 1991) (the "application of the work product rule in federal courts is governed by federal, not state, law").

[FN20] Fed. R. Crim. P. 16(b)(2) (limiting pre-trial discovery of materials prepared in anticipation of litigation in criminal cases).

[FN21] In re Grand Jury Proceedings, 473 F.2d 840, 845 (8th Cir. 1973) (rejected by, In re Grand Jury Proceedings, 73 F.R.D. 647 (M.D. Fla. 1977)); In re Doe, 662 F.2d 1073, 1078, 9 Fed. R. Evid. Serv. 578, 32 Fed. R. Serv. 2d 1280, 64 A.L.R. Fed. 457 (4th Cir. 1981) (applying work product principles to grand jury proceedings); In re Grand Jury Proceedings, 43 F.3d 966, 970, 31 Fed. R. Serv. 3d 202 (5th Cir. 1994) (same); In re Green Grand Jury Proceedings, 492 F.3d 976, 979–80, (8th Cir. 2007) (work

product protection applies for materials prepared for a grand jury investigation, though the protection is subject to the crime-fraud exception).

[FN22] Pacific Gas and Elec. Co. v. U.S., 69 Fed. Cl. 784, 797, (2006) ("[C]ourts have found that the work product doctrine applies to documents prepared by or for a party in connection with arbitrations because arbitrations are adversarial in nature and can be fairly characterized as 'litigation.'" (quoting Jumper v. Yellow Corp., 176 F.R.D. 282, 286 (N.D. Ill. 1997)).

[FN23] U.S. v. Nobles, 422 U.S. 225, 239, 95 S. Ct. 2160, 45 L. Ed. 2d 141, 20 Fed. R. Serv. 2d 547 (1975) (noting that work product protection concerns do not disappear once trial has begun).

[FN24] *See* Southern Union Co. v. Southwest Gas Corp., 205 F.R.D. 542, 549 (D. Ariz. 2002) (extending work product protection to materials prepared for state administrative proceedings, where there is a right to cross-examine witnesses and introduce evidence); *see also*, Fru-Con Const. Corp. v. Sacramento Mun. Utility Dist., 2006 WL 2050999 (E.D. Cal. 2006)(finding California Energy Commission hearings sufficiently "adjudicatory in nature" so that work product potentially applies to the materials prepared for them).

[FN25] *See, e.g.*, Kan. Stat. Ann. § 60-226(b)(3); Ala. R. Civ. P. 26(b) (3).

[FN26] *See* Elizabeth Thornberg, Rethinking Work Product, 77 Va. L. Rev. 151520–21 (1991) (noting that 34 states have adopted some form of Rule 26(b)(3) as part of statutory law or court rules).

[FN27] For example, in California "[a]ny writing that reflects an attorney's impressions, conclusions, opinions, or legal research or theories" is absolutely protected from discovery, CCP § 2018(c). Under Rule 26(b)(3), certain work product has only qualified protection from discovery; *see* § 33:26.

[FN28] *See, e.g.*, Restatement at § 87 cmt. e; State ex rel. United Hosp. Center, Inc. v. Bedell, 199 W. Va. 316, 484 S.E.2d 199, 210 n.15 (1997) (in determining the meaning and scope of West Virginia's work product rule, courts give consideration to federal cases interpreting the federal work product rule); *see also* Ex parte State Farm Mut. Auto. Ins. Co., 386 So. 2d 1133, 1135 (Ala. 1980) ("Because of the similarity between the Federal Rules of Civil Procedure and the Alabama Rules, we examine cases interpreting Federal Rule 26(b)(3) for authority in construing the language in issue in our Rule 26 (b)(3)."); National Tank Co. v. Brotherton, 851 S.W.2d 193, 202 (Tex. 1993), motion to file mandamus granted, (Feb. 19, 1992) (noting the court looks to federal precedent in deciding work product questions); Matter of Firestorm 1991, 129 Wash. 2d 130, 916 P.2d 411, 424 (1996) (referring to the federal work product rule); Harris v. Drake, 152 Wash. 2d 480, 99 P.3d 872, 877 (2004) (finding that the defendant had cited a case that relied on commentary on federal law to incorrectly interpret the scope state work-product protection, but that another section of the same commentary on federal law was illustrative); *see* § 33:72.

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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

III. Work Product Protection
B. Elements

§ 33:28. Work product protection: elements

Work product protection has three required elements. The materials must be:
1. documents or tangible[1] things;
2. prepared in anticipation of litigation; and
3. prepared by or for a party or by or for a party's representative.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] The work product protection has also been held to extend to intangible work product, if the information was prepared or obtained because of pending or anticipated litigation. *See* Alexander v. F.B.I., 192 F.R.D. 12, 18 (D.D.C. 2000) (prohibiting party from asking at deposition whether opposing counsel's investigator was investigating certain persons, at direction of attorney, on grounds that "work product doctrine applies with equal, if not greater, force to intangible work product"); Geraty v. Northeast Illinois Regional Commuter R.R. Corp., 2008 WL 2130422 (N.D. Ill. 2008) ("[I]ntangible mental processes of the attorney were just as protected from discovery when they were sought from an investigator as they would be if sought by the attorney herself."); In re Cendant Corp. Securities Litigation, 343 F.3d 658, 667, 62 Fed. R. Evid. Serv. 577, 56 Fed. R. Serv. 3d 710 (3d Cir. 2003) (protecting as work product the oral advice that a non-testifying trial expert provided to a client and counsel); *see also* In re Teleglobe Communications Corp., 392 B.R. 561, 577–78 (Bankr. D. Del. 2008) (finding that "any comments received by the Plaintiffs' experts [(including testifying experts)] from Plaintiffs' counsel or non-testifying expert are protected by the attorney work product doctrine and did not have to be produced."); *see also* § 33:26.

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§ 33:29. Work product protection: elements—Documents and tangible things: compilations and databases

The first required element for work product—documents and tangible things—generally requires little interpretation by the courts. There is little dispute over what constitutes a document or tangible thing. Where disputes over "documents and tangible things" are covered by the work product doctrine, they often revolve around whether compilations of selected documents constitute work product. Lawyer-selected compilations of documents for use in preparing a witness for deposition have been recognized as opinion work product.[1]

The concept of protecting documents selected and compiled by counsel in preparation for litigation as opinion work product has been applied to situations where counsel has obtained information and materials from document exchanges and counsel networks. In McDaniel v. Freightliner Corp.,[2] plaintiff's counsel was a member of the Attorney's Information Exchange Group ("AIEG"), an "organization of plaintiff's products liability counsel who share information and materials regarding similar cases."[3] To assist in preparing his client's case, plaintiff's counsel contacted AIEG and requested information about the defendant Freightliner. AIEG provided plaintiff's counsel with Freightliner documents and the names of other AIEG members prosecuting cases involving Freightliner trucks. Plaintiff's counsel went to individual AIEG member's offices, reviewed numerous documents, and selected certain documents based on his analysis of his client's case. The court was asked to decide two issues related to these materials. First, were documents selected and compiled by plaintiff's counsel during review of the other plaintiffs' case files protected as opinion work product? Second, were the documents selected by the AIEG staff in response to plaintiff's counsel's request for information about Freightliner protected as work product? As to the first question, the court held that the "disclosure of the documents selected by [plaintiff's counsel] would improperly reveal information which is entitled to work product protection."[4] As to the second question, the court determined that AIEG was acting as the plaintiff's counsel's agent and that information selected and compiled by an attorney's agent is protected as opinion work product.[5] In protecting these selections and compilations, the court stressed that, to be protected from discovery, there must be "a showing of a 'real, rather than a speculative, concern that the thought processes of counsel in relation to pending or anticipated litigation would be exposed' if adverse counsel were to learn which documents had been selected and compiled."[6]

Today, more complicated questions of work product protection for compilations arise frequently in relation to litigation-created databases. Logically, lawyer-created litigation databases should enjoy the same opinion work product protection as hard copy compilations of selected documents. Nevertheless, serious questions of work product protection arise in the case of large litigation databases populated with millions of pages of material or that merely store full text copies of documents. The selection of material to populate this type of large database, even though prepared by counsel in anticipation of litigation, often requires little of the lawyer's mental processes and reflects no discernable litigation strategy.[7] Thus, large litigation databases may be discoverable fact work product if the litigation opponent can show substantial need and undue hardship in obtaining the information from alternative sources.[8]

In Minnesota v. Philip Morris, the Minnesota Court of Appeals issued a decision that puts into question not only fact work product protection for large litigation databases, but also the viability of fact work product protection in Minnesota.[9] The trial court held that the defendants' computerized litigation database indices were work product but ordered the defendants to produce those indexed fields that contained only objective, factual information (*e.g.*, title, author, date) on the grounds that plaintiffs had "substantial need" for the information and could not obtain the information from alternative sources without "undue hardship." The trial court permitted defendants to withhold or redact subjective information that might reflect privileged communications or counsel's opinions, and ordered the defendants to produce the redacted database indices to plaintiffs under a nondissemination protective order. After the case was settled, plaintiffs moved to have the redacted databases indices placed in a public document depository. The trial court granted the motion, and the defendants appealed. Because only the objective, fact portions of the database indices would be disclosed under the trial court's order, the Minnesota Court of Appeals concluded that the database indices were not work product at all: "Material prepared in anticipation of litigation that does not contain such mental impressions or strategy does not constitute work product."[10]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* Sporck v. Peil, 759 F.2d 312, 316, 17 Fed. R. Evid. Serv. 1232, 1 Fed. R. Serv. 3d 1431, 84 A.L.R. Fed. 763 (3d Cir. 1985); Sparton Corp. v. U.S., 44 Fed. Cl. 557, 564 (1999) (finding that counsel's selectivity in compiling documents and witness statements is protected as opinion work product); Johnson v. Ocean Ships, Inc., 2006 WL 2166192 (W.D. Wash. 2006) (finding that ordering the production of the exact witnesses and documents defendant plans to use "reveals the defense counsel's mental impressions, is work product, and so is privileged."). *But cf.* Pepsi-Cola Bottling Company of Pittsburg, Inc. v. Pepsico, Inc., 2002 WL 113879 (D. Kan. 2002) (holding that the identity of the documents selected and compiled by counsel and reviewed with a deponent prior to the deposition did not reveal the thought process of counsel and thus were not protected work product); Disability Rights Council of Greater Washington v. Washington Metropolitan Transit Authority, 242 F.R.D. 139, 144 (D.D.C. 2007) (finding that though the subset of complaints in the plaintiff's control were work product, the sheer number of complaints made it "difficult to conceive that Plaintiffs' trial strategy could be gleaned solely by virtue of Plaintiff's disclosure of the documents selected," and thus the selections were only entitled to fact work product protection).

[FN2] McDaniel v. Freightliner Corp., 2000 WL 303293 (S.D. N.Y. 2000).

[FN3] McDaniel v. Freightliner Corp., 2000 WL 303293 (S.D. N.Y. 2000).

[FN4] McDaniel v. Freightliner Corp., 2000 WL 303293 (S.D. N.Y. 2000).

[FN5] McDaniel v. Freightliner Corp., 2000 WL 303293 (S.D. N.Y. 2000).

[FN6] McDaniel v. Freightliner Corp., 2000 WL 303293 (S.D. N.Y. 2000) (citing Gould Inc. v. Mitsui Min. & Smelting Co., Ltd., 825 F.2d 676, 680 (2d Cir. 1987)).

[FN7] *See* In re Cardinal Health, Inc. Securities Litigation, 2007 WL 495150 (S.D. N.Y. 2007) ("Not every selection and compilation of third-party documents by counsel transforms that material into attorney work product …. [T]he party asserting the privilege must 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 compiled documents.") (*quoting* In re Grand Jury Subpoenas Dated March 19, 2002 and August 2, 2002, 318 F.3d 379, 386, 60 Fed. R. Evid. Serv. 594, 54 Fed. R. Serv. 3d 824 (2d Cir. 2003); Scovish v. Upjohn Company, 15 Conn. L. Rptr. 446, 1995 WL 731755 (Conn. Super. Ct. 1995) ("Because of the astronomical number of documents involved in this case, it is highly unlikely that Upjohn's mental impressions would be exposed by production of such an index or database."); *cf.* Valve Corp. v. Sierra Entertainment Inc., 2004 WL 3780346 (W.D. Wash. 2004) ("The less the lawyer's mental processes are involved, the less will be the burden to show good cause for disclosure.") (*citing* Harper & Row Publishers, Inc. v. Decker, 423 F.2d 487, 492, 1970 Trade Cas. (CCH) ¶73084, 13 Fed. R. Serv. 2d 984, 1970, 9 A.L.R. Fed. 674 (7th Cir. 1970), judgment aff'd, 400 U.S. 348, 91 S. Ct. 479, 27 L. Ed. 2d 433, 1971 Trade Cas. (CCH) ¶73430 (1971).

[FN8] Alpex Computer Corp. v. Nintendo Co., Ltd., 1991 WL 195939 (S.D. N.Y. 1991), on reconsideration, 1991 WL 268631 (S.D. N.Y. 1991) (work product protection for counsel's selection and compilation of documents may be overcome if the adverse party can show a substantial need and undue hardship).

[FN9] State ex rel. Humphrey v. Philip Morris Inc., 606 N.W.2d 676 (Minn. Ct. App. 2000).

[FN10] State ex rel. Humphrey v. Philip Morris Inc., 606 N.W.2d 676, 690 (Minn. Ct. App. 2000).

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§ 33:30. Work product protection: elements—Intangible things

Rule 26(b)(3) by its terms only applies to documents and tangible things.[1] What protects work product related to intangible things such as oral communications that might be sought through depositions or other testimony? For this courts look to Hickman v. Taylor[2] and its progeny and not to Rule 26(b)(3).[3] Hickman does not limit work product to its tangible form. "Indeed, since intangible work product includes thoughts and recollections of counsel, it is often eligible for the special protection accorded opinion work product."[4] Under Hickman, the lawyer's thought processes in preparing for litigation, sifting through facts, drafting briefs, discussing issues and facts with her investigators and other agents are all protected as work product even though not protected by Rule 26(b)(3) and its state analogs.[5]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] In re Cendant Corp. Securities Litigation, 343 F.3d 658, 662, 62 Fed. R. Evid. Serv. 577, 56 Fed. R. Serv. 3d 710 (3d Cir. 2003).

[FN2] Hickman v. Taylor, 329 U.S. 495, 67 S. Ct. 385, 91 L. Ed. 451, 1947 A.M.C. 1 (1947).

[FN3] Stern v. O'Quinn, 253 F.R.D. 663 (S.D. Fla. 2008); In re Cendant Corp. Securities Litigation, 343 F.3d 658, 662, 62 Fed. R. Evid. Serv. 577, 56 Fed. R. Serv. 3d 710 (3d Cir. 2003); Alexander v. F.B.I., 192 F.R.D. 12, 17 (D.D.C. 2000).

[FN4] In re Cendant Corp. Securities Litigation, 343 F.3d 658, 662, 62 Fed. R. Evid. Serv. 577, 56 Fed. R. Serv. 3d 710 (3d Cir. 2003) (quoting 8 Charles Alan Wright & Arthur R. Miller, Federal Practice and Procedure § 2024, at 337 (2d ed. 1994).

[FN5] *See* Alexander v. F.B.I., 192 F.R.D. 12, 18 (D.D.C. 2000) (prohibiting party from asking at deposition whether opposing counsel's investigator was investigating certain persons, at direction of attorney, on grounds that "work product doctrine applies with equal, if not greater, force to intangible work product"); Geraty v. Northeast Illinois Regional Commuter R.R. Corp., 2008 WL 2130422 (N.D. Ill. 2008) ("[I]ntangible mental processes of the attorney were just as protected from discovery when they were sought from an investigator as they would be if sought by the attorney herself."); In re Cendant Corp. Securities Litigation, 343 F.3d 658, 667, 62 Fed. R. Evid. Serv. 577, 56 Fed. R. Serv. 3d 710 (3d

Cir. 2003)(protecting as work product the oral advice that a non-testifying trial expert provided to a client and counsel); *see also* In re Teleglobe Communications Corp., 392 B.R. 561, 577–78 (Bankr. D. Del. 2008) (finding that "any comments received by the Plaintiffs' experts [(including testifying experts)] from Plaintiffs' counsel or non-testifying expert are protected by the attorney work product doctrine and did not have to be produced.").

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§ 33:31. Work product protection: elements—Anticipation of litigation

Documents or tangible materials must have been prepared in anticipation of litigation for the work product doctrine to apply.[1] The party asserting work product protection has the burden of proving that the material was prepared in anticipation of litigation.[2] The mere fact that litigation eventually occurs and that the document relates to the subject matter of the litigation will not suffice.[3] Courts recognize that the question of whether a document was prepared in anticipation of litigation is often a difficult factual matter.[4]

The test for "in anticipation of litigation" in some courts is whether, in light of the nature of the document and the facts of the particular case, the document can fairly be said to have been prepared "because of" the prospect of litigation.[5] In other courts, if the "primary motivating purpose" behind the creation of the material was to aid or use in litigation, current or future, the document will be considered "prepared in anticipation of litigation."[6]

There are two aspects of the "prepared in anticipation of litigation" requirement: causation and reasonable anticipation.[7] To meet the causation prong, the work product claimant must show that the anticipation of litigation caused the preparation of the material.[8] To meet the "reasonable anticipation" prong, there must be a "substantial and significant threat of litigation" shown by objective facts that reveal "an identifiable resolve to litigate."[9] Because "prudent parties" can foresee possible litigation from the time of almost any incident, the "anticipation of litigation" must be reasonable.[10] In deciding whether a claim of work product protection is appropriate, courts often will ask whether the document was created for litigation or for ordinary, ongoing business purposes.[11]

One of the key cases highlighting problems encountered in determining whether a document has been prepared in anticipation of litigation rather than in the ordinary course of business is Binks Mfg. Co. v. National Presto Indus., Inc.[12] Binks manufactured a piece of custom equipment for Presto, a company which sold electronic appliances. The Binks-designed equipment failed to operate properly after installation at the Presto plant. The parties and their consultants worked to fix the problems, ultimately without success. During the attempt to resolve the problem, Presto's in-house counsel visited the Presto plant and interviewed plant employees about the problems. In-house counsel summarized his findings in memoranda to the general counsel, recommending strategies to use in negotiations with Binks about the equipment failure. Presto's in-house counsel also wrote a memorandum to the Presto production manager, providing an evaluation and allocation of each company's responsibility. In the ensuing litigation between Binks and Presto, the trial court ordered production of these memoranda. On appeal, over objections that the relevant documents were protected as work product, the Sev-

enth Circuit examined in-house counsel's investigation of the equipment problems. The court reviewed correspondence between the parties about the dispute and, even though one party had demanded payment and the other party demanded the removal of the defective equipment, concluded that in-house counsel had conducted the investigation to seek a commercial resolution of the dispute, not in anticipation of litigation. According to the court, the company failed to prove "that the memoranda were prepared … because of the prospect of litigation."[13]

The Binks "because of" formulation has been adopted by the Second Circuit to protect documents created because of the prospect of litigation although not necessarily for use in litigation. In United States v. Adlman, the defendant claimed that a study prepared for its attorney assessing the likely result of an expected litigation was subject to work product protection even though the "primary or ultimate purpose of making the study was to assess the desirability of a business transaction, which, if undertaken, would give rise to litigation."[14] The court held that:

> [A] document created *because of* anticipated litigation, which tends to reveal mental impressions, conclusions, opinions or theories concerning the litigation, does not lose work-product protection merely because it is intended to assist in the making of a business decision influenced by the likely outcome of the anticipated litigation. Where a document was created because of anticipated litigation, and would not have been prepared in substantially similar form but for the prospect of that litigation, it falls within Rule 26(b)(3).[15]

In so ruling, the Adlman court gave weight to the specific language chosen by the drafters of Rule 26(b)(3). "If the drafters of the Rule intended to limit its protection to documents made to assist in preparation for litigation, this would have been adequately conveyed by the phrase 'prepared … for trial.' "[16] The additional phrase, "in anticipation of litigation," indicates that the Rule covers a category of materials that includes documents made for the "purpose of assisting in the making a business decision" concerning anticipated litigation.[17]

Since the court's inquiry is likely to focus on the reason for the creation of the documents as well as their content, counsel should state clearly the purpose for the creation of each document in the text of the document. Because some courts have held that documents prepared in fulfilling a business duty of the corporation will not be deemed work product, even if also prepared in anticipation of litigation, it is a good practice not to prepare documents for dual purposes. For instance, when creating a document as part of the corporation's general responsibility to investigate an accident, claim or event, include only factual information in the report and avoid providing legal analyses, theories, or making allocations of responsibility in the investigative report. Likewise, in documents created solely for litigation purposes, it is desirable to include any facts or analysis that demonstrates that litigation is a substantial possibility. Although some lawyers routinely recommend interspersing opinions and strategies throughout otherwise nonprivileged, investigative documents to support the claim for protection, this strategy is risky. The question that must be answered before opinions and strategies will be protected is "why was the document created?" If it was created for a business purpose, there will be no protection for counsel's opinions and strategies, as the Binks Mfg. case shows.[18]

To be protected, work product must be prepared in anticipation of litigation. "Litigation" itself defies precise definition. In United States v. American Tel. & Tel. Co., the special masters defined "litigation" as follows:

> "Litigation" includes a proceeding in a court or administrative tribunal in which the parties have the right to cross-examine witnesses or to subject an opposing party's presentation of proof to equivalent disputation.[19]

]

The right of cross-examination is almost always treated as the critical factor because it is the hallmark of the adversarial process, the protection of which is the goal of the work product protection.[20] Under this view, litigation includes all trial-type hearings, proceedings where trial-type hearings may be had of right, rule-making on the record, and any other proceedings that by law or practice allows the right of cross-examination.[21] In the AT&T case, work product was not recognized for proceedings in which there was a right to present testimony, but not a right to cross-examine, such as legislative hearings.[22] Since the work product doctrine is designed to protect the integrity of the adversarial process, "litigation" for work product purposes has been found to cover proceedings in courts not of record,[23] government investigations,[24] and proceedings before administrative agencies.[25]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Binks Mfg. Co. v. National Presto Industries, Inc., 709 F.2d 1109, 1118, 14 Fed. R. Evid. Serv. 1705, 37 Fed. R. Serv. 2d 1089, 36 U.C.C. Rep. Serv. 14 (7th Cir. 1983) ("It is axiomatic that in order to invoke the protection of the work product privilege, one must show that the materials sought to be protected were prepared 'in anticipation of litigation.'"); S.D. Warren Co. v. Eastern Elec. Corp., 201 F.R.D. 280, 282, 50 Fed. R. Serv. 3d 1637 (D. Me. 2001) (since work product materials do not have to be created by an attorney, "the operative issue is whether the discovery sought was 'prepared in anticipation of litigation or for trial.' "); Harper v. Auto-Owners Ins. Co., 138 F.R.D. 655, 659 (S.D. Ind. 1991) ("The rule requires that the subject documents be produced 'in anticipation of litigation.' "); International Ins. Co. v. Certain Underwriters at Lloyd's London, 1990 WL 205461 (N.D. Ill. 1990) (same); *see also* § 33:31.

[FN2] Lee v. State Farm Mut. Auto. Ins. Co., 249 F.R.D. 662, 685 (D. Colo. 2008), motion for stay pending appeal denied, 2008 WL 1849005 (D. Colo. 2008) ("The party claiming work product must meet its burden of demonstrating that each of the documents to which work product protection is claimed was in fact prepared in anticipation of litigation.") (citing Grand Jury Proceedings v. U.S., 156 F.3d 1038, 1042, 41 Fed. R. Serv. 3d 851 (10th Cir. 1998); *see also* Kallas v. Carnival Corp., 2008 A.M.C. 2076, 2008 WL 2222152 (S.D. Fla. 2008) ("Like assertions of attorney-client privilege, the burden is on the party withholding discovery to show that the documents should be afforded work-product immunity.").

[FN3] Turner v. Moen Steel Erection, Inc., 2006 WL 3392206 (D. Neb. 2006) ("[T]he work product rule does not come into play merely because there is a remote prospect of litigation.") (quoting Diversified Industries, Inc. v. Meredith, 572 F.2d 596, 604, 1977-2 Trade Cas. (CCH) ¶61591, 1978-1 Trade Cas. (CCH) ¶61879, 23 Fed. R. Serv. 2d 1473, 24 Fed. R. Serv. 2d 1201, 1978-1 (8th Cir. 1977) (rejected by, Republic of Philippines v. Westinghouse Elec. Corp., 132 F.R.D. 384, 17 Fed. R. Serv. 3d 1476 (D.N.J. 1990)) and (disapproved of by, U.S. v. Massachusetts Institute of Technology, 957 F. Supp. 301, 97-1 U.S. Tax Cas. (CCH) P 50269, 37 Fed. R. Serv. 3d 711, 79 A.F.T.R.2d 97-595 (D. Mass. 1997)) and (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)

)); Binks Mfg. Co. v. National Presto Industries, Inc., 709 F.2d 1109, 1119, 14 Fed. R. Evid. Serv. 1705, 37 Fed. R. Serv. 2d 1089, 36 U.C.C. Rep. Serv. 14 (7th Cir. 1983) (same); Broadnax v. ABF Freight Systems, Inc., 180 F.R.D. 343, 346 (N.D. Ill. 1998) ("[T]he mere fact that a discovery opponent anticipates litigation does not qualify an 'in-house' document as work product."); Maertin v. Armstrong World Industries, Inc., 172 F.R.D. 143, 148, 38 Fed. R. Serv. 3d 132 (D.N.J. 1997) ("[T]he mere possibility of future litigation is insufficient to meet the 'in anticipation of litigation' standard."). *See also* Allen v. Chicago Transit Authority, 198 F.R.D. 495, 500 (N.D. Ill. 2001) ("The fact that litigation ensues or that a party retains an attorney, initiates an investigation, or engages in negotiations over a claim, is not dispositive on the issue of whether litigation was anticipated."); Diggs v. Novant Health, Inc., 177 N.C. App. 290, 628 S.E.2d 851, 864–65 (2006), writ denied, review denied, 648 S.E.2d 209 (N.C. 2007) (quoting Cook v. Wake County Hosp. System, Inc., 125 N.C. App. 618, 482 S.E.2d 546 (1997) ("[D]efendant's accident reporting policy exists to serve a number of nonlitigation, business purposes' and imposes a 'continuing duty on hospital employees to report any extraordinary occurrences within the hospital to risk management' regardless of whether the hospital chose to consult its attorney in anticipation of litigation."); *see also* Minebea Co. Ltd. V. Papst, 229 F.R.D. 1 (D.D.C. 2005) (finding that "parties are still anticipating litigation once they dismiss a lawsuit — or where a lawsuit has never been filed — and enter into a tolling agreement in a serious, good faith effort to negotiate a Patent license.").

[FN4] *See*U.S. v. Rockwell Intern., 897 F.2d 1255, 1258, 90-1 U.S. Tax Cas. (CCH) P 50151, 65 A.F.T.R.2d 90-833 (3d Cir. 1990); *see also* Diversified Industries, Inc. v. Meredith, 572 F.2d 596, 604, 1977-2 Trade Cas. (CCH) ¶61591, 1978-1 Trade Cas. (CCH) ¶61879, 23 Fed. R. Serv. 2d 1473, 24 Fed. R. Serv. 2d 1201, 1978-1 (8th Cir. 1977) (rejected by, Republic of Philippines v. Westinghouse Elec. Corp., 132 F.R.D. 384, 17 Fed. R. Serv. 3d 1476 (D.N.J. 1990)) and (disapproved of by, U.S. v. Massachusetts Institute of Technology, 957 F. Supp. 301, 97-1 U.S. Tax Cas. (CCH) P 50269, 37 Fed. R. Serv. 3d 711, 79 A.F.T.R.2d 97-595 (D. Mass. 1997)) and (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)) (the test for in anticipation of litigation requires review of the factual situation of each case); In re Gabapentin Patent Litigation, 214 F.R.D. 178, 183 (D.N.J. 2003) ("Whether a particular document 'was prepared in anticipation of litigation is often a difficult factual matter' to discern[,] in no small part because 'the phrase "anticipation of litigation" is incapable of precise definition.'"); 8 Wright & Miller, Federal Practice & Procedure § 2024, at 338-46 (2nd ed. 1994) (determining the nature of work product protection requires a factual investigation).

[FN5] 8 Wright & Miller, Federal Practice & Procedure § 2024, at 343 (1994); *see* In re OM Securities Litigation, 226 F.R.D. 579, 585, 26 A.L.R.6th 811 (N.D. Ohio 2005); U.S. v. Roxworthy, 457 F.3d 590, 593, 2006-2 U.S. Tax Cas. (CCH) P 50458, 65 Fed. R. Serv. 3d 1177, 98 A.F.T.R.2d 2006-5964, 2006-2, 2006 FED App. 0289P (6th Cir. 2006), recommendation regarding acquiescence, AOD-2007-4, 2007 WL 2817569 (I.R.S. AOD 2007) and not acquiesced, 2007-40 I.R.B.720, 2007 WL 2817472 (2007) (adopting the "because of" test in determining whether documents were prepared in anticipation of litigation); Evergreen Trading, LLC ex rel. Nussdorf, 80 Fed. Cl. 122, 132, 2008-1 U.S. Tax Cas. (CCH) P 50109, 100 A.F.T.R.2d 2007-7163 (2007) (collecting cases at FN16 adopting the "because of" litigation standard).

[FN6] U.S. v. El Paso Co., 682 F.2d 530, 542, 82-2 U.S. Tax Cas. (CCH) P 9534, 11 Fed. R. Evid. Serv. 502, 34 Fed. R. Serv. 2d 918, 50 A.F.T.R.2d 82-5530 (5th Cir. 1982) (adopting the 'primary motivating factor' test to determine 'in anticipation of litigation'). In general, a document created "because of the prospect of litigation" will also have been created with the "primary motivating purpose" of aiding in the litigation. For this reason, some courts quote both formulations. *See, e.g.*, Binks Mfg. Co. v. National Presto Industries, Inc., 709 F.2d 1109, 1118–19, 14 Fed. R. Evid. Serv. 1705, 37 Fed. R. Serv. 2d 1089, 36 U.C.C. Rep. Serv. 14 (7th Cir. 1983). However, courts deciding whether to protect documents created "because of the prospect of litigation," but not necessarily "for use in that litigation" (for example a document created to aid in making the business decision of whether to pursue a merger likely to provoke litigation), have distinguished between the two formulations. *Compare* State of Maine v. U.S. Dept. of Interior, 298 F.3d 60, 68, 53 Fed. R. Serv. 3d 203, 32 Envtl. L. Rep. 20804 (1st Cir. 2002) (adopting the "because of" formulation as the test for determining whether documents created in light of a controversial rulemaking were prepared in anticipation of litigation) and U.S. v. Adlman, 134 F.3d 1194, 1201, 98-1 U.S. Tax Cas. (CCH) P 50230, 39 Fed. R. Serv. 3d 1189, 81 A.F.T.R.2d 98-820 (2d Cir. 1998) (adopting the "because of" formulation to determine whether documents assessing the advisability of a business decision in light of an almost certain legal challenge were protected as work product) *with* McEwen v. Digitran Systems, Inc., 155 F.R.D. 678, 684 (D. Utah 1994) (concluding that documents, created after the commencement of a S.E.C. investigation which resulted in the de-listing of the party's stock, and which could have been useful either in re-listing the stock or as litigation aids, were not created "in anticipation of litigation" because the "primary motivating purpose behind the[ir] creation" was the re-listing of the stock); *see also*, Fru-Con Const. Corp. v. Sacramento Mun. Utility Dist., 2006 WL 2050999 (E.D. Cal. 2006) (finding, based on the party's representation, that the "primary motivating purpose" for preparing the documents in question were for an adjudicatory hearing, thus were potentially eligible for work product protection).

[FN7] Harper v. Auto-Owners Ins. Co., 138 F.R.D. 655, 659 (S.D. Ind. 1991) ("in anticipation of litigation" has two components, reasonable anticipation and causation); Broadnax v. ABF Freight Systems, Inc., 180 F.R.D. 343, 346 (N.D. Ill. 1998) (same); Trujillo v. Board of Educ. of the Albuquerque Public Schools, 2007 WL 1306593 (D.N.M. 2007).

[FN8] Continental Cas. Co. v. Marsh, 2004 WL 42364 (N.D. Ill. 2004)("Materials prepared in the ordinary course of a party's business, even if prepared at a time when litigation was reasonably anticipated, are not protected by work product."); Paris v. R.P. Scherer Corp., 2006 WL 1982876 (D.N.J. 2006) (Work product protection will only apply when "the document that a party is seeking to protect be produced for no other purpose than the prospect of litigation."); Diversified Industries, Inc. v. Meredith, 572 F.2d 596, 604, 1977-2 Trade Cas. (CCH) ¶61591, 1978-1 Trade Cas. (CCH) ¶61879, 23 Fed. R. Serv. 2d 1473, 24 Fed. R. Serv. 2d 1201, 1978-1 (8th Cir. 1977) (rejected by, Republic of Philippines v. Westinghouse Elec. Corp., 132 F.R.D. 384, 17 Fed. R. Serv. 3d 1476 (D.N.J. 1990)) and (disapproved of by, U.S. v. Massachusetts Institute of Technology, 957 F. Supp. 301, 97-1 U.S. Tax Cas. (CCH) P 50269, 37 Fed. R. Serv. 3d 711, 79 A.F.T.R.2d 97-595 (D. Mass. 1997)) and (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)) (same); Broadnax v. ABF Freight Systems, Inc., 180 F.R.D. 343, 346 (N.D. Ill. 1998) (same); *see also* Fed. R. Civ. P. 26(d)(3), Advisory Committee Notes ("Materials assembled in the ordinary course of business or pursuant to public requirements unrelated to litigation, or for other non-litigation purposes are not under the qualified immunity provided by" the work product rule).

[FN9] Trujillo v. Board of Educ. of the Albuquerque Public Schools, 2007 WL 1306593 (D.N.M. 2007)

; Zenith Electronics Corp. v. WH-TV Broadcasting Corp., 2003 WL 21911066 (N.D. Ill. 2003) (quoting Allendale Mut. Ins. Co. v. Bull Data Systems, Inc., 145 F.R.D. 84, 87 (N.D. Ill. 1992); *see also* Schipp v. General Motors Corp., 457 F. Supp. 2d 917, 66 Fed. R. Serv. 3d 941 (E.D. Ark. 2006) ("[T]he work product rule does not come into play merely because there is a remote prospect of future litigation.") (quoting Diversified Industries, Inc. v. Meredith, 572 F.2d 596, 602, 1977-2 Trade Cas. (CCH) ¶61591, 1978-1 Trade Cas. (CCH) ¶61879, 23 Fed. R. Serv. 2d 1473, 24 Fed. R. Serv. 2d 1201, 1978-1 (8th Cir. 1977) (rejected by, Republic of Philippines v. Westinghouse Elec. Corp., 132 F.R.D. 384, 17 Fed. R. Serv. 3d 1476 (D.N.J. 1990)) and (disapproved of by, U.S. v. Massachusetts Institute of Technology, 957 F. Supp. 301, 97-1 U.S. Tax Cas. (CCH) P 50269, 37 Fed. R. Serv. 3d 711, 79 A.F.T.R.2d 97-595 (D. Mass. 1997)) and (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)); Paris v. R.P. Scherer Corp., 2006 WL 1982876 (D.N.J. 2006) ("There must be more than a 'remote prospect,' and 'inchoate possibility,' or a 'likely chance of litigation.'") (quoting Harper v. Auto-Owners Ins. Co., 138 F.R.D. 655, 660 (S.D. Ind. 1991); AAB Joint Venture v. U.S., 75 Fed. Cl. 432, 445 (2007) (finding that litigation must be a real possibility at the time the documents were created).

[FN10] 8 Wright & Miller, Federal Practice & Procedure § 2024, at 338-46 (2nd ed. 1994); Harper v. Auto-Owners Ins. Co., 138 F.R.D. 655, 659–60 (S.D. Ind. 1991); Allen v. Chicago Transit Authority, 198 F.R.D. 495, 500 (N.D. Ill. 2001); In re Grand Jury Subpoena, 220 F.R.D. 130 (D. Mass. 2004) (denying a work product claim on the grounds that a company did not reasonably anticipate litigation where it approached a regulator with the effort to avoid a recall of its product, thus adopting the position that the product was not adulterated and misbranded in violation of applicable law); Trujillo v. Board of Educ. of the Albuquerque Public Schools, 2007 WL 1306593 (D.N.M. 2007) (finding that even though an EEOC lawsuit was eventually filed, notes were not prepared in anticipation of litigation because, among other factors, they were prepared before a lawsuit was filed, they were not prepared at the direction of an attorney who would try the case, and the notes were a "personal reminder" rather being "adversarial in nature").

[FN11] In re OM Securities Litigation, 226 F.R.D. 579, 585, 26 A.L.R.6th 811 (N.D. Ohio 2005) (holding that to have work product protection, there must be a showing that "the documents were prepared because of a real possibility of litigation, not for ordinary business purposes."); Volkswagon AG v. Dorling Kindersley Pub., Inc., 2007 WL 188087 (E.D. Mich. 2007)("Documents prepared in the ordinary course of business are not covered [by work product protection, and] thus a document will not be covered if it would have been prepared in substantially the same manner irrespective of the anticipated litigation.").

[FN12] Binks Mfg. Co. v. National Presto Industries, Inc., 709 F.2d 1109, 14 Fed. R. Evid. Serv. 1705, 37 Fed. R. Serv. 2d 1089, 36 U.C.C. Rep. Serv. 14 (7th Cir. 1983).

[FN13] Binks Mfg. Co. v. National Presto Industries, Inc., 709 F.2d 1109, 1120, 14 Fed. R. Evid. Serv. 1705, 37 Fed. R. Serv. 2d 1089, 36 U.C.C. Rep. Serv. 14 (7th Cir. 1983); *see also* Hensel Phelps Const. Co. v. Southwestern Roofing & Sheet Metal Co., 29 Fed. R. Serv. 2d 1095 (D. Colo. 1980) (holding that the primary purpose was to determine "what the problems were and how they could be resolved" and not to prepare for litigation); Klee v. Whirlpool Corp., 251 F.R.D. 507, 512–13 (S.D. Cal. 2006) (finding that the "cause and origin" report and opinions would have been prepared even if there were no

prospect of litigation, and they were completed before a claim decision was made, so they were not prepared in anticipation of litigation); Allstate Ins. Co. v. Ever Island Elec. Co., 2007 WL 2728979 (N.D. Ga. 2007)("'[I]t is in the ordinary course of business for an insurance company to investigate a claim with an eye toward litigation.' Consequently, claim files generally do not constitute work product in the early stages of investigation, …") (citation omitted); St. Joe Co. v. Liberty Mut. Ins. Co., 2007 WL 141282 (M.D. Fla. 2007) (stating that the insurer had not shown sufficient evidence of "how and why it came to the conclusion that it anticipated litigation" only one month after the Plaintiff submitted the claim and more than a month before the insurance company denied the claim); Simon v. G.D. Searle & Co., 816 F.2d 397, 401, 22 Fed. R. Evid. Serv. 1754, 7 Fed. R. Serv. 3d 410 (8th Cir. 1987) (risk manager's litigation reserves were prepared in the ordinary course of business and were subject to discovery; in-house counsel's determination of individual case reserve figures protected as opinion work product); *see also* S.E.C. v. R.J. Reynolds Tobacco Holdings, Inc., Fed. Sec. L. Rep. (CCH) P 93034, 2004 WL 3168281 (D.D.C. 2004) (finding that case-by-case forecasts of legal costs constitute opinion work product, but aggregated forecasted costs do not); In re OM Securities Litigation, 226 F.R.D. 579, 586–587, 26 A.L.R.6th 811 (N.D. Ohio 2005), the court determined that the investigation by the Audit Committee and its forensic accountant, conducted during ongoing shareholder litigation, was not protected by work product because the Audit Committee would have investigated the allegations of inventory irregularities regardless of the possibility of litigation. Even though the work was inextricably intertwined with litigation, the documents would have been generated even in the absence of pending litigation.

[FN14] U.S. v. Adlman, 134 F.3d 1194, 1195, 98-1 U.S. Tax Cas. (CCH) P 50230, 39 Fed. R. Serv. 3d 1189, 81 A.F.T.R.2d 98-820 (2d Cir. 1998).

[FN15] U.S. v. Adlman, 134 F.3d 1194, 1195, 98-1 U.S. Tax Cas. (CCH) P 50230, 39 Fed. R. Serv. 3d 1189, 81 A.F.T.R.2d 98-820 (2d Cir. 1998)(emphasis added).

[FN16] U.S. v. Adlman, 134 F.3d 1194, 1198, 98-1 U.S. Tax Cas. (CCH) P 50230, 39 Fed. R. Serv. 3d 1189, 81 A.F.T.R.2d 98-820 (2d Cir. 1998).

[FN17] U.S. v. Adlman, 134 F.3d 1194, 1199, 98-1 U.S. Tax Cas. (CCH) P 50230, 39 Fed. R. Serv. 3d 1189, 81 A.F.T.R.2d 98-820 (2d Cir. 1998). *See also* Curto v. Medical World Communications, Inc., 2007 WL 1452106 (E.D. N.Y. 2007) (examining and applying Adlman); In re Suprema Specialties, Inc., 2007 WL 1964852 (Bankr. S.D. N.Y. 2007) (analyzing and applying the Adlman "because of" test to determine whether a document was prepared "in anticipation of litigation" rather than the "primary purpose" test); Lawrence E. Jaffe Pension Plan v. Household Intern., Inc., 237 F.R.D. 176, 181 (N.D. Ill. 2006) (holding "the Opinion Letters were prepared 'because of' pending or threatened litigation and are protected by the work product doctrine."); *but see* U.S. v. Textron Inc. and Subsidiaries, 577 F.3d 21 (1st Cir. 2009), petition for cert. filed (U.S. Dec. 24, 2009) (en banc) (overruling the trial court and First Circuit panel, holding that work product protection does not apply to tax accrual work papers shared with auditors, adopting the "primary purpose" test because the papers were prepared primarily for supporting financial statements and not *for use in* litigation).

[FN18] *See* §§ 33:51 to 33:52 for additional document management suggestions.

[FN19] U. S. v. American Tel. & Tel. Co., 86 F.R.D. 603, 627, 1980-2 Trade Cas. (CCH) ¶63568,

1980-81 Trade Cas. (CCH) ¶63696, 1980-81 Trade Cas. (CCH) ¶63705 (D.D.C. 1979); *see also* Fru-Con Const. Corp. v. Sacramento Mun. Utility Dist., 2006 WL 2050999 (E.D. Cal. 2006) (citing and quoting United States v. American Tel. & Tel. Co.).

[FN20] U. S. v. American Tel. & Tel. Co., 86 F.R.D. 603, 628, 1980-2 Trade Cas. (CCH) ¶63568, 1980-81 Trade Cas. (CCH) ¶63696, 1980-81 Trade Cas. (CCH) ¶63705 (D.D.C. 1979).

[FN21] U. S. v. American Tel. & Tel. Co., 86 F.R.D. 603, 628, 1980-2 Trade Cas. (CCH) ¶63568, 1980-81 Trade Cas. (CCH) ¶63696, 1980-81 Trade Cas. (CCH) ¶63705 (D.D.C. 1979).

[FN22] U. S. v. American Tel. & Tel. Co., 86 F.R.D. 603, 628, 1980-2 Trade Cas. (CCH) ¶63568, 1980-81 Trade Cas. (CCH) ¶63696, 1980-81 Trade Cas. (CCH) ¶63705 (D.D.C. 1979); *but see* § 33:32 (work product recognized for certain proceedings where there is no right of cross-examination).

[FN23] Sharonda B. v. Herrick, 1998 WL 341801 (N.D. Ill. 1998), opinion adopted in part, 1998 WL 547306 (N.D. Ill. 1998)(even though not a court of record, juvenile court proceedings are "litigation" for the purposes of work product privilege).

[FN24] Pacamor Bearings, Inc. v. Minebea Co., Ltd., 918 F. Supp. 491, 513 (D.N.H. 1996) ("Although investigations by government agencies are not 'litigation' … courts recognize that '[i]nvestigation by a federal agency presents more than a remote prospect of future litigation, and provides reasonable grounds for anticipating litigation sufficient to trigger application of the work product doctrine.' "); In re Grand Jury Subpoena, 220 F.R.D. 130, 147 (D. Mass. 2004) ("Many courts have held, however, and this Court agrees, that [though a government investigation itself does not constitute litigation,] once a governmental investigation has begun, litigation is sufficiently likely to satisfy the 'anticipation' requirement."). *But see* State of Fla. ex rel. Butterworth v. Industrial Chemicals, Inc., 145 F.R.D. 585, 587, 1993-1 Trade Cas. (CCH) ¶70202 (N.D. Fla. 1991) (investigation undertaken in response to civil investigatory demands not automatically work product); Midwest Gas Services, Inc. v. Indiana Gas Co., 2000 WL 760700 (S.D. Ind. 2000) (examining the split in authority between the courts as to whether documents "created or acquired in order to respond to a governmental agency's civil investigation qualifies as work product under Fed.R.Civ.P. 26(b)(3).").

[FN25] In re Megan-Racine Associates, Inc., 189 B.R. 562, 574, 34 Collier Bankr. Cas. 2d (MB) 943 (Bankr. N.D. N.Y. 1995) (materials prepared for administrative litigation or judicial proceedings may be protected under Fed. R. Civ. P. 26(b)(3)).

SPARTNER § 33:31

END OF DOCUMENT

Successful Partnering Between Inside and Outside Counsel
Database updated April 2012
Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

III. Work Product Protection
B. Elements

§ 33:32. Work product protection: elements—Non-adversarial proceedings

Some courts have extended the work product doctrine to prevent documents and testimony from being compelled for use in nonadversarial proceedings. For example, the work product doctrine applies to materials created in anticipation of a grand jury investigation,[1] even though grand juries are inquisitorial rather than adversarial in nature,[2] and a grand jury witness has no right to present evidence[3] and must face the panel alone without the presence of counsel.[4] The Federal Rules of Civil Procedure do not clearly govern grand jury proceedings,[5] and the Federal Rules of Criminal Procedure, which provide for the administration of a grand jury,[6] are silent on the application of the privilege to such proceedings.[7] Nevertheless, work product created by a lawyer or his agent to prepare for a grand jury appearance is protected by the common law work product privilege as articulated by Hickman v. Taylor.[8]

In the case of In re Grand Jury Proceedings (Duffy), the Eighth Circuit considered whether the work product doctrine applied to protect from disclosure to a grand jury an attorney's "memoranda and recollections of conversations [made] in anticipation of litigation with persons other than employees of his client corporation."[9] The Duffy court did not consider whether the immediate grand jury proceeding was adversarial or inquisitorial; likewise, there was no discussion of why the lawyer's investigation was rightly characterized as having been undertaken in anticipation of litigation. Rather, the court held that the policy underlying the work product doctrine recommended extension of the privilege to grand jury proceedings even at the expense of the government's search for the truth.[10]

> On the one hand, there is the heavy weight of history and public need commanding that the grand jury's investigations be as unfettered as possible …. On the other hand, the disclosures now demanded touch a vital center in the administration of criminal justice, the lawyer's work in investigating and preparing the defense of a criminal charge. Appraising these interests in the circumstances now presented, the court concludes that the attorney was not only entitled, but probably required, to withhold answers to the grand jury's questions.[11]

For the Duffy court, the work product doctrine was appropriately extended to grand juries, because the government's power to compel testimony and tangible things in its investigation might undermine the lawyer's role in possible future criminal proceedings.[12]

Upjohn v. United States applied the work product doctrine in another inquisitorial context: the issuance and

enforcement of a federal tax summons.[13] A tax summons is an order from the Internal Revenue Service to produce records or appear and give testimony for, among other purposes, assessing the correctness of an income tax return.[14] To enforce a tax summons, the government must bring a show cause action.[15] The show cause proceeding is technically adversarial;[16] however, there is no general right to put on evidence.[17] Nonetheless, Upjohn, and several Circuit Courts before it, extended work product protection to materials created (and opinions formed) in anticipation of or in response to the issuance of a tax summons.[18]

The Upjohn court held that the memoranda and notes of counsel were created in anticipation of litigation,[19] but did not specify whether Rule 26(b)(3), the Hickman common law work product doctrine, or both applied. The work product at issue had been created long before the contested tax summons was issued, and even before Upjohn had filed the report with the government that instigated the IRS's investigation.[20] In fact, it was nearly a year later that the government sought enforcement of the summons.[21] Clearly, the Upjohn decision pertained to work product created not to challenge the technical sufficiency of the summons but in anticipation of litigation concerning potential tax liability and securities law violations.[22]

As in the grand jury context, Upjohn suggests, without stating, that the exercise of compulsory government processes makes the prospect of future litigation real for purposes of the work product doctrine.[23] For instance, the factor of government coercion was important to the Third Circuit in Martin v. Bally's Park Place Hotel & Casino, where it extended work product protection to materials sought by OSHA under pain of administrative citation.[24] OSHA subpoenaed a report created at the request of Bally's in-house counsel in response to an employee's work-related health complaint.[25] Bally's resisted on work product grounds and OSHA abandoned enforcement of the subpoena. Instead, OSHA attempted to gain the report by issuing citations against Bally's for failing to abide an administrative rule that requires employers to provide it with certain records. The Bally's court held that, notwithstanding the administrative rule that made OSHA's requests permissible, the use of "coercive means" made the work product privilege applicable.[26]

Extension of the work product doctrine to inquisitorial proceedings where an adversary has the power to compel testimony or the production of documents is consistent with the underlying policy of Hickman.[27] The work product doctrine provides a zone of privacy in which a lawyer may operate without the intrusion of his adversary.[28] Where there is an adversary, the work product protection has not, and indeed should not, be strictly limited to documents prepared "in anticipation of litigation" defined narrowly as "a proceeding in which the parties have a right to cross-examine witnesses."[29] As discussed above, where a grand jury is impaneled or a tax summons is issued, for example, the state becomes a putative adversary because its recourse to coercive power provides access to a lawyer's file, his mind, or both. Refusal to extend work product protection to materials prepared in response to a subpoena or a summons served in a "nonadversarial" proceeding would open a lawyer's thoughts and opinions to discovery and use in subsequent litigation merely because the material was first sought in a nonadversarial setting.[30] Indeed, the Supreme Court in Upjohn recognized the need to extend the protection beyond the strictly "adversarial."[31] The policy reflected in Upjohn, and later in Duffy, could logically be extended to protect materials prepared or obtained by counsel in response to other "state" coercion, for example, testimony given or production made in response to a Congressional, legislative, or regulatory subpoena.[32] Such extension of work product protection has not been generally recognized. Thus, it is prudent when the corporate client faces an inquisitorial proceeding, or other coercive government action, for counsel to consider whether and under what circumstances litigation might follow and to see that materials prepared in response to the inquisitorial proceedings reflect that they are prepared, at least in part, out of concern for, and in anticipation of, possible subsequent adversarial proceedings.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See, e.g.*, In re Grand Jury Proceedings, 473 F.2d 840 (8th Cir. 1973) (rejected by, In re Grand Jury Proceedings, 73 F.R.D. 647 (M.D. Fla. 1977)); *see also* In re Sealed Case, 676 F.2d 793, 811 n.65, Fed. Sec. L. Rep. (CCH) P 98647, 82-1 U.S. Tax Cas. (CCH) P 9335, 10 Fed. R. Evid. Serv. 490, 33 Fed. R. Serv. 2d 1778, 50 A.F.T.R.2d 82-5637 (D.C. Cir. 1982) ("Duffy has been followed by every other circuit that has considered the question of whether the work product doctrine creates a testimonial privilege before a grand jury.").

[FN2] *See* U.S. v. Calandra, 414 U.S. 338, 343, 94 S. Ct. 613, 38 L. Ed. 2d 561, 66 (1974) ("A grand jury proceeding is not an adversary hearing in which the guilt or innocence of the accused is adjudicated. Rather, it is an ex parte investigation ….").

[FN3] The government may permit "subjects or targets of grand jury investigation to tell their side of the story" but have no legal obligation to do so. United States Attorneys' Manual ("USAM") 9-11.152 (citing U.S. v. Leverage Funding Systems, Inc., 637 F.2d 645 (9th Cir. 1980));U.S. v. Gardner, 516 F.2d 334, 39 A.L.R. Fed. 727 (7th Cir. 1975).

[FN4] Fed. R. Crim. P. 6(d) (restricting attendance at grand jury deliberations to attorneys for the government, essential court personnel and the witness called by the panel). A witness may request to leave the grand jury room to consult with an attorney. *See* USAM 9-11.151.

[FN5] *See* In re Grand Jury Subpoena, 599 F.2d 504, 509, Fed. Sec. L. Rep. (CCH) P 96917, 79-1 U.S. Tax Cas. (CCH) P 9405, 43 A.F.T.R.2d 79-1221 (2d Cir. 1979) ("Rule 26 of the Federal Rules of Civil Procedure obviously does not apply to grand jury subpoenas."). *But see* In re Sealed Case, 676 F.2d 793, 808 n.49, Fed. Sec. L. Rep. (CCH) P 98647, 82-1 U.S. Tax Cas. (CCH) P 9335, 10 Fed. R. Evid. Serv. 490, 33 Fed. R. Serv. 2d 1778, 50 A.F.T.R.2d 82-5637 (D.C. Cir. 1982) (holding that the work product privilege is a common law privilege in the context of a federal grand jury, but noting that, "[t]here is some uncertainty as to the precise status of Rule 26(b)(3) … [because Rule] 81(a)(3) makes the Federal Rules applicable to 'proceedings to compel the giving of testimony or production of documents in accordance with a subpoena issued by an officer or agency of the United States"); In re Grand Jury Subpoena Dated July 6, 2005, 510 F.3d 180, 185–86 (2d Cir. 2007), cert. denied, 128 S. Ct. 2918, 171 L. Ed. 2d 843 (2008) ("[T]o determine if a party is entitled to fact work product protection in the grand jury context, [the Second C]ircuit applies a test derived from the requirements in Rule 26(b)(3) and the common law principles enunciated in Hickman v. Taylor"—that is, the grand jury is entitled to fact work product if there is a substantial need, and it has "exhausted other means of obtaining the relevant information it seeks.").

[FN6] Fed. R. Crim. P. 6.

[FN7] *See* In re Grand Jury Subpoena Dated July 6, 2005, 510 F.3d 180, 185 (2d Cir. 2007), cert. denied, 128 S. Ct. 2918, 171 L. Ed. 2d 843 (2008) (Rule 16 of the Federal Rules of Criminal Procedure "posits a pre-trial proceeding in which there is a known defendant.") (quoting In re Grand Jury Subpoena, 599 F.2d 504, 509, Fed. Sec. L. Rep. (CCH) P 96917, 79-1 U.S. Tax Cas. (CCH) P 9405, 43 A.F.T.R.2d 79-1221 (2d Cir. 1979)).

[FN8] *See* In re Grand Jury Subpoena, 220 F.3d 406, 408, 54 Fed. R. Evid. Serv. 1496, 178 A.L.R. Fed. 625 (5th Cir. 2000). ("In the context of a federal grand jury, the work product privilege is a common law privilege, although a version of the work product privilege is found in the Federal Rules of Civil Procedure … ") (citing In re Sealed Case, 676 F.2d 793, 808, Fed. Sec. L. Rep. (CCH) P 98647, 82-1 U.S. Tax Cas. (CCH) P 9335, 10 Fed. R. Evid. Serv. 490, 33 Fed. R. Serv. 2d 1778, 50 A.F.T.R.2d 82-5637 (D.C. Cir. 1982)). *See also* In re Grand Jury Subpoenas Dated March 19, 2002 and August 2, 2002, 318 F.3d 379, 384, 60 Fed. R. Evid. Serv. 594, 54 Fed. R. Serv. 3d 824 (2d Cir. 2003) ("Although [the work product] doctrine is most frequently asserted as a bar to discovery in civil litigation, the Supreme Court has characterized its "role in assuring the proper functioning of the criminal justice system" as even more vital. For precisely this reason, we have entertained work product challenges to grand jury subpoenas even though neither Fed. R. Civ. P. 26(b)(3) nor Fed. R. Crim. P. 16(b)(2) strictly applies in that context.") (citing U.S. v. Nobles, 422 U.S. 225, 238, 95 S. Ct. 2160, 45 L. Ed. 2d 141, 20 Fed. R. Serv. 2d 547 (1975)).

[FN9] In re Grand Jury Proceedings, 473 F.2d 840, 841–42 (8th Cir. 1973) (rejected by, In re Grand Jury Proceedings, 73 F.R.D. 647 (M.D. Fla. 1977)). The attorney, Duffy, anticipated the need to defend his client against bribery allegations and undertook an investigation to that end. Duffy resisted a grand jury subpoena to produce his notes and to testify.

[FN10] In re Grand Jury Proceedings, 473 F.2d 840, 845–46 (8th Cir. 1973) (rejected by, In re Grand Jury Proceedings, 73 F.R.D. 647 (M.D. Fla. 1977)) ("There are … vital public policy considerations which dictate that the need for protection of an attorney's work product 'outweigh[s] the public interest in the search for truth.' " (quoting U.S. v. Bryan, 339 U.S. 323, 331, 70 S. Ct. 724, 94 L. Ed. 884 (1950))).

[FN11] In re Grand Jury Proceedings, 473 F.2d 840, 842–43 (8th Cir. 1973) (rejected by, In re Grand Jury Proceedings, 73 F.R.D. 647 (M.D. Fla. 1977)) (quoting In re Terkeltoub, 256 F. Supp. 683, 684 (S.D.N.Y. 1966) (citations omitted)).

[FN12] In re Grand Jury Proceedings, 473 F.2d 840, 842–43 (8th Cir. 1973) (rejected by, In re Grand Jury Proceedings, 73 F.R.D. 647 (M.D. Fla. 1977)). *See also* In re Grand Jury Subpoena Dated Oct. 22, 2001, 282 F.3d 156, 160, 58 Fed. R. Evid. Serv. 396 (2d Cir. 2002) (barring grand jury subpoena ordering attorney to testify to admissions made by client in attorney's presence because "[t]he work product privilege establishes a zone of privacy for an attorney's preparation to represent a client in anticipation of litigation"). In re Grand Jury Subpoena, 463 F. Supp. 2d 573 (W.D. Va. 2006) (granting a motion to quash a subpoena requiring an attorney testify about conversations with his former client in a grand jury proceeding because the government had not shown substantial need for the attorney's testimony for a probable cause hearing).

[FN13] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 397, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523, 1980-81 (1981)("The work product doctrine … appl[ies] to IRS summonses."); *see also* U.S. v. Amerada Hess Corp., 619 F.2d 980, 987, 80-1 U.S. Tax Cas. (CCH) P 9160, 29 Fed. R. Serv. 2d 169, 45 A.F.T.R.2d 80-584 (3d Cir. 1980) (because grand jury proceedings are just as inquisitorial in nature as IRS tax summons proceedings, it would be anomalous to hold that the work product rule applied to the former but not the latter).

[FN14] *See* I.R.C. § 7602 (West 2002).

[FN15] *See* Michael I. Saltzman, IRS Practice and Procedure § 13.04[2] (1991) (discussing enforcement actions under I.R.C. § 7604).

[FN16] *See* Donaldson v. U.S., 1971-1 C.B. 416, 400 U.S. 517, 524, 91 S. Ct. 534, 27 L. Ed. 2d 580, 71-1 U.S. Tax Cas. (CCH) P 9173, 14 Fed. R. Serv. 2d 1096, 27 A.F.T.R.2d 71-482 (1971); *see also* U. S. v. American Tel. & Tel. Co., 86 F.R.D. 603, 628 n.1, 1980-2 Trade Cas. (CCH) ¶63568, 1980-81 Trade Cas. (CCH) ¶63696, 1980-81 Trade Cas. (CCH) ¶63705 (D.D.C. 1979) ("Work product was held to be applicable to materials prepared for a proceeding for the enforcement of an Internal Revenue summons, since the proceeding is adversarial in nature.").

[FN17] No evidentiary hearing is permitted unless the summons is challenged on substantial grounds such as improper purpose. *See* Saltzman at 13.04[2], 13-43.

[FN18] *See* U.S. v. Amerada Hess Corp., 619 F.2d 980, 987, 80-1 U.S. Tax Cas. (CCH) P 9160, 29 Fed. R. Serv. 2d 169, 45 A.F.T.R.2d 80-584 (3d Cir. 1980);U.S. v. Brown, 478 F.2d 1038, 73-1 U.S. Tax Cas. (CCH) P 9427, 31 A.F.T.R.2d 73-1293 (7th Cir. 1973).

[FN19] *See* Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523, 1980-81 (1981).

[FN20] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 386–87, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523, 1980-81 (1981).

[FN21] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 388, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523, 1980-81 (1981).

[FN22] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 387–88, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523, 1980-81 (1981).

[FN23] *See* American Savings Bank v. Painewebber Inc., 210 F.R.D. 721, 723 (D. Haw. 2001) ("An investigation by an agency provides reasonable grounds for anticipating litigation");Pacamor Bearings, Inc. v. Minebea Co., Ltd., 918 F. Supp. 491, 513 (D.N.H. 1996) ("Investigation by a federal agency presents more than a remote prospect of future litigation and provides reasonable grounds for anticipating litigation sufficient to trigger application of the work product doctrine.").

[FN24] Martin v. Bally's Park Place Hotel & Casino, 983 F.2d 1252, 15 O.S.H. Cas. (BNA) 2028, 15 O.S.H. Cas. (BNA) 2224, 1993 O.S.H. Dec. (CCH) P 29927, 24 Fed. R. Serv. 3d 815 (3d Cir. 1993).

[FN25] Martin v. Bally's Park Place Hotel & Casino, 983 F.2d 1252, 1253–55, 15 O.S.H. Cas. (BNA) 2028, 15 O.S.H. Cas. (BNA) 2224, 1993 O.S.H. Dec. (CCH) P 29927, 24 Fed. R. Serv. 3d 815 (3d Cir. 1993).

[FN26] Martin v. Bally's Park Place Hotel & Casino, 983 F.2d 1252, 1259, 15 O.S.H. Cas. (BNA) 2028, 15 O.S.H. Cas. (BNA) 2224, 1993 O.S.H. Dec. (CCH) P 29927, 24 Fed. R. Serv. 3d 815 (3d Cir. 1993).

[FN27] In re Sealed Case, 676 F.2d 793, 809 n.56, Fed. Sec. L. Rep. (CCH) P 98647, 82-1 U.S. Tax Cas. (CCH) P 9335, 10 Fed. R. Evid. Serv. 490, 33 Fed. R. Serv. 2d 1778, 50 A.F.T.R.2d 82-5637 (D.C. Cir. 1982) ("[Hickman] identifies a complex of interrelated interests that the work product doctrine seeks to protect. They range from clients' interests in obtaining good legal advice, undistorted by mechanisms to avoid discovery, to the interests of attorneys in their own work product.").

[FN28] *See* In re Grand Jury Proceedings, 473 F.2d 840, 843 (8th Cir. 1973) (rejected by, In re Grand Jury Proceedings, 73 F.R.D. 647 (M.D. Fla. 1977)) (emphasizing the need to protect the "privacy of [a lawyer's] professional activities" and the "welfare and tone of the legal profession" generally) (citing Hickman v. Taylor, 329 U.S. 495, 510–11, 67 S. Ct. 385, 91 L. Ed. 451, 1947 A.M.C. 1 (1947)).

[FN29] *See* U.S. v. Amerada Hess Corp., 619 F.2d 980, 987, 80-1 U.S. Tax Cas. (CCH) P 9160, 29 Fed. R. Serv. 2d 169, 45 A.F.T.R.2d 80-584 (3d Cir. 1980) (because grand jury investigations are equally as inquisitorial as IRS summons proceedings, work product protection should apply to the latter as they do to the former); *see* Black's Law Dictionary 52 (6th ed. 1990) (defining "adversary proceeding" as: "One having opposing parties; contested, as distinguished from an ex parte hearing or proceeding. One of which the party seeking relief has given legal notice to the other party, and afforded the latter an opportunity to contest it.").

[FN30] This form over substance denial of work product protection is antithetical to the policy underlying the protection as established by the Supreme Court in Hickman v. Taylor, 329 U.S. 495, 511, 67 S. Ct. 385, 91 L. Ed. 451, 1947 A.M.C. 1 (1947).

[FN31] *See*Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 397, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523, 1980-81 (1981).

[FN32] *See, e.g.*, In re Grand Jury Subpoena Duces Tecum, 112 F.3d 910, 924, 46 Fed. R. Evid. Serv. 610, 37 Fed. R. Serv. 3d 309 (8th Cir. 1997)(declining to reach the argument that "anticipated congressional hearings … suffice as … anticipated litigation"); *see also* Restatement (Third) of the Law Governing Lawyers § 87 cmt. h (2000) (stating that litigation "includes a proceeding such as a grand jury or a coroner's inquiry or an investigative legislative hearing").

SPARTNER § 33:32

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Successful Partnering Between Inside and Outside Counsel
Database updated April 2012
Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

III. Work Product Protection
B. Elements

§ 33:33. Work product protection: elements—Whose work is covered?

In its seminal decision, Hickman v. Taylor,[1] the Supreme Court emphasized the necessity of protecting the "work product of the lawyer" prepared in the prosecution or defense of litigation. Recognizing the "practical realities" of litigation, the Supreme Court extended the work product doctrine to protect materials prepared by agents of the lawyer.[2] These principles have been codified and expanded in Fed. R. Civ. P. 26(b)(3), providing that work product may be prepared by any representative of the party, including the party's attorney, consultant, surety, indemnitor, insurer, or agent.[3] Accordingly, where litigation is pending or anticipated, materials prepared by a host of individuals, in addition to the lawyer, may be sheltered by the work product protection, including materials prepared by paralegals,[4] investigators,[5] doctors,[6] accountants,[7] and non-attorney employees.[8] Thus, materials prepared by a client's non-attorney agents are afforded the same work product protection, fact and opinion, as those prepared by an attorney.[9]

Despite the broad interpretation of Rule 26(b)(3) to include non-attorneys, courts are split on the necessity of an attorney's involvement when materials prepared by a non-attorney are claimed as work product. Some courts have held that unless an attorney is directing, controlling, or requesting the non-attorney's efforts, the materials produced are not protected as work product.[10] However, other courts have held such a rule "unnecessarily limits [the work product] protection to documents prepared by or for the party's attorney"[11] and have found the "involvement of an attorney is not a prerequisite to the application of Rule 26(b)(3)."[12] Although under Rule 26(b)(3), "whether a document is protected as work-product depends on the motivation behind its preparation, rather than on the person who prepares it,"[13] because the courts are split, counsel's direct involvement may be a substantial factor in supporting claims of work product protection over materials prepared by non-attorneys.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Hickman v. Taylor, 329 U.S. 495, 67 S. Ct. 385, 91 L. Ed. 451, 1947 A.M.C. 1 (1947).

[FN2] U.S. v. Nobles, 422 U.S. 225, 239, 95 S. Ct. 2160, 45 L. Ed. 2d 141, 20 Fed. R. Serv. 2d 547 (1975).

[FN3] Fed. R. Civ. P. 26(b)(3); *see also* APL Corp. v. Aetna Cas. & Sur. Co., 91 F.R.D. 10, 17, 29 Fed. R. Serv. 2d 1067 (D. Md. 1980) (whether an attorney or non-attorney prepares the document, the work

product standard is the same); *but cf.* Brown v. Laboratory Corp. of America, 67 Va. Cir. 232, 2005 WL 786921 (2005) ("The Thomas Organ rule requires that reports or statements made by or to a party's agent, other than an attorney acting in the role of counselor, which have not been requested by nor prepared by an attorney nor otherwise reflect the employment of an attorney's legal expertise are presumed to have been made in the ordinary course of business and thus are not protected as work product.") (citing Thomas Organ Co. v. Jadranska Slobodna Plovidba, 54 F.R.D. 367, 1972 A.M.C. 871, 15 Fed. R. Serv. 2d 1343 (N.D. Ill. 1972) (rejected by, Harriman v. Maddocks, 518 A.2d 1027 (Me. 1986)) and (rejected by, Schmidt v. California State Auto. Ass'n, 127 F.R.D. 182, 15 Fed. R. Serv. 3d 587 (D. Nev. 1989))).

[FN4] Insurance Co. of North America v. Superior Court, 108 Cal. App. 3d 758, 771, 166 Cal. Rptr. 880, 14 A.L.R.4th 581 (2d Dist. 1980) (memoranda and notes prepared by a paralegal protected work product); Brant v. Turnamian, 9 Pa. D. & C.4th 216, 1991 WL 320017 (C.P. 1991) (under Pennsylvania discovery rules, paralegals are "granted the same work-product privilege as the attorney who hired her relating to any mental impressions or conclusions pertaining to this particular litigation"); Black-Dienes v. Markey, 40 Pa. D. & C.4th 571, 1999 WL 715301 (C.P. 1999)("[T]rial preparation materials of a party's attorney are protected from discovery where mental impressions, conclusions, opinions, memoranda, notes or summaries, legal research or legal theories are involved. Case law has given the same work-product protection to paralegals.").

[FN5] O'Connor v. Boeing North American, Inc., 216 F.R.D. 640, 643 (C.D. Cal. 2003) (because attorneys often must rely on the assistance of investigators and other agents in preparation for trial, the work product doctrine protects material prepared by agents for the attorney as well as those prepared by the attorney himself) (citing U.S. v. Nobles, 422 U.S. 225, 238–39, 95 S. Ct. 2160, 45 L. Ed. 2d 141, 20 Fed. R. Serv. 2d 547 (1975)); Naquin v. UNOCAL Corp., 53 Fed. R. Serv. 3d 1079 (E.D. La. 2002) (same); *see also* Alexander v. F.B.I., 192 F.R.D. 12, 18 (D.D.C. 2000) ("The case law dealing with attorneys' investigators shows that they should generally be afforded the same protection as the attorneys for whom they work.").

[FN6] In re Cendant Corp. Securities Litigation, 343 F.3d 658, 665, 62 Fed. R. Evid. Serv. 577, 56 Fed. R. Serv. 3d 710 (3d Cir. 2003) (recognizing "an opinion letter setting forth expert's medical opinion was protected because it was prepared to advise counsel") (citing Sprague v. Director, Office of Workers' Compensation Programs, U. S. Dept. of Labor, 688 F.2d 862, 870, 11 Fed. R. Evid. Serv. 1080, 34 Fed. R. Serv. 2d 1513 (1st Cir. 1982); Harris v. Provident Life & Accident Ins. Co., 198 F.R.D. 26, 31 (N.D. N.Y. 2000) (doctors' reports satisfy Rule 26(b)(3) requirement that the materials are prepared by or for a party, or by or for his representative).

[FN7] McEwen v. Digitran Systems, Inc., 155 F.R.D. 678, 683 (D. Utah 1994) ("[M]aterials produced by an accountant in anticipation of litigation and under the direction of an attorney have been protected by work product immunity."); In re Raytheon Securities Litigation, 218 F.R.D. 354, 360 (D. Mass. 2003) (finding that disclosure of work product to a public auditor is a waiver only "to the extent that the securities laws and/or accounting standards mandate public disclosure."); *but see* Medinol, Ltd. v. Boston Scientific Corp., 214 F.R.D. 113 (S.D. N.Y. 2002) (holding that disclosure of materials by corporation to an independent auditor waived work product protection because "good auditing requires adversarial tension between the auditor and client … [which] although perhaps not substantially increasing the risk that such work product would reach potential adversaries … did not serve any litigation interest … or any other policy underlying the work product doctrine.").

[FN8] Board of Trustees of Leland Stanford Junior University v. Tyco Intern. Ltd., 253 F.R.D. 528 (C.D. Cal. 2008) ("The mental impressions, opinions, or litigation theory of a party's non-attorney employee may qualify as opinion work-product when the party's non-attorney employee is acting on the party's behalf.") (quoting Massachusetts Eye And Ear Infirmary v. QLT Phototherapeutics, Inc., 2001 WL 1180694 (D. Mass. 2001)).

[FN9] Koch v. Specialized CAre Services, Inc., 437 F. Supp. 2d 362 (D. Md. 2005) (noting that "'opinion work-product immunity now applies equally to lawyers and non-lawyers alike'" (quoting Duplan Corp. v. Deering Milliken, Inc., 540 F.2d 1215, 1219, 191 U.S.P.Q. 417, 1976-2 Trade Cas. (CCH) ¶60998 (4th Cir. 1976)); Alexander v. F.B.I., 192 F.R.D. 12, 18 (D.D.C. 2000) (information that would tend to reveal the thoughts, opinions, and strategies of the attorney's investigators may be protected as work product); Geraty v. Northeast Illinois Regional Commuter R.R. Corp., 2008 WL 2130422 (N.D. Ill. 2008) ("[C]ontents of surveillance reports prepared [by an investigator] in preparation for trial are protected as work-product."); Sprague v. Director, Office of Workers' Compensation Programs, U. S. Dept. of Labor, 688 F.2d 862, 870, 11 Fed. R. Evid. Serv. 1080, 34 Fed. R. Serv. 2d 1513 (1st Cir. 1982) (whether an attorney or non-attorney prepared the material is irrelevant for the purposes of Rule 26(b)(3) work product protection).

[FN10] *See* In re Grand Jury (Impounded), 138 F.3d 978, 981 (3d Cir. 1998) ("This [work product] protection also can extend to materials prepared by an attorney's agent, if that agent acts at the attorney's direction in creating such documents."); In re July 5, 1999, Explosion ar Kaiser Aluminum & Chemical Co., 1999 WL 717513 (E.D. La. 1999), order aff'd, 1999 WL 743503 (E.D. La. 1999) ("The work product doctrine shields the mental processes of an … agent acting at an attorney's direction in creating the documents"); *see also* Garrett v. Metropolitan Life Ins. Co., 1996 WL 325725 (S.D. N.Y. 1996), report and recommendation adopted, 1996 WL 563342 (S.D. N.Y. 1996) ("To qualify as an attorney's agent, the party or company must work under the attorney's direction and control….").

[FN11] Fontaine v. Sunflower Beef Carrier, Inc., 87 F.R.D. 89, 7 Fed. R. Evid. Serv. 957, 30 Fed. R. Serv. 2d 1573 (E.D. Mo. 1980).

[FN12] Harriman v. Maddocks, 518 A.2d 1027, 1033 (Me. 1986); *see also* Massachusetts Eye And Ear Infirmary v. QLT Phototherapeutics, Inc., 2001 WL 1180694 (D. Mass. 2001); Eoppolo v. National R.R. Passenger Corp., 108 F.R.D. 292, 295, 4 Fed. R. Serv. 3d 844 (E.D. Pa. 1985).

[FN13] Caremark, Inc. v. Affiliated Computer Services, Inc., 195 F.R.D. 610, 615, 47 Fed. R. Serv. 3d 1117 (N.D. Ill. 2000) (when deciding whether reports prepared by employees qualified for work product protection, the court's determination turned on the reason the reports were prepared, and not on who prepared them).

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Successful Partnering Between Inside and Outside Counsel
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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

III. Work Product Protection
C. Fact and Opinion Work Product

§ 33:34. Work product protection: fact work product

Once the party seeking work product protection meets his burden that the material is work product, the party seeking to overcome work product claims must establish adequate reasons to justify production. Fact work product protection can be overcome by a showing that an adversary:

1. has a substantial need for the material, and
2. is unable without undue hardship to obtain the substantial equivalent by other means.[1]

Both "substantial need" and "undue hardship" must be established with specificity.[2]

Fact work product includes "everything other than the 'mental impressions, conclusions, opinions or legal theories' of the attorney."[3] It encompasses such things as photographs, sketches, questionnaires, indices (electronic and paper), surveys, financial analyses, computer databases, and diagrams. However, the facts contained in the work product material are not subject to protection and are discoverable.[4] Thus, a party may not rely on Rule 26(b)(3) "as a basis for refusing to respond to discovery requests seeking the disclosure of non-privileged facts, … except to the extent that a request for the disclosure of facts is designed to discover an attorney's opinions or mental impressions."[5] As the Advisory Notes to Fed. R. Civ. P. 26(b)(3) make clear:

> [n]o change is made in the existing doctrine, noted in the Hickman case, that one party may discover relevant facts known or available to the other party, even though such facts are contained in a document which is not itself discoverable.

Naturally, what are discoverable "facts" depends on how the question is asked and to whom it is directed.[6] For example, an interrogatory asking a party "to describe what the witness said to [lawyer] about the accident" is objectionable on work product grounds. If phrased, "what information do you or any of your representatives have or are aware of relating to the accident," there would be an obligation to respond and include the facts revealed by the responding party to the lawyer.

As part of the need and hardship prongs, the party seeking to overcome fact work product claims must show that the material sought is relevant, and that the requesting party would be prejudiced if discovery were not allowed.[7] Prejudice can be shown if (1) there are no alternative means to obtain substantially equivalent information, (2) all alternative means of discovery have been exhausted, or (3) obtaining the information from an alternative source would be unduly burdensome.[8] As with most inquiries where a balancing of interests between the parties is necessary, whether fact work product will be protected will depend on the specific facts of the

case. For example, if a witness that the lawyer previously interviewed is now dead or has fled the jurisdiction, or documents have been destroyed, then the court is likely to find that the substantial equivalent of the lawyer's work product could not be obtained from other sources without undue hardship.[9]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Fed. R. Civ. P. 26(b)(3); Hickman v. Taylor, 329 U.S. 495, 512, 67 S. Ct. 385, 91 L. Ed. 451, 1947 A.M.C. 1 (1947) ("Burden rests upon the one who would invade [the attorney's] privacy to establish adequate reasons to justify production …."); *see also* Restatement (Third) of the Law Governing Lawyers § 88 (2000).

[FN2] Cornett Management Co., LLC v. Lexington Ins. Co., 2007 WL 1140253 (N.D. W. Va. 2007) ("In showing a substantial need, the movant must specifically articulate the necessity for the documents or other tangible things …[and] demonstrate why or how alternative sources for obtaining the substantial equivalent are unavailable"); s*ee also* Maertin v. Armstrong World Industries, Inc., 172 F.R.D. 143, 150, 38 Fed. R. Serv. 3d 132 (D.N.J. 1997) (denying request where party did not demonstrate a substantial need for the specific documents or information sought).

[FN3] Cornett Management Co., LLC v. Lexington Ins. Co., 2007 WL 1140253 (N.D. W. Va. 2007) (quoting In re Air Crash Disaster at Sioux City, Iowa on July 19, 1989, 133 F.R.D. 515, 520 (N.D. Ill. 1990)); *see also* In re PEPCO Employment Litigation, 1992 WL 310781 (D.D.C. 1992); Caremark, Inc. v. Affiliated Computer Services, Inc., 195 F.R.D. 610, 616, 47 Fed. R. Serv. 3d 1117 (N.D. Ill. 2000) (stating that work product is categorized in two ways—opinion work product "which reflects or reveals a lawyer's mental processes" and fact or "ordinary" work product); Fed. R. Civ. P. 26(b)(3).

[FN4] Broadnax v. ABF Freight Systems, Inc., 180 F.R.D. 343, 345 (N.D. Ill. 1998) ("[I]nformation that is merely factual may not be withheld under the umbrella of work product …."); Leonen v. Johns-Manville, 135 F.R.D. 94, 96 (D.N.J. 1990) ("the doctrine … does not protect the facts that underlie the opinions"); Carlson v. Freightliner LLC, 226 F.R.D. 343, 364 (D. Neb. 2004), determination sustained, 226 F.R.D. 385 (D. Neb. 2004) ("Although the work product doctrine protects documents and tangible things, the underlying facts are not protected."); Onwuka v. Federal Express Corp., 178 F.R.D. 508, 513 (D. Minn. 1997) (work product is not meant to shield facts and hinder the search for the truth).

[FN5] Broadnax v. ABF Freight Systems, Inc., 180 F.R.D. 343, 345 (N.D. Ill. 1998).

[FN6] *See* Restatement (Third) of the Law Governing Lawyers § 87 cmt. g (2000); *see also* D'Alonzo v. Hunt, 2006 WL 3511712 (E.D. Pa. 2006) ("The work product privilege furnishes no shield against discovery by deposition of the facts that the adverse party has learned or the persons from whom such facts were learned."); Eoppolo v. National R.R. Passenger Corp., 108 F.R.D. 292, 294, 4 Fed. R. Serv. 3d 844 (E.D. Pa. 1985) (interrogatory that did not elicit information going beyond the facts of the accident, did not call for work product and required a response); U.S. v. Dentsply Intern., Inc., 187 F.R.D. 152, 155–56 (D. Del. 1999) (holding that party may discover relevant facts, even when contained in documents that are not discoverable).

[FN7] Restatement (Third) of the Law Governing Lawyers § 88 cmt. b (2000).

[FN8] Fed. R. Civ. P. 26(b)(3); *see* McCoo v. Denny's Inc., 192 F.R.D. 675, 684 (D. Kan. 2000) (finding that the plaintiffs had shown substantial need with respect to three witnesses who failed to appear for their subpoenaed depositions); American Med. Systems, Inc. v. National Union Fire Ins. Co. of Pittsburgh, Inc., 1999 WL 970341 (E.D. La. 1999), aff'd, 1999 WL 1138484 (E.D. La. 1999) (denying discovery where defendant failed to show that he could not obtain documents elsewhere or that the alternative source was burdensome); Carrasco v. Campagna, 2007 WL 81909 (N.D. Cal. 2007) (substantial need not demonstrated where the party seeking work product deposed or had the opportunity to depose the witnesses at issue and also depositions would be made available if the opposing party used them to refresh a recollection or to impeach a witness); *but see* McBride v. Medicalodges, Inc., 2008 WL 2157114 (D. Kan. 2008) (finding the defendant had not demonstrated substantial hardship when the process server only used internet search tools to locate the witness who had moved because "sitting behind a computer and punching keys hardly satisfies a burden that calls for a reasonable effort to justify the invasion of work product.").

[FN9] *See* In re Grand Jury Investigation, 599 F.2d 1224, 1232, 4 Fed. R. Evid. Serv. 1338 (3d Cir. 1979) (finding "sufficient necessity" to justify disclosure of factual recitations contained in attorney work product summarizing a witness' statement after the witness' death); *see also* Onwuka v. Federal Express Corp., 178 F.R.D. 508, 515 (D. Minn. 1997) ("Plaintiff has made no showing that critical witnesses are now unavailable, or that essential documents have been destroyed, to identify two common examples of 'substantial need.' "); Eagle Compressors, Inc. v. HEC Liquidating Corp., 206 F.R.D. 474, 478, 52 Fed. R. Serv. 3d 1219 (N.D. Ill. 2002) (A showing of substantial need "satisfied only in rare situations, such as those involving witness unavailability." (quoting Trustmark Ins. Co. v. General & Cologne Life Re of America, 2000 WL 1898518 (N.D. Ill. 2000))).

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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

III. Work Product Protection
C. Fact and Opinion Work Product

§ 33:35. Work product protection: opinion work product

Opinion work product enjoys almost absolute protection because it is recognized as the core of work product.[1] Opinion work product consists of the mental impressions, subjective evaluations, strategy, opinions, legal theories, and conclusions of counsel, and the subjective evaluations and mental impressions of counsel's agents.[2] The special protection afforded opinion work product is underscored in Rule 26(b)(3): even if the requisite showing is made to overcome a fact work product claim, the document can be released only after the court protects from disclosure any opinion work product in the document.[3]

Many courts initially interpreted the Rule to provide absolute protection for opinion work product.[4] However, there are situations where a court will order a party to produce opinion work product material, although only under extraordinary circumstances.[5] This showing is significantly greater than the "substantial need" and "inability to obtain by alternative means," burden that must be met to overcome fact work product.[6] One of the clearest statements of the burden for overcoming opinion work product is set out in United States v. American Tel. & Tel. Co.,[7] where the court adopted guidelines which specified that "[d]isclosure will not be required of the mental impressions, conclusions, opinions, or legal theories of the attorney or his agent in the absence of a showing of extreme necessity by the party seeking discovery."[8]

Courts have found extreme necessity in cases where the lawyer's own activities may be in issue as part of the claim or defense[9] or where the lawyer may be a witness in the litigation.[10] Professor James Moore described the lawyer activities that fit within the narrow circumstances under which opinion work product may be discoverable in his treatise on Federal Practice:

> Cases indicate that when the activities of counsel are inquired into because they are at issue in the action before the court, there is cause for production of documents that deal with such activities, though they are "work product." While Rule 26(b)(3) provides that protection against discovery of the attorney's or representative's "mental impressions, conclusions, opinions, or legal theories" shall be provided, such protection would not screen information directly in-issue.[11]

Several courts have relied upon Professor Moore's analysis to overcome opinion work product protection where the lawyer's opinions and theories are central to or "in-issue" in the underlying action.[12] Thus, where testimonial use is made of work product, courts generally have found that work product protection is lost.

Courts guard carefully against the use of privilege as "a sword and a shield." In Hartz Mountain Indus., Inc.

v. Comm'r.,[13] the question of appropriate income treatment for settlement monies was in issue. The Hartz in-house counsel submitted an affidavit to explain the company's internal position on the underlying settlement. The court found "waiver" of all work product of the corporation on that issue because Hartz made testimonial use of the work product materials.[14] In Cincinnati Ins. Co. v. Zurich Ins. Co.,[15] a dispute between two insurance companies involving liability coverage resulting from a car accident, the court held plaintiff waived opinion work product protection for its attorney's advice and legal opinion on the acceptance of a settlement offer in the prior litigation on the car accident. The waiver resulted because plaintiff intended to call its attorney as a witness at trial to testify about his advice on accepting the settlement offer in the prior litigation.[16] Since the attorney's testimony was at issue in the case, the court would not allow plaintiff to "attempt to use an opinion as his sword, all the while shielded by the work product doctrine."[17]

Both the "in-issue" and "testimonial use" doctrines are examples where arguments of extreme necessity may overcome work product protection. Both are forms of waiver, either implied in-issue or affirmative waiver.[18] The fact that it takes a waiver to justify overcoming opinion work product underscores the near absolute protection that opinion work product enjoys.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 401, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981); Hickman v. Taylor, 329 U.S. 495, 512, 67 S. Ct. 385, 91 L. Ed. 451, 1947 A.M.C. 1 (1947); Restatement (Third) of the Law Governing Lawyers §§ 88 cmt. b, 89 cmt. b (2000).

[FN2] Hickman v. Taylor, 329 U.S. 495, 511, 67 S. Ct. 385, 91 L. Ed. 451, 1947 A.M.C. 1 (1947); In re Circle K Corp., 199 B.R. 92, 98, 29 Bankr. Ct. Dec. (CRR) 655 (Bankr. S.D. N.Y. 1996), aff'd, 1997 WL 31197 (S.D. N.Y. 1997) (S.D. N.Y. Jan. 28, 1997) (finding that opinion work product is work product that contains an attorney's opinions, judgments, and thought processes); In re Air Crash Disaster at In re Air Crash Disaster at Sioux City, Iowa on July 19, 1989, 133 F.R.D. 515, 519 (N.D. Ill. 1990) (citing 4 James Wm. Moore et al., Moore's Federal Practice § 26.64[1] at 26-349-50 (1989)) ("[Opinion work product relates to the] preparation, strategy and appraisal of the strengths and weaknesses of an action or of the activities of the attorneys involved, rather than to the underlying evidence."); In re Grand Jury Subpoena, 220 F.R.D. 130, 144 (D. Mass. 2004) (describing opinion work product as mental impressions, conclusions, opinions or legal theories of an attorney or other representative of a party); Handgards, Inc. v. Johnson & Johnson, 413 F. Supp. 926, 930, 192 U.S.P.Q. 316 (N.D. Cal. 1976)(same); *compare* Ford Motor Co. v. Edgewood Properties, Inc., 257 F.R.D. 418, 428, (D.N.J. 2009) (holding that draft affidavits prepared by counsel were not protected by the work product doctrine and "expanding the doctrine in this area would render otherwise discoverable statements protected by the doctrine, the primary purpose of which is to protect counsel's trial strategies and mental impressions, not [counsel's] choice as to an affiant's testimony of underlying facts."). *See also* Chapter 64 "Use of Jury Consultants" § 64:22, concerning discoverability of a jury consultant's work.

[FN3] Fed. R. Civ. P. 26(b)(3); Restatement (Third) of the Law Governing Lawyers § 89 (2000); In re S3 Ltd., 252 B.R. 355, 364, 47 Fed. R. Serv. 3d 941 (Bankr. E.D. Va. 2000) ("In a situation where a

document contains both opinion and nonopinion work product, the Court may redact the portions of the document containing opinion work product and permit discovery of the nonopinion work product upon a showing of substantial need.").

[FN4] *See* Duplan Corp. v. Moulinage et Retorderie de Chavanoz, 509 F.2d 730, 734, 1974-2 Trade Cas. (CCH) ¶75297, 19 Fed. R. Serv. 2d 209, 1974 (4th Cir. 1974); Eagle Compressors, Inc. v. HEC Liquidating Corp., 206 F.R.D. 474, 478, 52 Fed. R. Serv. 3d 1219 (N.D. Ill. 2002) (reasoning that protection of an attorney's opinion work product is almost absolute) (citing Trustmark Ins. Co. v. General & Cologne Life Re of America, 2000 WL 1898518 (N.D. Ill. 2000)); Underwriters Ins. Co. v. Atlanta Gas Light Co., 248 F.R.D. 663, 669 (N.D. Ga. 2008) (same).

[FN5] *See* Cardtoons, L.C. v. Major League Baseball Players Ass'n, 199 F.R.D. 677, 685 (N.D. Okla. 2001) (recognizing that courts have allowed discovery of opinion work product when the subject of the opinion work product is "at issue" or upon proof of extraordinary circumstances); Parkdale America, LLC v. Travelers Cas. and Sur. Co. of America, Inc., 2007 WL 4165247 (W.D. N.C. 2007) (citing Chaudhry v. Gallerizzo, 174 F.3d 394, 403, 43 Fed. R. Serv. 3d 1063 (4th Cir. 1999)); *see also* Restatement (Third) of the Law Governing Lawyers § 89 (2000).

[FN6] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 385, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523, 1980-81 (1981) (mere showing of substantial need and inability to obtain equivalent without undue hardship not sufficient to overcome opinion work product); Burlingame v. County of Calaveras, 2007 WL 2669523 (E.D. Cal. 2007) (granting defendant's request for reconsideration on a motion to compel disclosure because the plaintiff had not adequately demonstrated substantial need and an inability to obtain the factual information contained in a redacted report by alternate means without undue hardship); McKenzie v. McCormick, 27 F.3d 1415, 1420, 40 Fed. R. Evid. Serv. 1313 (9th Cir. 1994) (upholding lower court's ruling that three documents were protected by the work product doctrine where challenger "failed to make a showing of substantial need and undue hardship, much less the far greater showing of necessity and unavailability by other means required for opinion work product"); Employers Ins. of Wausau v. California Water Service Co., 2007 WL 2947423 (N.D. Cal. 2007) (party requesting that work product immunity be removed did not adequately show substantial need or undue hardship, much less necessity and unavailability by any other means, by simply arguing that "the documents sought were central to the litigation).

[FN7] U. S. v. American Tel. & Tel. Co., 86 F.R.D. 603, 1980-2, 1980-2 Trade Cas. (CCH) ¶63568, 1980-81 Trade Cas. (CCH) ¶63696, 1980-81 Trade Cas. (CCH) ¶63705 (D.D.C. 1979) (emphasis added).

[FN8] U. S. v. American Tel. & Tel. Co., 86 F.R.D. 603, 632, 1980-2 Trade Cas. (CCH) ¶63568, 1980-81 Trade Cas. (CCH) ¶63696, 1980-81 Trade Cas. (CCH) ¶63705 (D.D.C. 1979). The special masters who developed the guidelines in the AT&T case were Paul R. Rice and Geoffrey C. Hazard, Jr. *See also* S.E.C. v. R.J. Reynolds Tobacco Holdings, Inc., Fed. Sec. L. Rep. (CCH) P 93034, 2004 WL 3168281 (D.D.C. 2004) (Opinion work product "enjoys nearly a absolute immunity and can only be discovered in rare and extraordinary circumstances.' "); Magee v. Paul Revere Life Ins. Co., 172 F.R.D. 627, 643 (E.D. N.Y. 1997) (rejected by, TV-3 Inc. v. Royal Ins. Co. of America, 193 F.R.D. 490, 48 Fed. R. Serv. 3d 736 (S.D. Miss. 2000)) (same); In re Teleglobe Communications Corp., 392 B.R. 561,

577 (Bankr. D. Del. 2008) (finding that because the court in Hickman stated that it was a "rare situation" which required disclosure of an attorney's opinion work product, comments received by Plaintiff's experts from Plaintiff's counsel are protected by the attorney work product doctrine and are not discoverable); In re Martin Marietta Corp., 856 F.2d 619, 626, (4th Cir. 1988) (there may be waiver of opinion work product in extreme circumstances); 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 and legal strategies, enjoys a very nearly absolute immunity and can be discovered only in very rare circumstances.").

[FN9] *See also* § 33:66.

[FN10] U.S. v. Ernstoff, 183 F.R.D. 148, 155 n.5, 42 Fed. R. Serv. 3d 694 (D.N.J. 1998) (noting that like other qualified privileges, work product may be waived by the holder by placing the work product "at-issue"); Sedillos v. Board of Educ. of School Dist. No. 1 in City and County of Denver, 313 F. Supp. 2d 1091, 187 Ed. Law Rep. 936 (D. Colo. 2004) ("Where a party injects part of a communication as evidence, fairness demands that the opposing party be allowed to examine the whole picture.") (quoting Remington Arms Co. v. Liberty Mut. Ins. Co., 142 F.R.D. 408, 412 (D. Del. 1992); International Ins. Co. v. Certain Underwriters at Lloyd's London, 1990 WL 205461 (N.D. Ill. 1990) (finding privilege may be waived by voluntary injection of an issue into a case); *see also* 4 James Wm. Moore et al., Moore's Federal Practice § 26.64[4] at 26-447 (1989); Handgards, Inc. v. Johnson & Johnson, 413 F. Supp. 926, 930, 192 U.S.P.Q. 316 (N.D. Cal. 1976) (finding that defendant's intention to call the three lawyers to defend against a claim that patent infringement action was instituted in bad faith resulted in the totality of counsel's litigation files becoming discoverable); Hartz Mountain Industries, Inc. and Subsidiaries v. C.I.R., 93 T.C. 521, 528, 1989-2 Trade Cas. (CCH) ¶68846, Tax Ct. Rep. Dec. (P-H) 93.42, 1989-2, 1989 WL 128568 (1989) (work product waived by its testimonial use where company submitted affidavits on how the corporation handled its tax issue); Coleco Industries, Inc. v. Universal City Studios, Inc., 110 F.R.D. 688, 690 (S.D. N.Y. 1986) (where defendant raised "advice of counsel" defense, counsel's opinion work product became discoverable); Minnesota Specialty Crops, Inc. v. Minnesota Wild Hockey Club, L.P., 210 F.R.D. 673, 678 (D. Minn. 2002) (finding that the scope of an advice-of-counsel waiver is "not restricted to those documents, upon which the Defendants intend to rely, but rather, it extends to the defense they wish to mount on advice-of-counsel grounds"); *see also* § 33:58; *but see*, Aspex Eyewear, Inc. v. E'Lite Optik, Inc., 276 F. Supp. 2d 1084 (D. Nev. 2003) (finding that the advice of counsel defense waiver of work product protection of work product created by prior counsel does not extend to current litigation counsel's work product).

[FN11] 4 James Wm. Moore et al., Moore's Federal Practice § 26.64[3.-2] at 26-385 (1989).

[FN12] *See* Yurick ex rel. Yurick v. Liberty Mut. Ins. Co., 201 F.R.D. 465, 473 (D. Ariz. 2001) ("Opinion work product may be discovered and admitted when mental impressions are at issue in a case and the need for the material is compelling, …" as may be the case in a bad faith insurance claim settlement case.) (quoting Holmgren v. State Farm Mut. Auto. Ins. Co., 976 F.2d 573, 577, 23 Fed. R. Serv. 3d 778 (9th Cir. 1992)); Eakerns v. Kingman Regional Medical Center, 2008 WL 2001251 (D. Ariz. 2008) (same); Cozort v. State Farm Mut. Auto. Ins. Co., 233 F.R.D. 674, 677 (M.D. Fla. 2005) (finding "exceptional circumstances" to justify invading opinion work product because the mental impressions of State Farm's counsel were at issue in a bad faith settlement claim case); *but see* Underwriters Ins. Co. v. Atlanta Gas Light Co., 248 F.R.D. 663, 670 (N.D. Ga. 2008) ("Although the Court recognizes the rationale for the rule in Holmgren … the literal text of Rule 26(b)(3) and its interpretation by the courts in this circuit suggests that the Rule provides for an absolute bar to discovering the mental impressions of an attorney or representative.").

[FN13] Hartz Mountain Industries, Inc. and Subsidiaries v. C.I.R., 93 T.C. 521, 1989-2 Trade Cas. (CCH) ¶68846, Tax Ct. Rep. Dec. (P-H) 93.42, 1989 WL 128568 (1989).

[FN14] Hartz Mountain Industries, Inc. and Subsidiaries v. C.I.R., 93 T.C. 521, 528, 1989-2 Trade Cas. (CCH) ¶68846, Tax Ct. Rep. Dec. (P-H) 93.42, 1989 WL 128568 (1989).

[FN15] Cincinnati Ins. Co. v. Zurich Ins. Co., 198 F.R.D. 81, 87 (W.D. N.C. 2000).

[FN16] Cincinnati Ins. Co. v. Zurich Ins. Co., 198 F.R.D. 81, 86–87 (W.D. N.C. 2000).

[FN17] Cincinnati Ins. Co. v. Zurich Ins. Co., 198 F.R.D. 81, 87 (W.D. N.C. 2000); *see also* Rockwell Intern. Corp. v. U.S. Dept. of Justice, 235 F.3d 598, 605–06, 48 Fed. R. Serv. 3d 1221, 31 Envtl. L. Rep. 20416 (D.C. Cir. 2001) (where counsel attempts to make testimonial use of materials that would otherwise be protected as work product, the protection is waived); Twigg v. Pilgrim's Pride Corp., 2007 WL 676208 (N.D. W. Va. 2007) (where defendant attempts to use the "good faith defense" provided in the FMLA, and thus use an "'attorney's opinions as a sword or a shield to affect the fact-finding process,"' the protection to those opinions is waived).

[FN18] *See* discussion of waiver in §§ 33:66, 33:67.

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IV. Joint Defense Privilege

§ 33:36. Joint defense and common interest privilege

The joint defense privilege or common interest doctrine[1] extends the protections of the attorney-client privilege to materials or communications "shared with a third person who has a common legal interest with respect to the subject matter of the communication."[2] The privilege only exists where there is an underlying valid attorney-client privilege[3] and is thus an exception to the general rule that sharing confidential attorney-client information with third parties will waive the privilege.[4] Just as the attorney-client privilege assures absolute confidentiality, the joint defense privilege offers the same assurance of "absolute secrecy" to groups bound together by a common legal interest.[5] The rule "applies not only to communications subject to the attorney-client privilege, but also to communications protected by the work product doctrine."[6]

The joint defense privilege "[i]s meant to recognize 'the advantage of, and even the necessity for, an exchange or pooling of information between attorneys representing parties sharing such interest in litigation, actual or prospective.'"[7] As originally conceived, the joint defense privilege applied to co-defendants in criminal cases.[8] In 1871, in Chahoon v. Commonwealth, the Virginia Supreme Court issued the first recorded ruling on the privilege, holding that criminal co-defendants, employing separate attorneys, did not waive their right to the attorney-client privilege when they shared confidential information among counsel.[9] The court reasoned that although the defendants could have "employed the same counsel," the fact that they "employed different counsel" did not extinguish the right of, "all the accused and their counsel, to consult together about the case and the defence [sic]" rendering the consultation "privileged' and not to be "released without the consent of all."[10] Over time, courts extended the privilege to civil cases because its purpose, "to encourage interparty communications" to better "facilitate a just determination of the case," is common to both "civil and criminal cases."[11]

While some courts have limited the privilege to communications made during actual litigation or in contemplation of litigation,[12] a majority of courts have held that neither actual litigation nor contemplation of litigation is required.[13] Courts applying the latter interpretation reason that it best reflects the "established [rule] that attorney-client privilege is not limited to actions taken and advice obtained in the shadow of litigation."[14] "Applying the common interest doctrine to the full range of communications otherwise protected by the attorney-client privilege encourages parties with a shared legal interest to seek legal assistance in order to meet legal requirements and to plan their conduct accordingly."[15]

For the privilege to apply, it is not necessary for the parties' legal interests to be identical in all respects.[16] For instance, courts have found common legal interests where a plaintiff and defendant shared an interest in defending counter-claims brought by a common co-defendant.[17] Courts have also found a common legal interest between a defendant to a lawsuit and a non-litigating third-party, so long as there is a "reasonable expectation of

a shared legal bond and an anticipation of litigation is present."[18] In all instances, for the privilege to apply, it is important that the nature of the common interest is primarily or predominately of a legal rather than a commercial nature.[19] Moreover, the communication must be designed to further that legal interest.[20]

The privilege is generally limited to communications made in the presence of an attorney for the purpose of obtaining legal advice.[21] The privilege may apply to communications made outside the presence of an attorney in three instances: "(1) one party is seeking confidential information from the other on behalf of an attorney; (2) one party is relaying confidential information to the other on behalf of an attorney; and (3) the parties are communicating work product that is related to the litigation."[22] Just because the parties to a joint defense agreement are discussing the case, does not make those communications "per se privileged."[23] "[T]he underlying substance of the communication must be privileged in that it must involve either work product or the solicitation or giving of legal advice."[24]

Because the joint defense privilege is an exception to the waiver that would normally follow disclosure privileged communications to third parties, counsel should approach joint defense arrangements with extreme caution. Sharing privileged communications with others should be limited to those communications necessary to further the shared legal interests. Sharing other privileged information, including internal corporate legal communications, not only puts those communications at risk if the privilege is challenged, it can undermine the claim of protection for purely joint defense materials.

The joint defense privilege can be waived only with the consent of all parties participating in the joint defense or common interest.[25] Thus, if one member of the joint defense settles, the settling party cannot waive the privilege on the materials shared while it was a member of the joint defense group.[26] Absent unanimous consent to waive, the privilege remains intact except when former members of the joint defense subsequently face each other as adversaries in litigation.[27]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] The two are, to all intents and purposes, the same. *See* In re Sulfuric Acid Antitrust Litigation, 235 F.R.D. 407, 417, 2006-1 Trade Cas. (CCH) ¶75315 (N.D. Ill. 2006), supplemented, 432 F. Supp. 2d 794, 2006-1 Trade Cas. (CCH) ¶75316 (N.D. Ill. 2006) ("The joint defense privilege, more properly identified as the 'common interest rule' "); Avocent Redmond Corp. v. Rose Electronics, Inc., 516 F. Supp. 2d 1199 (W.D. Wash. 2007) ("The 'common interest' or 'joint defense' privilege"); Lugosch v. Congel, 219 F.R.D. 220, 236 (N.D. N.Y. 2003)(stating same); Hanover Ins. Co. v. Rapo & Jepsen Ins. Services, Inc., 449 Mass. 609, 612, 870 N.E.2d 1105, 1109 (2007) ("This has given rise to labels such as 'joint defense agreements,' 'joint defense privilege,' and 'joint prosecution privilege' that understate the broader principle involved."); In re Santa Fe Intern. Corp., 272 F.3d 705, 710, 2001-2 Trade Cas. (CCH) ¶73491, 51 Fed. R. Serv. 3d 1407 (5th Cir. 2001) (joint defense privilege known as the "common legal interest" or "CLI privilege" in the Fifth Circuit); U.S. v. Evans, 113 F.3d 1457, 1467, 47 Fed. R. Evid. Serv. 99 (7th Cir. 1997) (stating same); U.S. v. Schwimmer, 892 F.2d 237, 243, 29 Fed. R. Evid. Serv. 434 (2d Cir. 1989) (joint defense privilege "more properly identified as the 'common interest rule'").

[FN2] In re Auclair, 961 F.2d 65, 69, 35 Fed. R. Evid. Serv. 607 (5th Cir. 1992); *see also* U.S. v. BDO Seidman, LLP, 492 F.3d 806, 815, 2007-2 U.S. Tax Cas. (CCH) P 50530, 100 A.F.T.R.2d 2007-5052

(7th Cir. 2007), cert. denied, 128 S. Ct. 1471, 170 L. Ed. 2d 296 (2008); Cuillo v. United States, 128 S.Ct. 1471 (2008) (the privilege protects communications between parties who "undertake a joint effort with respect to a common legal interest"); S.F. Pacific Gold Corp. v. United Nuclear Corp., 143 N.M. 215, 2007-NMCA-133, 175 P.3d 309 (Ct. App. 2007) ("the [common interest privilege] applies whenever more than one client share a common interest about a legal matter (citing U.S. v. Schwimmer, 892 F.2d 237, 243–44, 29 Fed. R. Evid. Serv. 434 (2d Cir. 1989))); Broessel v. Triad Guar. Ins. Corp., 238 F.R.D. 215, 220 (W.D. Ky. 2006) (noting that the privilege exists "when two or more clients share a common legal or commercial interest and, therefore share legal advice with respect to that common interest"); Restatement (Third) of the Law Governing Lawyers § 76 (2000).

[FN3] U.S. v. BDO Seidman, LLP, 492 F.3d 806, 815, 2007-2 U.S. Tax Cas. (CCH) P 50530, 100 A.F.T.R.2d 2007-5052 (7th Cir. 2007), cert. denied, 128 S. Ct. 1471, 170 L. Ed. 2d 296 (2008) ("the common interest doctrine extends the attorney-client privilege"); In re Sulfuric Acid Antitrust Litigation, 235 F.R.D. 407, 417, 2006-1 Trade Cas. (CCH) ¶75315 (N.D. Ill. 2006), supplemented, 432 F. Supp. 2d 794, 2006-1 Trade Cas. (CCH) ¶75316 (N.D. Ill. 2006) (noting that common interest "is not … a separate privilege. It is rather an 'extension' of the attorney-client privilege."); Broessel v. Triad Guar. Ins. Corp., 238 F.R.D. 215, 219 (W.D. Ky. 2006) (noting that the privilege "assumes the existence of an underlying privilege"); *see* In re Grand Jury Subpoenas, 89-3 and 89-4, John Doe 89-129, 902 F.2d 244, 249, 30 Fed. R. Evid. Serv. 273, 28 A.L.R.5th 775 (4th Cir. 1990) ("[J]oint defense or common interest rule presupposes the existence of an otherwise valid privilege").

[FN4] U.S. v. BDO Seidman, LLP, 492 F.3d 806, 815, 2007-2 U.S. Tax Cas. (CCH) P 50530, 100 A.F.T.R.2d 2007-5052 (7th Cir. 2007), cert. denied, 128 S. Ct. 1471, 170 L. Ed. 2d 296 (2008) ("the common interest doctrine is really an exception to the rule that no privilege attaches to communications between a client and an attorney in the presence of a third party"); Pucket v. Hot Springs School Dist. No. 23-2, 239 F.R.D. 572, 582 (D.S.D. 2006) ("The common interest doctrine is an exception to the rule that voluntary disclosure of confidential privileged material to a third party waives the privilege."); Hanover Ins. Co. v. Rapo & Jepsen Ins. Services, Inc., 449 Mass. 609, 612, 870 N.E.2d 1105, 1109 (2007)(noting that the privilege is an exception to the waiver of attorney-client privilege"); *see* U.S. v. Agnello, 16 Fed. Appx. 57 (2d Cir. 2001) ("[T]he joint defense privilege '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.'" (quoting Securities Investor Protection Corp. v. Stratton Oakmont, Inc., 213 B.R. 433, 435, 48 Fed. R. Evid. Serv. 201 (Bankr. S.D. N.Y. 1997))).

[FN5] In re LTV Securities Litigation, 89 F.R.D. 595, 605, Fed. Sec. L. Rep. (CCH) P 97969, 8 Fed. R. Evid. Serv. 748, 31 Fed. R. Serv. 2d 1542 (N.D. Tex. 1981) (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)); *see also* U.S. v. BDO Seidman, LLP, 492 F.3d 806, 815, 2007-2 U.S. Tax Cas. (CCH) P 50530, 100 A.F.T.R.2d 2007-5052 (7th Cir. 2007), cert. denied, 128 S. Ct. 1471, 170 L. Ed. 2d 296 (2008) ("the common interest doctrine extends the attorney-client privilege to otherwise non-confidential communications"); Children First Foundation, Inc. v. Martinez, 2007 WL 4344915 (N.D. N.Y. 2007) ("To the extent that the communications were made in confidence amongst the agreement's allies, they ought to be deemed confidential pursuant to the attorney-client privilege.").

[FN6] Pucket v. Hot Springs School Dist. No. 23-2, 239 F.R.D. 572, 583 (D.S.D. 2006); Avocent Redmond Corp. v. Rose Electronics, Inc., 516 F. Supp. 2d 1199 (W.D. Wash. 2007) (the privilege is "an exception to the general rule that the voluntary disclosure of a privileged attorney-client or work-product communication to a third party waives the privilege"); Robinson v. Texas Auto. Dealers Ass'n, 214 F.R.D. 432, 443, 2003-2 Trade Cas. (CCH) ¶74076 (E.D. Tex. 2003), vacated in part, 2003 WL 21911333 (5th Cir. 2003) (applying privilege to protect attorney work-product distributed to members of trade association with common legal interest); Hanover Ins. Co. v. Rapo & Jepsen Ins. Services, Inc., 449 Mass. 609, 613, 870 N.E.2d 1105, 1110, (2007) (noting courts' application of the privilege to "shared work product"); In re Grand Jury Subpoenas, 89-3 and 89-4, John Doe 89-129, 902 F.2d 244, 249, 30 Fed. R. Evid. Serv. 273, 28 A.L.R.5th 775 (4th Cir. 1990) (citing Transmirra Products Corp. v. Monsanto Chemical Co., 26 F.R.D. 572, 578, 128 U.S.P.Q. 84 (S.D. N.Y. 1960)).

[FN7] Schachar v. American Academy of Ophthalmology, Inc., 106 F.R.D. 187, 192, 1985-2 Trade Cas. (CCH) ¶66681, 1 Fed. R. Serv. 3d 584 (N.D. Ill. 1985); *see* U.S. v. Schwimmer, 892 F.2d 237, 243, 29 Fed. R. Evid. Serv. 434 (2d Cir. 1989) (noting that "the need to protect the free flow of information from the client to attorney logically exists wherever multiple clients share a common interest about a legal matter").

[FN8] In re Grand Jury Subpoenas, 89-3 and 89-4, John Doe 89-129, 902 F.2d 244, 248, 30 Fed. R. Evid. Serv. 273, 28 A.L.R.5th 775 (4th Cir. 1990)("The concept of a joint defense privilege first arose in the context of criminal codefendants whose attorneys shared information in the course of devising a joint strategy for their clients' defense."); *see also* Lerner, Conspirators' Privilage & Innocents' Refuge: A New Approach to Joint Defense Agreements, 77 Notre Dame L. Rev. 1449, 1480–90 (2002) (providing a history of the joint defense privilege).

[FN9] Chahoon v. Commonwealth, 62 Va. 822, 21 Gratt. 822, 1871 WL 4931 (1871).

[FN10] Chahoon v. Commonwealth, 62 Va. 822, 21 Gratt. 822, 1871 WL 4931 (1871).

[FN11] U.S. 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 rational for the joint defense rule remains unchanged …"); *see e.g.,* Hanover Ins. Co. v. Rapo & Jepsen Ins. Services, Inc., 449 Mass. 609, 612, 870 N.E.2d 1105, 1109, (2007)(noting evolution of privilege and applying in civil case).

[FN12] U.S. v. Newell, 315 F.3d 510, 525, 60 Fed. R. Evid. Serv. 669 (5th Cir. 2002) (refusing to recognize privilege where defendant sought advice to protect from "possible not imminent" civil or criminal action); Intex Recreation Corp. v. Team Worldwide Corp., 471 F. Supp. 2d 11 (D.D.C. 2007) (the privilege protects "communications between the parties where they 'are part of an ongoing and joint effort to set up a common defense strategy' in connection with actual or prospective litigation" (citing Minebea Co., Ltd. v. Papst, 228 F.R.D. 13, 15 (D.D.C. 2005))); U.S. v. Duke Energy Corp., 214 F.R.D. 383, 388 (M.D. N.C. 2003) (holding that the Fourth Circuit will only recognize the privilege "relating to ongoing or contemplated litigation. Contemplated litigation means a palpable threat of litigation," which is "at least as stringent as the anticipation of litigation standard used for work product").

[FN13] U.S. v. BDO Seidman, LLP, 492 F.3d 806, 815, 2007-2 U.S. Tax Cas. (CCH) P 50530, 100 A.F.T.R.2d 2007-5052 (7th Cir. 2007), cert. denied, 128 S. Ct. 1471, 170 L. Ed. 2d 296 (2008) ("The weight of authority favors our conclusion that litigation need not be actual or imminent for communications to be within the common interest doctrine.") (citations omitted); In re Sulfuric Acid Antitrust Lit-

igation, 235 F.R.D. 407, 417, 2006-1 Trade Cas. (CCH) ¶75315 (N.D. Ill. 2006), supplemented, 432 F. Supp. 2d 794, 2006-1 Trade Cas. (CCH) ¶75316 (N.D. Ill. 2006) (rejecting the "inaccurate[]" suggestion that "joint litigation is a necessary rather than merely sufficient condition for the doctrine's application); Hanover Ins. Co. v. Rapo & Jepsen Ins. Services, Inc., 449 Mass. 609, 614, 870 N.E.2d 1105, 1110, (2007) (noting that "courts have said that the common interest doctrine is not limited to litigation or impending litigation") (citations omitted); S.F. Pacific Gold Corp. v. United Nuclear Corp., 143 N.M. 215, 175, 2007-NMCA-133, 175 P.3d 309 (Ct. App. 2007) ("The common interest rule does not require that actual litigation be in progress; rather, the rule applies whenever more than one client share a common interest about a legal matter.").

[FN14] U.S. v. BDO Seidman, LLP, 492 F.3d 806, 2007-2 U.S. Tax Cas. (CCH) P 50530, 100 A.F.T.R.2d 2007-5052 (7th Cir. 2007), cert. denied, 128 S. Ct. 1471, 170 L. Ed. 2d 296 (2008); In re Sulfuric Acid Antitrust Litigation, 235 F.R.D. 407, 417, 2006-1 Trade Cas. (CCH) ¶75315 (N.D. Ill. 2006), supplemented, 432 F. Supp. 2d 794, 2006-1 Trade Cas. (CCH) ¶75316 (N.D. Ill. 2006); Robinson v. Texas Auto. Dealers Ass'n, 214 F.R.D. 432, 443 n.13, 2003-2 Trade Cas. (CCH) ¶74076 (E.D. Tex. 2003), vacated in part, 2003 WL 21911333 (5th Cir. 2003).

[FN15] U.S. v. BDO Seidman, LLP, 492 F.3d 806, 816, 2007-2 U.S. Tax Cas. (CCH) P 50530, 100 A.F.T.R.2d 2007-5052 (7th Cir. 2007), cert. denied, 128 S. Ct. 1471, 170 L. Ed. 2d 296 (2008).

[FN16] U.S. v. Bay State Ambulance and Hosp. Rental Service, Inc., 874 F.2d 20, 28, 25 Soc. Sec. Rep. Serv. 443, 28 Fed. R. Evid. Serv. 223 (1st Cir. 1989); *see e.g.*, Eisenberg v. Gagnon, 766 F.2d 770, 787–88, Fed. Sec. L. Rep. (CCH) P 92202, 18 Fed. R. Evid. Serv. 783, 2 Fed. R. Serv. 3d 980 (3d Cir. 1985) ("Communications to an attorney to establish a common defense strategy are privileged even though the attorney represents another client with some adverse interests."); Visual Scene, Inc. v. Pilkington Bros., plc., 508 So. 2d 437, 439 (Fla. Dist. Ct. App. 3d Dist. 1987) (finding a common legal interest between plaintiff and defendant who shared an interest in defending against claims brought by a common co-defendant in litigation); Grochocinski v. Mayer Brown Rowe & Maw LLP, 251 F.R.D. 316 (N.D. Ill. 2008) (denying common interest privilege and finding waiver where party shared privileged materials with non-party that had financial-but-not legal-interest in the outcome of the litigation).

[FN17] Visual Scene, Inc. v. Pilkington Bros., plc., 508 So. 2d 437, 439 (Fla. Dist. Ct. App. 3d Dist. 1987).

[FN18] S.F. Pacific Gold Corp. v. United Nuclear Corp., 143 N.M. 215, 2007-NMCA-133, 175 P.3d 309 (Ct. App. 2007) ("A third party to whom privileged disclosures are made under the common interest doctrine may be a non-party to any anticipated litigation and may be a legal entity distinct from the client who receives the legal advice."); *see also* Harper-Wyman Co. v. Connecticut General Life Ins. Co., 1991 WL 62510 (N.D. Ill. 1991) ("This joint defense privilege has been extended to civil cases, including cases where litigation has not yet commenced against all witnesses to an otherwise privileged communication." (citing Schachar v. American Academy of Ophthalmology, Inc., 106 F.R.D. 187, 191–192, 1985-2 Trade Cas. (CCH) ¶66681, 1 Fed. R. Serv. 3d 584 (N.D. Ill. 1985))); Lugosch v. Congel, 219 F.R.D. 220, 238 (N.D. N.Y. 2003) (noting that a "non-party" to the litigation can join a joint defense agreement, receive all of the benefit[s]" of the agreement and be subject to the dictates of the privilege).

[FN19] U.S. v. BDO Seidman, LLP, 492 F.3d 806, 817, 2007-2 U.S. Tax Cas. (CCH) P 50530, 100 A.F.T.R.2d 2007-5052 (7th Cir. 2007), cert. denied, 128 S. Ct. 1471, 170 L. Ed. 2d 296 (2008) (recognizing privilege where sought jointly sought legal advice that would be used to guide its business activities); Lugosch v. Congel, 219 F.R.D. 220, 236 (N.D. N.Y. 2003) ("The common enterprise must be for a legal purpose, not solely commercial, although it may possible serve both purposes."); Robinson v. Texas Auto. Dealers Ass'n, 214 F.R.D. 432, 443, 2003-2 Trade Cas. (CCH) ¶74076 (E.D. Tex. 2003), vacated in part, 2003 WL 21911333 (5th Cir. 2003) ("When an attorney acts in both a legal and a business capacity, the resulting communications are only privileged if the legal aspect predominates); Broessel v. Triad Guar. Ins. Corp., 238 F.R.D. 215, 221 (W.D. Ky. 2006) (recognizing common interest beyond interest in litigation, where trade association shared common legal interests); *see also* Duplan Corp. v. Deering Milliken, Inc., 397 F. Supp. 1146, 1172, 184 U.S.P.Q. 775 (D.S.C. 1974) ("A community of interest exists among different persons or separate corporations where they have an identical legal interest with respect to the subject matter of a communication between an attorney and a client concerning legal advice."); In re Sulfuric Acid Antitrust Litigation, 235 F.R.D. 407, 417, 2006-1 Trade Cas. (CCH) ¶75315 (N.D. Ill. 2006), supplemented, 432 F. Supp. 2d 794, 2006-1 Trade Cas. (CCH) ¶75316 (N.D. Ill. 2006) (sustaining privilege where parties "shared a common business interest" and a "common legal interest regarding compliance with antitrust and other laws").

[FN20] Nidec Corp. v. Victor Co. of Japan, 249 F.R.D. 575, 580 (N.D. Cal. 2007) (refusing to recognize privilege where parties communication of 'legal' document was designed to further a "commercial transaction" in which the parties had opposing interest); S.F. Pacific Gold Corp. v. United Nuclear Corp., 143 N.M. 215, 2007-NMCA-133, 175 P.3d 309 (Ct. App. 2007) (requiring plaintiff to show that that each communication, in this instance, document to be protected by the privilege, was made to "serve [the] legal interest"); Gulf Islands Leasing, Inc. v. Bombardier Capital, Inc., 215 F.R.D. 466, 471 (S.D. N.Y. 2003) (refusing to find a "coordinated" legal strategy where parties merely discussed legal strategy); Lugosch v. Congel, 219 F.R.D. 220, 237 (N.D. N.Y. 2003) ("only those communications made in the course of an ongoing litigation enterprise with the intent to further the enterprise are protected"); Bank Brussels Lambert v. Credit Lyonnais (Suisse) S.A., 160 F.R.D. 437, 448 (S.D. N.Y. 1995) (refusing to recognize privilege where the parties shared a common legal interest but there was no evidence that the communication was designed to further that interest).

[FN21] Lugosch v. Congel, 219 F.R.D. 220, 238 (N.D. N.Y. 2003)("It is clear that the parties conferring amongst themselves, outside the confines of the group, and not for the purpose of collecting information in order to obtain legal advice, do not preserve the privilege because in that event they are not seeking legal advice or sharing information to receive legal advice."); *see* In re Teleglobe Communications Corp., 493 F.3d 345, 363–66 (3d Cir. 2007), as amended, (Oct. 12, 2007) (stating in dicta that under Delaware law, only communications between members of the common interest group and counsel are protected).

[FN22] Pucket v. Hot Springs School Dist. No. 23-2, 239 F.R.D. 572, 584 (D.S.D. 2006); *see* IBJ Whitehall Bank & Trust Co. v. Cory & Assocs., Inc., No. 97 C 5827, 1999 WL 617842 (N. D. Ill. Aug. 12, 1999); Zitzka v. Village of Westmont, 2009 WL 1346256 (N.D. Ill. 2009).

[FN23] Pucket v. Hot Springs School Dist. No. 23-2, 239 F.R.D. 572, 584 (D.S.D. 2006).

[FN24] Pucket v. Hot Springs School Dist. No. 23-2, 239 F.R.D. 572, 584 (D.S.D. 2006).

[FN25] Lugosch v. Congel, 219 F.R.D. 220, 238 (N.D. N.Y. 2003) ("a member of the common legal enterprise cannot reveal the contents of the shared communications without the consent of all parties); John Morrell & Co. v. Local Union 304A of United Food and Commercial Workers, AFL-CIO, 913 F.2d 544, 556, 135 L.R.R.M. (BNA) 2233, 116 Lab. Cas. (CCH) P 10289, 31 Fed. R. Evid. Serv. 629 (8th Cir. 1990) ("It is fundamental that the joint defense privilege cannot be waived without the consent of all parties to the defense."); Matter of Grand Jury Subpoena Duces Tecum Dated November 16, 1974, 406 F. Supp. 381, 393–395 (S.D. N.Y. 1975) (refusing to allow co-defendant to testify to confidential information disclosed during the course of parties joint defense effort because parties themselves were not adverse to each other).

[FN26] *See* In re Grand Jury Subpoenas, 89-3 and 89-4, John Doe 89-129, 902 F.2d 244, 248–50, 30 Fed. R. Evid. Serv. 273, 28 A.L.R.5th 775 (4th Cir. 1990) (holding that the unauthorized waiver of one party to a joint defense agreement does not waive the privilege as to the other members of the agreement);In re LTV Securities Litigation, 89 F.R.D. 595, 605, Fed. Sec. L. Rep. (CCH) P 97969, 8 Fed. R. Evid. Serv. 748, 31 Fed. R. Serv. 2d 1542 (N.D. Tex. 1981) (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)); Stanley v. Trinchard, 2004 WL 1752221 (E.D. La. 2004) (refusing to recognize waiver of privilege where one party entered into settlement and the resisting party did not agree to waiver of the privilege); U.S. v. Hsia, 81 F. Supp. 2d 7 (D.D.C. 2000) (The joint defense privilege is "intended to preclude joint parties and their attorneys from disclosing confidential information learned as a consequence of the joint defense without permission."); Western Fuels Ass'n, Inc. v. Burlington Northern R. Co., 102 F.R.D. 201, 203 (D. Wyo. 1984) ("This limitation is necessary to assure joint defense efforts are not inhibited or even precluded by the fear that a party to joint defense communications may subsequently unilaterally waive the privileges of all participants, either purposefully in an effort to exonerate himself, or inadvertently."); Matter of Grand Jury Subpoena Duces Tecum Dated November 16, 1974, 406 F. Supp. 381, 393–395 (S.D. N.Y. 1975) (refusing to allow co-defendant to testify to confidential information disclosed during the course of parties joint defense effort because parties themselves were not adverse to each other).

[FN27] Robinson v. Texas Auto. Dealers Ass'n, 214 F.R.D. 432, 444, 2003-2 Trade Cas. (CCH) ¶74076 (E.D. Tex. 2003), vacated in part, 2003 WL 21911333 (5th Cir. 2003) (noting that should parties to a joint defense become adverse, "the privilege could not stand as a bar to full disclosure at the instance of any one of them); Ohio-Sealy Mattress Mfg. Co. v. Kaplan, 90 F.R.D. 21, 29, 8 Fed. R. Evid. Serv. 1449, 32 Fed. R. Serv. 2d 218 (N.D. Ill. 1980) ("[T]he joint defense privilege cannot be waived without the consent of all parties to the defense, except in the situation where one of the joint defendants becomes an adverse party in a litigation."); Metro Wastewater Reclamation Dist. v. Continental Cas. Co., 142 F.R.D. 471, 478 (D. Colo. 1992) ("The joint defense privilege preserves the confidentiality of communications and information exchanged between … parties … who are engaged in a joint defense effort."); In re Megan-Racine Associates, Inc., 189 B.R. 562, 572, 34 Collier Bankr. Cas. 2d (MB) 943 (Bankr. N.D. N.Y. 1995) ("The joint-defense cannot be waived unless all the parties consent or where the parties become adverse litigants.").

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Successful Partnering Between Inside and Outside Counsel
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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

IV. Joint Defense Privilege

§ 33:37. Joint defense and common interest privilege—Trade associations

The privilege has also been applied to communications shared between members of a trade association.[1] Courts are reluctant to make "any generalized statement that counsel for a trade association represents every member of the association," and instead analyze the applicability of the privilege on a "case-by-case basis, employing the usual concepts of attorney-client privilege."[2] Generally, to assert a common interest privilege, a trade association must show "(1) a common legal interest between all persons with whom the communication is shared; and (2) a communication exchanged among those persons in confidence … for the limited purpose of assisting in their common cause."[3] The "common cause" may extend beyond litigation to shared regulatory or other legal concerns.[4] As with any attempt to assert an attorney-client privilege based on a joint defense or common interest theory, the party asserting the privilege must demonstrate an attorney-client relationship between the attorney and at least one person who received the communication.[5] Moreover, the asserting party must demonstrate that communications were distributed with the intent to remain confidential and were in fact "kept confidential" by association members.[6] Accordingly, for the privilege to be maintained, the communications must be limited to association members and such distribution should remain verifiable.[7]

Although it may be tempting—and even appear necessary—to share common interest communications with all association members, the association and its counsel should give careful consideration to the degree to which members hare the same legal interest and consider whether a limited distribution—whether to an association committee or certain representative members—will better ensure protection for the privilege. Trade association counsel should limit distribution of privileged communications to specifically identified individuals—whether members' counsel or designated member representatives—so that the association can account for each and every person who received the communication and explain why each of those persons has a need to share in the privileged communication. Failure to control distribution may result in the loss of all protection on grounds of waiver.[8]

Even if a pure common interest privilege claim fails, some communications could still be protected by the attorney work product privilege.[9] Documents and tangible things distributed to association members that reveal an "attorney's mental impressions constituting work product," may be protected if the communication meets the more lenient standard for confidential attorney work product.[10]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Robinson v. Texas Auto. Dealers Ass'n, 214 F.R.D. 432, 443, 2003-2 Trade Cas. (CCH) ¶74076 (E.D. Tex. 2003), vacated in part, 2003 WL 21911333 (5th Cir. 2003); U.S. v. Illinois Power Co., 2003 WL 25593221, at *4 (S.D. Ill. 2003); Broessel v. Triad Guar. Ins. Corp., 238 F.R.D. 215, 220–221 (W.D. Ky. 2006); IP Co., LLC v. Cellnet Technology, Inc., 2008 WL 3876481 (N.D. Cal. 2008) (upholding common interest privilege for communications between trade association counsel and trade association members; *but see* U.S. v. Duke Energy Corp., 214 F.R.D. 383, 388 (M.D. N.C. 2003) (refusing to apply the privilege absent "contemplation of litigation").

[FN2] Harper-Wyman Co. v. Connecticut General Life Ins. Co., 1991 WL 62510, at *5 (N.D. Ill. 1991), *citing* Westinghouse Elec. Corp. v. Kerr-McGee Corp., 580 F.2d 1311, 1978-2 Trade Cas. (CCH) ¶62169 (7th Cir. 1978) (declining to extend the attorney-client privilege to communications among trade association members and trade association's counsel where communications were "distributed to a group of unknown dimension" and thus privilege was likely waived.); *see also* D.C. Ethics Op. No. 305 (2001) (representation of a trade association does not, without more, create an attorney-client relationship with each member of the association).

[FN3] Robinson v. Texas Auto. Dealers Ass'n, 214 F.R.D. 432, 443, 2003-2 Trade Cas. (CCH) ¶74076 (E.D. Tex. 2003), vacated in part, 2003 WL 21911333 (5th Cir. 2003) (finding a shared legal interest in "keeping abreast of developments in litigation" pending against other members of the association).

[FN4] Broessel v. Triad Guar. Ins. Corp., 238 F.R.D. 215, 220–221 (W.D. Ky. 2006) (finding common interest among parties that "extends to legislative and regulatory matters, as well as in matters in litigation or which could lead to litigation"); U.S. v. Illinois Power Co., 2003 WL 25593221, at *4 (S.D. Ill. 2003) (finding common legal interest where member companies "were likely all concerned with the same issue of how the EPA was interpreting regulations and rulings and together sought legal advice on these matters"); *but see* U.S. v. Duke Energy Corp., 214 F.R.D. 383, 388 (M.D. N.C. 2003) (holding that "to succeed in expand[ing] the doctrine" to communications within a trade association, the party seeking the protection must show "an agreement among all members of the [association] to share information as a result of a common legal interest relating to ongoing or contemplated litigation").

[FN5] Robinson v. Texas Auto. Dealers Ass'n, 214 F.R.D. 432, 453, 2003-2 Trade Cas. (CCH) ¶74076 (E.D. Tex. 2003), vacated in part, 2003 WL 21911333 (5th Cir. 2003).

[FN6] Robinson v. Texas Auto. Dealers Ass'n, 214 F.R.D. 432, 453, 2003-2 Trade Cas. (CCH) ¶74076 (E.D. Tex. 2003), vacated in part, 2003 WL 21911333 (5th Cir. 2003) (noting that "when documents are given such wide distribution," in this instance distributed to 700 association members, the courts will more intensely scrutinize the asserting parties privilege claim to ensure that the confidentiality requirement is met).

[FN7] Harper-Wyman Co. v. Connecticut General Life Ins. Co., 1991 WL 62510, at *5 (N.D. Ill. 1991) (court could not ascertain who received communication, and therefore whether privilege was waived by distribution beyond association); *compare* U.S. v. Illinois Power Co., 2003 WL 25593221, at *4 (S.D. Ill. 2003) (privilege maintained where defendants could demonstrate that the distribution of communications was limited to association members).

[FN8] *See* §§ 33:60 to 33:67.

[FN9] Robinson v. Texas Auto. Dealers Ass'n, 214 F.R.D. 432, 454, 2003-2 Trade Cas. (CCH) ¶74076 (E.D. Tex. 2003), vacated in part, 2003 WL 21911333 (5th Cir. 2003) (holding that documents were protected from discovery because of the work-product privilege).

[FN10] Robinson v. Texas Auto. Dealers Ass'n, 214 F.R.D. 432, 454, 2003-2 Trade Cas. (CCH) ¶74076 (E.D. Tex. 2003), vacated in part, 2003 WL 21911333 (5th Cir. 2003).

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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

IV. Joint Defense Privilege

§ 33:38. Joint defense and common interest privilege—Joint defense agreements

Parties asserting the common interest privilege do not need to enter into a written joint defense agreement to claim the privilege. There need only be evidence that the parties knew and understood there to be an agreement.[1] The parties must have a sufficient understanding of their joint interests so they can prove the existence and scope of the joint defense if it is challenged. In other words, a joint defense agreement need not be written, but it must be express. Even so, parties sharing a common interest are well advised to have an agreement in place before sharing privileged communications lest a court find that the joint defense agreement was not yet in existence and the communications are therefore not subject to any privilege.[2]

The burden of establishing a joint defense or common interest privilege claim can be met by showing that:
1. the communication was made by separate parties in the course of a matter of common interest or joint defense;
2. the communication was designed to further that effort; and
3. the privilege has not been waived.

A written joint defense agreement should include various provisions to protect against the risks that might be associated with the joint defense, including the continuing responsibilities of any party should it settle prior to trial.[3] To assure the continued confidentiality of information shared under the joint defense arrangement, prudence requires that the agreement include a provision for injunctive relief against a member who threatens to disclose the information to non-parties to the agreement. Moreover, to avoid possible ancillary litigation between members of the joint defense, a provision should be included that prohibits one joint defendant from seeking to disqualify other joint defense counsel if there is a subsequent falling out among the parties. Finally, a joint defense agreement should include a notification requirement to the members of the joint defense group of the receipt by any member of a request for or order to produce confidential joint defense material. Counsel and their clients participating in a written joint defense agreement should assume the written agreement itself maybe discoverable.[4] Thus, it is important to ensure the written agreement does not include confidential client communications or litigation strategies of counsel. A model joint defense agreement can be found at § 33:99.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* Avocent Redmond Corp. v. Rose Electronics, Inc., 516 F. Supp. 2d 1199 (W.D. Wash. 2007) ("A written agreement is not required, but the parties must invoke the privilege: they must intend and

agree to undertake a joint defense effort."); Hanover Ins. Co. v. Rapo & Jepsen Ins. Services, Inc., 449 Mass. 609, 618, 870 N.E.2d 1105, 1113 (2007) ("Because the common interest doctrine depends entirely on communications that fall within the attorney-client privilege and is an exception to waiver of the privilege, and because the attorney-client privilege does not depend on a writing, the common interest doctrine does not require writing."); *see also* Intex Recreation Corp. v. Team Worldwide Corp., 471 F. Supp. 2d 11 (D.D.C. 2007) ("A written agreement is the most effective method of establishing the existence of a common interest agreement, although an oral agreement whose existence, terms and scope are proved by the party asserting it, may provide a basis for the requisite showing."); Children First Foundation, Inc. v. Martinez, 2007 WL 4344915 (N.D. N.Y. 2007) ("to be considered confidential, there must exist an agreement, though not necessarily in writing, embodying a cooperative and common enterprise towards an identical legal strategy").

[FN2] *See* Intex Recreation Corp. v. Team Worldwide Corp., 471 F. Supp. 2d 11 (D.D.C. 2007) (rejecting claim that parties agreement to enter into a common business or commercial agreement also served to establish a coordinated legal strategy); Minebea Co., Ltd. v. Papst, 228 F.R.D. 13 (D.D.C. 2005) (holding that communications among joint defendants were not covered by the joint defense privilege until the written joint defense agreement was actually executed).

[FN3] *See*, *e.g.*, Finisar Corp. v. U.S. Bank Trust Nat. Ass'n, 2008 WL 2622864 at *4 (N.D. Cal. 2008); Avocent Redmond Corp. v. Rose Electronics, Inc., 516 F. Supp. 2d 1199 (W.D. Wash. 2007); Hanover Ins. Co. v. Rapo & Jepsen Ins. Services, Inc., 449 Mass. 609, 619, 870 N.E.2d 1105, 1113, (2007); S.F. Pacific Gold Corp. v. United Nuclear Corp., 143 N.M. 215, 2007-NMCA-133, 175 P.3d 309 (Ct. App. 2007); *see also* U.S. v. BDO Seidman, LLP, 492 F.3d 806, 815–816, 2007-2 U.S. Tax Cas. (CCH) P 50530, 100 A.F.T.R.2d 2007-5052 (7th Cir. 2007), cert. denied, 128 S. Ct. 1471, 170 L. Ed. 2d 296 (2008) ("the common interest doctrine only will apply where the parties undertake a joint effort with respect to a common legal interest, and the doctrine is limited strictly to those communications made to further an ongoing enterprise.").

[FN4] *See*, *e.g.*, In re Lexington Ins. Co., 2004 WL 210576 (Tex. App. Houston 14th Dist. 2004) (ordering production of joint defense agreement where claimant failed to establish the privilege claim); Ford Motor Co. v. Edgewood Properties, Inc., 257 F.R.D. 418, 428, (D.N.J. 2009) (finding that even though not protected by privilege, "the [joint defense] agreement contains standard and boilerplate language that is not discoverable because it is not relevant to any claim or defense in this case" but that the identity of the parties to the agreement was relevant, not privileged information that should be made available to the opposing party).

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by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

V. Protecting Privileges
A. Protecting Privileges in Special Situations

§ 33:39. Protecting privileges: internal investigations

The basic "how to" for protecting privilege on internal investigations is outlined in the seminal case Upjohn Co. v. United States.[1] The Upjohn decision was based on, and eventually limited to, the specific facts of that case.[2] The focus of the Upjohn decision was the "who" in the corporation can be protected by the corporation's attorney-client privilege. To address that issue, the Court, describing Upjohn's particular facts, outlined the parameters of a corporate internal investigation conducted for the purpose of securing legal advice.

Upjohn manufactured and sold pharmaceuticals worldwide.[3] During an independent audit, Upjohn's auditors discovered that an Upjohn foreign subsidiary made payments to foreign officials to secure government business.[4] The payments were reported to Upjohn's General Counsel who retained outside counsel.[5] The General Counsel, outside counsel and Upjohn's Chairman of the Board decided to conduct an internal investigation into the possible illegal payment to facilitate the rendition of legal advice to the company with respect to the payments.[6]

The attorneys prepared a letter and questionnaire that the Chairman sent to "All Foreign General and Area Managers," explaining the issue and seeking all information on any such payments made.[7] The letter stated that the Chairman had asked the General Counsel to conduct an investigation to determine the magnitude and nature of such payments to foreign officials.[8] The Chairman's letter further informed the employees they were being questioned to obtain legal advice for the company.[9] The employees were told that the investigation was confidential and not to be discussed with anyone other than Upjohn employees.[10] The letter instructed that all questionnaires were to be completed and returned to the General Counsel.[11]

The General Counsel and outside counsel then interviewed the recipients of the questionnaires and other Upjohn officials and employees.[12] The employees were questioned on matters within the scope of their responsibilities, and the employees were informed of the legal implications of the investigation.[13]

Subsequently, the company voluntarily submitted a report to the SEC on the payments and provided a copy to the IRS.[14] The report identified all individuals responding to the questionnaires and all additional interviewees.[15] The IRS began an investigation and immediately subpoenaed all files relating to the investigation, including the questionnaires, memoranda of counsel, notes of interviews, etc.[16]

The Supreme Court, finding the material requested was covered by the attorney-client privilege, noted that the communications related to the investigation were made to secure legal advice from counsel.[17] The Su-

preme Court noted:

> [t]he first step in the resolution of any legal problem is ascertaining the factual background and sifting through the facts with an eye to the legally relevant.[18]

In other words, the entire factual investigation comprised the "confidential communications between the client and the lawyer for the purpose of securing legal advice." Those communications were protected even though the underlying facts were not.[19] Since the IRS was provided the names of those interviewed, the facts could be ascertained without the need to violate the confidential communications made to counsel.[20]

The story of Upjohn's internal investigation provides the roadmap to or the lessons learned for protecting privileges that arise in connection with corporate internal investigations. To maintain attorney-client (or work product) privilege on an internal investigation, the basic elements outlined in Upjohn must be met.[21] The basic elements include:

- The legal purpose of the investigation must be identified and communicated, at a minimum, to those who will be participating in the investigation;[22]
- Counsel should be identified as conducting the investigation, and employees instructed by their corporate superiors to communicate (and cooperate) with counsel;
- The need for information to secure legal advice for the company (or to prepare for litigation, if work product is implicated) must be clear;[23]
- The need for confidentiality should be communicated at the start of the investigation *and* with each communication thereafter;
- All communications with employees should concern matters within the particular employee's job scope and duties;
- All employees participating should understand that they are being questioned for the purpose of securing legal advice for the company; and
- Identification of "those with knowledge" and (non-privileged documents dealing with the facts) should be provided upon request to avoid frustrating a third-party's investigation into the same issues.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN2] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 396, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN3] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 386, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN4] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 386, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN5] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 386, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN6] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 386, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN7] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 386–87, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN8] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 387, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN9] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 394, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN10] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 387, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN11] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 387, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN12] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 387, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN13] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 394, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN14] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 387, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN15] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 387, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN16] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 387, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed.

Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN17] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 394, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981). The Court also found that if attorney-client privilege did not apply to the communications, work product protection applied to the notes and memoranda because they revealed the mental impressions of counsel. Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 402, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN18] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 390–91, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN19] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 394–96, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981). [T]he protection of the privilege extends only to *communications* and not to facts. A fact is one thing and a communication concerning that fact is an entirely different thing. The client cannot be compelled to answer the question, 'what did you say or write to the attorney?' but may not refuse to disclose any relevant fact within his knowledge merely because he incorporated a statement of such fact into his communication to his attorney. Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 395–96, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981) (quoting City of Philadelphia, Pa. v. Westinghouse Elec. Corp., 205 F. Supp. 830, 831, 5 Fed. R. Serv. 2d 546 (E.D. Pa. 1962).

[FN20] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 396, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981).

[FN21] Subsequently, courts have refined and clarified the parameters of when an investigation falls within attorney-client privilege and/or work product protection. *See* § 33:40 and § 33:41.

[FN22] Upjohn communicated the legal purpose of the investigation to all employees worldwide. The communication was made in writing by the Chairman and not counsel to underscore the Company's need for information to obtain legal advice.

[FN23] *See*, *e.g.*, Deel v. Bank of America, N.A., 227 F.R.D. 456, 461 (W.D. Va. 2005) (holding attorney-client privilege did not protect the investigation because the defendant did not inform the employees that the information requested on the questionnaire was needed to obtain legal advice for the company).

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V. Protecting Privileges
A. Protecting Privileges in Special Situations

§ 33:40. Protecting privileges: internal investigations—The primary motivating purpose and attorney-client privilege

Not all corporate internal investigations are protected by attorney-client privilege. Privilege, for example does not attach to a corporate internal investigation conducted in the ordinary course of the corporation's business.[1] Thus, even in cases where the Upjohn factors are met, the primary purpose or primary motivating factor underlying the investigation must be to secure legal advice for the company.[2] The reason to obtain the facts and the findings of the investigation must be to create the foundation for counsel

> to evaluate and draw conclusions as to the propriety of past actions and to make recommendations for possible future courses of action.[3]

Where internal investigations are conducted for the purpose of obtaining and rendering legal advice, communications made during the course of the investigation are privileged, even if business considerations are taken into account during the investigation.[4]

However, merely stating the purpose of the investigation to be to obtain legal advice is not sufficient to cloak the investigation with attorney-client privilege. To obtain privilege protection, the corporation has the burden of showing that the investigation was conducted to obtain legal advice and not conducted in the ordinary course of the corporation's business to address management business concerns.[5] Since the privilege is narrowly construed,[6] careful scrutiny is given to the facts and circumstances surrounding the internal investigation to determine if the purpose was to obtain legal advice or to foster a business motive of the corporation.[7]

Guzinno v. Felterman[8] offers a good example of the scrutiny given the facts and circumstances surrounding a corporate investigation to determine if the primary motivating factor was business or legal. The Guzinno litigation involved allegations of a Ponzi scheme perpetrated by a Dean Witter employee.[9] The investigation began with a notification to Dean Witter of an overdraft in one of its business bank accounts.[10] Dean Witter's internal audit department investigated the overdraft and, as a result of the investigation, the employee was terminated.[11] The Ponzi scheme was not discovered until after the termination.[12]

Dean Witter claimed privilege—attorney-client and work product—on the communications related to the internal investigation, stating it was conducted to secure legal advice and because of anticipation of future litigation.[13] The court overruled Dean Witter's privilege claims because Dean Witter failed to carry its burden of proof on both the work product and the attorney-client claims.[14]

For proof that the investigation was undertaken to obtain legal advice, Dean Witter submitted the affidavit of its Associate General Counsel.[15] The court found the affidavit entirely lacking because *it did not show* that:

(i) the investigation was commenced at the law department's request to gather information necessary to render legal advice,
(ii) the law department had supervision and oversight of the investigation,
(iii) there was direct communication between the law department and the internal audit department for the purpose of obtaining legal advice, and
(iv) the documents listed on the privilege log were authored or received by an attorney or prepared for the purpose of obtaining legal advice.[16]

There were *no indicia* of privilege absent the Associate General Counsel's statement of intent that the investigation be conducted pursuant to attorney-client privilege. A review of the facts and circumstances surrounding the investigation (by a review of the Associate General Counsel's affidavit) revealed the investigation was conducted in the ordinary course of business.[17]

The Guzinno court noted to attach, attorney-client privilege first must be based on the attorney-client relationship.[18] No facts in the Associate General Counsel's affidavit revealed the existence of an attorney-client relationship as it related to the investigation.[19] Merely keeping the lawyers advised of the progress and the results of the investigation was insufficient to establish the relationship and to claim the primary motivating purpose of the investigation was to secure legal advice.[20]

Even when a lawyer is actively engaged in conducting the investigation, attorney-client protection is not assured if the other facts and circumstances surrounding the investigation do not show a legal purpose.[21] In United States v. Chevron USA, Inc.,[22] Chevron conducted an environmental audit on alleged Clean Air Act violations. The three-man audit team included a member of Chevron's in-house legal staff. Chevron claimed the audit was conducted to assess compliance with environmental laws and to determine appropriate adjustments to its procedures, if any.[23]

After an *in camera* review of the documents, the court found attorney-client privilege did not apply to the environmental audit report. The court held that the mere presence of a lawyer, even one to whom communications were made in support of the audit, did not support an assertion of privilege.[24] The lawyer must serve in his capacity as a "lawyer" and not as a business advisor.[25]

The court's decision rested on the format and content of the audit report. The report noted observations of the audit team and reported the responsive actions taken by the business unit at the refinery in question.[26] There was no indication from the report that legal assistance was provided.[27] Chevron did not carry its burden of showing that the primary purpose of the communications to the audit team was to obtain or provide legal assistance.

Case after case shows the scrutiny given to the facts and circumstances surrounding corporate internal investigations claimed to be protected by the attorney-client privilege. The individual facts and circumstances of each case control the analysis of whether the primary motivating purpose was to secure legal advice or to foster business concerns. Courts look to the facts and circumstances surrounding the "four corners" of the investigation to verify the primary purpose, i.e., (i) the initiating document(s) that establish or begin the internal investigation, (ii) the level of counsel involvement throughout the investigation, (iii) the types of communications at issue, and (iv) the content of the final report or the results and use of the final report. To ensure protection, the corporation

must carry its burden at every step to show the primary motivating purpose of the investigation was to secure legal advice. As the court in AMCO Ins. Co. v. Madera Quality Nut LLC[28] observed:

> because Defendants have shown that the investigation was directed, supervised, and conducted by counsel with the dominant purpose of gaining information from the client in order to give legal advice, communications in the course of the investigation from corporate employees to counsel and her agents participating in the investigation, and communications from counsel and counsel's agents, are privileged.[29]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] In re Grand Jury Subpoena, 599 F.2d 504, 510, Fed. Sec. L. Rep. (CCH) P 96917, 79-1 U.S. Tax Cas. (CCH) P 9405, 43 A.F.T.R.2d 79-1221 (2d Cir. 1979).

[FN2] In re LTV Securities Litigation, 89 F.R.D. 595, 601, Fed. Sec. L. Rep. (CCH) P 97969, 8 Fed. R. Evid. Serv. 748, 31 Fed. R. Serv. 2d 1542 (N.D. Tex. 1981) (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)).

[FN3] In re LTV Securities Litigation, 89 F.R.D. 595, 601, Fed. Sec. L. Rep. (CCH) P 97969, 8 Fed. R. Evid. Serv. 748, 31 Fed. R. Serv. 2d 1542 (N.D. Tex. 1981) (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)).

[FN4] In re OM Securities Litigation, 226 F.R.D. 579, 587, 26 A.L.R.6th 811 (N.D. Ohio 2005) (holding documents prepared for the purpose of obtaining/rendering legal advice are protected even though they reflect or include business issues); Picard Chemical Inc. Profit Sharing Plan v. Perrigo Co., 951 F. Supp. 679, 685–86 (W.D. Mich. 1996) ("Legal and business considerations may frequently be inextricably intertwined when legal advice is rendered in the corporate context, but the fact that business considerations are weighed in the rendering of legal advice will not vitiate the attorney-client privilege.").

[FN5] U.S. v. Chevron U.S.A., Inc., 1989 WL 121616, at *6 (E.D. Pa. 1989); Guzzino v. Felterman, 174 F.R.D. 59, 62, 38 Fed. R. Serv. 3d 1438 (W.D. La. 1997).

[FN6] In re Grand Jury Proceedings, 727 F.2d 1352, 1355, Fed. Sec. L. Rep. (CCH) P 91487, 15 Fed. R. Evid. Serv. 428 (4th Cir. 1984).

[FN7] U.S. v. Chevron U.S.A., Inc., 1989 WL 121616, at *6 (E.D. Pa. 1989); Guzzino v. Felterman, 174 F.R.D. 59, 61–62, 38 Fed. R. Serv. 3d 1438 (W.D. La. 1997).

[FN8] Guzzino v. Felterman, 174 F.R.D. 59, 38 Fed. R. Serv. 3d 1438 (W.D. La. 1997).

[FN9] Guzzino v. Felterman, 174 F.R.D. 59, 60, 38 Fed. R. Serv. 3d 1438 (W.D. La. 1997).

[FN10] Guzzino v. Felterman, 174 F.R.D. 59, 60, 38 Fed. R. Serv. 3d 1438 (W.D. La. 1997).

[FN11] Guzzino v. Felterman, 174 F.R.D. 59, 60, 38 Fed. R. Serv. 3d 1438 (W.D. La. 1997).

[FN12] Guzzino v. Felterman, 174 F.R.D. 59, 60, 38 Fed. R. Serv. 3d 1438 (W.D. La. 1997).

[FN13] Guzzino v. Felterman, 174 F.R.D. 59, 60, 38 Fed. R. Serv. 3d 1438 (W.D. La. 1997).

[FN14] Guzzino v. Felterman, 174 F.R.D. 59, 62–63, 38 Fed. R. Serv. 3d 1438 (W.D. La. 1997).

[FN15] Guzzino v. Felterman, 174 F.R.D. 59, 60, 38 Fed. R. Serv. 3d 1438 (W.D. La. 1997).

[FN16] Guzzino v. Felterman, 174 F.R.D. 59, 61–62, 38 Fed. R. Serv. 3d 1438 (W.D. La. 1997).

[FN17] Guzzino v. Felterman, 174 F.R.D. 59, 61–62, 38 Fed. R. Serv. 3d 1438 (W.D. La. 1997). The work product claims failed for the same reason. The evidence did not establish that the primary motivating factor behind the creation of the documents was to aid in future litigation. Guzzino v. Felterman, 174 F.R.D. 59, 63, 38 Fed. R. Serv. 3d 1438 (W.D. La. 1997).

[FN18] Guzzino v. Felterman, 174 F.R.D. 59, 60–61, 38 Fed. R. Serv. 3d 1438 (W.D. La. 1997); *see also* Occidental Chemical Corp. v. OHM Remediation Services Corp., 175 F.R.D. 431, 437, 45 Env't. Rep. Cas. (BNA) 1821 (W.D. N.Y. 1997).

[FN19] Guzzino v. Felterman, 174 F.R.D. 59, 62, 38 Fed. R. Serv. 3d 1438 (W.D. La. 1997).

[FN20] Guzzino v. Felterman, 174 F.R.D. 59, 62, 38 Fed. R. Serv. 3d 1438 (W.D. La. 1997); *compare* Seibu Corp. v. KPMG LLP, 2002 WL 87461 (N.D. Tex. 2002). In Seibu, the internal investigation at issue was undertaken by KPMG's in-house counsel with the aid of outside retained counsel. At a time, there was on-going litigation on the subject matter of the investigation. The court found that the fact counsel initiated the investigation did not cloak the communications with privilege and instead found the critical inquiry to be whether a particular communication facilitated rendition of legal advice. Again, the facts and circumstances of the investigation influenced the court. The privileged documents were those used to make business decisions on firing the employee accused of wrongdoing. Moreover, the court pointed to lack of evidence that the documents at issue were ever seen by counsel to support the finding that they were used primarily for a business decision on termination of an employee and not primarily to secure legal advice. Seibu Corp. v. KPMG LLP, 2002 WL 87461, at *3 (N.D. Tex. 2002).

[FN21] U.S. v. Chevron U.S.A., Inc., 1989 WL 121616, at *6 (E.D. Pa. 1989).

[FN22] U.S. v. Chevron U.S.A., Inc., 1989 WL 121616, at *1, (E.D. Pa. 1989).

[FN23] U.S. v. Chevron U.S.A., Inc., 1989 WL 121616, at *6 (E.D. Pa. 1989).

[FN24] U.S. v. Chevron U.S.A., Inc., 1989 WL 121616, at *6 (E.D. Pa. 1989).

[FN25] U.S. v. Chevron U.S.A., Inc., 1989 WL 121616, at *5 (E.D. Pa. 1989).

[FN26] U.S. v. Chevron U.S.A., Inc., 1989 WL 121616, at *5 (E.D. Pa. 1989); *see also* Marceau v. I.B.E.W., 246 F.R.D. 610, 613, 184 L.R.R.M. (BNA) 2574 (D. Ariz. 2007) (holding the fact attorneys were retained to prepare the report was not controlling; the purpose for the investigation was key and the final report itself revealed it was prepared for business purposes to address management concerns

on operations and not for legal advice).

[FN27] AMCO Ins. Co. v. Madera Quality Nut LLC, 2006 WL 931437 (E.D. Cal. 2006).

[FN28] AMCO Ins. Co. v. Madera Quality Nut LLC, 2006 WL 931437, at *13 (E.D. Cal. 2006).

[FN29] AMCO Ins. Co. v. Madera Quality Nut LLC, 2006 WL 931437, at *13 (E.D. Cal. 2006).

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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

V. Protecting Privileges
A. Protecting Privileges in Special Situations

§ 33:41. Protecting privileges: internal investigations—The primary motivating purpose and work product protection

Work product protection focuses on materials assembled or created because of anticipation of litigation.[1] However, the mere fact that litigation is pending does not transform everything done by a party or a party's counsel into work product.[2]

Even when litigation is anticipated, materials created in the ordinary course of business are excluded from work product protection.[3] Therefore, to determine if work product protection applies to materials created in a corporate internal investigation, as with attorney-client privilege, courts look to the reason or the primary motivating purpose for the creation of the document.[4] The factors considered to determine if the primary motivating purpose was in anticipation of litigation

include the retention of counsel and his involvement in the generation of the document and whether it was a routine practice to prepare that type of document or whether the document was instead prepared in response to a particular circumstance. If the document would have been created regardless of whether the litigation was also expected to ensue, the document is deemed to be created in the ordinary course of business and not in anticipation of litigation.[5]

Thus, not every document generated is protected simply because the internal investigation parallels ongoing or anticipated litigation on the same subject matter.[6] Courts recognize that investigation into possible claims and/or corporate wrongdoing are part of the ordinary and regular course of corporation's business today and even expected and necessary to prevent future wrongdoing and to protect shareholders.[7] Because of this recognition, even documents created for a *dual purpose*, i.e., because of litigation and for a business purpose, are not work product protected if they contain information the corporation would be expected to compile investigating the matter in the ordinary course of the corporation's business.[8]

The key question is "would a company undertake (or be required to undertake) the same investigation regardless of whether litigation is anticipated or ongoing?" The court analyzed this very question in Miller v. Federal Express Corp.[9] In Miller, the defendant Federal Express claimed work product protection (and attorney-client privilege) on documents created in its internal investigation of a race discrimination complaint. The court found the Federal Express standard procedure in every instance of a job discrimination complaint was to have the Legal Department direct the Personnel Department in performing an investigation into the allegation.[10]

The Personnel Department conducted each investigation and reported to Legal.[11] In this situation, the court found the part of the investigation conducted prior to the filing of the formal EEOC complaint was conducted in the ordinary course of "adjusting employee relations" and was not work product just because counsel anticipated future litigation and directed the investigation.[12]

Similarly, in Elec. Data Sys. Corp., v. Steingraber,[13] in-house counsel specifically directed an internal investigation into alleged fraud by an employee. Outside counsel and consultants were retained to perform an independent analysis of the misconduct. EDS claimed work product protection on certain investigation materials.[14]

The court determined that the primary motivating purpose for the creation of the documents was to determine whether there had been a misappropriation and whether termination was therefore appropriate. The fact that litigation was anticipated did not alter the primary purpose. "If a party or its attorney prepares a document in the ordinary course of business, 'it will not be protected [from discovery] even if the party is aware that the document may also be useful in the event of litigation.'"[15] Since EDS would have undertaken the same investigation and created the same or similar documents even if litigation had not been anticipated, work product protection did not apply.[16]

As with attorney-client privilege, for work product protection to attach to materials created during an internal investigation, a company must show the primary motivating purpose for the investigation was for defense of litigation and not for business concerns. However, in the case of attorney-client privilege, once the primary motivating purpose of securing legal advice is shown, the privilege is not lost if the investigation also addresses business issues. In the case of work product, however, where the investigation has a *dual purpose* and would have been conducted even in the absence of anticipated litigation, work product protection does not apply.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See, e.g.,* Binks Mfg. Co. v. National Presto Industries, Inc., 709 F.2d 1109, 1118, 14 Fed. R. Evid. Serv. 1705, 37 Fed. R. Serv. 2d 1089, 36 U.C.C. Rep. Serv. 14 (7th Cir. 1983).

[FN2] *See, e.g.,* Sandberg v. Virginia Bankshares, Inc., 979 F.2d 332, Fed. Sec. L. Rep. (CCH) P 97054, 36 Fed. R. Evid. Serv. 1491, 23 Fed. R. Serv. 3d 1141 (4th Cir. 1992), opinion vacated on other grounds, 1993 WL 524680 (4th Cir. 1993).

[FN3] Piatkowski v. Abdon Callais Offshore, L.L.C., 2000 WL 1145825, at *2 (E.D. La. 2000) (holding that materials created in the ordinary course of business are excluded from work product protection).

[FN4] In re OM Securities Litigation, 226 F.R.D. 579, 585–86, 26 A.L.R.6th 811 (N.D. Ohio 2005) (holding that when documents are created for dual litigation and business purposes, the inquiry must be whether the document would have been created even in the absence of litigation).

[FN5] Piatkowski v. Abdon Callais Offshore, L.L.C., 2000 WL 1145825, at *2 (E.D. La. 2000).

[FN6] Caremark, Inc. v. Affiliated Computer Services, Inc., 195 F.R.D. 610, 614–15, 47 Fed. R. Serv. 3d 1117 (N.D. Ill. 2000) ("[T]o be work product the document must come into existence because of litigation, not in spite of it. If a document would have been created regardless of whether litigation was

anticipated or not, it is not work product."); In re Suprema Specialties, Inc., 2007 WL 1964852, at *3 (Bankr. S.D. N.Y. 2007) (same); In re Royal Ahold N.V. Securities & ERISA Litigation, 230 F.R.D. 433, 435 (D. Md. 2005) (same).

[FN7] Electronic Data Systems Corp. v. Steingraber, 2003 WL 21653414, at *5 (E.D. Tex. 2003) (holding the primary purpose of the investigation was to determine if the employee was stealing and the fact that EDS also considered litigation did not change the primary purpose).

[FN8] Occidental Chemical Corp. v. OHM Remediation Services Corp., 175 F.R.D. 431, 435, 45 Env't. Rep. Cas. (BNA) 1821 (W.D. N.Y. 1997) ("Even if these documents were prepared with an eye toward litigation, it is indisputable that the documents also contain information which plaintiff would be expected to obtain or compile in the ordinary course of its business of overseeing the performance of environmental remediation work under its contract with defendant."); In re OM Sec. Litig., 226 FR.D. 579, 587 (N.D. Ohio 2005) (holding where documents are created for the *dual purpose* of litigation and to assess a business impact, the issue is whether the documents would have been generated anyway in the absence of litigation). *See also* In re Air Crash Disaster at Sioux City, Iowa on July 19, 1989, 133 F.R.D. 515, 519 (N.D. Ill. 1990) (same); Binks Mfg. Co. v. National Presto Industries, Inc., 709 F.2d 1109, 1119, 14 Fed. R. Evid. Serv. 1705, 37 Fed. R. Serv. 2d 1089, 36 U.C.C. Rep. Serv. 14 (7th Cir. 1983) ("[I]f in connection with an accident or event a business entity in the ordinary course of business conducts an investigation for its own purposes, the resulting investigative report is producible in civil pretrial discovery …. [T]he distinction between whether defendant's 'in house' report was prepared in anticipation of litigation is an important one. The fact that a defendant anticipates the contingency of litigation resulting from an accident or event does not automatically qualify an 'in house' report as work product …. [A] more or less routine investigation of a possibly resistible claim is not sufficient to immunize an investigative report developed in the ordinary course of business.").

[FN9] Miller v. Federal Express Corp., 186 F.R.D. 376, 388 (W.D. Tenn. 1999) ("Documents predating plaintiff's filing of her external EEOC complaint are not entitled to work-product protection because they were prepared as a matter of routine internal investigation by defendant to adjust employee relations.").

[FN10] Miller v. Federal Express Corp., 186 F.R.D. 376, 386 (W.D. Tenn. 1999).

[FN11] Miller v. Federal Express Corp., 186 F.R.D. 376, 386–87 (W.D. Tenn. 1999).

[FN12] The court also found that the investigation documents were not protected by the attorney-client privilege because there was no showing that the purpose was to secure legal advice. Miller v. Federal Express Corp., 186 F.R.D. 376, 387–88 (W.D. Tenn. 1999); Long v. Anderson University, 204 F.R.D. 129, 137 (S.D. Ind. 2001) (holding the University's internal investigation of a sexual harassment and discrimination complaint was conducted in the ordinary course of business as part of the University's complaint policy and not in anticipation of litigation even in light of the plaintiff's and her counsel's threats of litigation); Welland v. Trainer, 2001 WL 1154666, at *2 (S.D. N.Y. 2001), aff'd, 116 Fed. Appx. 321 (2d Cir. 2004) (holding the investigation of an age discrimination claim directed by counsel prior to the date of the employee's discharge was not subject to work product protection because the investigation would have been conducted in substantially similar form irrespective of litigation).

[FN13] Electronic Data Systems Corp. v. Steingraber, 2003 WL 21653414, at *1 (E.D. Tex. 2003).

[FN14] Electronic Data Systems Corp. v. Steingraber, 2003 WL 21653414, at *1 (E.D. Tex. 2003).

[FN15] Electronic Data Systems Corp. v. Steingraber, 2003 WL 21653414, at *5 (E.D. Tex. 2003) (quoting Occidental Chemical Corp. v. OHM Remediation Services Corp., 175 F.R.D. 431, 435, 45 Env't. Rep. Cas. (BNA) 1821 (W.D. N.Y. 1997).

[FN16] Electronic Data Systems Corp. v. Steingraber, 2003 WL 21653414, at *5 (E.D. Tex. 2003) (quoting Occidental Chemical Corp. v. OHM Remediation Services Corp., 175 F.R.D. 431, 435, 45 Env't. Rep. Cas. (BNA) 1821 (W.D. N.Y. 1997). Even though the presence of counsel conducting an internal investigation does not ensure work product protection for investigatory materials, the absence of direction by counsel may be a critical fact in the determination of whether the primary motivating factor of an investigation was for anticipation of litigation or for a business purpose. The court in Poseidon Oil Pipelind Co., L.L.C. v. Transocean Sedco Forex, Inc., 2001 WL 1360434, at *4- (E.D. La. 2001), found there was no evidence of any attorney involvement at the initiation of the investigation into the pipeline rupture accident. Moreover, the court looked behind the employee-investigator's statement that he conducted the investigation because of anticipated litigation and found the defendant's policy manuals outlined the ordinary business purpose for the investigation. Work product protection was denied.

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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

V. Protecting Privileges
A. Protecting Privileges in Special Situations

§ 33:42. Protecting privileges: internal investigations—Best practices

There are no hard and fast procedures to institute to ensure that an internal investigation will be protected by attorney-client privilege or work product protection. The facts and circumstances surrounding each investigation will determine ultimately whether a privilege or protection applies. Nonetheless, there are four (4) best practices and procedures that may be considered and/or implemented to reduce the chance of the investigation losing any applicable privileges that may apply.[1]

Planning: Every internal investigation is likely to involve privilege issues—even if the internal investigation is one conducted in the ordinary course of business. Therefore, before an investigation begins, counsel, in-house and/or outside retained counsel, should consult with corporate management about the purpose, scope and anticipated parameters of the proposed investigation to identify possible legal issues that are likely to arise[2] and to determine if the investigation is really seeking legal advice as opposed to information for a business decision. The pre-investigation consultation is extremely important if the internal investigation is one intended to secure legal advice for the company or to prepare a defense for anticipated future or on-going litigation. Pre-planning may ensure the appropriate steps are taken to establish the primary motivating purpose of the investigation as one to secure legal advice or to prepare a defense in litigation. The pre-investigation consultation also provides the "heads-up" to be prepared to prove the "primary motivating purpose" for the investigation at each step in the process and ensure that the Upjohn warnings[3] are given prior to the start of the process.

This pre-investigation planning may also avoid pitfalls that unintentionally may result in overlooking valid privilege claims or actions that may jeopardize all privilege claims. Rather than pre-investigation planning, counsel often start an investigation assuming privilege issues can be identified and sorted at the end. If the material from the investigation is later sought in discovery, counsel begin by generously labeling and claiming privilege even on materials and communications that may be only tangentially related to a privileged communication or defense of litigation. This may be a risky strategy. The corporation may not want to claim privilege generally for the investigation. Thus, the corporation may risk subject matter waiver when it finally releases some of the previously identified privileged documents, keeping only a portion.

For example, the corporation may want to use as "a favorable factor" in an EPA investigation of a spill its internal investigation report that shows it responded promptly, analyzed the causes, and took corrective action all in accordance with its established policies and procedures. It would be prudent to anticipate this scenario from the beginning and ensure the report is prepared showing only facts and not revealing communications or legal advice. It would not be prudent to claim privilege on the bulk of the investigation materials from the start.

If privilege is claimed on the bulk of the investigation, once the company begins selectively releasing material, it begs the government to claim waiver on all investigating materials because privilege is being used as a sword and shield. The over breadth of the initial claims may result in a government demand to waive all privilege for "favorable" consideration.

Pre-investigation planning allows counsel the opportunity to identify what areas of the proposed investigation may relate to "facts," that are not privileged, and "communications to facilitate the rendition of legal advice" that are. These are important distinctions because there may be privilege that attaches to a "non-legal/ordinary course of business" investigation.[4] Even for an ordinary course of business investigation, counsel's advice on how to conduct the investigation may qualify as privileged as well as advice given in response to questions that may arise during the investigation.[5] Privilege may also attach to a management requests for legal advice on how to resolve issues that are revealed by the investigation.[6] While the notes, memoranda, interviews, documents reviewed, etc., (the "facts"), by the folks conducting the ordinary course of business investigation will not be privileged, the specific request for legal advice related to the investigation and advice given thereon may qualify for privilege protection, if they independently meet the elements of privilege.

Additionally, initial planning allows an opportunity for counsel to establish procedures to be used in the investigation that may help avoid the intermingling of facts, impressions, recommendations, and legal analysis. For example, those looking into the "facts" should be instructed to record "impressions" and recommendations or, in the case of counsel, legal analysis, separate from fact summaries. The initial planning may also serve as a reminder of the need for confidentiality and the need to limit the distribution of documents related to the investigation.

Initiating Document: The document initiating the privileged or work product protected investigation is critical as part of the corporate burden of proving that the primary motivating purpose of the internal investigation is to secure legal advice or to prepare for litigation.[7] The initiating document should be in writing from senior management to counsel and set out the company's need for legal advice and the specific request for legal advice. "Best practices" further dictate that management specify the need for counsel to conduct the investigation.[8] If the investigation is in defense of litigation, the initiating document should identify the litigation or, to the extent possible, the nature of the concern for anticipated future litigation.[9] Finally, the initiating document should identify the "who" within the corporation is to receive the final report and legal advice.

Who Should Conduct The Internal Investigation?: Questions arise in every business whether privilege is more likely to attach if counsel, in-house or outside retained counsel, conduct the internal investigation rather than the company's compliance and audit group, management, or a committee of employees convened for the purpose of conducting the investigation.[10] There is no question that one of the key indicia courts look for is the scope and nature of counsel's involvement in the internal investigation (or in relation to a specific document) where privilege or protection is claimed on the investigation and/or the investigation materials. If an investigation is initiated to secure legal advice or to prepare for anticipated litigation, it is imperative that counsel conduct, direct and supervise the investigation.[11]

Conducting the Investigation: The Upjohn basic elements for a corporate investigation (expanded) should be followed:[12]

- At the outset of the investigation, the need for and the legal purpose of the investigation must be identified in a written communication from management or senior executives (the "corporate superiors") and sent, at a minimum, to those who will be participating in the investigation;[12.10]

- The written communication should identify counsel as conducting the investigation and instruct employees to communicate (and cooperate) with counsel;
- The need for information to secure legal advice for the company (or to prepare for litigation if work product is implicated) must be clear in the written communication and in all requests for information or in interviews thereafter;
- The need for confidentiality should be included in the written communication and each participant should be affirmatively instructed not to share the details of the investigation with others;
- The need for confidentiality should be underscored at each interview or with each request for information;
- All communications with employees should concern matters within the particular employee's job scope and duties;
- All employees participating should understand that they are being questioned for the purpose of securing legal advice for the company and that the privilege is the company's and that the company may voluntarily waive it;
- As a precaution, two reports should be prepared—one report should reveal only the facts and not contain the specific "communications" from the employees or the "mental impressions" of counsel; the second report includes the analysis and identifies specific communications, impressions important to the analysis, and recommendations; and
- Identification of "those with knowledge" and (non-privileged documents dealing with the facts) should be provided upon a proper request to avoid frustrating a third-party's investigation into the same issues.

Parallel Investigations: When faced with the issue of showing that the primary motivating purpose of an investigation is to secure legal advice or prepare a litigation defense and not for business reasons, a corporation should recognize that there may be a need for a parallel investigation—one for fulfilling business needs, including routine (or "required") investigations; and a separate one for securing legal advice or preparing litigation defense.[13] This recognition is particularly important for protecting work product claims. Where the corporation has a policy, or a duty, to investigate complaints, claims, accidents, employee wrongdoing, etc., the primary purpose for the investigation is to fulfill a business need, even where there is a dual purpose for the investigation because litigation is anticipated or on-going.[14] Thus, counsel may need to separately track or follow the routine business investigation to protect, to the extent possible, the legal advice to be provided to the company or counsel's work product. Since parallel investigations are costly, careful consideration is needed to determine when such an investigation is really necessary. Careful pre-planning and supervision of an investigation to ensure "business" remains separate from "legal" considerations may eliminate the need for parallel investigations.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See generally* Chapter 35 "Internal Investigations" (§§ 35:1 et seq.).

[FN2] For example, will issues arise where certain officers or directors should be excluded from receiving the results of an investigation because of a possible conflict between their fiduciary duties and personal interests? Will public announcements be involved? *See, e.g.*, Ryan v. Gifford, 2007 WL 4259557 (Del. Ch. 2007), certification denied, 2008 WL 43699 (Del. Ch. 2008) and Ryan v. Gifford, 2008 WL 43699 (Del. Ch. 2008) (both holding that privilege was lost when a board special committee presented its report on an internal investigation to the full board, including directors with possible adverse interests to the corporation and their personal attorneys, and made public statements that revealed details

of the investigation).

[FN3] *See generally* Chapter 35 "Internal Investigations" (§§ 35:1 et seq.) and §§ 33:38 and 33:103.

[FN4] Thomas E. Spahn, The Attorney-Client Privilege A Practitioner's Guide, ¶4.1001, Virginia CLE Publications 2007.

[FN5] Thomas E. Spahn, The Attorney-Client Privilege A Practitioner's Guide, ¶4.1001, Virginia CLE Publications 2007.

[FN6] Thomas E. Spahn, The Attorney-Client Privilege A Practitioner's Guide, ¶4.1001, Virginia CLE Publications 2007.

[FN7] Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 386–87, 394, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981). *See generally* §§ 35:5, 35:34 and Thomas E. Spahn, The Attorney-Client Privilege A Practitioner's Guide, ¶4.1002, Virginia CLE Publications 2007. *See* § 33:105 Form: exemplar of memorandum from audit/law department on the need for an internal investigation to secure legal advice for the company and § 33:106 Form: exemplar of senior management request to law department for internal investigation.

[FN8] *See* § 35:4.

[FN9] *See* Poseidon Oil Pipelind Co., L.L.C. v. Transocean Sedco Forex, Inc., 2001 WL 1360434, at *5 (E.D. La. 2001) (quoting Pacamor Bearings, Inc. v. Minebea Co., Ltd., 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 clarity of purpose in the engagement letter….[C]learly the most effective way to guard against the inadvertent loss of the protection offered by the work product doctrine is to ensure that management's written authorization to proceed with the investigation identifies, as specifically as possible, the nature of the litigation that is anticipated.").

[FN10] For routine, ordinary course of business investigations, it may be necessary to consult with counsel if individual legal issues arise (where privilege will attach), but it is not necessary for counsel to conduct the investigation. Counsel's skills as an investigator may be desired, however, and thus counsel may be selected to conduct the routine investigation. The company should not expect privilege to attach to the routine, ordinary course of business investigation just because counsel directs, conducts or supervises it. Some non-routine internal investigations that are conducted for the specific purpose of securing legal advice or defending litigation may be handled by in-house counsel alone. In-house counsel conducted investigations are less expensive and often easier to coordinate because of in-house counsel's knowledge of the company and its employees. In complex investigations, there is usually a partnering of in-house and outside counsel. *See also* § § 35:2, 35:4, 35:5.

[FN11] It is also important that the company act on the legal advice ultimately provided and not the "findings" of the investigation. *See* Cruz v. Coach Stores, Inc., 196 F.R.D. 228, 231, 55 Fed. R. Evid. Serv. 639 (S.D. N.Y. 2000) ("[T]he Court finds, the purpose of the 'investigative audit' was not solely, or even primarily, to enable its counsel to render legal advice to Coach. This is evidenced, among other

ways, by the fact that the audit was commissioned not only by Coach's General Counsel but by her superior, Coach's Chief Administrative Officer, who promptly acted on its results by removing those employees implicated in financial improprieties.").

[FN12] *See* Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 386–94, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981); *see also* § 35:18.

[FN12.10] *See* § 33:107 Form: exemplar of senior management memorandum to employees about the internal investigation.

[FN13] *See generally* Thomas E. Spahn, The Attorney-Client Privilege A Practitioner's Guide, ¶4.1006, Virginia CLE Publications 2007.

[FN14] *See* § 33:40.

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by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

V. Protecting Privileges
A. Protecting Privileges in Special Situations

§ 33:43. Protecting privileges: government investigations

Today, corporations face difficult decisions on whether to claim privilege or waive it on internal investigations. These decisions are driven in large part by the fear and reality of a government agency, e.g., the Department of Justice ("DOJ"), the Environmental Protection Agency (EPA) or the Securities and Exchange Commission ("SEC"), using the "voluntary" production of corporate attorney-client and work product materials as a "favorable" factor to demonstrate their good faith cooperation in government investigations of potential wrongdoing. These government voluntary disclosure or amnesty programs are filled with potential waiver problems for a corporation. Under these programs, government regulators offer the possibility of favorable treatment to corporations who cooperate with government investigations and voluntarily disclose privileged and work product materials to assist in the investigation.[1]

In late August 2008, the DOJ issued new guidelines for prosecutors conducting government investigations into potential corporate wrongdoing. The revised "Principles of Federal Prosecution of Business Organizations" prohibit federal prosecutors from requesting that corporations waive the attorney-client privilege and work product protections in the context of a government investigation into criminal wrongdoing.[2] In October 2008, the SEC, following the example of the DOJ, published its Enforcement Manual, known as the "Red Book," announcing its new policy limiting use of waiver of the attorney-client privilege and work product protection as a pre-requisite for obtaining credit for cooperation.[3] These DOJ and SEC guidelines, along with the recent Second Circuit decision in United States v. Stein,[4] have now changed the rules related to corporate government investigations with respect to DOJ/SEC investigations, attorney-client privilege, and the payment of employee attorneys' fees.

Many observers believe, however, that neither the new DOJ nor SEC guidelines provide sufficient protection for privilege and work product claims.[5] Legislation is now pending in Congress to further protect these privileges.[6] This legislation is also targeted to provide protection of privileges in investigations conducted by agencies other than the DOJ or SEC, e.g., the EPA, that have aggressively sought privilege waiver and whose investigations are not covered by either the DOJ's or the SEC's new guidelines.

Because the new revised DOJ and SEC guidelines may not provide sufficient protection for privilege claims and do not cover all government investigations, the question remains if production of privileged material is made to facilitate a government inquiry whether the "waiver" may be limited to the government and privilege asserted as to all others.[7]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Beginning in 1999, the DOJ issued the Holder Memorandum and instituted a policy of seeking privileged materials during investigations of possible corporate violations of federal law. Whether or not to bring criminal charges against a corporation was evaluated on the corporation's willingness to waive privileges to facilitate the government investigation. To be seen, and credited, as favorably cooperating, privilege would need to be waived. As a result of the Enron scandal, in 2003, Deputy Attorney General, Larry Thompson issued a new policy in the Thompson Memorandum to increase "emphasis on and scrutiny of the authenticity of a corporation's cooperation." Voluntary privilege waiver was deemed critical to facilitating the government investigation. Actions perceived as impeding "the quick and effective exposure" of wrong doing would weigh in favor of corporate prosecution.

The outcry of the business and legal communities following the issuance of the Thompson Memorandum led to its amendment in the McNulty Memorandum in late 2006. The McNulty Memorandum imposed certain requirements on prosecutors before they could ask authorization from a deputy or assistant attorney general to seek privilege waiver. The McNulty Memorandum, however, still authorized the refusal to waive privilege to be used as an "unfavorable" factor in a prosecution decision.

[FN2] The new guidelines also protect the right of corporations to advance or reimburse attorneys' fees of officers, directors, and employees who are subject to the investigation.

[FN3] The Enforcement Manual at Section 4.3 specifically states "**SEC staff should not ask a party to waive attorney-client or work product privileges and is directed not to do so**" (emphasis in original). The Manual, however, permits the staff to demand waiver if it is approved by a supervisor ("All decisions regarding a potential waiver of privilege are to be reviewed by the assistant supervising the matter, and that review may involve more senior members of the management as deemed necessary."). Additionally, the Manual does not formally change the SEC waiver policy set out in the Seaboard Report, the SEC's equivalent of the DOJ's Thompson/McNulty memoranda.

[FN4] U.S. v. Stein, 541 F.3d 130, 2008-2 U.S. Tax Cas. (CCH) P 50518, 102 A.F.T.R.2d 2008-6023 (2d Cir. 2008) (finding that prosecutors had "unjustifiably interfered with defendants' relationship with counsel and their ability to mount a defense, in violation of the Sixth Amendment," when prosecutors told the company that payment of attorneys' fees for corporate employees in relation to the investigation would undermine the company's ability to receive credit for cooperation with the investigation).

[FN5] For example, the SEC guidelines provide that a party's decision to assert legitimate privileges will not *negatively* affect receipt of credit for cooperation but the guidelines are silent on whether waiver will *positively* impact the SEC's view of cooperation.

[FN6] H.R. 3013, the Attorney-Client Privilege Protection Act, was passed by the House on November 13, 2007, and the Senate version S. 3217 is before the Senate Judiciary Committee as of November 2008.

[FN7] For a review of the jurisdictions and cases allowing and disallowing selective waiver and jurisdictions and cases allowing selective waiver where there is a confidentiality order in place, *see* § 33:67.

> It should be noted that the issue of "selective waiver" by the attempted voluntary production of privileged materials in a limited context has a history that predates the "culture of waiver" created in the last decade by the "voluntary" release of privileged material to facilitate government investigations. Prior to the issue arising in corporate government investigations, it was clear that the disclosure of privileged communications or work product to a third party or adversary waived privilege protection. U.S. v. Ryans, 903 F.2d 731, 741 n.13 (10th Cir. 1990) ("[T]he confidentiality of communications covered by the privilege must be jealously guarded by the holder of the privilege lest it be waived. The courts will grant no further protection to those who assert privilege than their own precautions warrant."); In re Grand Jury Proceedings Oct. 12, 1995, 78 F.3d 251, 254, 1996 FED App. 0090P (6th Cir. 1996) ("[A]ttorney-client privilege is waived by voluntary disclosure of private communications by an individual or corporation to third parties.").

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V. Protecting Privileges
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§ 33:44. Protecting privileges: whistleblowers and thieves

Under the traditional view, attorney-client privilege and work product protections cannot be claimed for lost or stolen documents, since the disclosure itself "destroys" the required confidentiality.[1] The more modern—though by no means universal—rule is that privileged communications and work product that are lost or stolen will remain protected if the client and counsel took "reasonable precautions" to ensure confidentiality and to prevent access to the materials by third parties.[2]

The difference between the traditional and more modern approaches is set forth in the District of Minnesota's decision in In re Grand Jury Proceedings Involving Berkley & Co., in which the court reversed its prior ruling that "privilege does not apply to lost or stolen documents" and held instead that the documents would be reviewed *in camera* and would retain their privileged status so long as the proponent of the privilege made an evidentiary showing of reasonable and adequate precautions against theft.[3] The Minnesota district court specified the evidence the corporate claimant would have to present in order to maintain its privilege claim: the company's internal security practices, evidence that privileged documents were available only on a "need to know" basis, and that privileged documents were clearly identified and not intermingled with others.[4]

The issue of unlawfully obtained privileged documents often arises in the context of "whistleblower" suits and qui tam actions. The employee bringing the action may have removed privileged documents from the employer's premises that relate to the employee's allegations against the corporation. Under the modern "reasonable precautions" approach, corporate defendants will be able to uphold claims to privilege or work product protection where those materials were unlawfully taken.[5] However, assuming that privileged or opinion work product can be redacted, non-privileged facts relevant to the whistleblower's claims that are recited in the stolen documents will likely not be protected.[6]

The legal and ethical obligations of in-house counsel prevent them from disclosing privileged information or other client confidences to regulators or other outsiders under even the most egregious of circumstances.[7] Corporate counsel's only option may be to resign.[8] Decisions prohibiting in-house counsel from disclosing privileged or other confidential information in retaliatory discharge actions against their former corporate employers indicate that courts will not permit in-house counsel whistleblowers to use or disclose privileged information in actions against the company.[9] However, because these cases turn on conflicts between the ethical duties of counsel to their clients and the public policies supported by whistleblower statutes, they do stand for the proposition that non-lawyers will be prohibited from using privileged information obtained from the corporate employer in whistleblower suits.

Defending whistleblower allegations can put privilege claims at risk if, in defending the claims, the corporate defendant itself puts privileged or opinion work product materials "in-issue."[10] Thus, it may be important in conducting an internal investigation of the whistleblower's claims to segregate legal opinions from fact-gathering. If the corporation needs to disclose the report of its internal investigation as part of its defense on the merits, or in defending against a subsequent retaliatory discharge complaint, it can do so without risking disclosure of its own legal analysis of those facts.[11]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See, e.g.*, Wigmore §§ 2325–26 (McNaughton rev. 1961).

[FN2] *See* In re Grand Jury Proceedings Involving Berkley and Co., Inc., 466 F. Supp. 863, 869 (D. Minn. 1979), aff'd as modified, 629 F.2d 548, 6 Fed. R. Evid. Serv. 1165 (8th Cir. 1980); Truck-A-Way v. Burke, 300 B.R. 31 (E.D. Cal. 2003) (privileged documents obtained through ex parte seizure of records retained their privilege and counsel for trustee who took possession of the stolen documents disqualified); Federal Nat. Mortg. Ass'n v. Olympia Mortg. Corp., 2007 WL 1012066 (E.D. N.Y. 2007) (no loss of privilege where privileged documents taken by receiver were not records of the debtor). For a more detailed discussion of what constitutes "reasonable precautions," *see* § 33:54.

[FN3] In re Grand Jury Proceedings Involving Berkley and Co., Inc., 466 F. Supp. 863, 869 (D. Minn. 1979), aff'd as modified, 629 F.2d 548, 6 Fed. R. Evid. Serv. 1165 (8th Cir. 1980).

[FN4] In re Grand Jury Proceedings Involving Berkley and Co., Inc., 466 F. Supp. 863, 870 (D. Minn. 1979), aff'd as modified, 629 F.2d 548, 6 Fed. R. Evid. Serv. 1165 (8th Cir. 1980); *see also* U.S. ex rel. Mayman v. Martin Marietta Corp., 886 F. Supp. 1243, 1246 (D. Md. 1995) (stolen documents retained privileged status because of defendant's reasonable precautions).

[FN5] *See, e.g.*, Gundacker v. Unisys Corp., 151 F.3d 842, 848, 14 I.E.R. Cas. (BNA) 1205, 136 Lab. Cas. (CCH) P 58464, 41 Fed. R. Serv. 3d 874 (8th Cir. 1998) (holding that document kept by fired whistleblower retained work product protection because corporation did not intentionally cause disclosure to adversary and whistleblower could have sought relevant information from other sources of discovery).

[FN6] *See* In re Grand Jury Investigation, 599 F.2d 1224, 1232, 4 Fed. R. Evid. Serv. 1338 (3d Cir. 1979) (allowing government to delete opinion work product from witness statements where substantial need was demonstrated for factual information).

[FN7] The "noisy withdrawal" provision of the Sarbanes-Oxley Act of 2002 has not been enacted, so in-house counsel are not required to disclose purported violations of the law to regulators. (Implementation of Standards of Professional Conduct for Attorneys, 67 Fed. Reg. 71670-01 (proposed Dec. 12, 2002) (to be codified at 17 C.F.R. pt. 205)). *See also* Prudential Ins. Co. of America v. Massaro, 2000 WL 1176541 (D.N.J. 2000), aff'd, 47 Fed. Appx. 618 (3d Cir. 2002).

[FN8] *See, e.g.*, ABA Model Rules of Professional Conduct, Rule 1.6(b) (permitting an attorney to disclose certain client information under limited circumstances) and Rule 1.16 (covering counsel's obligation or right to withdraw under certain circumstances).

[FN9] *See* General Dynamics Corp. v. Superior Court, 7 Cal. 4th 1164, 1169, 32 Cal. Rptr. 2d 1, 876 P.2d 487, 490, 9 I.E.R. Cas. (BNA) 1089, 128 Lab. Cas. (CCH) P 57741 (1994) (former general counsel can bring retaliatory discharge action only insofar as the claim can be established "without breaching the attorney-client privilege or unduly endangering the values lying at the heart of the professional relationship."); *but see* Willy v. Administrative Review Bd., 423 F.3d 483, 499, 23 I.E.R. Cas. (BNA) 554, 151 Lab. Cas. (CCH) P 60109 (5th Cir. 2005) (noting that the attorney-client privilege is not a per se bar against retaliatory discharge claims under federal whistleblower statutes and ABA Model Rule 1.6(b)(2) permits attorney to disclose client information to the extent necessary to establish claim against employer in case where privilege report could be reviewed by court *in camera*).

[FN10] *See* § 33:66; *see also* Mitzner v. Sobol, 136 F.R.D. 359, 360, 67 Ed. Law Rep. 1193 (S.D. N.Y. 1991) (in-issue doctrine effected waiver of attorney-client privilege and work product doctrine as to memorandum concerning whistleblower's allegations).

[FN11] *See also* § 33:41.

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§ 33:45. Protecting privileges: communications between insurer and insured

No separate privilege protects communications between an insured and its insurer.[1] However, a majority of jurisdictions apply the attorney-client privilege to communications between an insured and its insurer concerning incidents that may give rise to liability under the policy.[2] A minority of jurisdictions apply a more narrow view, requiring that the communication seeks or conveys legal advice relating to an existing or imminent litigation, not one that is threatened or likely.[3] In both views, the privilege applies regardless of the type of coverage.[4]

There are two rationales for the application of the attorney-client privilege to communications between insured and insurer. First, communications are deemed privileged because the insured and the insurer have a common interest in the litigation.[5] Second, when the insurer retains counsel for the underlying litigation, the communications between the insured and the insurer are often meant to be transmitted to the attorney.[6]

Once the privilege attaches, communications among the insured, the insurer, and retained counsel are protected from disclosure to a third party.[7] One party, for example, the insured, cannot claim that its communications with counsel are privileged from, for example, the insurer.[8] Since the privilege depends on the parties sharing the same legal interest, once the insured's interests are no longer aligned with those of the insurer, as for example when the insurer reserves the right to dispute coverage or refuses coverage and the insured files a bad faith claim, communications between the insured and its counsel are protected from discovery by the insurer.[9] However, communications made at a time when the parties' interest were still aligned will not be protected from discovery by the now adverse parties on the grounds of attorney-client privilege.[10]

The work-product privilege is also available to protect an insurer's investigative work, but the privilege only attaches where the investigation was undertaken in anticipation of a litigation and not as part of the insurer's normal business practice.[11] Because adjusting claims is "the very nature of an insurer's business," claims files generally are not protected by the work-product privilege.[12] Otherwise, applicability of the work-product privilege for insurer work-product is governed by the same analysis applied to any other attorney's work product, most notably that the challenged material must have been prepared in anticipation of litigation[13]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* State v. Pavin, 202 N.J. Super. 255, 262, 494 A.2d 834, 837, 55 A.L.R.4th 323 (App. Div. 1985) ("[N]o blanket privilege with respect to communications between an insured and his adjuster should be countenanced."); Pinkans v. Hulett, 156 A.D.2d 877, 878, 549 N.Y.S.2d 863, 865 (3d Dep't 1989) (insured's statement to insurer does not render it privileged from discovery).

[FN2] Exline v. Exline, 277 Ill. App. 3d 10, 13–14, 213 Ill. Dec. 491, 659 N.E.2d 407, 410 (2d Dist. 1995) (non-party insured's phone call with insurer's non-legal employee related to investigation of claim made under homeowner's policy was privileged); Martin v. Clark, 92 Ill. App. 3d 518, 520, 47 Ill. Dec. 305, 415 N.E.2d 30, 32 (3d Dist. 1980) (statement made by insured to insurer regarding his automobile accident were privileged and were not subject to disclosure to third party); Breech v. Turner, 127 Ohio App. 3d 243, 249, 712 N.E.2d 776, 781 (4th Dist. Scioto County 1998) (trial court properly excluded insurer's file reflecting conversations with insured and relating to his conduct in permitting his cows to run onto the highway causing plaintiff-motorist's injuries); Winter v. Motel Associates of LaGuardia, 127 Misc. 2d 486, 489, 486 N.Y.S.2d 656, 659 (Sup 1985) (reports by alleged tort-feasor to its liability insurer were exempt from plaintiffs' discovery requests in negligence action).

[FN3] Langdon v. Champion, 752 P.2d 999, 1003 (Alaska 1988) (insured's statement to adjuster was not protected by attorney-client privilege where it was made nearly one year prior to any involvement of attorney); State v. Anderson, 247 Minn. 469, 477, 78 N.W.2d 320, 326 (1956) (insured failed to establish that the statements were made in confidence and for exclusive use in preparation of the defense of any suit that might be brought against him as a result of the accident); Jacobi v. Podevels, 23 Wis. 2d 152, 155, 127 N.W.2d 73, 75 (1964) (when insured made statement, no action had been commenced, and none could be said to have been imminent, and counsel had not been assigned to advise and defend the insured). Other states taking the minority view are Arizona and Kansas. *See* Butler v. Doyle, 112 Ariz. 522, 525, 544 P.2d 204, 207 (1975) (finding that because insured's interests are not always in common with insurer's, privilege should not apply); Alseike v. Miller, 196 Kan. 547, 558, 412 P.2d 1007, 1016 (1966) (claims adjuster taking statement was not operating under attorney's instruction).

[FN4] *See e.g.*, State ex rel. Medical Assurance of West Virginia, Inc. v. Recht, 213 W. Va. 457, 583 S.E.2d 80 (2003) (medical malpractice); Staton v. Allied Chain Link Fence Co., 418 So. 2d 404 (Fla. Dist. Ct. App. 2d Dist. 1982) (homeowner's insurance); Taylor v Temple & Cutler, 192 F.R.D. 552 (E.D. Mich. 1999) (legal malpractice).

[FN5] Liberty Mut. Fire Ins. Co. v. Kaufman, 885 So. 2d 905, 908 (Fla. Dist. Ct. App. 3d Dist. 2004) ("[W]hen an insurer accepts the defense obligations of its insured, certain interests of the insured and the insurer essentially merge."); United Coal Companies v. Powell Const. Co., 839 F.2d 958, 965–66, 25 Fed. R. Evid. Serv. 170, 10 Fed. R. Serv. 3d 947 (3d Cir. 1988) (applying attorney-client privilege to communications sought from non-party subrogated insurer that retained insured's attorney).

[FN6] Exline v. Exline, 277 Ill. App. 3d 10, 13, 213 Ill. Dec. 491, 659 N.E.2d 407, 410 (2d Dist. 1995) (privilege attaches to communications between insurer and non-party insured where insured might be sued and where insurer would be obligated to defend insured); Breech v. Turner, 127 Ohio App. 3d 243, 248–49, 712 N.E.2d 776, 780 (4th Dist. Scioto County 1998) (request for correspondence between insured and insurer properly denied as privileged where the correspondence was passed on to the lawyer representing the insured pursuant to insurance contract).

[FN7] *See* Dennis v. State Farm Ins. Co., 143 Ohio App. 3d 196, 2001-Ohio-3178, 757 N.E.2d 849 (7th

Dist. Mahoning County 2001), cause dismissed, 93 Ohio St. 3d 1401, 752 N.E.2d 983 (2001), Exline v. Exline, 277 Ill. App. 3d 10, 213 Ill. Dec. 491, 659 N.E.2d 407 (2d Dist. 1995).

[FN8] *See* Tudor Insurance Co. v. McKenna Associates, 2003 WL 21488058 (S.D. N.Y. 2003) (insurer could not assert privilege against insured or broker with respect to communications with attorney it hired to represent insured since all parties' interests were aligned).

[FN9] *See* Liberty Mut. Fire Ins. Co. v. Kaufman, 885 So. 2d 905, 908–09 (Fla. Dist. Ct. App. 3d Dist. 2004) (in breach of contract and bad faith action insured brought against insurer who had provided defense to insured pursuant to a reservation of rights, court permitted discovery of communications between insurer and its attorneys that were made during defense of underlying action); Hutchinson v. Farm Family Cas. Ins. Co., 273 Conn. 33, 867 A.2d 1, 11 (2005) (insured were denied production of communications between insurer and insurer's attorney where communications were made after insureds' suit over denial of coverage and when "the relationship between the [parties] was adversarial at the time … [and when the insured] did not undertake any actions on behalf of the plaintiffs and they had no interest in common").

[FN10] *See* Boone v. Vanliner Ins. Co., 91 Ohio St. 3d 209, 2001-Ohio-27, 744 N.E.2d 154 (2001) (in bad faith claim, insured is able to obtain communications in claims files between insurer and its attorney that were created prior to denial of coverage).

[FN11] *See* Copher v. Mackey, 220 Ga. App. 43, 45, 467 S.E.2d 362, 365 (1996) ("The statement of a party or other witness to an accident, if taken by an insurer in anticipation of a claim being filed against its insured, is considered 'work product' under the statute, even if taken before litigation is filed." *See also* Agovino v. Taco Bell 5083, 225 A.D.2d 569, 570–71, 639 N.Y.S.2d 111, 112–13 (2d Dep't 1996); Fomby v. Popwell, 695 So. 2d 628, 632 (Ala. Civ. App. 1996).

[FN12] Connecticut Indem. Co. v. Carrier Haulers, Inc., 197 F.R.D. 564, 570–71 (W.D. N.C. 2000) (notes and other material relating to claims files show that neither party had resolved to litigate and that adjusting of claim is not performed in anticipation of litigation); *See also* Sigelakis v. Washington Group, LLC, 46 A.D.3d 800, 800–01, 848 N.Y.S.2d 272, 273 (2d Dep't 2007).

[FN13] *See* Medford v. Duggan, 323 N.J. Super. 127, 732 A.2d 533, 537 (App. Div. 1999) (in personal injury suit, insurer claiming privilege over non-party witness statements it recorded had to make threshold showing that statements were taken and recorded in anticipation of litigation).

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§ 33:46. Protecting privileges: settlement negotiations

The question of whether there is a "privilege" that protects materials and information exchanged in the course of settlement negotiations remains open. The D.C. Circuit recently refused to decide whether such a privilege exists.[1] The Sixth Circuit Court of Appeals has ruled that because of the public interest in facilitating settlements, statements made in furtherance of settlement should be treated as privileged and protected from third-party discovery.[2]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* In re Subpoena Duces Tecum Issued to Commodity Futures Trading Com'n, 439 F.3d 740 (D.C. Cir. 2006) (affirming District Court order overturning Magistrate Judge's ruling that a "settlement privilege" under Rule 501 of the Federal Rules of Evidence protected documents provided by WD Energy Services, in negotiations to settle a Commodity Futures Trading Commission investigation, from discovery by E. & J. Gallo Winery in a separate antitrust action against WD Energy Services).

[FN2] Goodyear Tire & Rubber Co. v. Chiles Power Supply, Inc., 332 F.3d 976, 981–982, 61 Fed. R. Evid. Serv. 949, 55 Fed. R. Serv. 3d 1104, 2003 FED App. 0197P (6th Cir. 2003).

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§ 33:47. Protecting privileges: audits

Audits are intimately tied to a corporation's legal affairs. Nonetheless, there is generally no privilege or work product protection for materials prepared by or at the request of accountants or auditors.[1] Courts have been very reluctant to protect communications between a company's accountants and its lawyers unless the accountant's role is limited to assisting the lawyer in providing legal advice to the company.[2]

For example, in Cavallaro v. United States,[3] the court denied the defendant's claim of privilege for communications between its accountants and law firm, holding that the fact that the accounting material was "useful" to a law firm was not sufficient to bring the accounting firm within the attorney client privilege; the accountant's role must be "nearly indispensable or serve some specialized purpose of facilitating the attorney-client communications."[4] The court also denied a claim of common interest privilege because the accounting firm and the client did not share a common legal interest with respect to the communications. Courts have ruled differently when the information shared with accountants or auditors is work product rather than attorney-client communications.[5]

Because of an auditor's independence requirements and "watchdog" functions, the public interest in disclosure is seen to outweigh the need for protection of communications with auditors.[6] Indeed, in the past, this desire to maintain auditor independence outweighed claims of work product protection on the "audit response" letters routinely prepared by lawyers to respond to auditor requests for information about pending or threatened litigation needed to facilitate the auditor's independent review of a company's financial condition. Such "audit responses" were considered to have been prepared in the ordinary course of business and not in anticipation of litigation and thus not covered by work product protection.[7]

However, more recent court decisions have reanalyzed the circumstances in which the audit response letters are prepared and determined that an audit letter is not prepared in the ordinary course of business, but is prepared "because of the prospect of litigation," and should be protected by the work product privilege.[8] These courts have found that disclosure of material to the auditor (including providing responses to an auditor's request for litigation status and risks) does not waive privilege unless it "substantially increases" the opportunity for potential adversaries to obtain the information contained in the letter.[9]

Today there is an additional wrinkle for audit response letters that may impact the determination of what to report and possibly places in jeopardy whether the response will be protected by the work product doctrine. On July 16, 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48) on Ac-

counting for Uncertainty in Income Taxes, an interpretation of FASB 109.[10] It applies to issues involving federal, state, local and foreign *income* taxes. FIN 48 states it governs with respect to accounting for such tax contingencies in place of FASB 5, the accounting standard underlying the lawyer's responsibilities for audit responses.[11] FIN 48 and its impact on auditors' requests for information and the lawyer responses thereto are beyond the scope of this Chapter and this subsection. However, counsel should be aware that FIN 48 deals with possible *income* tax contingencies only that may or may not involve litigation (or even legal advice). Thus, the current trend toward treating audit response letters as work product because they are prepared "because of" litigation may not extend to audit response letters, or any portions thereof, that deal with FIN 48 issues.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* U.S. v. Arthur Young & Co., 1984-1 C.B. 270, 465 U.S. 805, 817, 104 S. Ct. 1495, 79 L. Ed. 2d 826, Fed. Sec. L. Rep. (CCH) P 99721, 84-1 U.S. Tax Cas. (CCH) P 9305, 15 Fed. R. Evid. Serv. 15, 53 A.F.T.R.2d 84-866 (1984) ("No confidential accountant-client privilege exists under federal law, and no state-created privilege has been recognized in federal cases."); *see also* Couch v. U.S., 1973-1 C.B. 609, 409 U.S. 322, 335, 93 S. Ct. 611, 34 L. Ed. 2d 548, 73-1 U.S. Tax Cas. (CCH) P 9159, 31 A.F.T.R.2d 73-477 (1973); U.S. v. Frederick, 182 F.3d 496, 500 (7th Cir. 1999) (Courts have instead held that a "taxpayer must not be allowed, by hiring a lawyer to do the work that an accountant, or other tax preparer, or the taxpayer … normally would do, to obtain greater protection ….").

[FN2] *See* In re G-I Holdings Inc., 218 F.R.D. 428, 2004-1 U.S. Tax Cas. (CCH) P 50154, 92 A.F.T.R.2d 2003-6451 (D.N.J. 2003) (denying claim of privilege for communications between counsel and tax accountant where the accountant was hired for his expertise and not to simply "sit with GAF employees and define tax concepts to attorneys unschooled in tax and accounting").

[FN3] Cavallaro v. U.S., 284 F.3d 236, 2002-1 U.S. Tax Cas. (CCH) P 50330, 52 Fed. R. Serv. 3d 761, 89 A.F.T.R.2d 2002-1699 (1st Cir. 2002).

[FN4] Cavallaro v. U.S., 284 F.3d 236, 2002-1 U.S. Tax Cas. (CCH) P 50330, 52 Fed. R. Serv. 3d 761, 89 A.F.T.R.2d 2002-1699 (1st Cir. 2002).

[FN5] *See* Merrill Lynch & Co., Inc. v. Allegheny Energy, Inc., 229 F.R.D. 441 (S.D. N.Y. 2004) (disclosure of internal investigative reports to auditor did not waive work product protection for the reports because the auditor and corporation were not adversaries and disclosure to the auditor would not lead to disclosure to adversaries); Laguna Beach County Water Dist. v. Superior Court, 124 Cal. App. 4th 1453, 1460–61, 22 Cal. Rptr. 3d 387, 392–93 (4th Dist. 2004) (under California rules governing work product, disclosure to auditor did not waive work product since auditor had interest in maintaining confidentiality); Lawrence E. Jaffe Pension Plan v. Household Intern., Inc., 237 F.R.D. 176, 183 (N.D. Ill. 2006) (disclosure of retained counsel's report of internal investigation to outside auditor does not waive work product because disclosure does not substantially increase the potential for adversaries to obtain the report); *but see* Medinol, Ltd. v. Boston Scientific Corp., 214 F.R.D. 113, 116–17 (S.D. N.Y. 2002) (holding that claims of work product to minutes of special litigation committee were waived when those minutes were disclosed to auditors performing an audit of the company's litigation exposure on the grounds that the auditor did not share a "common interest" with its audit client).

[FN6] *See, e.g.*, U.S. v. Arthur Young & Co., 1984-1 C.B. 270, 465 U.S. 805, 817–18, 104 S. Ct. 1495, 79 L. Ed. 2d 826, Fed. Sec. L. Rep. (CCH) P 99721, 84-1 U.S. Tax Cas. (CCH) P 9305, 15 Fed. R. Evid. Serv. 15, 53 A.F.T.R.2d 84-866 (1984).

[FN7] Independent Petrochemical Corp. v. Aetna Cas. and Sur. Co., 117 F.R.D. 292, 298 (D.D.C. 1987) . *See, e.g.*, Binks Mfg. Co. v. National Presto Industries, Inc., 709 F.2d 1109, 14 Fed. R. Evid. Serv. 1705, 37 Fed. R. Serv. 2d 1089, 36 U.C.C. Rep. Serv. 14 (7th Cir. 1983) (noting work product protection does not apply to materials prepared in the ordinary course of business or otherwise for some purpose not primarily concerned with litigation). *See also* U.S. v. El Paso Co., 682 F.2d 530, 542, 82-2 U.S. Tax Cas. (CCH) P 9534, 11 Fed. R. Evid. Serv. 502, 34 Fed. R. Serv. 2d 918, 50 A.F.T.R.2d 82-5530 (5th Cir. 1982) (holding that protection applies to a document only if the "primary motivating purpose" of its creation was to aid in possible future litigation).

[FN8] *See* Lawrence E. Jaffe Pension Plan v. Household Intern., Inc., 237 F.R.D. 176, 181 (N.D. Ill. 2006) (holding that audit letter responses are protected by the work product privilege because they are prepared only in the event of or "because of the prospect of litigation."); Tronitech, Inc. v. NCR Corp., 108 F.R.D. 655, 657, 1986-1 Trade Cas. (CCH) ¶67161, 3 Fed. R. Serv. 3d 1265 (S.D. Ind. 1985) (finding audit letter protected as opinion work product notwithstanding adverse precedent); *but see* U.S. v. Textron Inc. and Subsidiaries, 577 F.3d 21 (1st Cir. 2009), petition for cert. filed (U.S. Dec. 24, 2009) (en banc) (overruling the trial court and First Circuit panel, holding that work product protection does not apply to tax accrual work papers shared with auditors adopting the "primary purpose" test because the papers were prepared primarily for supporting financial statements and not *for use in* litigation).

[FN9] *See, e.g.*, Regions Financial Corp. v. U.S., 2008-1 U.S. Tax Cas. (CCH) P 50345, 101 A.F.T.R.2d 2008–2179, 2008 WL 2139008, at *7- (N.D. Ala. 2008) (holding Plaintiff did not waive work product privilege when it confidentially disclosed letters to an independent auditor because "it disclosed them to neither an adversary nor a conduit to an adversary."); Gutter v. E.I. Dupont de Nemours & Co., 1998 WL 2017926, at *3 (S.D. Fla. 1998) (finding that disclosure to independent auditors "does not waive the work product privilege, since there is an expectation that confidentiality of such information will be maintained by the recipient."); Laguna Beach County Water Dist. v. Superior Court, 124 Cal. App. 4th 1453, 1460, 22 Cal. Rptr. 3d 387, 391 (4th Dist. 2004) (noting that disclosure operates as a waiver only when otherwise protected information is divulged to a third party who has no interest in maintaining the confidentiality of the material).

[FN10] *See* ABA Committee on Audit Responses "Statement on Effect of FIN 48 on Audit Response Letters," dated October 16, 2008.

[FN11] *See* ABA Committee on Audit Responses "Statement on Effect of FIN 48 on Audit Response Letters," dated October 16, 2008. In 1975, the American Bar Association and the Auditing Standards Executive Committee of AICPA (American Institute of Certified Public Accountants) reached a "Treaty" on the parameters of lawyer responses to audit letters (the ABA Statement of Policy). The Treaty dealt with accounting reporting issues raised in FASB 5.

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by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

V. Protecting Privileges
A. Protecting Privileges in Special Situations

§ 33:48. Protecting privileges: tax preparation

"There is no common law accountant's or tax preparer's privilege."[1] Today, however, a federal statute, 26 U.S.C. § 7525, extends some protection to communications concerning tax advice between taxpayers and "authorized tax practitioners," including certified public accountants, attorneys, and "enrolled agents."[2] The federal statute protects a communication that otherwise "would be considered a privileged communication if it were between a taxpayer and an attorney."[3]

The statutory tax practitioner's privilege is limited by specific definitions of "tax practitioner" and "tax advice" and by specific limitations to the scope of the privilege protection.[4] A "tax practitioner" is "any individual who is authorized to practice before the Internal Revenue Service …."[5] "Tax advice" means "advice given by an individual with respect to a matter which is within the scope of the individual's authority to practice …."[6] The scope of this statutory privilege is further narrowed by three specific limitations:

- it applies only to communications made on or after the date of enactment, July 22, 1998;
- it applies to only two types of tax matters—
  "noncriminal tax matters before the IRS;"[7]
  "noncriminal tax proceedings in Federal court brought by or against the United States;"[8] and
- it prohibits the application of the tax practitioner's privilege to "any written communication between a federally authorized tax practitioner [and his client] in connection with the promotion of the direct or indirect participation of the person in any tax shelter …."[9]

Thus, the statute does not purport to create a "tax preparer's privilege."[10] Section 7525 recognizes the practicality that a client seeking specialized tax advice regarding application of the tax code or certain tax strategies may seek the advice or analysis of a tax practitioner who is licensed to render that advice. Accordingly, the protection extends to a communication from a tax practitioner to a client if that communication would otherwise be protected by the attorney-client privilege had the client obtained the advice or analysis from an attorney rather than the tax practitioner.

The practitioner should be aware that the court's application of this principle in United States v. KPMG is inconsistent with the plain meaning of Section 7525. In KPMG, the court found that the protection of Section 7525 did not apply to opinion letters prepared by the client's accounting firm and sent to the client. The court noted that the language contained on the face of the document "You have requested our opinion regarding the U.S. *federal income tax consequences* of certain investment portfolio transactions that have been concluded by you … " provided no other logical conclusion than the document was prepared in connection with the preparation of a tax return.[11] In contrast, however, the court found that a similar opinion letter containing virtually identical language prepared by a law firm representing the client was entitled to protection from disclosure by the attorney-client privilege.[12] In finding that the attorney-client privilege applied, the court noted that the protection afforded by Section 7525 was inapplicable for the reasons previously stated.[13] This application is clearly inconsistent with the plain meaning of that statute, which provides that the same common law protections that apply to a communication between a client and his attorney shall apply to communications between a client and his tax practitioner.[14] However, because of the dearth of case law interpreting and applying Section 7525, the inconsistent reasoning contained in the *KPMG* opinion may well be applied in other cases.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Couch v. U.S., 1973-1 C.B. 609, 409 U.S. 322, 335, 93 S. Ct. 611, 34 L. Ed. 2d 548, 73-1 U.S. Tax Cas. (CCH) P 9159, 31 A.F.T.R.2d 73-477 (1973).

[FN2] 26 U.S.C.A. § 7525(a); *see also* Valero Energy Corp. v. United States, 2008 WL 4104368, at *4 (N.D. Ill. Aug. 26, 2008) (holding that the tax practitioner's privilege protects only client communications and U.S. tax advice and is not conflated with work product).

[FN3] 26 U.S.C.A. § 7525(a)(1); *see also* U.S. v. BDO Seidman, LLP, 492 F.3d 806, 827, 2007-2 U.S. Tax Cas. (CCH) P 50530, 100 A.F.T.R.2d 2007-5052 (7th Cir. 2007), cert. denied, 128 S. Ct. 1471, 170 L. Ed. 2d 296 (2008) ("The tax practitioner privilege protects those communications which would be privileged if made to an attorney."). The Seventh Circuit has stated that this language does not grant similar protection to what would otherwise be considered attorney work product. U.S. v. Frederick, 182 F.3d 496, 502 (7th Cir. 1999); Valero Energy Corp. v. United States, 2008 WL 4104368, at *4 (N.D. Ill. Aug. 26, 2008) (holding that the tax practitioner's privilege is not to be conflated with work product protection); *but see* U.S. v. Textron Inc. and Subsidiaries, 577 F.3d 21 (1st Cir. 2009), petition for cert. filed (U.S. Dec. 24, 2009) (en banc) (overruling the trial court and First Circuit panel, holding that work product protection does not apply to tax accrual work papers shared with auditors, adopting the "primary purpose" test because the papers were prepared primarily for supporting financial statements and not *for use in* litigation, but not addressing the issue of whether the tax accountants were doing "lawyers work" and thus qualifying the advice for privilege conferred by § 7525(a)).

[FN4] 26 U.S.C.A. § 7525(a)(1).

[FN5] 26 U.S.C.A. § 7525(a)(3)(A).

[FN6] 26 U.S.C.A. § 7525(a)(3)(B).

[FN7] 26 U.S.C.A. § 7525(a)(2)(A).

[FN8] 26 U.S.C.A. § 7525(a)(2)(B).

[FN9] 26 U.S.C.A. § 7525(b); *see* Valero Energy Corp. v. United States, 2008 WL 4104368, at *13 (N.D. Ill. Aug. 26, 2008) (holding that the burden is on the opponent of the privilege to prove the tax shelter exception applies to void a claim of privilege under § 7525); U.S. v. BDO Seidman, LLP, 492 F.3d 806, 827, 2007-2 U.S. Tax Cas. (CCH) P 50530, 100 A.F.T.R.2d 2007-5052 (7th Cir. 2007), cert.

denied, 128 S. Ct. 1471, 170 L. Ed. 2d 296 (2008) ("Because the [tax shelter] exception is limited to written communications, oral communications between a tax practitioner and the corporate agent remain within the general rule of privilege …"; moreover the tax shelter exception applies only to the tax practitioner's privilege).

[FN10] *See* U.S. v. KPMG LLP, 237 F. Supp. 2d 35, 2003-1 U.S. Tax Cas. (CCH) P 50174, 91 A.F.T.R.2d 2003-317 (D.D.C. 2002) (stating that § 7525 does not protect communication between a tax practitioner and a client regarding tax return preparation).

[FN11] U.S. v. KPMG LLP, 237 F. Supp. 2d 35, 2003-1 U.S. Tax Cas. (CCH) P 50174, 91 A.F.T.R.2d 2003-317 (D.D.C. 2002).

[FN12] U.S. v. KPMG LLP, 237 F. Supp. 2d 35, 2003-1 U.S. Tax Cas. (CCH) P 50174, 91 A.F.T.R.2d 2003-317 (D.D.C. 2002).

[FN13] U.S. v. KPMG LLP, 237 F. Supp. 2d 35, 2003-1 U.S. Tax Cas. (CCH) P 50174, 91 A.F.T.R.2d 2003-317 (D.D.C. 2002).

[FN14] 26 U.S.C.A. § 7524(a)(1).

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B. Protecting Privileges in Litigation

§ 33:49. How privileges are put at risk

As important as it is to understand when, how, and why privilege and work product protections apply, it is just as important to understand how privilege claims may be lost. The following sections will examine this problem with respect to practices of in-house and outside counsel that can result in the unnecessary loss of privilege protections.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

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§ 33:50. Protecting the privileges: discrete issues in pre-trial discovery

The attorney-client privilege and work product doctrine are evidentiary and testimonial protections, not exceptions to the discovery rules. When parties in civil litigation receive discovery requests, they have an obligation to identify responsive documents or materials as to which they assert a claim of privilege.[1] Those privilege claims can be waived if counsel does not timely assert each applicable claim for protection. A few examples of privilege waiver "traps for the unwary" that may arise in the context of pre-trial discovery are identified below.

First, claims of attorney-client privilege and work product protection must be asserted in compliance with generally applicable evidentiary and procedural rules or they will be lost. Just as evidentiary objections must be asserted contemporaneously with the proffer of inadmissible evidence to avoid waiver,[2] so too, failure to object to a request for privileged or work product materials will waive their protection.[3]

For purposes of pre-trial discovery, where making numerous evidentiary objections may cause undue delay, many jurisdictions permit counsel to stipulate that failure to make an objection during pre-trial discovery does not waive that objection.[4] Because the prevailing assumption is that a failure to object on grounds of privilege waives the privilege claim, counsel should be very cautious before adopting such a stipulation. If strategic considerations weigh in favor of postponing privilege objections, counsel should explicitly state that the parties are proceeding under such a rule on the record at each deposition (or other occasion) when privilege objections would be lodged.

Second, many courts require parties to produce those portions of responsive documents which do not contain privileged information. This can create particular problems of "waiver" for counsel. The evidentiary "rule of completeness" or "fairness doctrine" requires that documents or materials containing attorney-client communications or work product be redacted to disclose underlying facts that are otherwise discoverable, but only to the extent that the redaction does not selectively release only favorable facts and does not otherwise present the facts in a misleading way. This rule requires discretion by the producing party. Inadvertently misleading or unfair disclosure of some, but not all, of a protected communication or document may lead to a general waiver of the undisclosed privileged information.[5]

Third, parties to litigation rarely extend their search for responsive documents to files possessed by outside counsel or other corporate agents. However, counsel responding to discovery requests should bear in mind that the exclusion of outside counsel files is a professional custom and not a protection derived from the rules of civil

procedure. There is caselaw that supports a requirement for producing materials from, and logging protected documents found in, outside counsel files.[6] Therefore, it is good practice when responding to discovery requests to expressly disclaim an intent to search or produce documents from the files of outside agents, including outside counsel. By making this exclusion an express objection to the requests for production, counsel's failure to timely produce privilege logs for documents in outside counsel files will not later be treated as a waiver of those privilege claims.

Finally, when retaining outside counsel, corporate counsel should consider the degree to which inside counsel will manage the work of outside counsel. To the extent corporate counsel actively manage the work of their outside counsel, the corporation may be collecting in its own files volumes of outside counsel's work product which, if responsive to discovery requests, will have to be identified on privilege logs.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] The application of work product or privilege protection does not mean that the communication, document, or material is not responsive to discovery requests. *See, e.g.*, Fed. R. Civ. P. 33(b) (interrogatory not objectionable solely because it calls for "opinion" or "application of law to fact"); Fed. R. Civ. P. 26(b) (same for requests for admission).

[FN2] *See, e.g.*, Fed. R. Evid. 103(a)(1).

[FN3] While failure to object can waive privileges, a party that provides "boilerplate" objections to written discovery requests also may waive any objection to producing privileged documents responsive to the request. *See* Precision Pine & Timber, Inc. v. U.S., 2001 WL 1819224, at *6 (Ct. Fed. Cl. 2001) (court overruled objections and claims of privilege deemed waived where party's discovery responses violated Rule 26(9)).

[FN4] *See, e.g.*, Fed. R. Civ. P. 29.

[FN5] *See* § 33:66; In re Sealed Case, 676 F.2d 793, 818, Fed. Sec. L. Rep. (CCH) P 98647, 82-1 U.S. Tax Cas. (CCH) P 9335, 10 Fed. R. Evid. Serv. 490, 33 Fed. R. Serv. 2d 1778, 50 A.F.T.R.2d 82-5637 (D.C. Cir. 1982) ("since the purpose of the attorney-client privilege is to protect the confidentiality of attorney-client communications in order to foster candor within the attorney-client relationship … selective disclosure for tactical purposes waives the privilege"); *see also* Neal v. Honeywell, Inc., 995 F. Supp. 889, 13 I.E.R. Cas. (BNA) 1408 (N.D. Ill. 1998), aff'd, 191 F.3d 827, 15 I.E.R. Cas. (BNA) 1513 (7th Cir. 1999)) ("a party cannot selectively divulge privileged information without impairing its attorney-client privilege as to the rest of that information concerning the same subject"); In re Consolidated Litigation Concerning Intern. Harvester's Disposition of Wisconsin Steel, 666 F. Supp. 1148, 1153, 8 Employee Benefits Cas. (BNA) 2294, 24 Fed. R. Evid. Serv. 792, 10 Fed. R. Serv. 3d 262 (N.D. Ill. 1987) ("a party should not be able to exploit selective disclosures for tactical advantage"); 8 J. Wigmore, Evidence § 2327, at 636 (1961).

[FN6] *See* Velsicol Chemical Corp. v. Parsons, 561 F.2d 671, 676–77, 10 Env't. Rep. Cas. (BNA) 1618 (7th Cir. 1977) (work product rule did not preclude production of outside counsel files).

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B. Protecting Privileges in Litigation

§ 33:51. Protecting the privileges: document creation and storage

A lawyer writing a document usually understands its purpose and recognizes whether it is privileged. Unfortunately, counsel who author documents in the course of representing their corporate clients are rarely the individuals who determine whether the document should be produced in the course of discovery during litigation. This subsection focuses upon the need to properly manage document creation and storage to ensure that counsel who may later be reviewing documents in litigation will recognize privilege and work product claims where appropriate.[1]

In civil litigation, documents subject to discovery are collected and reviewed to screen them for responsiveness, trade secret or other confidential information, and privileges. This process is generally designed, supervised, and carried out by outside counsel and paralegals who may have little understanding of the context in which specific documents were created. Collection and review projects can encompass large numbers of documents, and may be subject to extreme time pressures. Trial counsel must comply with both production deadlines and deadlines for the submission of privilege logs. In the collection phase, hardcopy and electronic documents are removed from employees' files "as is." Often, as with email and other electronically stored information, the documents are not organized in files identifying their contents. Outside counsel has little time and few resources for the fact-finding needed to identify documents which, on their face, may not appear to be privileged communications or work product but which in fact are deserving of protection.

These problems are not easily addressed at the collection and production phase of litigation. The best way to avoid producing privileged documents during discovery is to make sure that the documents carry on their face all indicia necessary to establish applicability of the privilege at the time of their creation.

The inadvertent production of privileged and work product documents results from a variety of factors.

First, privileged documents are often not plainly marked as such.

Second, distribution lists have a tendency to expand. Reviewing lawyers may not recognize that a document was intended to be confidential legal advice, and hence privileged, when there are fifteen copies in the files of fifteen different employees and the distribution list on the document is half a page long. In point of fact, absent special circumstances, purported legal advice sent to fifteen corporate employees would likely be viewed by a court as not "confidential" and therefore not privileged.

Third, many documents, such as handwritten notes, do not identify the author or recipients, or authors and

recipients may be noted only by initials. The handwriting of a particular author may not be identifiable as that of an attorney. Documents are often pulled apart in company files and transmittals may become separated from attachments, including e-mail attachments, making it practically impossible to identify authors, recipients, or context.

Fourth, because both the author and intended recipients of a document understand that they are discussing legal advice, they often see no need to restate that legal purpose in the text of the document. But, unless the document itself provides some clue to its legal context and purpose, reviewers may not recognize the comments contained therein are legal advice. The problem is further compounded when the documents are not organized in clearly marked hardcopy or electronic files which indicate the legal issue or litigation to which the document relates.

During document collection and review, each of these problems produces a similar result: it is difficult to recognize potentially privileged documents as such. The pitfalls associated with document creation and storage are pervasive. However, in-house and outside counsel can work together to establish well-articulated policies and practices for preparing and filing documents in a manner conducive to identifying and preserving corporate privilege claims. Such a policy can make a significant difference in counsel's ability to protect from disclosure sensitive legal advice and litigation strategy. The following are some suggestions:

1. Provide legends on documents, such as "Privileged & Confidential" or "Attorney Work Product," where appropriate. One of the most obvious and important guides for the classification of documents is whether the author expected it to remain privileged. This practice has the added benefit of providing a mechanism for sequestering electronic documents that should be protected and a clear beacon to time-pressed document reviewers trying to identify potentially privileged material. For electronic documents, label the document immediately when it is first being created. Draft documents may be saved on backup systems or elsewhere and it may not be obvious to the person reviewing the document that the draft would later be labeled as a privileged document.
2. As author of a document, identify yourself by name and position. Persons engaged in collecting and reviewing documents during discovery have an easier time identifying privileged communications if it is obvious that they were authored or received by attorneys. It may seem tedious to state the position you hold in the corporation in all correspondence, especially since the intended recipients already know who you are. However, persons tasked with reviewing documents during litigation discovery see files that span years or even decades. Positions change and many in-house counsels wear two hats, also serving as senior executives. If you are authoring a communication in your capacity as counsel, say so.[2]
3. Identify the subject matter of the document. Subject matter descriptions at the beginning of a document, or the use of "Re:" lines, allow document reviewers, and courts, to immediately determine if a document was created for a protected purpose. Be specific. Where appropriate, references to specific case names or requests for legal advice are more effective than general allusions (*e.g.*, "Re: Your request for legal advice regarding the Hoffman litigation" is preferable to "Re: Your phone call of 3/13/00"). Remember that for work product, courts often require that the document be linked to a specific litigation.[3]
4. Establish confidentiality on the face of the document. Use legends such as "Confidential" or "Limited Distribution" where appropriate.[4] If the document memorializes a meeting, identify persons present during that meeting. If you are communicating with a third-party consultant retained to assist in formulating your legal opinion, identify the recipient as your agent in the correspondence.[5]
5. Limit distribution of the document where feasible. Specify intended recipients on the document itself. Privileged communications must remain confidential. Courts assume that only a limited number of people need to receive specific legal advice. Assume that courts do not understand how large corporations operate and will not provide an opportunity for counsel to educate them on the inner workings of corporations and their counsel.[6]
6. Describe the legal purpose of any advice, request, or opinion. For example, if you are advising that advertising copy is in compliance with applicable FTC regulations, say so. Don't just write "approved" across the top of the ad. If you require information from an employee to help you render legal advice, state your purpose in the written request for information. Establish a policy whereby employees' written responses to such requests specifically refer back to the request (e.g., "In response to Legal's request of 3/13/00, I am providing the following information ….). If forced to provide context in the form of a transmittal letter (e.g., forwarding charts, graphs, etc.) establish a policy to ensure that transmittals and attachments remain together in the files.
7. Advise corporate employees to circulate drafts of materials needing legal review to the legal department for legal input *before* circulating the draft to other business people. When drafts circulate separately to legal counsel, courts are more likely to recognize that they contain a request for legal advice than when the document is sent to a large number of people, only a few of whom are attorneys.
8. Remain mindful of company document archives and libraries. If privileged documents are stored in locations where all employees have unrestricted access, many courts will not consider such documents "confidential" and will therefore deem any privilege waived.[7]
9. Organize and file documents properly. Your outside counsel will need contextual information to determine whether attorney-client and/or work product privileges apply. Use file labels and electronic filing systems that identify the contents of the file as related to actual or anticipated litigation or specific legal issues. Keep related documents together. Do not pull apart lawyer prepared compilations of materials that may reveal counsel's thoughts and opinions.
10. Keep legal files separate from business files. Putting legal analysis in a separate document from business analysis will mitigate the risk of later disclosure because reviewing attorneys thought the document only contained business advice. If a communication must include both legal and business analysis, try to segregate the legal analysis or advice so that it is readily identifiable and can be redacted.

A checklist summarizing many of these points is provided in § 33:96.

A final cautionary word: Designations of documents as containing legal advice or legends like "Confidential" or "Attorney Work Product" cannot be used arbitrarily. Should a court discover that these labels are employed inappropriately, the legend can quickly lose whatever presumption of accuracy might otherwise have attached, and in extreme cases could ultimately play into an adverse party's allegations of discovery abuse. Use caution when advising employees to label their own documents as "privileged" or "work product," even when their work is performed at the request of counsel. Some courts disapprove of lay people making "legal" judgments about what is privileged. Moreover, employees who lack an appreciation of the limitations of the work product and privilege protections may overuse the labels and thereby jeopardize the corporation's ability to protect legitimately privileged materials.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See also* Chapter 28 "Technology" §§ 28:37 to 28:40 and Chapter 29 "Management of Corporate Documents" § 29:40.

[FN2] *See* § 33:12.

[FN3] *See* §§ 33:26 to 33.

[FN4] *See* §§ 33:4 to 33:9; §§ 33:26 to 33:33.

[FN5] *See* § 33:18.

[FN6] *See* § 33:8 and §§ 33:12 to 33:19.

[FN7] *See* Bowne of New York City, Inc. v. AmBase Corp., 150 F.R.D. 465, 482 (S.D. N.Y. 1993) (noting that waiver could occur under the federal law of privilege if persons outside the confidential relationship are given unrestricted access to documents even if they do not read them) (citing In re Horowitz, 482 F.2d 72, 81 (2d Cir. 1973)); *see* §§ 33:8 and 33:97.

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33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

V. Protecting Privileges
B. Protecting Privileges in Litigation

§ 33:52. Protecting the privileges: document creation and storage—E-mail

Corporations routinely use e-mail for both business and legal communication. However, despite the ubiquitous use of e-mail not all jurisdictions are comfortable with the use of e-mail for confidential communications. The prevailing view of courts is to treat e-mail as an acceptable form of communication between attorney and their clients.[1] A few jurisdictions nevertheless caution that e-mail creates a serious risk of disclosure of confidential information and should include warnings about this risk.[2]

Even though e-mail's use for confidential messages has been virtually universally accepted, the availability and convenience of e-mail will continue to exacerbate the problems and pitfalls of managing document creation and storage. E-mail responses are short, to the point, and often do not expressly refer back to the original legal purpose for which the e-mail communication was generated. E-mail communications can be copied and distributed without thought that receipt by those without a real need to share the legal advice or work product may destroy the confidentiality essential for preserving the privilege. Additionally, reply e-mails may include the text of previous e-mails, thus creating email chains. These chains can mix privileged and non-privileged information. Later recipients may not be aware that prior confidential or privileged e-mails were included at the end of the chain and inadvertently disseminate confidential information.[3]

Personal use of e-mail by employees can also create serious complications if employees use company systems for communications with their personal counsel. When corporations have a strong policy against the personal use of the corporate computer systems monitor, employee use of e-mail, and inform employees of these policies and practices, courts have held that employees do not have a reasonable expectation of confidentiality and cannot assert privilege claims for personal e-mail communications.[4] If such a policy does not exist, or if it is not adequately disclosed to employee, questions of what and when the corporation told employees about e-mail usage could become a central issue in litigation that has nothing to do with the corporation. Ensuring that the existence of such a policy is clear to employees will prevent a time-consuming inquiry into whether or not the policy existed and whether or not the employee was informed.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] In 1999, the American Bar Association issued ABA Formal Op. 99-413, stating that lawyer communications via unencrypted e-mail over the Internet did not violate the Model Rules of Professional

Conduct (1998). According to ABA Formal Op. 99-413, unencrypted e-mail over the Internet "affords a reasonable expectation of privacy." *See, e.g.,* In re Asia Global Crossing, Ltd., 322 B.R. 247, 256 (Bankr. S.D. N.Y. 2005) ("Although e-mail communication, like any other form of communication, carries the risk of unauthorized disclosure, the prevailing view is that lawyers and clients may communicate confidential information through unencrypted e-mail with a reasonable expectation of confidentiality and privacy."); Premiere Digital Access, Inc. v. Central Telephone Co., 360 F. Supp. 2d 1168 (D. Nev. 2005) ("Thus, the e-mail is protected under Nevada law as a communication between a client's representative and a lawyer, so long as the privilege has not been waived."). *See also* Chapter 31 "Ethics" § 31:20.

[FN2] *See, e.g.,* North Carolina, RPC 215 (July 21, 1995) which warns practitioners that e-mail is not secure and requires practitioners to advise the client of the risks of interception and potential for loss of confidentiality. Council of the North Carolina State Bar, Formal Ethics Op. 12 (2008) (noting counsel "must use reasonable care to select a mode of communication that will best maintain any confidential information that might be conveyed in the communication" and referencing their e-mail opinion, RPC 215). *See also* American Civil Liberties Union v. Reno, 929 F. Supp. 824, 834 (E.D. Pa. 1996), judgment aff'd, 521 U.S. 844, 117 S. Ct. 2329, 138 L. Ed. 2d 874, 25 Media L. Rep. (BNA) 1833 (1997) (in dicta, the court recognized that "[u]nlike postal mail, simple e-mail is not 'sealed' or secure, and can be accessed or viewed on intermediate computers between the sender and recipient (unless the message is encrypted")).

[FN3] *See, e.g.,* U.S. v. ChevronTexaco Corp., 241 F. Supp. 2d 1065 (N.D. Cal. 2002) (finding that confidential e-mail was disclosed to an outside party and privilege destroyed when the text of those emails were contained in a forwarded e-mail).

[FN4] *See* Sprenger v. Rector and Bd. of Visitors of Virginia Tech, 2008 WL 2465236, at *3 (W.D. Va. 2008) (Factors to be considered in deciding whether employee's personal messages contained on their employer's computers are privileged are "(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 e-mail, (3) do third parties have a right of access to the computer or e-mails, and (4) did the corporation notify the employee, or was the employee aware, of the use and monitoring policies."); In re Asia Global Crossing, Ltd., 322 B.R. 247, 257 (Bankr. S.D. N.Y. 2005). Cases addressing whether or not employee's communications are privileged tend to rely on Fourth Amendment precedent determining whether employees have a reasonable expectation of privacy. *See* Sprenger, 2008 WL 2465236, at *3–4 (noting employee's "reasonable expectations of privacy could be 'reduced by virtue of actual office practices and procedures, or by legitimate regulation.'" (quoting O'Connor v. Ortega, 480 U.S. 709, 718, 107 S. Ct. 1492, 94 L. Ed. 2d 714, 1 I.E.R. Cas. (BNA) 1617, 42 Empl. Prac. Dec. (CCH) P 36891 (1987))).

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by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

V. Protecting Privileges
B. Protecting Privileges in Litigation

§ 33:53. Protecting the privileges: the duty to preserve

Counsel are accustomed to assuming that all work they perform in assisting a client prepare for and defend litigation will be protected by the work product doctrine and that any "advice" provided to the corporation in the process of handling the litigation will be protected by the attorney-client privilege. This assumption is not necessarily wrong. However, there may be prudential reasons not to assert work product or privilege claims for certain work and advice provided to clients in the process of preserving, collecting, reviewing and producing documents in litigation.

With the increased focus on discovery of electronically stored information, there has been an upsurge in party allegations of spoliation or other discovery abuse and, as a consequence discovery directed not to the merits of the litigation but to the steps taken by the opposing party and its counsel to preserve and produce evidence relevant to that party's claims or defenses. In this context, courts have stated that counsel, as well as their clients, have a duty to preserve relevant evidence.[1] Although many courts have upheld privilege and/or work product claims to litigation hold notices informing corporate employees of their duty to preserve,[2] courts have also increasingly permitted discovery of work product and privileged communications of counsel involved in the preservation process.[3] Once spoliation or other discovery-abuse allegations are made and a court permits inquiry into attorney-client communications and work product materials relating to those allegations, the loss of protection may extend to sensitive legal advice and litigation strategy on the same "subject matter."[4] Furthermore, because the duty to preserve extends to both client and counsel, and actions taken in fulfillment of a legal duty may not be privileged,[5] counsel and client may want to consider at the outset of litigation whether they want to assert privilege or work product protection for communications and actions taken in *implementing* the duty to preserve relevant evidence.[6] By segregating legal advice and opinion work product from the implementing materials (e.g. interview notes, collection records, chain-of-custody logs, legal hold notices), the client is in a position to defend its preservation efforts without risking waiver of more sensitive legal advice and opinion work product.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See, e.g.,* Zubulake v. UBS Warburg LLC, 229 F.R.D. 422, 433–44, 94 Fair Empl. Prac. Cas. (BNA) 1, 85 Empl. Prac. Dec. (CCH) P 41728 (S.D. N.Y. 2004) (noting counsel's obligation to ensure that relevant information is preserved by giving clear instructions to the client to preserve such informa-

tion and, perhaps, more importantly, a client's obligation to heed those instructions.); *see also* ABA Civil Discovery Standards, No. 10 (August 2004); *accord* Rule 3.4, ABA Model Rules of Professional Conduct ("A lawyer shall not: (a) unlawfully obstruct another party's access to evidence or unlawfully alter, destroy or conceal a document or other material having potential evidentiary value."). *See generally* Hon. Shira A. Scheindlin and Jonathan M. Redgrave, Chapter 22, "Discovery of Electronic Information," in Haig, Business and Commercial Litigation in Federal Courts, §§ 22:1 et seq. (2d ed.).

[FN2] *See, e.g.,* In re eBay Seller Antitrust Litigation, 2007 WL 2852364 (N.D. Cal. 2007); Capitano v. Ford Motor Co., 15 Misc. 3d 561, 831 N.Y.S.2d 687, 688–89 (Sup 2007) ("suspension orders" are privileged communications); Gibson v. Ford Motor Co., 510 F. Supp. 2d 1116 (N.D. Ga. 2007) (refusing to permit discovery of litigation hold notice which court found was attorney work product).

[FN3] *See* Zubulake v. UBS Warburg LLC, 229 F.R.D. 422, 425, 94 Fair Empl. Prac. Cas. (BNA) 1, 85 Empl. Prac. Dec. (CCH) P 41728 (S.D. N.Y. 2004) (recounting attorney-client communications in the process of the defendant's preservation process); Keir v. Unumprovident Corp., 2003 WL 21997747, at *6 (S.D. N.Y. 2003) (examining e-mail and oral communications between counsel and the client's employees relating to document preservation and production); United Medical Supply Co., Inc. v. U.S., 77 Fed. Cl. 257 (2007) (examining specific communications between government counsel, counsel's paralegal, and the client relating to the location and preservation of responsive documents); In re Intel Corp. Microprocessor Antitrust Litigation, 2008 WL 2310288 (D. Del. 2008) (waiver of work product for interview notes and other materials created in internal investigation of Intel's failure to preserve certain electronic information); *see also* Major Tours, Inc. v. Colorel, 2009 WL 2413631 (D.N.J. 2009) (holding that while litigation hold letters are protected by the attorney-client and work product privileges, upon a showing of the likelihood of spoliation, discovery is usually ordered to correct possible discovery abuse).

[FN4] *See* § 33:67.

[FN5] *See* Fisher v. U.S., 1976-1 C.B. 411, 425 U.S. 391, 403, 96 S. Ct. 1569, 48 L. Ed. 2d 39, 76-1 U.S. Tax Cas. (CCH) P 9353, 37 A.F.T.R.2d 76-1244 (1976) (The attorney-client privilege "protects only those disclosures necessary to obtain informed legal advice which might not otherwise have been made absent the privilege."); *see also* §§ 33:4 to 33:9.

[FN6] *See* The Honorable Paul W. Grimm, Michael D. Berman, Leslie Wharton, Jeanna Beck, Conor R. Crowley, "Discovery About Discovery: Does the Attorney-Client Privilege Protect All Attorney-Client Communications Relating to the Preservation of Potentially Relevant Information?," 37 Univ. Balt. L. Rev., no. 3 (Spring 2008): 413–455 (discussing the law and strategic issues relating to the duty to preserve and protecting privileged and work product communications).

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V. Protecting Privileges
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§ 33:54. Protecting the privileges: the privilege log

Many attorneys do not recognize the importance of the privilege log for protecting claims of privilege and work product. All too often, counsel submit privilege logs containing entries like: "E-mail from counsel to client containing legal advice" or "Draft memorandum prepared by counsel for litigation." As a matter of law, these log entries are patently insufficient. Failure to provide adequate support for the privilege or work product claim in a log description can waive the claim for protection altogether.[1] As a purely practical matter, courts have limited patience for sloppy and inadequate privilege logs, which, from their perspective, signal a lack of concern about protecting the underlying privileges and a general contempt for the judicial process. With respect to a party's obligation to establish a factual basis to support its privilege and work product claims, Fed. R. Civ. P. 26 (b)(5)(A) states:

> Information Withheld. When a party withholds information otherwise discoverable by claiming that the information is privileged or subject to protection as trial-preparation material, the party must: (i) expressly make the claim; and (ii) describe the nature of the documents, communications, or tangible things not produced or disclosed—and do so in a manner that, without revealing information itself privileged or protected, will enable other parties to assess the claim.[2]

Although interpretations of the rule's requirements vary from jurisdiction-to-jurisdiction, a typical privilege log will include:

1. type of document withheld (e.g., memorandum, letter, etc.);
2. author(s);
3. recipient(s);
4. date;
5. the nature of the privilege asserted (attorney-client privilege, work product, joint defense, etc.); and
6. a description of the document's contents sufficient to satisfy the elements of the privilege asserted.[3]

The most troublesome aspect of preparing a privilege log is determining the level of detail to be included in the document description. The description must include enough information to "make a prima facie showing that the privilege protects the information the party intends to withhold."[4] Thus, for a claim of attorney-client privilege, the description must establish each of the required elements: "(1) a communication between client and counsel, which (2) was intended to be and was in fact kept confidential, and (3) made for the purpose of obtaining or providing legal advice."[5] In the case of work product, the log must demonstrate: (1) documents or other

tangible things (2) prepared in anticipation of litigation or for trial (3) by or for a party or that party's representative.[6]

Although courts recognize the conflict between the need to inform the court and the need for confidentiality, courts want sufficient information so they can rule on claims of privilege without having to deal with time consuming challenge proceedings.[7] Comprehensive privilege logs reduce the need for time-consuming privilege challenge proceedings which burden courts.[8] Requiring detailed privilege logs creates an incentive for counsel to make only sparing and supportable claims of privilege.[9] Perhaps most importantly, many courts are simply unwilling or unable to undertake an *in camera* review to resolve privilege claims.[10]

To satisfy judicial requirements and avoid the cost and burden of unnecessary challenge proceedings, counsel should include the following information in the privilege log:

- A brief statement of the subject matter, couched in general terms (e.g., FTC regulation).[11]
- Facts to support the claim of confidentiality, such as an explanation of the role of any authors or recipients not obviously within the attorney-client relationship.
- A description of the author(s) and recipient(s) (e.g., company executive, counsel, etc.). If their position or job title would not adequately disclose the person's role or position within the company, the log should include a brief explanation of what they do. It is good practice to provide a glossary of the names of authors and recipients, and a meaningful description of their positions along with the privilege log.[12]
- In what capacity the authors and the recipients were acting at the time the document was created. This is vital for persons who may serve multiple roles in the corporation, particularly for in-house counsel who may also act in an executive capacity. Entries for documents from persons charged with giving both legal and business advice should specify in which capacity the person acted when preparing the document.[13]
- A description of the purpose of the document showing that it was a communication created for the purpose of obtaining or providing legal advice or was created in anticipation of litigation. For work product, the log should include that it was prepared in anticipation of a specific litigation or anticipated litigation. Opinion work product should also establish that the document reflects legal analysis and opinions of counsel.[14]

Taking all these guidelines into consideration, an ideal privilege log description might read:

> Confidential letter from outside counsel to company executives, forwarding and discussing analysis prepared by an expert consultant on which counsel relies in rendering legal advice regarding compliance with federal advertising regulations.

This description provides enough information to allow a court to conclude that the document should remain subject to the attorney-client privilege without disclosing the privileged information and advice contained in the document.

Because of the diverse nature of the documents that may be subject to claims of privilege, it is extremely difficult to promulgate universal rules for creating an acceptable privilege log. Assessing and articulating privilege claims is an "art," not a "science."[15] Counsel must gauge how to best address specific documents and claims under the circumstances of a particular case. A checklist of items to include in privilege log entries, noting many of the points discussed above, is provided in § 33:96. Counsel also must evaluate whether, and to what extent, privileged documents are responsive to pending document requests and therefore must be included in a privilege log. Objections to document requests as overbroad or otherwise objectionable may not be sufficient to preserve privilege claims to documents covered by those objections.[16] If multiple privileges are applicable,

each one should be listed or the unmentioned privilege may be deemed waived.[17]

There are several different approaches to preparing privilege logs for email. When there are multiple replies to an e-mail, resulting in an e-mail string or chain, listing each e-mail as a separate document in the privilege log or listing the entire chain as one document can affect whether a court will find the e-mails privileged. Some courts require each individual message to be logged as separate documents while others require the whole chain be logged as a single document.[18] This will likely require individual logging of each e-mail in the chain, if the chain includes messages with different subject matters or a mixture of confidential and non-confidential information. Logging each message separately allows for an evaluation of each e-mail. However, individual logging can create the impression that each communication was independent and counsel should be careful not to mislead the court about subsequent dissemination. To provide an adequate picture of the context of each e-mail, counsel may want to consider including a reference to the entire e-mail chain in the description, for instance by listing the Bates number range of the chain.

Conducting privilege review of electronic data also presents special issues for preventing and addressing inadvertent disclosure.[19] The method of identifying potentially privileged documents and conducting privilege review may be critical for defending against claims of waiver. Counsel should document how counsel identified potentially privileged documents for review to be able to provide the court with an adequate record of counsel's diligence in maintaining privilege and preventing inadvertent disclosure.[20] If a document has been inadvertently disclosed, counsel should immediately request its return and prepare a privilege log for the document. A court may be tempted to deny privilege based on an insufficient privilege log, rather than attempt to make a determination in the area of inadvertent waiver, where the law continues to develop.[21]

The guidelines set forth in this section may result in privilege logs that are far more detailed and inclusive than those to which most practitioners are accustomed. Counsel must evaluate the risks and burdens associated with preparing privilege logs. While more detailed logs potentially entail unnecessary expense and preparation time if privilege claims never become an issue in the litigation, an inadequate log can end up providing no protection at all.

It is prudent to involve the client in the preparation of the privilege log to ensure you have complete and accurate information about the authors and recipients of logged documents and are familiar with the legal issues and litigation the client has faced. Consider asking in-house counsel and key employees, whose files are under review, to participate in the review of privileged documents and preparation of the privilege log so they can offer guidance regarding the purpose and context of documents under review. The client's Human Resources Department may be able to provide critical information on the positions of individual employees at specific times.

If the opposing party challenges clams of privilege, only an effective partnership between inside and outside counsel can successfully preserve the company's privilege claims. In-house counsel may be needed to provide information that will allow outside counsel to respond quickly if the court requests information and affidavits to support the claim of privilege.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* Victor Stanley, Inc. v. Creative Pipe, Inc., 250 F.R.D. 251, 267, 70 Fed. R. Serv. 3d 1052 (D. Md. 2008) ("A failure to [submit adequate privilege logs] warrants a ruling that the documents must be

produced because of the failure of the asserting party to meet its burden."); SPX Corp. v. Bartec USA, LLC, 247 F.R.D. 516, 527–28 (E.D. Mich. 2008) (holding that repeat submission of inadequate privilege logs resulted in the waiver of privilege); Hobley v. Burge, 226 F.R.D. 312, 322 (N.D. Ill. 2005) (holding claims of work product waived because law firm unjustifiably failed to log work product claims in a timely manner; Ritacca v. Abbott Laboratories, 203 F.R.D. 332, 49 Fed. R. Serv. 3d 1052 (N.D. Ill. 2001) (party's inadequate privilege log, "foot dragging" and "cavalier attitude towards discovery" warranted finding of waiver); Marens v. Carrabba's Italian Grill, Inc., 196 F.R.D. 35, 38 (D. Md. 2000) ("The requirement to particularize the basis for assertions of the work product doctrine or attorney-client privilege stems from the fact that there are many elements to each of these privileges, and failure to show the existence of each element renders the privilege inapplicable, and moreover, even if applicable, privileges may be waived."); Bowne of New York City, Inc. v. AmBase Corp., 150 F.R.D. 465, 475 (S.D. N.Y. 1993) (court could deny party's privilege claims because its privilege log was inadequate for purposes of making a prima facie case, but permitted counsel one more opportunity to make a sufficient showing); Eureka Financial Corp. v. Hartford Acc. and Indem. Co., 136 F.R.D. 179, 184, 19 Fed. R. Serv. 3d 1448 (E.D. Cal. 1991) (ordering production of documents because defendant failed to timely supplement initial blanket assertion of privilege with an acceptable privilege log); Willemijn Houdstermaatschaapij BV v. Apollo Computer Inc., 707 F. Supp. 1429, 1443, 13 U.S.P.Q.2d 1001 (D. Del. 1989) (ordering plaintiff to produce documents for failure to satisfy the elements of privilege on its privilege log); *see also* § 33:74.

[FN2] Fed. R. Civ. P. 26(b)(5)(A); *see also* Burlington Northern & Santa Fe Ry. Co. v. U.S. Dist. Court for Dist. of Mont., 408 F.3d 1142, 1149 (9th Cir. 2005) (stating that "providing particulars typically contained in a privilege log is presumptively sufficient and boilerplate objections are presumptively insufficient"); Bolorin v. Borrino, 248 F.R.D. 93, 95 (D. Conn. 2008) (holding a privilege log must have sufficient detail to permit meaningful review); S.E.C. v. Beacon Hill Asset Management LLC, 231 F.R.D. 134, 144 (S.D. N.Y. 2004) (holding a privilege log must set forth sufficient facts to establish each element of the privilege claimed); Avery Dennison Corp. v. Four Pillars, 190 F.R.D. 1 (D.D.C. 1999) (Privilege logs have become "the universally accepted means of asserting privileges in discovery in the federal courts.").

[FN3] *See, e.g.,* S.D.N.Y. Ct. L.R. 26.2(a) (requiring privilege logs to include (1) type of document, (2) general subject matter, (3) date, and (4) "such other information as is sufficient to identify the document for a subpoena duces tecum, including, where appropriate, the author of the document, the addressee of the document, and where not apparent, the relationship of the author and addressee to each other"); In re Universal Service Fund Telephone Billing Practices Litigation, 232 F.R.D. 669, 673 (D. Kan. 2005) (listing 9 elements necessary for a sufficient log); Wilderness Soc. v. U.S. Dept. of Interior, 344 F. Supp. 2d 1 (D.D.C. 2004) (holding government privilege log inadequate to support deliberative process and attorney-client privilege claims in FOIA action); *see also* S.D. Fla. Ct. L.R. 26.1(G)(3)(b).

[FN4] In re Grand Jury Investigation, 974 F.2d 1068, 1071, 36 Fed. R. Evid. Serv. 860 (9th Cir. 1992); *see also* Barclaysamerican Corp. v. Kane, 746 F.2d 653, 656, 40 Fed. R. Serv. 2d 432 (10th Cir. 1984) ("In determining whether the documents in-issue were privileged, the trial court had only a privilege log with which to make its decision. The burden was on the petitioners to establish that a privilege clearly applied."); *see also* Henry v. Champlain Enterprises, Inc., 212 F.R.D. 73, 88–89 (N.D. N.Y. 2003) (criticizing insufficiency of privilege log and ordering the privilege proponent to submit additional information sufficient to permit the court to rule upon the privilege claims); S.E.C. v. Beacon Hill Asset

Management LLC, 231 F.R.D. 134, 144 (S.D. N.Y. 2004) (holding a privilege log must set forth sufficient facts to establish each element of the privilege claimed).

[FN5] S.E.C. v. Beacon Hill Asset Management LLC, 231 F.R.D. 134, 143–45 (S.D. N.Y. 2004) (providing examples of adequate description for attorney-client and work product claims); U.S. v. Construction Products Research, Inc., 73 F.3d 464, 473, 33 Fed. R. Serv. 3d 828 (2d Cir. 1996) (citing Fisher v. U.S., 1976-1 C.B. 411, 425 U.S. 391, 403, 96 S. Ct. 1569, 48 L. Ed. 2d 39, 76-1 U.S. Tax Cas. (CCH) P 9353, 37 A.F.T.R.2d 76-1244 (1976)). *See generally* Allen v. Chicago Transit Authority, 198 F.R.D. 495, 499 (N.D. Ill. 2001) (providing examples from specific privilege logs, and analysis); Coltec Industries, Inc. v. American Motorists Ins. Co., 197 F.R.D. 368 (N.D. Ill. 2000) (same).

[FN6] S.E.C. v. Beacon Hill Asset Management LLC, 231 F.R.D. 134, 143–45 (S.D. N.Y. 2004) (providing examples of adequate description for attorney-client and work product claims); *See* Fed. R. Civ. P. 26(b)(3); *see also* Allen v. Chicago Transit Authority, 198 F.R.D. 495, 499–500 (N.D. Ill. 2001) (providing examples of specific privilege log entries, and analysis).

[FN7] The primary concern evident in court decisions discussing the sufficiency of privilege logs is specificity. *See* In re Universal Service Fund Telephone Billing Practices Litigation, 232 F.R.D. 669, 673 (D. Kan. 2005) ("sufficient (*i.e.*, reasonably detailed) privilege log is vital if litigants and judges are to determine whether documents have been properly withheld from discovery"); Burlington Northern & Santa Fe Ry. Co. v. U.S. Dist. Court for Dist. of Mont., 408 F.3d 1142, 1147 (9th Cir. 2005) ("[A] proper assertion of privilege must be more specific than a generalized, boilerplate objection."); Bowne of New York City, Inc. v. AmBase Corp., 150 F.R.D. 465, 474 (S.D. N.Y. 1993) ("The focus is on the specific descriptive portion of the log, and not the conclusory invocations of privilege or work product rule, since the burden of the party withholding documents cannot be 'discharged by mere conclusory or *ipse dixit* assertions.'"); Alexander v. F.B.I., 192 F.R.D. 42, 45 (D.D.C. 2000) ("[T]he descriptions of the documents are so brief and of such a general nature that they fail to give the court any basis for determining whether the privilege was properly invoked."); Nevada Power Co. v. Monsanto Co., 151 F.R.D. 118, 121 (D. Nev. 1993) (ordering a party to submit a more detailed privilege log).

[FN8] *See* Victor Stanley, Inc. v. Creative Pipe, Inc., 250 F.R.D. 251, 267, 70 Fed. R. Serv. 3d 1052 (D. Md. 2008) (citing cases supporting that "the court should never be required to undertake *in camera* review unless the parties have first properly asserted privilege/protection"); Guy v. United Healthcare Corp., 154 F.R.D. 172, 176 (S.D. Ohio 1993) (rejecting assumption that court will conduct *in camera* review whenever documents are withheld on basis of privilege as unjustified "expenditure of judicial resources"); In re Uranium Antitrust Litigation, 552 F. Supp. 517, 1983-1 Trade Cas. (CCH) ¶65307, 35 Fed. R. Serv. 2d 1556 (N.D. Ill. 1982) (stating that review of 40,000 documents, while burdensome, was necessarily less burdensome for counsel than an *in camera* review by the court); *see also* § 33:73.

[FN9] *See* Horace Mann Ins. Co. v. Nationwide Mut. Ins. Co., 240 F.R.D. 44, 47 (D. Conn. 2007) ("[T]he very act of preparing a privilege log has a salutary effect on the discovery process by requiring the attorney claiming a privilege to actually think about the merits of assertion before it is made, and to decide whether such a claim is truly appropriate."); Nevada Power Co. v. Monsanto Co., 151 F.R.D. 118, 121 (D. Nev. 1993) ("By forcing a party to justify its privilege objections shortly after it assert them, counsel will be required to review documents carefully before withholding them.").

[FN10] *See* Victor Stanley, Inc. v. Creative Pipe, Inc., 250 F.R.D. 251, 267, 70 Fed. R. Serv. 3d 1052 (D. Md. 2008) (noting *in camera* review "can be an enormous burden to the court, about which the parties and their attorneys often seen to be blissfully unconcerned"); United Investors Life Ins. Co. v. Nationwide Life Ins. Co., 233 F.R.D. 483, 486, 63 Fed. R. Serv. 3d 1184 (N.D. Miss. 2006) (refusing to review *in camera* all documents for which privilege was claimed).

[FN11] Commentators almost unanimously agree that a "general subject matter" description is all that is required. *See* Manual for Complex Litigation § 11.431 (4th ed. 2004); Paul R. Rice, Attorney-Client Privilege in the United States § 11.6 (2d ed. 1999); *see, e.g.,* In re Universal Service Fund Telephone Billing Practices Litigation, 232 F.R.D. 669, 673 (D. Kan. 2005) (listing and explaining nine elements necessary for an adequate privilege log); In re Fish and Neave, 519 F.2d 116, 119, 1975-2 Trade Cas. (CCH) ¶60500 (8th Cir. 1975) (requiring inter alia, a "general description" of each withheld document); U.S. v. Exxon Corp., 87 F.R.D. 624, 637 (D.D.C. 1980).

[FN12] *See, e.g.,* Muro v. Target Corp., 250 F.R.D. 350, 364 (N.D. Ill. 2007) (stating cryptic job titles rendered the log insufficient); In re Universal Service Fund Telephone Billing Practices Litigation, 232 F.R.D. 669, 673 (D. Kan. 2005) (listing and explaining nine elements necessary for an adequate privilege log). *See* Nester v. Jernigan, 908 So. 2d 145 (Miss. 2005) (stating that the identity of the client is not generally protected as a confidential communication unless revealing the identity of the client would itself reveal the confidential communication); Tien v. Superior Court, 139 Cal. App. 4th 528, 43 Cal. Rptr. 3d 121, 156 Lab. Cas. (CCH) P 60683 (2d Dist. 2006) (stating that the client identity is not confidential unless the identity could expose the client to civil or criminal liability or the identity would reveal confidential communication).

[FN13] *See* S.F. Pacific Gold Corp. v. United Nuclear Corp., 143 N.M. 215, 2007-NMCA-133, 175 P.3d 309 (Ct. App. 2007) (application of "privilege can be difficult when the client is a corporation seeking legal advice regarding a business transaction and when the client's attorney is in-house counsel who wears 'two hats' by performing a dual role of legal advisor and business advisor") (quoting U.S. v. ChevronTexaco Corp., 241 F. Supp. 2d 1065 (N.D. Cal. 2002)); Winner v. Etkin & Co., Inc., 2008 WL 2486130, at *4- (W.D. Pa. 2008) (requiring the privilege log to "establish that the lawyers involved were acting in a legal rather than business capacity or that the documents contain privileged client communications, as opposed to mere business or factual information"); *see also* In re Universal Service Fund Telephone Billing Practices Litigation, 232 F.R.D. 669, 673 (D. Kan. 2005) (listing and explaining nine elements necessary for an adequate privilege log).

[FN14] In re Universal Service Fund Telephone Billing Practices Litigation, 232 F.R.D. 669, 673 (D. Kan. 2005) (listing and explaining nine elements necessary for an adequate privilege log).

[FN15] Some local rules list the information that must be included on a privilege log, but compliance with such a checklist may still result in a waiver of privilege if the court cannot determine from the log itself the party's basis for invoking the privilege. *See* Bolorin v. Borrino, 248 F.R.D. 93, 95 (D. Conn. 2008) (noting that the party's privilege log complied superficially with local rules but did not have sufficient information to allow the court to determine whether the documents were privileged).

[FN16] *See, e.g.,* Burlington Northern & Santa Fe Ry. Co. v. U.S. Dist. Court for Dist. of Mont., 408 F.3d 1142 (9th Cir. 2005) (stating that "boilerplate objections or blanket refusals inserted into a response to a … request for documents are insufficient to assert a privilege); DL v. District of Columbia, 251 F.R.D. 38, 45 (D.D.C. 2008) (overruling a party's general claims of two categories of privilege when no privilege log was submitted); Sonnino v. University of Kansas Hosp. Authority, 221 F.R.D. 661 (D. Kan. 2004) (general objection to discovery request on grounds of privilege does not preserve privilege claims, which were waived when claimant failed to produce privilege log until four months after she served discovery responses and after opposing party filed motion to compel).

[FN17] *See* Pucket v. Hot Springs School Dist. No. 23-2, 239 F.R.D. 572, 587 (D.S.D. 2006) (finding that claim of work product was waived when privilege log only mentioned attorney-client privilege) (citing Neuberger Berman Real Estate Income Fund, Inc. v. Lola Brown Trust No. 1B, 230 F.R.D. 398, 418 (D. Md. 2005) and Carey-Canada, Inc. v. California Union Ins. Co., 118 F.R.D. 242, 248–49 (D.D.C. 1986)).

[FN18] Several courts have required itemization with a description sufficient to determine whether or not each e-mail is privileged. *See* Rhoads Industries, Inc. v. Building Materials Corp. of America, 2008 WL 5082993 (E.D. Pa. 2008) (holding that each individual e-mail must be logged to be protected and requiring claimant to go back and prepare logs for each e-mail within the e-mail strings that had not previously been separately logged); In re Universal Service Fund Telephone Billing Practices Litigation, 232 F.R.D. 669, 673–74 (D. Kan. 2005) (stating the court "flatly rejects" an argument that e-mail chains are akin to minutes of a meeting and so should be considered as one document); St. Andrews Park, Inc. v. U.S. Dept. of Army Corps of Engineers, 299 F. Supp. 2d 1264 (S.D. Fla. 2003) (ruling that Vaughn index for a Freedom of Information Act request did not provide enough information about each email by listing them together and that the government had yet to meet its burden of showing that such e-mails were privileged). Other courts permit e-mail chains to be logged as one entry. *See* Muro v. Target Corp., 250 F.R.D. 350, 362–63 (N.D. Ill. 2007) (rejecting magistrate's determination that a privilege log was inadequate because e-mail strings were listed as one document). One court even required that e-mail chains be logged as a single entry because to do otherwise may mislead the court regarding the further dissemination of the message through reply or forwarded e-mails. *See* U.S. v. ChevronTexaco Corp., 241 F. Supp. 2d 1065 (N.D. Cal. 2002) ("Addressing each e-mail separately does not accurately reflect what was communicated with that e-mail because each (chronologically) successive e-mail apparently attached those that preceded it.").

[FN19] *See* §§ 33:61 to 33:64.

[FN20] For a non-exhaustive list of methods and factors that courts will consider when determining whether or not inadvertent production results in waiver, and a non-exhaustive list of precautions to avoid waiver *see* §§ 33:62 to 33:63.

[FN21] *See* Corvello v. New England Gas Co., Inc., 243 F.R.D. 28, 35–38, 68 Fed. R. Serv. 3d 575 (D.R.I. 2007) (finding that the party claiming privilege failed to establish a claim of privilege for the inadvertently disclosed document in its privilege log, so the issue of inadvertent waiver did not need to be decided).

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B. Protecting Privileges in Litigation

§ 33:55. Protecting the privileges: testimony

Counsel must ensure that her client does not disclose privileged information during testimony. For instance, counsel defending the deposition of a corporate employee may object to lines of questioning to the extent they call for the disclosure of privileged information and instruct the witness not to answer.[1] The following sections address how counsel can minimize the risk of disclosing privileged information through testimony in litigation.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* Fed. R. Civ. P. 30(d)(1) ("A party 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)."); *see also* Beller ex rel. Beller v. U.S., 221 F.R.D. 679 (D.N.M. 2003) (requiring the party refusing to answer on grounds of privilege to "file a motion for protective order and seek a court ruling on the propriety of the refusal to answer"); Nutmeg Ins. Co. v. Atwell, Vogel & Sterling A Div. of Equifax Services, Inc., 120 F.R.D. 504, 508 (W.D. La. 1988) (finding "improper and in violation of the Federal Rules of Civil Procedure" plaintiff counsel's unilateral action of directing the witness not to answer and leaving it to defense counsel to move for sanctions).

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§ 33:56. Protecting the privileges: testimony—Depositions

When corporate employees, either current or former,[1] are considered clients of the represented corporation, counsel's communications with the employee in preparation for the employee's deposition or trial testimony will be protected by the attorney-client privilege.[2] Preparation is the key for ensuring that privileged communications and documents remain undisclosed by a testifying witness. Counsel need to prepare corporate witnesses to recognize questions that may call for privileged information and avoid disclosures that may result in waiver.[3]

Proper preparation requires counsel to take several measures. First, the witness should be informed that the preparation sessions themselves are privileged and confidential and should not be discussed with third parties. Second, the witness should be advised not to volunteer the substance of any privileged communications. Third, counsel should teach the witness about the types of questions that might implicate privileged information. Fourth, the witness should be encouraged to consult with counsel whenever the witness thinks the answer to a question might require disclosure of privileged information. Counsel should also explain the importance of attending to counsel's objections during a deposition, as those objections not only preserve the record, but may also alert the witness to questions implicating privileged matters that should not be disclosed in the answer. Finally, counsel must ensure that privilege objections are made on the record to each question designed to elicit information about privileged communications. Failure to do so may result in a waiver.[4]

The work product doctrine precludes discovery of documents and compilations of documents or facts selected by an attorney to prepare a witness.[5] However, there are instances when courts have allowed inquiry into the facts used to prepare a witness, and the identity of persons or documents from which those facts were gathered.[6] Furthermore, Fed. R. Evid. 612 provides that:

> [I]f a witness uses a writing to refresh memory for the purpose of testifying, either (1) while testifying, or (2) before testifying, if the court in its discretion determines it is necessary in the interests of justice, 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.

When privileged documents or work product are used to refresh a witness's memory during preparation for testimony, a court may compel production of those materials.

Some courts have limited the applicability of Rule 612 to materials actually relied upon by the witness in formulating his or her testimony.[7] Other courts simply have required disclosure of all documents reviewed by the witness in preparing to testify.[8] Regardless, the best practice is not to show a prospective witness any privileged materials.[9]

A checklist summarizing many of these points is provided in § 33:96.

If company employees are used as expert witnesses, the company may be obliged to make disclosures pursuant to Fed. R. Civ. P. 26(a)(2)(B), which governs expert disclosures. "The report shall contain a complete statement of all opinions to be expressed and the basis and reasons therefor; [and] the data or other information considered by the witness in forming the opinions … ".[10]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* § 33:57 for discussion of the difference in treatment of former and current employees.

[FN2] *See* Lawrence J. Zweifach, Taking and Defending Depositions in Commercial Cases (1993).

[FN3] *See, e.g.,* Hawkins v. Stables, 148 F.3d 379, 384, 49 Fed. R. Evid. Serv. 1007 (4th Cir. 1998) (finding that privilege was waived when neither the client nor attorney asserted an objection to a question eliciting information regarding confidential communications, and the client answered that "she never had a discussion of the matter with her attorney").

[FN4] *See* Nguyen v. Excel Corp., 197 F.3d 200, 206–08, 5 Wage & Hour Cas. 2d (BNA) 1352, 45 Fed. R. Serv. 3d 1298 (5th Cir. 1999) (objection to only some deposition questions seeking privileged information waived privileged claims to each question where counsel failed to assert the objection); IMC Chemicals, Inc. v. Niro Inc., 2000 WL 1466495, at *15 (D. Kan. 2000) ("Courts may find the attorney-client privilege waived when a party fails to object to all questions designed to elicit information about privileged communications and fails to halt responses to such questions." (internal quotations and citations omitted)).

[FN5] *See* Sporck v. Peil, 759 F.2d 312, 17 Fed. R. Evid. Serv. 1232, 1 Fed. R. Serv. 3d 1431, 84 A.L.R. Fed. 763 (3d Cir. 1985) (holding that defense counsel's process of "grouping certain documents together out of the thousands produced in th[e] litigation is work product," and "[s]uch material is accorded an 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 …"); Protective Nat. Ins. Co. of Omaha v. Commonwealth Ins. Co., 137 F.R.D. 267, 279, (D. Neb. 1989) ("It is important to distinguish between facts learned by a lawyer, a memorandum or document containing those facts prepared by the lawyer, and the lawyer's mental impressions of the facts. The facts are discoverable if relevant. The document prepared by the lawyer stating the facts is not discoverable absent a showing required by Federal Rule of Civil Procedure 26(b)(3). Mental impressions of the lawyer regarding the facts enjoy nearly absolute immunity.") (citing In re Murphy, 560 F.2d 326, 336, 1977-2 Trade Cas. (CCH) ¶61592, 23 Fed. R. Serv. 2d 1229, 41 A.L.R. Fed. 102 (8th Cir. 1977); Sparton Corp. v. U.S., 44 Fed. Cl. 557, 564 (1999) ("The selection and compilation of documents by counsel in preparation for pre-trial discovery and litigation has repeatedly been held to fall within the highly protected category of opinion work product." (citations omitted));

Director, Office of Thrift Supervision v. Vinson & Elkins, LLP, 124 F.3d 1304, 1307, 39 Fed. R. Serv. 3d 134 (D.C. Cir. 1997) (opinion work product is "virtually undiscoverable").

[FN6] *See* Barrett Indus. Trucks, Inc. v. Old Republic Ins. Co., 129 F.R.D. 515, 518–19, 16 Fed. R. Serv. 3d 243 (N.D. Ill. 1990) (Work product does not protect from discovery "the facts that the adverse party's lawyer has learned, or the persons from whom he has learned such facts, or the existence or nonexistence of documents, even though the documents themselves may not be subject to discovery.") (citing 8 Charles Alan Wright & Arthur R. Miller, Federal Practice and Procedure § 2023 at 194 (1970)).

[FN7] Derderian v. Polaroid Corp., 121 F.R.D. 13, 16, 47 Fair Empl. Prac. Cas. (BNA) 575, 48 Empl. Prac. Dec. (CCH) P 38500 (D. Mass. 1988) (declining to follow "the line of cases which hold, either explicitly or implicitly, that disclosure is always 'necessary in the interests of justice' when a witness has reviewed a document prior to testifying either at a deposition or at trial"); In re Comair Air Disaster Litigation, 100 F.R.D. 350, 353, 15 Fed. R. Evid. Serv. 629, 38 Fed. R. Serv. 2d 629 (E.D. Ky. 1983) ("[A] determination must be made regarding the extent to which the documents were consulted and relied upon …."); Sporck v. Peil, 759 F.2d 312, 317–18, 17 Fed. R. Evid. Serv. 1232, 1 Fed. R. Serv. 3d 1431, 84 A.L.R. Fed. 763 (3d Cir. 1985) (Rule 612 does not require document production where counsel failed to establish that witness either relied on documents in giving testimony or that documents influenced his testimony.); Medtronic Xomed, Inc. v. Gyrus ENT LLC, 2006 WL 786425, at *5 (M.D. Fla. 2006) ("[T]he 'interests of justice' language in Rule 612(2) is synonymous with the work product protection that privileged documents are only discoverable when a party shows substantial need and that the equivalent of the materials cannot be obtained without undue hardship."); Baba-Ali v. City of New York, 1993 WL 427425, at *1 (S.D. N.Y. 1993) (holding that materials reviewed by a witness were not subject to discovery because the witness did not rely on the materials or make use of the materials at her deposition); Omaha Public Power Dist. v. Foster Wheeler Corp., 109 F.R.D. 615, 20 Fed. R. Evid. Serv. 233, 4 Fed. R. Serv. 3d 691 (D. Neb. 1986) (same); Smith & Wesson, Div. of Bangor Punta Corp. v. U.S., 782 F.2d 1074, 1083, 33 Cont. Cas. Fed. (CCH) P 74233, 19 Fed. R. Evid. Serv. 1500 (1st Cir. 1986) (finding no abuse of discretion in the District Court's refusal to turn over a report which a witness had reviewed prior to testifying).

[FN8] *See* Wheeling-Pittsburgh Steel Corp. v. Underwriters Laboratories, Inc., 81 F.R.D. 8, 1978-2 Trade Cas. (CCH) ¶62134, 3 Fed. R. Evid. Serv. 418, 26 Fed. R. Serv. 2d 787 (N.D. Ill. 1978) (holding that even if documents were protected by attorney-client privilege, the documents became discoverable after being used to refresh the witness' recollection prior to his deposition).

[FN9] Berkey Photo, Inc. v. Eastman Kodak Co., 74 F.R.D. 613, 617, 1977-2 Trade Cas. (CCH) ¶61689, 2 Fed. R. Evid. Serv. 63 (S.D. N.Y. 1977) (privileged materials "should be withheld from prospective witnesses if they are to be withheld from opposing parties").

[FN10] Fed. R. Civ. P. 26(a)(2)(B); *see also* § 33:60.

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§ 33:57. Protecting the privileges: testimony—Depositions—Current and former corporate employees

Current and former employees receive distinct treatment under the rules of privilege. A current corporate employee will generally be considered a "client" to the extent that his communications concern matters within the scope of employment and the employee is testifying at the direction of his corporate superiors.[1] While former employees are typically not considered clients for privilege purposes,[2] many courts have taken the view that communications between counsel and former employees of the client *in preparation for their testimony* are also privileged to the extent they concern matters within the scope of their former employment.[3] Communications outside the scope of former employment, however, are typically not privileged.[4] Whether privilege applies may also depend on whether the information to be protected would assist corporate counsel in advising the client with respect to difficulties in litigation.[5]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See generally* Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981); *see also* U.S. v. Agnello, 16 Fed. Appx. 57 (2d Cir. 2001) ("Without a showing that a communication was made by a corporate officer or employee to corporate counsel for purposes of the corporation's obtaining legal advice, the privilege is inapplicable.").

[FN2] *See, e.g.*, Clark Equipment Co. v. Lift Parts Mfg. Co., Inc., 1985 WL 2917 (N.D. Ill. 1985) ("Former employees are not the client. They share no identity of interest in the outcome of the litigation. Their willingness to provide information is unrelated to the directions of their former corporate superiors, and they have no duty to their former employer to provide such information.").

[FN3] *See* Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 402–03, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981) (Burger, J., concurring); In re Coordinated Pretrial Proceedings in Petroleum Products Antitrust Litigation, 658 F.2d 1355, 1361 n.7, 1981-2 Trade Cas. (CCH) ¶64323 (9th Cir. 1981) ("[T]he attorney-client privilege is served by the certainty that conversations between the attorney and client will remain privileged after

the employee leaves."); Bank of New York v. Meridien BIAO Bank Tanzania Ltd., 1996 WL 490710, at *3 (S.D. N.Y. 1996) (discussing the purpose of extending privilege to communications with former employees and noting that "the weight of authority is that the privilege applies to communications between counsel and former employees of a corporate client").

[FN4] Connolly Data Systems, Inc. v. Victor Technologies, Inc., 114 F.R.D. 89, 94 (S.D. Cal. 1987) (holding that under California state law regarding attorney-client privilege, deposition preparation communications between counsel and former employee are not protected); Nakajima v. General Motors Corp., 857 F. Supp. 100, 104 (D.D.C. 1994) (refusing to permit the assertion of attorney-client privilege for communications at a meeting including a former employee and corporate counsel, even when the meeting also included discussions of matters within the scope of the former employee's corporate duties); Peralta v. Cendant Corp., 190 F.R.D. 38, 39, 81 Fair Empl. Prac. Cas. (BNA) 1328 (D. Conn. 1999) (distinguishing "privileged information obtained … while an employee" which is protected by attorney-client privilege, from communications regarding "facts developed during the litigation, such as testimony of other witnesses, of which [the former employee] would not have had prior independent personal knowledge," which are not protected).

[FN5] In re Coordinated Pretrial Proceedings in Petroleum Products Antitrust Litigation, 658 F.2d 1355, 1361, 1981-2 Trade Cas. (CCH) ¶64323 (9th Cir. 1981) (extending privilege to ex-employee communications on the ground that "[f]ormer employees, as well as current employees, may possess the relevant information needed by corporate counsel to advise the client with respect to actual or potential difficulties"); Admiral Ins. Co. v. U.S. Dist. Court for Dist. of Arizona, 881 F.2d 1486, 1493, Fed. Sec. L. Rep. (CCH) P 94545, R.I.C.O. Bus. Disp. Guide (CCH) P 7289, 28 Fed. R. Evid. Serv. 593, 14 Fed. R. Serv. 3d 562 (9th Cir. 1989) (reading Upjohn as guaranteeing privilege to communications between former employees and corporate counsel "if the employee possesses information critical to the representation of the parent company and the communications concern matters within the scope of employment"); In re Allen, 106 F.3d 582, 606, 36 Fed. R. Serv. 3d 1196 (4th Cir. 1997) ("The Supreme Court has explained that the attorney-client privilege 'rests on the need for the advocate and counselor to know all that relates to the client's reasons for seeking representation if the professional mission is to be carried out.' … Accordingly, we hold that the analysis applied by the Supreme Court in Upjohn to determine which employees fall within the scope of the privilege applies equally to former employees.").

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§ 33:58. Protecting the privileges: testimony—Depositions—Rule 30(b)(6)

A corporation is frequently required to designate a witness under Fed. R. Civ. P. 30(b)(6) to speak on behalf of the corporation. Because a single person usually does not have personal knowledge of all the matters in issue in a Rule 30(b)(6) deposition, preparation of the designated person is often broader than that needed for a fact witness testifying from personal knowledge. Preparation of a designated witness also carries a greater risk that materials used in the preparation, including work product, will later be ordered disclosed to the opponent: "There is a greater need to know what materials were reviewed by expert and designee witnesses in preparation for deposition since the substance of their testimony may be based on sources beyond personal knowledge."[1]

In Nutramax Labs., Inc. v. Twin Labs., Inc., a discovery dispute arose over documents that had already been produced to the opposing party. Counsel had arranged some of the produced documents in a compilation used to prepare corporate witnesses for deposition, and the opposing party moved to discover which specific documents had been used. Because many thousands of documents had been produced in the litigation, the court found "use of the documents selected by counsel to prepare [Rule 30(b)(6) witnesses] for [their] deposition constituted a testimonial use of these documents which resulted in a limited, implied waiver of the attorney work product doctrine as to them."[2] Moreover, the opposing party had shown substantial need to discover which of the thousands of documents counsel had selected for the preparation.[3] The court, however, did not find waiver as to the documents used to prepare a non-Rule 30(b)(6) fact witness, both because the witness testified that the documents selected by counsel had not refreshed his recollection and "because [the fact witness] did not testify as a designee, … there is no enhanced need to learn whether his testimony is derived from sources other than his personal recollection."[4]

Other courts have been more protective of counsel's selection of documents because of the potential disclosure of an attorney's strategy or analysis of critical issues.[5] Unless the relevant jurisdiction's rules provide unambiguous protection for materials used in deposition preparation, best practice dictates that selection of materials used to prepare a designated witness be carefully circumscribed. Counsel must consider what is absolutely necessary after having tested the scope of the witness's knowledge and recollection and weighing the strategic interests that may be harmed by a later order to disclose the materials used to prepare the witness.[6]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Nutramax Laboratories, Inc. v. Twin Laboratories Inc., 183 F.R.D. 458, 469, 51 Fed. R. Evid. Serv. 35 (D. Md. 1998).

[FN2] Nutramax Laboratories, Inc. v. Twin Laboratories Inc., 183 F.R.D. 458, 472, 51 Fed. R. Evid. Serv. 35 (D. Md. 1998). *See also* Vita-Mix Corp. v. Basic Holdings, Inc., 75 Fed. R. Evid. Serv. 960 (N.D. Ohio 2008) (granting plaintiff's motion to compel identification of the specific documents used to refresh a witness' recollection prior to his 30(b)(6) deposition … because of the "great[] need to know what materials were reviewed by expert and designee witnesses in preparation for deposition"); F.D.I.C. v. Wachovia Ins. Services, Inc., 241 F.R.D. 104 (D. Conn. 2007) (providing in-depth discussion of the reasons to require disclosure of which documents were reviewed by a 30(b)(6) witness from among a larger group of discoverable documents).

[FN3] Nutramax Laboratories, Inc. v. Twin Laboratories Inc., 183 F.R.D. 458, 472, 51 Fed. R. Evid. Serv. 35 (D. Md. 1998).

[FN4] Nutramax Laboratories, Inc. v. Twin Laboratories Inc., 183 F.R.D. 458, 474, 51 Fed. R. Evid. Serv. 35 (D. Md. 1998).

[FN5] *See, e.g.*, Stone Container Corp. v. Arkwright Mut. Ins. Co., 1995 WL 88902, at *4 (N.D. Ill. 1995) (Where documents used to refresh witness's recollection had been produced to opponent already, work product doctrine properly protected attorney's selection "of a group of documents he believes critical to the case." "[T]he selection process itself represents defense counsel's mental impressions and legal opinions as to how the evidence in the documents relates to the issues and defenses in the litigation."); E.E.O.C. v. Jewel Food Stores, Inc., 231 F.R.D. 343, 348 (N.D. Ill. 2005) ("[W]here the discoverable information … has already been produced in some manner …, then the answering party does not need to disclose the identity of witnesses it has chosen or documents it has selected to review to prepare its case."); Fed. R. Evid. 612 (court has discretion to order production of documents used by witness for refreshing recollection, including for cross-examination and introduction into evidence).

[FN6] *See* § 33:97.

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Attorneys have no specific immunity from being deposed.[1] Where no other means exist for obtaining relevant information, a party may be entitled to depose the opposing party's counsel.[2]

The ability to depose counsel in appropriate situations does not destroy the protections otherwise available under the attorney-client privilege and work product doctrine.[3] However, whenever an attorney is called upon to testify, the risks of inadvertent disclosure and/or waiver are greatly increased.[4] Furthermore, even when avoiding disclosure of the substance of privileged communications, counsel's responses to questions may place such communications "in issue" by suggesting that counsel's impressions, knowledge, and client communications are material to the issues of what the client knew and when it knew it.[5] Where a party voluntarily calls its own counsel as a fact witness, it is nearly impossible to avoid some form of privilege waiver.[6]

Privilege issues also invariably will arise when an attorney for a corporation is designated by the client as a witness pursuant to Fed. R. Civ. P. 30(b)(6). As one court has explained, "[i]f … the client calls his attorney as a witness to testify to matters that the attorney could only have learned through the attorney-client relationship, he waives the privilege …."[7] Nevertheless, designating counsel as a Rule 30(b)(6) witness is not always and everywhere a *per se* waiver of privilege.[8] By definition, Rule 30(b)(6) depositions require testimony "as to matters known or reasonably available to the organization." Thus, an attorney designated as a Rule 30(b)(6) witness should only be required to testify as to those facts "known or reasonably available to" the client corporation with respect to the subjects of the 30(b)(6) designation.[9] As long as a corporation is not attempting to defend itself based upon advice of counsel, and is merely proffering counsel as an individual knowledgeable about designated factual information, the corporation has not "through this affirmative act … put the protected information in-issue by making it relevant to the case," and should be able to retain its privileges.[10]

Regardless of whether it necessarily results in the loss of privilege, designating an attorney as a Rule 30(b)(6) or fact witness will inevitably place privilege and work product protections at risk.[11] Corporations should approach this course of action with extreme caution and, if at all practicable, avoid it altogether.

A checklist summarizing the key points made in this section can be found at § 33:96.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* Cooper v. Welch Foods, Inc., 105 F.R.D. 4, 40 Fed. R. Serv. 2d 535 (W.D. N.Y. 1984) (refusing to strike notice of deposition for defendant's general counsel); *see also* Evans v. Atwood, 1999 WL 1032811, at *4- (D.D.C. 1999) (finding that although attorney depositions are disfavored, plaintiff was permitted to depose his adversary's attorney because (1) counsel's testimony might have been crucial to the case, (2) no other means existed to obtain the information, and (3) proper steps would be taken to ensure that privileged material would not be disclosed); Taylor Mach. Works, Inc. v. Pioneer Distribution Inc., 65 Fed. R. Serv. 3d 233 (C.D. Ill. 2006) (the Federal Rules of Civil Procedure permit an attorney to be deposed, "even if he or she represents a party to the litigation in issue").

[FN2] *See* Shelton v. American Motors Corp., 805 F.2d 1323, 1327, 22 Fed. R. Evid. Serv. 125, 6 Fed. R. Serv. 3d 568 (8th Cir. 1986) (circumstances under which opposing counsel can be deposed are limited to situations in which (1) there is no other means to obtain the desired information; (2) "the information sought is relevant and nonprivileged"; and (3) "the information is crucial to the preparation of the case"); Thiessen v. General Electric Capital Corp., 267 F.3d 1095, 1111, 51 Fed. R. Serv. 3d 354 (10th Cir. 2001) (applying the three-factor Shelton test to plaintiff's request to depose the opposing party's corporate counsel); M & R Amusements Corp. v. Blair, 142 F.R.D. 304, 305–06 (N.D. Ill. 1992) (requiring that "the need for the information outweigh[] the inherent risks of deposing opposition counsel"); Giannicos v. Bellevue Hosp. Medical Center, 7 Misc. 3d 403, 793 N.Y.S.2d 893 (Sup 2005) (listing cases in the 1st, 2nd, 7th, 9th, and 11th Circuits accepting the Shelton rule); *but see* Pamida, Inc. v. E.S. Originals, Inc., 281 F.3d 726, 52 Fed. R. Serv. 3d 602 (8th Cir. 2002) (declining to apply the Shelton three-factor test and finding that the concerns raised in Shelton were not implicated where the counsel sought to be deposed represented the client in a completed case and in the case at bar, and where the information sought pertained to the completed case, was crucial to the case at bar, and was only known by counsel); In re Interactive Network, Inc., 243 B.R. 766, 767–768, 45 Fed. R. Serv. 3d 1249 (Bankr. N.D. Cal. 2000) (declining to apply the Shelton factors where counsel sought to be deposed was not currently counsel of record in the contested matter, but rather rendered services apart from and prior to the claims raised in the pending litigation); In re Subpoena Issued to Dennis Friedman, 350 F.3d 65, 67, 57 Fed. R. Serv. 3d 296 (2d Cir. 2003) ("We conclude that the deposition-discovery regime of the Federal Rules of Civil Procedure requires a more flexible approach to attorney depositions than the rigid Shelton rule ….").

[FN3] *See* In re Penn Central Commercial Paper Litigation, 61 F.R.D. 453, Fed. Sec. L. Rep. (CCH) P 94233, Fed. Sec. L. Rep. (CCH) P 94311, 18 Fed. R. Serv. 2d 1252 (S.D. N.Y. 1973) (no discovery from attorney about matters to which privilege applies, even if attorney is being deposed).

[FN4] *See* IMC Chemicals, Inc. v. Niro Inc., 2000 WL 1466495, at *11 (D. Kan. 2000) (finding that although plaintiff's consent to the taking of plaintiff's counsel's deposition did not waive the attorney-client privilege, plaintiff's failure to object to counsel's disclosure of privileged communications during the deposition waived the privilege as to all related communications); *see also* Aclara Biosciences, Inc. v. Caliper Technologies Corp., 2001 WL 777083, at *6- (N.D. Cal. 2000) (finding, in a patent infringement action where plaintiff's counsel was a deponent, that plaintiff waived the attorney-client privilege and work product protection to all communications and documents between it and its counsel because plaintiff's counsel, during the pendency of the patent application, had performed legal work for the defendant-competitor and because plaintiff, in order to respond to defendant's allegations that plaintiff's counsel used defendant's confidential information in prosecuting the patent on behalf of plaintiff, chose to disclose the communications between itself and its counsel, including the thoughts and impressions

of counsel).

[FN5] *See* § 33:66 for discussion of the "in issue" doctrine.

[FN6] *See* Harding v. Dana Transport, Inc., 914 F. Supp. 1084, 1099, 69 Fair Empl. Prac. Cas. (BNA) 1603, 69 Empl. Prac. Dec. (CCH) P 44317 (D.N.J. 1996) ("That [defendant] chose to enlist its attorney to act with dual purpose does not provide sufficient basis to overcome the unfairness of limiting the information it provides."); Kammerer v. Western Gear Corp., 96 Wash. 2d 416, 635 P.2d 708, 710 (1981) ("Offering an attorney's testimony concerning matters learned in the course of his employment waives the attorney-client privilege.").

[FN7] People v. Dubrin, 232 Cal. App. 2d 674, 680, 43 Cal. Rptr. 60 (2d Dist. 1965); *see also* U.S. v. Nobles, 422 U.S. 225, 239, 95 S. Ct. 2160, 45 L. Ed. 2d 141, 20 Fed. R. Serv. 2d 547 (1975) (holding that where defense counsel proposed to call his investigator to impeach eyewitness testimony based on the investigator's interview reports, work product protection was waived as to those reports).

[FN8] *See* Colonial Gas Co. v. Aetna Cas. & Sur. Co., 139 F.R.D. 269, 273 (D. Mass. 1991) (no per se waiver by designating attorney as 30(b)(6) witness, but finding waiver on other grounds); Motley v. Marathon Oil Co., 71 F.3d 1547, 1552, 69 Fair Empl. Prac. Cas. (BNA) 911, 33 Fed. R. Serv. 3d 1069 (10th Cir. 1995) (stating that mere designation of counsel as corporate representative for deposition pursuant to Fed.R.Civ.P. 30(b)(6) does not waive attorney-client privilege); In re Pioneer Hi-Bred Intern., Inc., 238 F.3d 1370, 1376, 57 U.S.P.Q.2d 1658, Fed. Sec. L. Rep. (CCH) P 91,326, 2001-1 U.S. Tax Cas. (CCH) P 50239, 49 Fed. R. Serv. 3d 488 (Fed. Cir. 2001) (disagreeing with district courts finding that "… offering corporate counsel to testify as a Rule 30(b)(6) witness on factual matters might have waived the privilege and any work product protection"); *but see* Kammerer v. Western Gear Corp., 96 Wash. 2d 416, 635 P.2d 708, 710 (1981) ("Offering an attorney's testimony concerning matters learned in the course of his employment waives the attorney-client privilege.").

[FN9] *See* Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981) (Since the privilege "does not protect disclosure of the underlying facts," counsel's testimony regarding these unprotected facts during a 30(b)(6) deposition is not a disclosure of privileged information, and hence, not a waiver.).

[FN10] Chase Manhattan Bank N.A. v. Drysdale Securities Corp., 587 F. Supp. 57, 58, 16 Fed. R. Evid. Serv. 558, 39 Fed. R. Serv. 2d 1206 (S.D. N.Y. 1984); *see also* TIG Ins. Co. v. Yules & Yules, 1999 WL 1029712, at *1- (S.D. N.Y. 1999) (denying defendant's motion to compel plaintiff's attorney-client communications because defendant failed to show that plaintiff invoked the substance of the privileged communication as a basis for a claim or defense or show that plaintiff's claim is of such a nature that "invasion of the privilege is required to determine the validity of the client's claim … and application of the privilege would deprive the adversary of vital information") (citation omitted); *see also* § 33:68 ("in issue" doctrine).

[FN11] *See* Handgards, Inc. v. Johnson & Johnson, 413 F. Supp. 926, 192 U.S.P.Q. 316 (N.D. Cal. 1976) (finding waiver where defendant intended to call former attorneys in charge of prosecuting patent infringement suits to show that suits had been brought in good faith); *see also* Adler v. Wallace Com-

puter Services, Inc., 202 F.R.D. 666, 674, 50 Fed. R. Serv. 3d 1323 (N.D. Ga. 2001) (finding that General Counsel, who was designated as defendant's Fed. R. Civ. P. 30(b)(6) deponent, had the authority, as representative of the client, to waive the attorney-client privilege by testifying as to portions of the attorney-client communications in which he rendered legal advice to the corporate client).

SPARTNER § 33:59

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Successful Partnering Between Inside and Outside Counsel
Database updated April 2012
Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

V. Protecting Privileges
B. Protecting Privileges in Litigation

§ 33:60. Protecting the privileges: testimony—Depositions—Experts

As discussed, courts typically will apply the conventional principles of attorney-client privilege and work product to communications with corporate consultants.[1] Similarly, counsel generally may share privileged communications with non-testifying experts retained to assist in the provision of legal advice.[2] Whether privilege applies depends on the purpose of the communications with the expert.[3]

Documents created or considered by, and communications with, *testifying* experts are, however, viewed very differently. Federal Rule of Civil Procedure 26 was amended in 1993 to require that testifying experts disclose a "complete statement of all opinions to be expressed and the basis and reasons therefor; the data or other information considered by the witness in forming the opinions."[4] Most courts have interpreted this disclosure requirement to include all documents supplied by counsel to prepare an expert to testify, as well as all other documents reviewed or prepared by the witness in the process of forming his opinion, thereby trumping any otherwise applicable privilege.[5]

The Rule 26-driven trend toward greater disclosure of otherwise privileged materials has even been extended to oral communications, and many courts today will permit discovery of such communications between a corporation's counsel and their testifying expert.[6] But the boundaries of the requirement remain far from settled and can vary considerably from jurisdiction to jurisdiction. Some courts will not allow discovery of notes memorializing discussions between counsel and expert.[7] There is currently a sharp disagreement among courts as whether a party must produce the mental impressions, opinions, or legal conclusions of its attorney when the attorney communicates those opinions to a testifying expert. Most courts require disclosure of counsel's opinion work product,[8] though there is a substantial minority of courts that hold otherwise.[9] Indeed, although there is little case law addressing the issue, the disclosure requirements of Rule 26 arguably should *only* apply to privileged communications or other materials concerning subjects that are related to the topics upon which the expert has been retained to testify, and a testifying expert's mere access to other privileged documents, or presence during unrelated privileged communications, should have no bearing whatsoever on privilege considerations.[10]

In any event, the new requirements for expert disclosure require that counsel carefully separate the roles of testifying and nontestifying experts.[11] Testifying experts should be retained for providing opinions in depositions, trials and other proceedings, and wherever possible should not be enlisted as all-purpose advisors in their fields of expertise. Conversely, uninhibited debates and exchanges among clients, counsel, and experts on matters relevant to a legal dispute—meant to remain confidential—should be reserved for non-testifying experts and

other litigation consultants.[12] Significant complications may arise when one expert fulfills both testifying and non-testifying expert roles.[13]

Such clear delineations unfortunately are not always easy to enforce. First, retaining multiple experts (testifying and non-testifying) is expensive. And on difficult issues, counsel may often want to maintain an expert as a litigation consultant until the expert's opinions are firmly established, lest an early disclosed testifying expert change his opinion, but remain discoverable. But consultants-turned-testifying experts present their own problems; there likely will exist no practical method to distinguish between those materials reviewed in their role as litigation consultant and those "considered" in forming their expert opinion. Thus all materials reviewed by such an expert, regardless of when, may well require disclosure. The best practice is, wherever possible, to view *prospective* testifying experts as potential sources of privilege jeopardy and temper communications with such individuals accordingly.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* §§ 33:18 and 33:19.

[FN2] Industrial Maritime Carriers, Inc. v. PT (Persero) Inka, 179 F.R.D. 153, 1999 A.M.C. 1210, 41 Fed. R. Serv. 3d 716 (E.D. Pa. 1998), opinion clarified, 1999 A.M.C. 1683, 1998 WL 472492 (E.D. Pa. 1998) ("[A]ny investigation [by the expert] that he may have undertaken after being … retained, and any opinions he may have relayed and conclusions he may have drawn as part of that retention, are not discoverable except upon a showing of need and inability to obtain the information from other sources."); *but see* Long-Term Capital Holdings, LP v. U.S., 93 A.F.T.R.2d 2004-862, 2003 WL 21269586, at *2 (D. Conn. 2003) (noting that exceptional circumstances exist under Fed. R. Civ. P. 26 (b)(4)(B) for discovery of communications with non-testifying experts "when a non-testifying expert report is used by a testifying expert as the basis for an expert opinion, or when there is evidence of substantial collaborative work between a testifying expert and a non-testifying expert").

[FN3] *See* Cavallaro v. U.S., 284 F.3d 236, 247–48, 2002-1 U.S. Tax Cas. (CCH) P 50330, 52 Fed. R. Serv. 3d 761, 89 A.F.T.R.2d 2002-1699 (1st Cir. 2002) (finding communications between counsel and an accountant hired by counsel discoverable because the communications related to providing the client with financial, rather than legal, advice); In re G-I Holdings Inc., 218 F.R.D. 428, 433–38, 2004-1 U.S. Tax Cas. (CCH) P 50154, 92 A.F.T.R.2d 2003-6451 (D.N.J. 2003) (holding that counsel's disclosure to accountant waives privilege where accountant did not serve as a "translator" to facilitate communication between the attorney and client but was retained to assist counsel in providing legal advice to the client); *see also* In re PolyMedica Corp. Securities Litigation, 235 F.R.D. 28 (D. Mass. 2006) (interpreting Rule 26(b)(4)(B) of the Federal Rules of Civil Procedure and holding that disclosure of a consulting expert's report to the SEC did not waive a party's claims of privilege for other work product and privileged materials on the same subject matter because the party claiming privilege did not seek to make use of the consulting expert's report in a judicial proceeding and the opposing party had not shown prejudice resulting from mere disclosure of the report).

[FN4] Fed. R. Civ. P. 26(a)(2)(B).

[FN5] *See* Trigon Ins. Co. v. U.S., 204 F.R.D. 277, 283, 57 Fed. R. Evid. Serv. 664, 51 Fed. R. Serv. 3d

378, 88 A.F.T.R.2d 2001-6883 (E.D. Va. 2001) ("[A]s a consequence of the 1993 amendments, disclosure simply includes all documents that were provided to and reviewed by the [testifying] expert. The party requesting discovery no longer bears the burden of demonstrating that the expert actually relied on the document."); Lamonds v. General Motors Corp., 180 F.R.D. 302, 306, 41 Fed. R. Serv. 3d 1023 (W.D. Va. 1998) (holding that knowledge of the information the expert has considered in forming his opinion is essential to effective cross-examination, and that such "information can only surface on cross-examination where the opposing party has been able to discover the material provided to the expert by the lawyer who retained him"); Karn v. Ingersoll-Rand Co., 168 F.R.D. 633, 639, 36 Fed. R. Serv. 3d 919 (N.D. Ind. 1996) ("[T]he requirements of (a)(2) 'trump' any assertion of work product or privilege"); Bitler Inv. Venture II, LLC v. Marathon Ashland Petroleum LLC, 2007 WL 465444, at *2 (N.D. Ind. 2007) (following Karn and holding Rule 26(a)(2)(B) trumped any claim of privilege or work product and required production of any materials reviewed by a testifying expert); Regional Airport Authority of Louisville v. LFG, LLC, 460 F.3d 697, 713–17, 62 Env't. Rep. Cas. (BNA) 2121, 36 Envtl. L. Rep. 20166, 2006 FED App. 0302P (6th Cir. 2006) (same); Fidelity Nat. Title Ins. Co. of New York v. Intercounty Nat. Title Ins. Co., 412 F.3d 745, 751, 62 Fed. R. Serv. 3d 250 (7th Cir. 2005) (same); In re Pioneer Hi-Bred Intern., Inc., 238 F.3d 1370, 1375, 57 U.S.P.Q.2d 1658, Fed. Sec. L. Rep. (CCH) P 91,326, 2001-1 U.S. Tax Cas. (CCH) P 50239, 49 Fed. R. Serv. 3d 488 (Fed. Cir. 2001) (same); Barna v. U.S., 1997 WL 417847, at *2 (N.D. Ill. 1997) ("[A]ny information considered by a testifying expert in forming his opinion on an issue, even if that information contains attorney opinion work product, is discoverable."); B.C.F. Oil Refining, Inc. v. Consolidated Edison Co. of New York, Inc., 171 F.R.D. 57, 65 (S.D. N.Y. 1997) ("[A] party which plans to call an expert is now required to [disclose] all material considered by him, not just material 'known' by him."); *see also* Bernard v. Secretary of Dept. of Health and Human Services, 1996 WL 499018, at *14 (Ct. Fed. Cl. 1996) ("This court has allowed discovery of both draft and final expert reports."); Gall ex rel. Gall v. Jamison, 44 P.3d 233, 241 (Colo. 2002) ("We hold that an expert considers documents or materials for purposes of Rule 26(a)(2)(B) where she reads or reviews them before or in connection with forming her opinion, even if she does not rely upon or ultimately rejects the documents or materials."); In re McRae, 295 B.R. 676, 678, 41 Bankr. Ct. Dec. (CRR) 172 (Bankr. N.D. Fla. 2003) (holding that inter-office memoranda from one attorney to another attorney that were subsequently furnished to an expert for review must be disclosed under Rule 26(a) even where the memoranda contained the attorney's legal theories); *but cf.* Crowe Countryside Realty Associates, Co., LLC v. Novare Engineers, Inc., 891 A.2d 838, 847 (R.I. 2006) (holding that Rule 26(b)(3) "requires that a court protect all core or opinion work product of an attorney, whether or not shared with an expert").

[FN6] *See* Barna v. U.S., 1997 WL 417847, at *3- (N.D. Ill. 1997) (permitting discovery of testifying expert communications with lawyers); B.C.F. Oil Refining, Inc. v. Consolidated Edison Co. of New York, Inc., 171 F.R.D. 57, 67 (S.D. N.Y. 1997) (suggesting that party might be entitled to depose opposing party's counsel to gain discovery of conversations with expert); In re Omeprazole Patent Litigation, 227 F.R.D. 227 (S.D. N.Y. 2005) (upholding sanctions and order requiring testifying expert to disclose counsel's reasons for withdrawing patent claims set forth in expert's written report even though those reasons were not "considered" by the expert in forming his opinions and disclosure would reveal counsel's opinion work product). *See also* Lamar O'NEAL, Plaintiff, v. James A. MERCER and, Cynthia Mercer, Defendant., 2006 WL 4483374 (Neb. Dist. Ct. 2006) (collecting cases protecting work product shared with expert and cases finding work product shared with experts waived and holding Rule 26(a)(2)(B) consistent with mandatory disclosure); Hajek v. Kumho Tire Co., Inc., 2009 WL

2229902 (D. Neb. 2009) (holding that the work product doctrine precluded a party's presence during inspection, testing and analysis of the product by another party's expert).

[FN7] *See* B.C.F. Oil Refining, Inc. v. Consolidated Edison Co. of New York, Inc., 171 F.R.D. 57, 67 (S.D. N.Y. 1997) ("… the principle of expert disclosure cannot go so far as to require disclosure of an attorney's notes which record a conversation and which were never shown to an expert."); Manufacturing Admin. and Management Systems, Inc. v. ICT Group, Inc., 212 F.R.D. 110, 119 (E.D. N.Y. 2002) (holding that Rule 26(a) requires production of notes taken by an expert based on his conversations with counsel even when such notes contain "core attorney work product"); Amster v. River Capital International Group, LLC., 2002 WL 1733644, at *3 (S.D. N.Y. 2002) (holding that handwritten attorney "edits" to a draft expert report are not discoverable under Rule 26(a) when counsel orally communicated his comments to the expert but did not show the handwritten edits to the expert, but that if the expert was "unable to testify as to how his report evolved and, more specifically, as to which changes from draft to draft were suggested by counsel," the request for the production of the attorney "edits" could be renewed); *see also* Helton v. Kincaid, 2005-Ohio-2794, 2005 WL 1324729, at *3 (Ohio Ct. App. 12th Dist. Warren County 2005) (holding that work product of counsel is not lost by sharing with the expert since Ohio did not adopt the amendment to Rule 26(a)(2)(B)).

[FN8] *See* Regional Airport Authority of Louisville v. LFG, LLC, 460 F.3d 697, 716, 62 Env't. Rep. Cas. (BNA) 2121, 36 Envtl. L. Rep. 20166, 2006 FED App. 0302P (6th Cir. 2006) (joining the "'overwhelming majority' of courts in holding that Rule 26 creates a bright-line rule mandating disclosure of all documents, including attorney opinion work product, given to testifying experts"); B.C.F. Oil Refining, Inc. v. Consolidated Edison Co. of New York, Inc., 171 F.R.D. 57, 66–67 (S.D. N.Y. 1997) ("[T]he drafters of the rule understood the policies behind expert disclosure and the work product doctrine and have decided that disclosure of material generated or consulted by the expert is more important."); *see also* Weil v. Long Island Sav. Bank FSB, 206 F.R.D. 38, 40 (E.D. N.Y. 2001) ("This court finds that the 1993 revision to Rule 26(a)(2)(B) does not exempt 'core' work product from the disclosure requirement, nor does it limit disclosure to factual material as opposed to mental impressions or opinions of counsel."); Johnson v. Gmeinder, 191 F.R.D. 638, 647 (D. Kan. 2000) ("In sum, the policy reasons, the plain language of the amended Rule 26(a)(2)(B), the Advisory Committee Note, and the weight of authority supports this Court's conclusion that any type of privileged material, including materials prepared by a non-testifying expert, lose their privileged status when disclosed to, and considered by, a testifying expert."); Lamonds v. General Motors Corp., 180 F.R.D. 302, 304, 41 Fed. R. Serv. 3d 1023 (W.D. Va. 1998) (holding opinion work product documents prepared by counsel and provided to testifying expert to be discoverable); Barna v. U.S., 1997 WL 417847, at *2 (N.D. Ill. 1997) ("[A]ny information considered by a testifying expert in forming his opinion on an issue, even if that information contains attorney opinion work product, is discoverable"); Karn v. Ingersoll-Rand Co., 168 F.R.D. 633, 635, 36 Fed. R. Serv. 3d 919 (N.D. Ind. 1996) (holding that the disclosure requirements of Rule 26(a)(2)(B) "trump" the work product doctrine); Musselman v. Phillips, 176 F.R.D. 194, 202 (D. Md. 1997) ("… when an attorney furnishes work product—either factual or containing the attorney's impressions—to [a testifying expert witness], an opposing party is entitled to discovery of such communication"); Varga v. Stanwood-Camano School Dist., 2007 WL 1847201 (W.D. Wash. 2007) ("…[A]ttorney opinions disclosed to a testifying expert witness are not protected by attorney work-product privilege."). *See also* cases cited in footnote 5 of this section. *But see* Fed. R. Civ. P. 26(b)(4) (effective Dec. 1, 2010) (protecting certain communications shared between an attorney and testifying

expert, as well as draft expert reports).

[FN9] In re Teleglobe Communications Corp., 392 B.R. 561, 576–77 (Bankr. D. Del. 2008) (collecting cases protecting opinion work product shared with an expert and holding that "a testifying expert does not have to produce documents which are protected as core attorney work product (i.e., reflects the attorney's mental impressions and trial strategy)."); Smith v. Transducer Technology, Inc., 197 F.R.D. 260, 262, 48 Fed. R. Serv. 3d 393 (D.V.I. 2000) ("[W]here documents considered by Defendants' experts contain both facts and legal theories of the attorney, Plaintiff is entitled only to discovery of the facts."); Magee v. Paul Revere Life Ins. Co., 172 F.R.D. 627, 642 (E.D. N.Y. 1997) (rejected by, TV-3 Inc. v. Royal Ins. Co. of America, 193 F.R.D. 490, 48 Fed. R. Serv. 3d 736 (S.D. Miss. 2000)) ("[T]he data or other information considered by [an expert] witness in forming [his] opinions required to be disclosed … extends only to factual materials, and not to core attorney work product."); *see also* Kennedy v. Baptist Memorial Hospital-Booneville, Inc., 179 F.R.D. 520, 521–22 (N.D. Miss. 1998) (rejected by, TV-3 Inc. v. Royal Ins. Co. of America, 193 F.R.D. 490, 48 Fed. R. Serv. 3d 736 (S.D. Miss. 2000)) (same); Krisa v. Equitable Life Assur. Soc., 196 F.R.D. 254, 259–61 (M.D. Pa. 2000) (same); Moore v. R.J. Reynolds Tobacco Co., 194 F.R.D. 659, 663–64 (S.D. Iowa 2000) (same); Haworth, Inc. v. Herman Miller, Inc., 162 F.R.D. 289, 294 (W.D. Mich. 1995) (rejected by, TV-3 Inc. v. Royal Ins. Co. of America, 193 F.R.D. 490, 48 Fed. R. Serv. 3d 736 (S.D. Miss. 2000)) (holding that the Advisory Committee Note should be read only to require disclosure of factual material contained in otherwise privileged documents and that clear and unambiguous language would be required to override the work product privilege); Nexxus Products Co. v. CVS New York, Inc., 188 F.R.D. 7, 10 (D. Mass. 1999) ("[T]his court concludes that the required disclosure under 26(a)(2)(B) & (b)(4)(A) does not include core attorney work product considered by experts."); *but see* Suskind v. Home Depot Corp., 2001 WL 92183, at *1 (D. Mass. 2001) (disagreeing with holding in Nexxus Products and requiring the disclosure of materials containing opposing counsel's "mental impressions, conclusions, opinions or legal theories"); *accord* Synthes Spine Co., L.P. v. Walden, 232 F.R.D. 460, 464 (E.D. Pa. 2005) (collecting cases requiring disclosure of materials containing counsel's thoughts and opinions).

[FN10] *See* Oneida, Ltd. v. U.S., 43 Fed. Cl. 611, 619, 83 A.F.T.R.2d 99-2346 (1999) ("[T]he court is persuaded that [opinion] work product information provided to a testifying expert witness should be discoverable, unless such materials bear no probative relationship to the opinion or testimony the expert is likely to give."); Intermedics, Inc. v. Ventritex, Inc., 139 F.R.D. 384, 387, 22 U.S.P.Q.2d 1481, 21 Fed. R. Serv. 3d 38, 24 Fed. R. Serv. 3d 545 (N.D. Cal. 1991) ("[W]ritten and oral communications from a lawyer to an expert that are related to matters about which the expert will offer testimony are discoverable."); Rail Intermodal Specialists, Inc. v. General Elec. Capital Corp., 154 F.R.D. 218, 220–21 (N.D. Iowa 1994) (adopting the Intermedics standard).

[FN11] *See* S.E.C. v. Reyes, 2007 WL 963422, at *1 (N.D. Cal. 2007), subsequent determination, 2007 WL 1100326 (N.D. Cal. 2007) (discussing the potential conflict between one person serving as both litigation consultant and testifying witness and noting that "[e]very court to address [the] 'multiple hats' problem has concluded that an expert's proponent still may assert a privilege over such materials, but only over those materials generated or considered uniquely in the expert's role as consultant") (citing cases); Bro-Tech Corp. v. Thermax, Inc., 2008 WL 724627, at *4 (E.D. Pa. 2008) (finding that plaintiff did not waive its privilege or work product protections in disclosing certain materials to an expert serving both a testifying and consultative role since the privileged material was reviewed in the consultative capacity); Bro-Tech Corp. v. Thermax, Inc., 2008 WL 724627, at *2 (E.D. Pa. 2008) ("Rule 26

(a)(2)(B) only applies to material disclosed to and considered by an expert witness for purposes of his or her expert report and testimony—that is, information the expert receives or considers in his or her capacity as a testifying expert witness.").

[FN12] *See* Karn v. Ingersoll-Rand Co., 168 F.R.D. 633, 640, 36 Fed. R. Serv. 3d 919 (N.D. Ind. 1996) (noting that, while the disclosure rules may limit communication between counsel and testifying experts, counsel is still able to have "uninhibited, freewheeling interchanges" with nontestifying experts); Colindres v. Quietflex Mfg., 228 F.R.D. 567, 86 Empl. Prac. Dec. (CCH) P 41971 (S.D. Tex. 2005) (ordering production of e-mail from testifying expert to counsel outside of scope of expert's report and on which expert did not rely on grounds that it related to his role as a testifying expert).

[FN13] Grace A. Detwiler Trust v. Offenbecher, 124 F.R.D. 545, 546 (S.D. N.Y. 1989) (holding that plaintiff was not required to produce documents used by expert in his role as consultant since they were unrelated to his expert testimony, but documents reviewed in the role of both consultant and testifying expert were discoverable); *see also* B.C.F. Oil Refining, Inc. v. Consolidated Edison Co. of New York, Inc., 171 F.R.D. 57, 61–62 (S.D. N.Y. 1997) (holding that a plaintiff was not required to produce ten documents used by a witness serving as both a testifying expert and a technical consultant when it was clear the expert reviewed the documents "solely as a consultant"); Messier v. Southbury Training School, 1998 WL 422858, at *2 (D. Conn. 1998) (same, and noting that "[a]ny ambiguity about which function was served by the expert when creating a document must be resolved in favor of discovery").

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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

VI. Waiver of Protection

§ 33:61. Loss of protection: waiver

Because confidentiality is essential to preservation of the attorney-client privilege, in most instances the disclosure of attorney-client communications will waive the privilege for the communications disclosed. How broad the scope of waiver depends on a number of factors: whether the disclosure was intentional or inadvertent, whether and how the disclosing party intends to use the privileged communication in the litigation, and the specific facts and legal issues presented in the litigation. The ultimate issue for a court is usually one of fairness: given the disclosure and intended use of a privileged communication in the litigation, what other, related privileged communications ought to be disclosed so that the disclosing party cannot use privilege claims as a "sword" while shielding other privileged communications on the same subject matter?

The following sections will address, first, the nature of the disclosure, from inadvertent to intentional[1] and, second, the scope of waiver that may follow from that disclosure.[2] Because issues of waiver are highly fact and context bound, and because courts struggle with the tension between the policies underlying the privilege (or work product) and the truth-finding function of open and full discovery, the decisions in this area are not always consistent, although general "rules" can be discerned. Counsel considering whether to waive privilege claims in a particular case should consider carefully the effect of that waiver throughout the course of the litigation and potential appeals and on other litigation or proceedings and discuss the potential fallout of the waiver with the client before making a final decision.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* §§ 33:62 to 33:66.

[FN2] *See* §§ 33:67 to 33:68.

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VI. Waiver of Protection

§ 33:62. Loss of protection: waiver—Inadvertent production

Generally speaking, disclosure of privileged communications or work product to a third party or adversary waives protection.[1] Three tests have been developed by courts to determine the circumstances in which an inadvertent disclosure constitutes a waiver of protection: the "strict accountability" analysis, the "never waived" approach, and the "all circumstances" test.[2]

Under the "strict accountability" test, inadvertent disclosure always waives the privilege without regard to the intent or precautions against disclosure taken by the producing party.[3] Courts adopting the strict rule have reasoned that automatic waiver will best encourage lawyers and clients to safeguard their communications and that there is no point in recognizing a privilege after disclosure has occurred.[4] Because this test does not take into consideration the intent of any person involved in the disclosure, it is sometimes called the "objective" approach.[5]

At the opposite end of the spectrum is the "never waived" approach, under which a truly inadvertent disclosure never results in the loss of protection.[6] This test is based on the theory that the privilege holder's inadvertent disclosure, by its nature, was not intended to waive protection. As one court stated, "if we are serious about the attorney-client privilege and its relation to the client's welfare, we should require more than … negligence by counsel before the client can be deemed to have given up the privilege."[7] Because of its emphasis on requiring an "intentional" waiver before protections are lost, this is also called the "subjective" approach.[8] This test has been adopted by relatively few courts.

The majority approach is to analyze "all circumstances" of the inadvertent production, preserving the privilege as long as the producing party took reasonable steps to prevent disclosure.[9] This approach has also been called the "middle of the road" approach, the Hydraflow test, and the "balancing test."[10] This approach "strikes the appropriate balance between protecting attorney-client privilege and allowing, in certain situations, the unintended release of privileged documents to waive that privilege."[11] Under the "all circumstances" test, courts may require the corporate claimant to show that it took all reasonable measures to protect the privilege, including: internal security practices to protect against theft, distribution of privileged documents on a strict "need to know" basis, and procedures for labeling and separately filing documents as privileged so they are not intermingled with other, non-privileged material.[12]

In determining whether a producing party has waived its privilege under the "all circumstances" test, courts tend to focus on five factors:
1. the reasonableness of the precautions taken to prevent inadvertent disclosure;

2. the number of inadvertent disclosures;
3. the scope (or extent) of discovery;
4. any delay in measures taken to rectify the disclosure; and
5. overriding interests in justice.[13]

In applying the "all circumstances" test, some courts have ruled that routine and careful processing of documents suffices to maintain protection during discovery, especially in cases that involve thousands of pages of documents.[14]

Precautions that courts have found relevant under the "all circumstances" test include:
1. proper labeling of privileged and work product materials when they are generated;
2. segregation of protected materials in separate files;
3. policies and physical barriers that limit access to protected materials and protect them from theft and public perusal;
4. destruction, rather than mere disposal, of protected materials;
5. taking immediate steps to retrieve protected materials once their disclosure is made known;
6. conducting privileged communications in places and via media that protect them from being overheard by third parties; and
7. sharing a corporation's protected materials only with employees who have a need to know about the materials or are essential to compliance with the legal advice.[15]

Compliance with these precautions will not necessarily ensure protection. For instance, in Amgen Inc. v. Hoechst Marion Roussel, Inc.,[16] the court noted that counsel had taken many reasonable steps to prevent inadvertent disclosure, including segregating privileged materials during production and storing them on separate shelves. The court nonetheless found that the privilege had been waived because the inadvertent production itself established that "easily-accomplished additional precautions" could have been adopted that would have prevented the disclosure. The court concluded that "[t]he ease with which this disclosure could have been prevented informs the Court's ruling that [the party's] precautions were not reasonable."[17]

Because courts look closely at the diligence with which a party guards its privileged documents from disclosure, counsel must move quickly to notify opposing counsel and assert claims of privilege or work product as soon as the inadvertent production is discovered.[18]

With the rise of e-discovery, courts have begun to identify the precautions that should be taken when parties use computer searches to identify and segregate privileged electronic documents.[19] These precautions include:
1. advanced planning and design of a search methodology by a person qualified beyond that of a lay person or lay lawyer to do so;
2. use of sophisticated search tools, such as Boolean proximity operators or other advanced features, as opposed to simple keyword searches;
3. appropriate testing of the search methodology for reliability and quality of performance; and
4. preparing a rationale for why the given search methodology was chosen.[20]

Rule 26 of the Federal Rules of Civil Procedure was amended on December 1, 2006 to address the delays and costs imposed by the voluminous nature of electronic discovery. Two of the amended provisions address the inadvertent production of privileged or work product material.

Rule 26(f) requires parties to discuss any issues related to privilege or work product protection in their pre-

discovery meet and confer and enter into "clawback," "quick peek" or other forms of non-waiver agreements under which any inadvertently produced privileged or work product material must be returned to the producing party and the receiving party cannot argue that the production constituted a waiver.[21] While the inadvertent production agreements espoused in Rule 26(f) offer protection against claims of waiver for the parties to those agreements, they cannot protect against waiver claims by nonparties to the agreement who seek production of those privileged documents in litigation in other courts, because procedural rules are not statutory enactments and therefore have no power to modify state or federal substantive law.[22] To deal with this problem, some courts have issued case management or other orders that require a speedy review and production of documents and mandate that accidental disclosure of privileged material will not constitute a waiver of privilege or work product.[23] The reasoning behind this approach is that the court's discovery order effectively compels the inadvertent production of some privileged (or work product) material and a compelled production does not cause a waiver.Federal Rule of Evidence 502(d) also permits court-ordered clawback agreements.[23.50] However, the parties must still take reasonable steps to screen out privileged and work product material and the trial court should "independently satisfy [itself] that full privilege review reasonably cannot be accomplished within the amount of time [the] court allow[ed] for production."[24] The requesting party may have the burden of establishing the need for the proposed protective order under Rule 26(c).[25] Practitioners should be careful to include definitions of significant terms like "inadvertent production" and "a reasonable time" in the order so these terms cannot be narrowed by subsequent court interpretation.[26]

Rule 26(b)(5)(B) provides a mechanism through which a party can assert a claim of privilege or work product protection after having inadvertently produced privileged information. The rule requires the receiving party, upon notice of a privilege claim, to return, sequester, or destroy the information and any copies it has, to take reasonable steps to retrieve the information if disclosed to a third party, and to discontinue all use of the information and not disclose it until the claim has been resolved. Rule 26(b)(5)(B) is very similar to rules of professional responsibility and the professional ethics opinions issued in a number of jurisdictions imposing similar duties upon attorneys who receive documents they know or reasonably believe to have been inadvertently produced.[27]

In September 2008, President George W. Bush signed into law Senate Bill 2450 enacting new Rule 502 of the Federal Rules of Evidence which provides that, when privileged or work product information is inadvertently disclosed in a federal proceeding or to a federal office or agency, that disclosure will not operate as a waiver "if the privilege holder took reasonable steps to prevent the disclosure" and correct the error.[28] The new rule also reaches into State court proceedings, providing:

> 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) if not a waiver under the law of the state where the disclosure occurred.[29]

New Federal Rule of Evidence 502 is a response to the high costs incurred by litigants in attempting to prevent the inadvertent production of privileged documents and the high cost in subject-matter waiver resulting from truly inadvertent productions.[30] As the Advisory Committee Notes indicate, this new rule adopts the "all circumstances" test for inadvertent production.[31] It remains to be seen how courts apply Rule 502, and, in particular, what standards they adopt for determining whether the disclosing party took "reasonable steps" to prevent the inadvertent production.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See, e.g.*, John T. Hundley, Annotation, Waiver of Evidentiary Privilege by Inadvertent Disclosure-Federal Law, 159 A.L.R. Fed. 153 (2000); John T. Hundley, Annotation, Waiver of Evidentiary Privilege by Inadvertent Disclosure-State Law, 51 A.L.R. 5th 603 (1997).

[FN2] The three tests are described in Amgen Inc. v. Hoechst Marion Roussel, Inc., 190 F.R.D. 287, 290-2, 53 U.S.P.Q.2d 1898, 45 Fed. R. Serv. 3d 1095 (D. Mass. 2000) (describing the three approaches and citing cases that have adopted each).

[FN3] *See, e.g.*, In re Grand Jury, 475 F.3d 1299, 1305 (D.C. Cir. 2007) ("We … agree with those courts which have held that the privilege is lost even if the disclosure is inadvertent." (quoting In re Sealed Case, 877 F.2d 976, 980, 28 Fed. R. Evid. Serv. 358 (D.C. Cir. 1989)); Carter v. Gibbs, 909 F.2d 1450, 1451, 29 Wage & Hour Cas. (BNA) 1469 (Fed. Cir. 1990); Bowles v. National Ass'n of Home Builders, 224 F.R.D. 246, 253 (D.D.C. 2004); Ares-Serono, Inc. v. Organon Intern. B.V., 160 F.R.D. 1, 4 (D. Mass. 1994).

[FN4] *See* In re Grand Jury, 475 F.3d 1299, 1305 (D.C. Cir. 2007) ("The courts will grant no greater protection to those who assert the privilege than their own precautions warrant." (quoting In re Sealed Case, 877 F.2d 976, 980, 28 Fed. R. Evid. Serv. 358 (D.C. Cir. 1989)); F.D.I.C. v. Singh, 140 F.R.D. 252, 253 (D. Me. 1992) ("Once persons not within the ambit of the confidential relationship have knowledge of the communication, that knowledge cannot be undone. One cannot 'unring' a bell."); International Digital Systems Corp. v. Digital Equipment Corp., 120 F.R.D. 445, 449, 12 Fed. R. Serv. 3d 1151 (D. Mass. 1988).

[FN5] *See, e.g.*, JWP Zack, Inc. v. Hoosier Energy Rural Elec. Co-op., Inc., 709 N.E.2d 336, 341 (Ind. Ct. App. 1999) ("The objective approach concludes that inadvertent disclosure forfeits the protection of privilege without regard to the circumstances.").

[FN6] *See, e.g.*, Jones v. Eagle-North Hills Shopping Centre, L.P., 239 F.R.D. 684, 685 (E.D. Okla. 2007) ("This Court would gravitate more to the side of the 'no waiver' approach, based on the idea that a waiver when the client is not aware of an inadvertent disclosure serves only to punish the innocent."); Berg Electronics, Inc. v. Molex, Inc., 875 F. Supp. 261, 263, 34 U.S.P.Q.2d 1315 (D. Del. 1995); Helman v. Murry's Steaks, Inc., 728 F. Supp. 1099, 1104 (D. Del. 1990) ("The better reasoned rule … provides that inadvertent disclosure does not waive the privilege"); Kansas-Nebraska Natural Gas Co., Inc. v. Marathon Oil Co., 109 F.R.D. 12, 21 (D. Neb. 1983); Corey v. Norman, Hanson & DeTroy, 1999 ME 196, 742 A.2d 933, 941 (Me. 1999).

[FN7] Mendenhall v. Barber-Greene Co., 531 F. Supp. 951, 955, 217 U.S.P.Q. 786, 9 Fed. R. Evid. Serv. 1613, 33 Fed. R. Serv. 2d 921 (N.D. Ill. 1982).

[FN8] *See* JWP Zack, Inc. v. Hoosier Energy Rural Elec. Co-op., Inc., 709 N.E.2d 336, 341 (Ind. Ct. App. 1999).

[FN9] *See, e.g.*, Alldread v. City of Grenada, 988 F.2d 1425, 1434, 1 Wage & Hour Cas. 2d (BNA) 629,

125 Lab. Cas. (CCH) P 35803, 25 Fed. R. Serv. 3d 786, 51 A.L.R.5th 879 (5th Cir. 1993); In re Grand Jury Proceedings, 727 F.2d 1352, 1356, Fed. Sec. L. Rep. (CCH) P 91487, 15 Fed. R. Evid. Serv. 428 (4th Cir. 1984); Koch Foods of AL LLC v. General Elec. Capital Corp., 531 F. Supp. 2d 1318 (M.D. Ala. 2008); U.S. v. National Association of Realtors, 242 F.R.D. 491, 494–6, 73 Fed. R. Evid. Serv. 1010 (N.D. Ill. 2007); In re Natural Gas Commodity Litigation, 229 F.R.D. 82, 86, 164 O.G.R. 481 (S.D. N.Y. 2005) ("This balancing test represents the middle-of-the-road, or flexible approach, that the majority of circuits follow"); JWP Zack, Inc. v. Hoosier Energy Rural Elec. Co-op., Inc., 709 N.E.2d 336, 342 (Ind. Ct. App. 1999); State ex rel. Allstate Ins. Co. v. Gaughan, 203 W. Va. 358, 508 S.E.2d 75, 95 (1998); Matter of Reorganization of Elec. Mut. Liability Ins. Co., Ltd. (Bermuda), 425 Mass. 419, 681 N.E.2d 838, 841 (1997) (adopting new rule after years of applying the "never waived" approach); Abamar Housing and Development, Inc. v. Lisa Daly Lady Decor, Inc., 698 So. 2d 276, 278 (Fla. Dist. Ct. App. 3d Dist. 1997) (stating that the balancing test is the majority test).

[FN10] *See, e.g.,* Gray v. Bicknell, 86 F.3d 1472, 1483, 44 Fed. R. Evid. Serv. 1308 (8th Cir. 1996) (referring to the test as both "the middle of the road" approach and the "Hydraflow test"); Hopson v. Mayor and City Council of Baltimore, 232 F.R.D. 228, 236, 97 Fair Empl. Prac. Cas. (BNA) 617, 63 Fed. R. Serv. 3d 582 (D. Md. 2005) ("the balancing test").

[FN11] Gray v. Bicknell, 86 F.3d 1472, 1484, 44 Fed. R. Evid. Serv. 1308 (8th Cir. 1996); Amgen Inc. v. Hoechst Marion Roussel, Inc., 190 F.R.D. 287, 292, 53 U.S.P.Q.2d 1898, 45 Fed. R. Serv. 3d 1095 (D. Mass. 2000) (adopting the "all circumstances" test because the "two rigid alternatives" either provide too little incentive to guard privileged communications or unduly undermine clients' reasonable expectation that discussions with, and work product of, their lawyers will remain out of their adversary's hands).

[FN12] In re Grand Jury Proceedings Involving Berkley and Co., Inc., 466 F. Supp. 863 (D. Minn. 1979), aff'd as modified, 629 F.2d 548, 6 Fed. R. Evid. Serv. 1165 (8th Cir. 1980) (reversing prior ruling that "privilege does not apply to lost or stolen documents" and holding that the documents would be reviewed *in camera* and would retain their privileged status so long as the proponent of the privilege made an evidentiary showing of reasonable and adequate precautions against theft); *but see* Elkins v. District of Columbia, 250 F.R.D. 20, 25–26 (D.D.C. 2008) (under D.C. Circuit law, even the theft and subsequent disclosure of privileged documents will cause a waiver).

[FN13] *See, e.g.,* Gray v. Bicknell, 86 F.3d 1472, 1484, 44 Fed. R. Evid. Serv. 1308 (8th Cir. 1996); Victor Stanley, Inc. v. Creative Pipe, Inc., 250 F.R.D. 251, 70 Fed. R. Serv. 3d 1052 (D. Md. 2008); Bensel v. Air Line Pilots Ass'n, 248 F.R.D. 177, 180 (D.N.J. 2008); Amgen Inc. v. Hoechst Marion Roussel, Inc., 190 F.R.D. 287, 53 U.S.P.Q.2d 1898, 45 Fed. R. Serv. 3d 1095 (D. Mass. 2000); Hydraflow, Inc. v. Enidine Inc., 145 F.R.D. 626, 637 (W.D. N.Y. 1993); Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co., 104 F.R.D. 103, 105, 17 Fed. R. Evid. Serv. 1440 (S.D. N.Y. 1985). Some courts combine the second and third factors, using a four factor test. *See, e.g.,* In re Natural Gas Commodity Litigation, 229 F.R.D. 82, 89, 164 O.G.R. 481 (S.D. N.Y. 2005).

[FN14] *See, e.g.,* U.S. v. National Association of Realtors, 242 F.R.D. 491, 495, 73 Fed. R. Evid. Serv. 1010 (N.D. Ill. 2007) (forgoing any detailed analysis of the precautions taken and concluding that review itself was a reasonable precaution); Alaska Pulp Corp., Inc. v. U.S., 44 Fed. Cl. 734, 735 (1999) (no waiver upon production of document with attorney-client and work product legend in case where

70,000 pages were reviewed by several lawyers and up to 15 paralegals and where all documents were reviewed at least once by a lawyer).

[FN15] *See, e.g.,* McCafferty's, Inc. v. The Bank of Glen Burnie, 179 F.R.D. 163, 168, 49 Fed. R. Evid. Serv. 808, 41 Fed. R. Serv. 3d 1011 (D. Md. 1998); In re Grand Jury Proceedings Involving Berkley and Co., Inc., 466 F. Supp. 863, 870 (D. Minn. 1979), aff'd as modified, 629 F.2d 548, 6 Fed. R. Evid. Serv. 1165 (8th Cir. 1980).

[FN16] Amgen Inc. v. Hoechst Marion Roussel, Inc., 190 F.R.D. 287, 53 U.S.P.Q.2d 1898, 45 Fed. R. Serv. 3d 1095 (D. Mass. 2000).

[FN17] Amgen Inc. v. Hoechst Marion Roussel, Inc., 190 F.R.D. 287, 292, 53 U.S.P.Q.2d 1898, 45 Fed. R. Serv. 3d 1095 (D. Mass. 2000). *But see* Wsol v. Fiduciary Management Associates, Inc., 23 Employee Benefits Cas. (BNA) 2583, 1999 WL 1129100, at *7 (N.D. Ill. 1999) (where privileged document made available to opposing counsel, court found no waiver, based partly on the issue of fairness, because opposing counsel had not yet incorporated the privileged document into any pleading or otherwise used it extensively in preparing its case).

[FN18] *See* Bowles v. National Ass'n of Home Builders, 224 F.R.D. 246, 253 (D.D.C. 2004) ("NAHB waived the attorney-client and work product privileges … when NAHB waited more than a year to seek a judicial resolution of the privilege issue from the time it discovered [Bowles] took the documents and from the time she commenced litigation against NAHB and began using the documents in the litigation."); In re Hechinger Investment Co. of Delaware, 285 B.R. 601, 614 (D. Del. 2002) ("[I]n determining whether a party has waived a privilege through inadvertence or involuntary disclosure, the factors considered are the steps taken by a party to remedy the disclosure and any delay in initiating those steps."); Business Integration Services, Inc. v. AT & T Corp., 251 F.R.D. 121 (S.D. N.Y. 2008), order aff'd, 2008 WL 5159781 (S.D. N.Y. 2008) (disclosure of privileged documents by corporate agent waived privilege by failing to reverse the disclosure and thereby ratifying the disclosure; Moreno v. Autozone, Inc., 2008 WL 906510 (N.D. Cal. 2008) (failure to exercise due diligence to prevent adversary from access to subpoenaed work product waives work product claim).

[FN19] *See* Victor Stanley, Inc. v. Creative Pipe, Inc., 250 F.R.D. 251, 70 Fed. R. Serv. 3d 1052 (D. Md. 2008); Equity Analytics, LLC v. Lundin, 248 F.R.D. 331, 333 (D.D.C. 2008); U.S. v. O'Keefe, 537 F. Supp. 2d 14, 69 Fed. R. Serv. 3d 1598 (D.D.C. 2008); In re Seroquel Products Liability Litigation, 244 F.R.D. 650, 660 n.6, (M.D. Fla. 2007); *see also* The Sedona Conference Best Practices Commentary on the Use of Search & Information Retrieval Methods in E-Discovery, 8 Sedona Conf. J. 189 (2007) (providing an in-depth analysis of how practitioners should use computer searches in e-discovery).

[FN20] *See* The Cedona Conference® Best Practices Commentary on the Use of Search and Information Retrieval Methods in E-Discovery, 8 SE DCT 189 (Aug. 2007 public comment version) (explaining different search tools and methods).

[FN21] Counsel should note that some courts have held that clawback agreements will not protect against waiver when the disclosure is not strictly inadvertent but was caused by gross negligence or recklessness, and other courts have refused to recognize such agreements altogether. *See* Rhys Davies, A Shield That Doesn't Protect, Nat'l L.J., Jul. 17, 2006, at S1 (examining the different approaches

courts have taken when determining the effect of clawback provisions). A sample clawback agreement can be found in § 33:103.

[FN22] Counsel should note that some courts have held that clawback agreements will not protect against waiver when the disclosure is not strictly inadvertent but was caused by gross negligence or recklessness, and other courts have refused to recognize such agreements altogether. *See* Rhys Davies, A Shield That Doesn't Protect, Nat'l L.J., Jul. 17, 2006, at S1 (examining the different approaches courts have taken when determining the effect of clawback provisions). A sample clawback agreement can be found in § 33:103. *See also* Fed. R. Evid. 502(e); Mt. Hawley Ins. Co. v. Felman Production, Inc., 2010 WL 1990555 (S.D. W. Va. 2010), objections overruled, 2010 WL 2944777 (S.D. W. Va. 2010)(MJ) (holding that even with a clawback agreement, the producing party must satisfy the reasonableness requirement of Rule 502(b)(3) that its production was inadvertent and Felman failed the five factor test in Victor Stanley by failing to take adequate precautions to prevent inadvertent disclosure, failing to employ adequate quality checks, and delaying to rectify the disclosure);

[FN23] *See, e.g.,* Victor Stanley, Inc. v. Creative Pipe, Inc., 250 F.R.D. 251, 70 Fed. R. Serv. 3d 1052 (D. Md. 2008); Hopson v. Mayor and City Council of Baltimore, 232 F.R.D. 228, 239–245, 97 Fair Empl. Prac. Cas. (BNA) 617, 63 Fed. R. Serv. 3d 582 (D. Md. 2005).

[FN23.50] Fed. R. Evid. 502(d); *see also* Rajala v. McGuire Woods, LLP, *2010 WL 2949582 (D. Kan. 2010)* (holding that a court may order a clawback agreement even when all of the parties do not agree to such an agreement).

[FN24] Hopson v. Mayor and City Council of Baltimore, 232 F.R.D. 228, 244, 97 Fair Empl. Prac. Cas. (BNA) 617, 63 Fed. R. Serv. 3d 582 (D. Md. 2005); Mt. Hawley Ins. Co. v. Felman Production, Inc., 2010 WL 1990555 (S.D. W. Va. 2010), objections overruled, 2010 WL 2944777 (S.D. W. Va. 2010) (MJ) (holding that even with a clawback agreement, the producing party must satisfy the reasonableness requirement of Rule 502(b)(3) that its production was inadvertent and Felman failed the five factor test in Victor Stanley by failing to take adequate precautions to prevent inadvertent disclosure, failing to employ adequate quality checks, and delaying to rectify the disclosure);

[FN25] *See* Navajo Nation v. Peabody Holding Co., Inc., 209 F. Supp.2d 269, 283 (D.D.C. 2002), judgment aff'd, 64 Fed. Appx. 783 (D.C. Cir. 2003) ("A valid claim of privilege is sufficient good cause to justify a protective order."); Johnson v. Gmeinder, 191 F.R.D. 638, 643 (D. Kan. 2000) (discussing burden for obtaining protective order) (citing Sentry Ins. v. Shivers, 164 F.R.D. 255, 256, 34 Fed. R. Serv. 3d 563 (D. Kan. 1996) (party requesting protective order bears burden under Rule 26)).

[FN26] *See, e.g.,* VLT, Inc. v. Lucent Technologies, Inc., 54 Fed. R. Serv. 3d 1319 (D. Mass. 2003); *see also* In re '318 Patent Infringement Litigation, 2007 WL 633182, at *1 (D. Del. 2007) (holding that the clawback provision, as written, prevented use of even unprivileged portions of an inadvertently produced document); Prescient Partners, L.P. v. Fieldcrest Cannon, Inc., 1997 WL 736726 (S.D. N.Y. 1997) (explaining one way the court interpreted "inadvertent production" language in a protective order).

[FN27] *See, e.g.,* Model Rules of Prof'l Conduct R. 4.4(b) (2008); *see also* Joseph L. Paller Jr., "Gentlemen Do Not Read Each Other's Mail": A Lawyer's Duties Upon Receipt of Inadvertently Disclosed Confidential Material, 21 Lab. Law. 247 (2006); Dike, A Lucky Break or an Ethical Dilemma? Assessing the Appropriate Response in the Face of Inadvertent Disclosure, Student Commentary, 31 J. Legal Prof. 279 (2007). Some jurisdictions have also applied ethical rules to inadvertent disclosure in the specific context of metadata. *See, e.g.,* Leiber, Current Development, Applying Ethics Rules to Rapidly Changing Technology: the D.C. Bar's Approach to Metadata, 21 Geo. J. Legal Ethics 893 (2008).

[FN28] Federal Rule of Evidence, Rule 502(b); Coburn Group, LLC v. Whitecap Advisors LLC, 640 F. Supp. 2d 1032, 80 Fed. R. Evid. Serv. 307 (N.D. Ill. 2009) (holding work product protection was not waived on an inadvertently produced document because the producing party (i) took reasonable steps to prevent disclosure by using senior, trained paralegals to conduct the privilege review, and (ii) acted promptly after learning of the disclosure to rectify the error); Board of Trustees, Sheet Metal Workers' Nat. Pension Fund v. Palladium Equity Partners, LLC, 722 F. Supp. 2d 845 (E.D. Mich. 2010) (same).

[FN29] Federal Rule of Evidence, Rule 502(c).

[FN30] *See* Advisory Committee Note 2.

[FN31] Advisory Committee Note, Subdivision (b).

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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

VI. Waiver of Protection

§ 33:63. Loss of protection: waiver—Inadvertent production—Electronically stored information

To avoid producing privileged communications and work product materials, one must understand how new technologies can add to the risk of inadvertent disclosure, especially when dealing with electronically stored information. Three examples—(1) redaction; (2) metadata; and (3) unreadable files—illustrate the risks that new technologies can pose. Counsel should work closely with the selected e-discovery consultant, vendor or support staff to make sure that all potential caches of possibly privileged information are identified and withheld from production until they can be accessed and reviewed.

The redaction of privileged portions of electronic documents is increasingly performed through the use of computer programs that obscure or delete text in the underlying document. However, not all programs redact documents irreversibly. In some instances, the redaction can be reversed by simply copying the text and pasting it into another document.[1] To avoid the disclosure of redacted information, counsel should make sure that the redaction is performed using traditional, non-electronic methods or by individuals fully qualified in the appropriate methods for redacting electronic information who can ensure that the technique being used will permanently and irretrievably remove the information.

The word "metadata" refers to a wide variety of information that is normally not visible to the computer user but is created and stored by computers to help identify and manage files, such as the identification of the author of a document and its creation date.[2] Metadata also refers to user-created information, such as the redlined revisions to and comments on a document which, having been "accepted," may not be visible to the casual reviewer but are still embedded in the document and can be accessed with the right software. Potentially privileged or work product information that can be stored as metadata includes comments written by those who have edited a document, the names of those who have edited a document, the template or file used to create a document, hidden slides in a presentation, hidden cells or formulas in a spreadsheet, hidden text, and even past document versions. Because metadata is not visible on the face of the document itself, there is the risk that a reviewer will not identify privileged information contained in the metadata itself and thus fail to withhold or redact the document prior to production. Metadata can be deleted from files through a process known as "scrubbing," but, unless the scrubbing of metadata is permitted by the court or agreed to by the opposing party, the failure to retain and produce metadata can be considered spoliation.[3] Some courts have further addressed these problems by directing parties to discuss upfront whether and how metadata will be produced, as part of the Rule 26 prediscovery conference.[4] To address the risk of inadvertent production posed by metadata, practitioners should always review both the document and its metadata for privileged and work product information before producing it in electronic form.

Finally, unreadable files are those that a computer can locate, but due to corruption or because the computer lacks the necessary software, the file cannot be opened or viewed. That the producing party lacks the requisite software or other tools, does not mean that the requesting party will not be able to recover the document, which may contain privileged information. In Amersham Biosciences Corp. v. PerkinElmer, Inc., the court held that the production of unreadable files to an adversary "evidence[d] a lack of reasonable precaution" resulting in a waiver of privilege.[5] Therefore, counsel should make sure that e-discovery vendors or others assisting in the processing and review of potentially responsive documents identify all unreadable files to ensure that they are not produced until and unless recovered, reviewed and screened for privilege.[6]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* Dana J. Lesemann, Copy, Paste, and Reveal, Legal Times, Jan. 30, 2006, at 33; Douglas S. Malan, A Major Redaction Gaffe GE's Sensitive Information Easy to Access Behind Black Veil, Conn. L. Trib., May 26, 2008, at 1.

[FN2] For general background information regarding metadata, *see* The Sedona Conference, The Sedona Guidelines: Best Practice Guidelines & Commentary for Managing Information & Records in the Electronic Age, 80–82 (2005), available at http://www.thesedonaconference.org /content/miscFiles/TSG9_05.pdf; *see also* Wescott II, The Increasing Importance of Metadata in Electronic Discovery, 14 Rich J.L. & Tech. 10 (2008); Joint Bar-Court Comm., Suggested Protocol for Discovery of Electronically Stored Information (2007), available at http://www.mdd.uscourts.gov/news/news/ESIProtocol.pdf (recommendations to courts for definitions and guidelines to be used in discovery of metadata and electronic information).

[FN3] *See* Williams v. Sprint/United Management Co., 230 F.R.D. 640, 656, 96 Fair Empl. Prac. Cas. (BNA) 1775, 62 Fed. R. Serv. 3d 1052, 29 A.L.R.6th 701 (D. Kan. 2005) (holding that an order to produce electronic documents in the form in which they were regularly maintained was violated when the documents were produced without metadata intact). In some jurisdictions, ethical rules may affect the actions that counsel can take with respect to the production of metadata. *See, e.g.,* Bradley H. Leiber, Current Development, Applying Ethics Rules to Rapidly Changing Technology: the D.C. Bar's Approach to Metadata, 21 Geo. J. Legal Ethics 893 (2008) (providing an overview of how different jurisdictions have applied ethical rules to the treatment of metadata).

[FN4] *See, e.g.,* O'Bar v. Lowe's Home Centers, Inc., 2007 WL 1299180, at *3- (W.D. N.C. 2007) (citing Joint Bar-Court Comm., Suggested Protocol for Discovery of Electronically Stored Information (2007), available at http://www.mdd.uscourts.gov/news/news/ESIProtocol.pdf) (ordering parties to discuss various issues regarding metadata and providing guidelines for its production).

[FN5] Amersham Biosciences Corp. v. PerkinElmer, Inc., 2007 WL 329290, at *7 (D.N.J. 2007). For a more thorough discussion of waiver by inadvertent production, *see* §§ 33:61 to 33:62.

[FN6] *See* Transamerica Computer Co., Inc. v. International Business Machines Corp., 573 F.2d 646, 1978-1 Trade Cas. (CCH) ¶62031, 25 Fed. R. Serv. 2d 604 (9th Cir. 1978) (holding that inadvertent production was effectively "compelled" on account of accelerated discovery proceedings and thus privilege was not waived.); S.E.C. v. Reyes, 2007 WL 528718, at *2 (N.D. Cal. 2007) (finding that attor-

ney-client privilege may survive the inadvertent production of privileged documents in some instances).

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VI. Waiver of Protection

§ 33:64. Loss of protection: waiver—Compelled disclosure

What happens when privileged documents are disclosed involuntarily, such as when a court orders their production over objection of the privilege claimant? In such cases, courts may find that the compelled production does not waive the privilege. The touchstone of the inquiry is likely to be the amount of effort taken by the privilege holder to protect the communication or documents from disclosure.[1] Where a party has taken all reasonable steps to prevent compelled disclosure, that disclosure does not necessarily waive protection for the same materials before another court.[2] Even a court's erroneous admission of privileged documents into evidence will not necessarily waive the privilege for purposes of a subsequent trial, notwithstanding the loss of confidentiality during the initial trial.[3] However, a party's failure to comply with the rules of civil procedure, may provide a court with grounds sufficient to order the production and consequent waiver of privileged and work product documents.[4]

Court orders are not the only avenues for the compelled disclosure of privileged material. Congress has the power to issue subpoenas and require the production of documents of interest to Congressional committees.[5] Government agencies may effectively compel the disclosure of privileged or work product materials through investigatory subpoenas.[6] The government can also seize documents from corporate or law firm offices. Although Department of Justice guidelines set forth procedures to segregate out privileged material before government prosecutors review the seized documents, those procedures are far from perfect.[7] Because the attorney-client privilege is an evidentiary privilege and not a constitutional right, courts overseeing criminal matters will suppress the use of privileged evidence only if the government's possession and review of privileged documents constitutes "serious governmental misconduct."[8]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See, e.g.*, U.S. v. de la Jara, 973 F.2d 746, 749, 36 Fed. R. Evid. Serv. 537 (9th Cir. 1992) (privilege waived if the privilege holder fails to pursue all reasonable means of preserving the confidentiality of the privileged matter); U.S. v. Ary, 2005 WL 2367541, at *7 (D. Kan. 2005), aff'd, 518 F.3d 775 (10th Cir. 2008) (party waived privilege claims for seized documents when party delayed too long in asserting those claims).

[FN2] *See, e.g.*, Shields v. Sturm, Ruger & Co., 864 F.2d 379, 382, 27 Fed. R. Evid. Serv. 289, 13 Fed. R. Serv. 3d 149 (5th Cir. 1989) ("When a party is compelled to disclose privileged work product and

does so only after objecting and taking other reasonable steps to protect the privilege, one court's disregard of the privileged character of the material does not waive the privilege before another court."); In re Vargas, 723 F.2d 1461, 1466 (10th Cir. 1983); *but see* Westinghouse Elec. Corp. v. Republic of Philippines, 951 F.2d 1414, 1427 n.14, 35 Fed. R. Evid. Serv. 1070, 22 Fed. R. Serv. 3d 377 (3d Cir. 1991) (requiring more than filing of motion to quash, which was later withdrawn, to protect against waiver).

[FN3] *See, e.g.*, Palmer by Diacon v. Farmers Ins. Exchange, 261 Mont. 91, 861 P.2d 895, 906 (1993) (court ordered new trial without use of privileged materials where privilege claimant continued to object to court ordered disclosure and where any "waiver" of the privilege occurred after and because of the compelled disclosure).

[FN4] *See, e.g.*, In re Papst Licensing GMBH & Co. KG Litigation, 250 F.R.D. 55 (D.D.C. 2008) (Papst's failure to timely respond to discovery requests waived Papst's right to serve objections based on claims of privilege and work product as to the requesting party, but did not waiver such claims as to other, non-requesting parties.); Bolorin v. Borrino, 248 F.R.D. 93 (D. Conn. 2008) (granting motion to compel privileged documents where privilege claimant failed to produce an adequate privilege log).

[FN5] *See, e.g.*, Com. v. Philip Morris Inc., 1998 WL 1248003 (Mass. Super. Ct. 1998) (discussing "steps reasonably available" that must be taken by recipient of Congressional subpoena to avoid voluntary production and consequent waiver of privilege claims); International Union of Operating Eng'rs Local No. 132 v. Philip Morris Inc., No. 3:97-0708, slip op. at 4-5 (S.D. W. Va. June 28, 1999) (defendants "were not required to stand in contempt" of Congressional subpoena to show reasonable steps were taken to protect privilege); U.S. v. Philip Morris Inc., 212 F.R.D. 421, 425–27 (D.D.C. 2002) (identifying steps that could have been taken to try to avert disclosure to Congressional committee short of contempt); Anaya v. CBS Broadcasting, Inc., 2007 WL 2219394, at *9 (D.N.M. 2007) (noting that courts are split on whether producing to Congress waives the attorney-client privilege and work product protection and deciding that the better rules is that protection will be maintained only if the producing party took "all reasonable efforts" to preserve the privileges).

[FN6] *See* Regents of the University of California v. Superior Court, 81 Cal. Rptr.3d 186, 165 Cal.App.4th 672 (Cal. Ct. App. 4th Dist. 2008) (holding that disclosure of privileged documents to government agencies under threat of criminal prosecution was a "means of coercion … more powerful than a court order" and therefore did not effect a waiver.); *see also* § 33:67.

[FN7] *See, e.g.*, U.S. v. Segal, 313 F. Supp. 2d 774 (N.D. Ill. 2004) (where government seized over 200 boxes of documents and "a significant amount of electronic information," court refused an order prohibiting prosecutors from reviewing privileged documents as "too broad," instead instructing government not to review only those documents on defendants' privilege log); U.S. v. SDI Future Health, Inc., 464 F. Supp. 2d 1027 (D. Nev. 2006) (describing government "taint team" procedures following seizure of privileged documents); Manno v. Christie, 2008 WL 4058016 (D.N.J. Aug. 22, 2008) (describing procedure used following government seizure of law firm files to protect client privileges); In re Parmalat Securities Litigation, 2006 WL 3592936, at *4 (S.D. N.Y. 2006) (seizure of privileged documents by Italian authorities did not waive privilege).

[FN8] *See* U.S. v. Segal, 313 F. Supp. 2d 774 (N.D. Ill. 2004).

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VI. Waiver of Protection

§ 33:65. Loss of protection: waiver—Public availability

Public dissemination of privileged or work product documents is usually an insurmountable obstacle to continued assertion of privilege claims. This is especially true where the privileged materials have received wide dissemination by the media or the government.[1] Nonetheless, mere public availability does not cause privileged or work product materials to lose protection in all instances and for all purposes. Counsel can help limit the disclosure and use of disputed materials in litigation and thereby limit the scope of waiver that results from the material's public availability.[2] In particular, counsel should seek to limit the scope of examination of witnesses on privileged documents in order to preserve protections for undisclosed privileged information.[3]

Much less protection will be given to published documents in cases where the party asserting a protection has intentionally published a report containing or relying upon otherwise privileged or work product materials. Many of the leading cases are discussed in Granite Partners, L.P. v. Bear, Stearns & Co.[4] There, a bankruptcy trustee investigating the cause of the bankrupt's heavy losses published a final report on the investigation findings to the bankruptcy court and public. The court ruled that publication of the report waived not only any protection for the report itself, but also the privileged notes, memoranda, and other work product that were used to prepare the report.[5] Although some courts have held that public availability of privileged information is sufficient to trigger a subject matter waiver,[6] the better rule is that no subject matter waiver will occur unless the privileged information is used as a sword or shield in litigation and, in fairness to the opposing party, other privileged information on the same subject matter should be disclosed.[7]

Finally, at least one court has held that the public reference to and reliance upon legal advice will waive any privilege claim to that advice. In Arnold v. City of Chattanooga, the court found waiver where a retained consultant publicly "stated that [privileged and work product] reports existed and its findings supported the feasibility of the acquisition" proposed by the mayor and under consideration by the city council.[8] The court based its waiver ruling on the fact that "the City … selectively used the reports in a public relations offensive to convince the City Council and the general public that the acquisition was both economically feasible and beneficial" and therefore used the report as a sword in public debate while asserting the privilege as a shield in litigation.[9] However, other courts have declined to find waiver in circumstances quite similar to Arnold.[10]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See, e.g.,* In re von Bulow, 828 F.2d 94, 103, 23 Fed. R. Evid. Serv. 862, 8 Fed. R. Serv. 3d 897 (2d Cir. 1987) (privileged communications published in book and "actually disclosed in public lose their privileged status because they obviously are no longer confidential."); Long-Term Capital Holdings v. U.S., 2003-1 U.S. Tax Cas. (CCH) P 50304, 91 A.F.T.R.2d 2003-1139, 2003 WL 1548770, at *7- (D. Conn. 2003) (extra-judicial disclosure to accountant of "gist" of legal opinion waived privilege for only the information actually disclosed where the disclosed information was not used by the party to support a claim or defense); Falise v. American Tobacco Co., 193 F.R.D. 73, 74 (E.D. N.Y. 2000) ("a trial court should not blind itself … to critical facts known to the world," noting that widespread disclosure of privileged information undermines the policy upon which the privilege depends).

[FN2] *See, e.g.,* Falise v. American Tobacco Co., 193 F.R.D. 73, 74 (E.D. N.Y. 2000) ("The sole issue is whether [the disputed documents] are available for the purpose of discovery. There is no need to decide now whether these materials will be admissible at trial."); *see also* U.S. v. Visa U.S.A., Inc., 2000 WL 1682753, at *1 (S.D. N.Y. 2000) ("In order to promote the goals of full but fair discovery, third parties who gain access to sealed material inadvertently disclosed cannot be allowed to retain those documents. Corporations that live up to their discovery obligations relying on a protective order should not have to fear that unredacted versions of exhibits introduced at trial may be shown to the world at large because of a mistake.").

[FN3] *See* Falise v. American Tobacco Co., 193 F.R.D. 73, 86 (E.D. N.Y. 2000) (limiting deposition questioning to who authored the document, when, from whom the author gathered the information, how the information in the document was communicated and circulated to the author, and who received the document or communication; opponent may not use the document to inquire about the substance of other privileged communications not reflected on face of document).

[FN4] Granite Partners v. Bear, Stearns & Co., Inc., 184 F.R.D. 49, 42 Fed. R. Serv. 3d 806 (S.D. N.Y. 1999).

[FN5] Granite Partners v. Bear, Stearns & Co., Inc., 184 F.R.D. 49, 56, 42 Fed. R. Serv. 3d 806 (S.D. N.Y. 1999) (finding waiver of "any privilege that may have attached to the Trustee's documents by putting the Trustee's conclusions in-issue through the publication of the Final Report and using the Trustee's documents offensively").

[FN6] In re Grand Jury Proceedings, 219 F.3d 175, 184, 55 Fed. R. Evid. Serv. 817 (2d Cir. 2000) ("where a corporation has disseminated information to the public that reveals parts of privileged communications or relies on privileged reports, courts have found the privilege waived"); In re Leslie Fay Companies, Inc. Securities Litigation, 161 F.R.D. 274, 281 (S.D. N.Y. 1995) (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)) (no work product protection for results of investigation that were published to relieve concerns of company's creditors, customers and shareholders); Engineered Products Co. v. Donaldson Co., Inc., 313 F. Supp. 2d 951 (N.D. Iowa 2004) (confirming voluntary waiver of privileged communications results in waiver of all communications directly related to that same subject matter). *See also* § 33:66.

[FN7] *See*, In re von Bulow, 828 F.2d 94, 23 Fed. R. Evid. Serv. 862, 8 Fed. R. Serv. 3d 897 (2d Cir. 1987) (discussing the scope of waiver of the attorney-client privilege and holding that the scope of waiver is based on the facts of each case and fairness concerns; where the disclosure involves the same

subject matter as the privileged information, the disclosure waives the privilege on the withheld documents).

[FN8] Arnold v. City of Chattanooga, 19 S.W.3d 779 (Tenn. Ct. App. 1999).

[FN9] Arnold v. City of Chattanooga, 19 S.W.3d 779, 788 (Tenn. Ct. App. 1999).

[FN10] *See* Montgomery County v. MicroVote Corp., 175 F.3d 296, 304, 43 Fed. R. Serv. 3d 808 (3d Cir. 1999) (refusing to find waiver where the county did not disclose the underlying privileged report but discussed at a public meeting what actions it would take in response to the report).

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VI. Waiver of Protection

§ 33:66. Loss of protection: waiver—"In issue" and implied waiver

If a party relies on the privileged communications to support a claim or defense, the party has put those communications "in issue" and thereby waives claims of privilege to those communications. Courts have applied the "in-issue" exception to work product as well as attorney-client communications.[1]

"In issue" waiver occurs most obviously when a party asserts a claim or affirmatively defends its actions by pleading that it relied on advice of counsel.[2] The advice of counsel defense may arise in criminal or civil actions when a party denies any intent to do wrong by pleading that he checked with counsel and was advised that his planned actions were legal. For instance, in In re G-I Holdings Inc.,[3] when the defendant asserted a "reasonable cause" defense and noted that he had consulted with outside counsel about the proper treatment of the disputed transaction, the court found that the defendant had waived claims of privilege to all privileged communications relating to the tax treatment of the transaction.[4] "In issue" waiver may also arise in civil litigation when a party's intent is at issue.[5]

Similarly, if a party intends to use privileged or work product documents to support a claim or defense, the content of those documents is put "in issue" and the party's claims of protection are waived.[6] When a party through an affirmative act puts in issue a substantive claim or defense, the court may find an implied waiver if legal advice or other privileged communications are directly implicated in that party's claims or defenses and the issue cannot be fully and fairly resolved without the use of privileged materials. In such a case, the court may find an "anticipatory waiver" for any privileged or work product materials that relate to the issue.[7] For instance, a party asserting a good faith defense in an action where intent is an element may impliedly waive privilege claims for legal advice he received because the good faith defense may put the party's knowledge and understanding of the law in issue in the case.[8] "The mere fact that a claim of bad faith (or its affirmative defense of good faith) or other claim or defense based on a party's state of mind is involved does not waive the attorney-client privilege."[9] Counsel should carefully analyze the "state of mind" claim to be sure that it implicates attorney-client communications rather than discovery of what facts the client knew and when the client knew them.

Where there has been no actual disclosure of privileged information, so that the waiver is only anticipatory, courts tend to focus on the party's intent to use the material at trial, rather than on the opposing party's need.[10] Because the anticipatory waiver theory "concern[s] itself solely with whether the privilege holder has committed himself to a course of action that will require the disclosure of a privileged communication," if the privilege holder stipulates that he will not rely on the communication at trial, no waiver will occur.[11]

When assessing whether there is a waiver when privileged or work product material is ostensibly "in issue,"

courts have drawn a distinction between "affirmative" use and a purely "defensive" use of privileged materials. A purely defensive use of privileged information may not cause a waiver. The difference between injecting privileged materials into a case affirmatively and merely responding to allegations by an opponent is hardly a bright-line test.[12]

> To waive the attorney-client privilege by voluntarily injecting an issue in the case, a defendant must do more than merely deny a plaintiff's allegations. The holder must inject a new factual or legal issue into the case. Most often this occurs through the use of an affirmative defense [that] raises[s] a "matter outside the scope of plaintiff's *prima facie* case."[13]

Besides affirmative defenses of good faith, other issues that raise the possibility of implied waiver are attorneys' fee disputes,[14] actions for indemnification of costs and settlement amounts,[15] internal investigations in employment discrimination cases,[16] malpractice actions,[17] and the affirmative use of work product.[18]

As already indicated, courts have considerable discretion to determine whether there is a waiver and, if so, the scope of that waiver. In Hearn v. Rhay, the court enunciated a widely accepted test for finding waiver.

> The factors common to each [case finding implied waiver] may be summarized as follows: (1) assertion of the privilege was a result of some affirmative act, such as filing suit, by the asserting party; (2) through this affirmative act, the asserting party put the protected information in-issue by making it relevant to the case; and (3) application of the privilege would have denied the opposing party access to information vital to his defense. Thus, where these three conditions exist, a court should find that the party asserting the privilege has impliedly waived it through his own affirmative conduct.[19]

The second and third factors of the Hearn test focus on the relevance of the privileged materials and fairness to the privilege challenger.[20] Some commentators have criticized the Hearn test, finding that it "does not succeed in targeting the type of unfairness that is distinguishable from the unavoidable unfairness generated by every assertion of privilege ….,"[21] and a number of courts have likewise found the Hearn test deficient in distinguishing those cases where justice requires a waiver from those where it does not.[22]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* 5 James Wm. Moore et al., Moore's Federal Practice § 226.70[6][c] (3d ed. 2003); American Medical Systems, Inc. v. National Union Fire Ins. Co. of Pittsburgh, Pa., 1999 WL 1138484, at *2 (E.D. La. 1999) ("The 'in issue' doctrine … applies both to the attorney-client privilege and to the work product doctrine, as well as to other privileges ….").

[FN2] *See* Rhone-Poulenc Rorer Inc. v. Home Indem. Co., 32 F.3d 851, 863, 41 Fed. R. Evid. Serv. 176, 30 Fed. R. Serv. 3d 513 (3d Cir. 1994) ("advice of counsel is placed "in-issue" where the client asserts a claim or defense and attempts to prove that claim on defense by disclosing or describing an attorney client communication,"); Chevron Corp. v. Pennzoil Co., 974 F.2d 1156, 1162, Fed. Sec. L. Rep. (CCH) P 97004, 36 Fed. R. Evid. Serv. 761 (9th Cir. 1992) (to the extent that the defendant claimed that its position was reasonable because it was based on advice of counsel, defendant waived the privilege by putting its counsel's advice at issue); Autobytel, Inc. v. Dealix Corp., 455 F. Supp. 2d 569

(E.D. Tex. 2006) (analyzing scope of waiver when advice of patent counsel raised as defense to patent infringement claim); Minebea Co., Ltd. v. Papst, 355 F. Supp. 2d 518 (D.D.C. 2005) (patent licensee's fraud claim against licensor waived privilege for counsel's advice to licensee where licensee's counsel had participated in negotiation of patent license; licensee claimed reasonable reliance on licensor's representations, and licensor needed testimony of licensee's counsel to rebut licensee's claims of reliance); *Compare* Derrick Mfg. Corp. v. Southwestern Wire Cloth, Inc., 934 F. Supp. 813, 816–17 (S.D. Tex. 1996) (deponent's denial of relying on advice of counsel did not waive privilege) with Cox v. Administrator U.S. Steel & Carnegie, 17 F.3d 1386, 1419, 146 L.R.R.M. (BNA) 2158, 127 Lab. Cas. (CCH) P 11063, R.I.C.O. Bus. Disp. Guide (CCH) P 8527, R.I.C.O. Bus. Disp. Guide (CCH) P 8682, 28 Fed. R. Serv. 3d 1166 (11th Cir. 1994), opinion modified on reh'g, 30 F.3d 1347, 147 L.R.R.M. (BNA) 2012 (11th Cir. 1994) (assertion of good faith "beyond mere denial" puts in-issue proponent's knowledge of the law and waives attorney-client privilege); *see also* Hodak v. Madison Capital Management, LLC, 2008 WL 2355798 at *3-4 (E.D. Ky. June 5, 2008) (client's statement that he consulted with counsel before terminating the plaintiff was not sufficient to put counsel's advice in issue).

[FN3] In re G-I Holdings Inc., 218 F.R.D. 428, 2004-1 U.S. Tax Cas. (CCH) P 50154, 92 A.F.T.R.2d 2003-6451 (D.N.J. 2003) (taxpayer's assertion of reliance on counsel created a waiver where the legal issue presented was whether the transaction was a taxable event).

[FN4] *See* Bittaker v. Woodford, 331 F.3d 715, 721–728, 55 Fed. R. Evid. Serv. 923 (9th Cir. 2003) (where habeas petitioner claims ineffective assistance of counsel, waiver of attorney-client privilege should be limited and trial court can enter protective order prohibiting use of privileged materials and information for any purpose other than litigation of the habeas petition itself); Weizmann Institute of Science v. Neschis, 2004 WL 540480 (S.D. N.Y. 2004) (pleading "compulsion" as a defense to a claim of collateral estoppel waived the advice of counsel on whether the party was in fact compelled under the applicable law).

[FN5] Wender v. United Services Auto. Ass'n, 434 A.2d 1372 (D.C. 1981) (by asserting reliance on counsel as a material element of its defense, [USAA] waived the attorney-client privilege); Miller v. Pharmacia Corp., 2006 WL 1343526 (E.D. Mo. 2006) (party raising affirmative defense of novation to breach of contract claim put intent at issue and required waiver of attorney-client privilege); In re EchoStar Communications Corp., 448 F.3d 1294, 1303, 78 U.S.P.Q.2d 1676 (Fed. Cir. 2006) (in patent infringement case where defendant raised advice of counsel defense to rebut allegation of willful infringement, party did not waive claims to opinion work product of outside counsel that was never transmitted to the defendant and waiver of work product transmitted to client extends "only insofar as to inform the court of the *infringer's* state of mind."); *see also* Eco Mfg. LLC v. Honeywell Intern., Inc., 2003 WL 1888988 (S.D. Ind. 2003) (discussing the scope of subject matter waiver where party claims reliance on counsel).

[FN6] *See* Walker v. County of Contra Costa, 227 F.R.D. 529 (N.D. Cal. 2005) (in employment discrimination cases, the employer's use of internal investigation as part of its affirmative defense waives attorney-client privilege and work product claims to interview memoranda and reports created as part of that investigation); Sedillos v. Board of Educ. of School Dist. No. 1 in City and County of Denver, 313 F. Supp. 2d 1091, 187 Ed. Law Rep. 936 (D. Colo. 2004) (refusing privilege claimant's request for ruling of limited waiver so it could use its counsel's report and investigation in employment retaliation case, where limited waiver would prevent opposing party from fully exploring the substance and cir-

cumstances of counsel's advice); U.S. ex rel. Fago v. M & T Mortg. Corp., 242 F.R.D. 16 (D.D.C. 2007) (work product to underlying investigation notes not waived where investigation report disclosed to plaintiff and defendant planned to use report as part of affirmative defense); Austin v. City and County of Denver ex rel. Board of Water Com'rs, 2006 WL 1409543 (D. Colo. 2006) (finding implied waiver where defendants raised defense of adequate investigation in response to employment discrimination claim); *but see* Nesselrotte v. Allegheny Energy, Inc., 2008 WL 2858401 (W.D. Pa. 2008) (denying plaintiff's claim that attorney-client privileged documents were placed "in issue" where plaintiff had been fired as in-house counsel because of poor job performance).

[FN7] S*ee* Computer Associates Intern. v. Quest Software, Inc., 333 F. Supp. 2d 688 (N.D. Ill. 2004) (in copyright infringement and trade secret misappropriation case, counsel's privileged communications with employees in "clean room" were put "at issue" where counsel had access to competitor's source code and therefore could have introduced "contamination" into the clean room process); Jakobleff v. Cerrato, Sweeney and Cohn, 97 A.D.2d 834, 468 N.Y.S.2d 895, 897 (2d Dep't 1983) (implied waiver can be found "where invasion of the privilege is required to determine the validity of the client's claim or defense and application of the privilege would deprive the adversary of vital information"); Smith v. Kavanaugh, Pierson & Talley, 513 So. 2d 1138, 1146 (La. 1987) ("anticipatory waiver" occurs when the privilege proponent "has committed himself to a course of action that will require the disclosure of a privileged communication").

[FN8] *See, e.g.*, Conkling v. Turner, 883 F.2d 431, 435, R.I.C.O. Bus. Disp. Guide (CCH) P 7319, 15 Fed. R. Serv. 3d 132 (5th Cir. 1989) (where plaintiff claimed he did not know he had been defrauded until his lawyer told him so and the tolling of the limitations period turned on plaintiff's late discovery of the fraud, court order limited discovery of opinion work product from plaintiff's lawyers on this specific issue); *compare* Rhone-Poulenc Rorer Inc. v. Home Indem. Co., 32 F.3d 851, 41 Fed. R. Evid. Serv. 176, 30 Fed. R. Serv. 3d 513 (3d Cir. 1994) (no waiver where state of mind is in issue where the privilege claimant did not assert that his state of mind was supported by lawyer's advice); Oxyn Telecommunications, Inc. v. Onse Telecom, 55 Fed. R. Serv. 3d 1263 (S.D. N.Y. 2003) (stating that no implied waiver follows from a party's mere denial of allegations of bad faith and fraud).

[FN9] Dixie Mill Supply Co., Inc. v. Continental Cas. Co., 168 F.R.D. 554, 558 (E.D. La. 1996); *see also* Brennan v. Western Nat. Mut. Ins. Co., 199 F.R.D. 660, 663, 49 Fed. R. Serv. 3d 604 (D.S.D. 2001) ("The Court does not accept [plaintiff's] argument that the nature of this bad-faith litigation, in and of itself, creates an exception to the attorney-client or work-product privileges. A [defendant's] assertion that he acted in good faith does not, by itself, waive these privileges.").

[FN10] *See* Smith v. Kavanaugh, Pierson & Talley, 513 So. 2d 1138, 1146 (La. 1987). ("Under the anticipatory waiver theory, … the court is not invited to readjust the cost-benefit balance struck by the legislature in establishing the attorney-client privilege. Waiver does not depend merely upon the relevance of privileged communications or upon the court's impression as to how badly the opposing party needs the evidence"); Asset Funding Group, LLC v. Adams & Reese, LLP, 2008 WL 4186884, at *5 (E.D. La. 2008) (finding anticipatory waiver of privileged communications where plaintiff would be forced to use those communications to prevail in its malpractice claim).

[FN11] Smith v. Kavanaugh, Pierson & Talley, 513 So. 2d 1138, 1146–48 (La. 1987).

[FN12] *Compare* Synalloy Corp. v. Gray, 142 F.R.D. 266, 270, Fed. Sec. L. Rep. (CCH) P 97260 (D. Del. 1992) (counterclaim for fraud injected issue of reliance into case and waived privilege) with Standard Chartered Bank PLC v. Ayala Intern. Holdings (U.S.) Inc., 111 F.R.D. 76, 81–85, 22 Fed. R. Evid. Serv. 1526 (S.D. N.Y. 1986) (counterclaim for fraud injected issue of reliance into case but did not waive privilege).

[FN13] Lorenz v. Valley Forge Ins. Co., 815 F.2d 1095, 1098, 22 Fed. R. Evid. Serv. 1084 (7th Cir. 1987).

[FN14] *See, e.g.*, Energy Capital Corp. v. U.S., 45 Fed. Cl. 481, 45 Fed. R. Serv. 3d 1179 (2000) (when a party seeks attorneys' fees, it places all bills "in-issue" because of questions about the reasonableness of amounts); Newpark Environ. Ser. v. Admiral Ins. Co., 2000 WL 136006, at *3 (E.D. La. 2000) (same) (citing "anticipatory waiver" cases).

[FN15] *See* Deutsche Bank Trust Co. of Americas v. Tri-Links Inv. Trust, 43 A.D.3d 56, 837 N.Y.S.2d 15 (1st Dep't 2007) (holding that plaintiff seeking indemnification for legal and settlement costs under contractual indemnification agreement does not put "in issue" legal advice received from counsel in the underlying suit so long as it does not itself use privileged or work product communications to prove its case).

[FN16] *See, e.g.*, Walker v. County of Contra Costa, 227 F.R.D. 529 (N.D. Cal. 2005) (in employment discrimination cases, the employer's use of internal investigations as part of its affirmative defense waives attorney-client privilege and work product claims to interview memoranda and reports created as part of that investigation); accord Nesselrotte v. Allegheny Energy, Inc., 2008 WL 2858401 (W.D. Pa. 2008) (in-house counsel's action for employment discrimination did not waive privilege claims for in-house counsel's work where in-house counsel fired for poor job performance).

[FN17] Creditanstatt Investment Bank v. Chadbourne & Parke LLP, 10 Misc.3d 1072(A), 814 N.Y.S. 2d 890 (N.Y. Sup. Nov. 18, 2005) (suit for legal malpractice waives privilege for all legal advice plaintiff received on issue from other law firms); Veras Investment Partners, LLC v. Akin Gump Strauss Hauer & Feld LLP, 52 A.D. 3d 370, 860 N.Y.S. 2d 78 (Sup. Ct., App. Div. 1st Dept. 2008) (limiting advice of counsel waiver in malpractice action).

[FN18] Pro Billiards Tour Ass'n, Inc. v. R.J. Reynolds Tobacco Co., 187 F.R.D. 229, 231 n.5, 44 Fed. R. Serv. 3d 1269 (M.D. N.C. 1999) (though surveillance tapes were work product, "[i]f a party will use the tapes at trial, it necessarily must waive the work product protection.") (citing cases ordering disclosure under waiver theories); In re Intel Corp. Microprocessor Antitrust Litigation, 2008 WL 2310288, at *14 (D. Del. 2008) (Intel's production of summaries of interviews with document custodians to defend against claims of spoliation waives fact work product claims to underlying attorney notes of investigation).

[FN19] Hearn v. Rhay, 68 F.R.D. 574, 584, 2 Fed. R. Evid. Serv. 523, 33 Fed. R. Serv. 2d 704 (E.D. Wash. 1975) (rejected by, Koppers Co., Inc. v. Aetna Cas. and Sur. Co., 847 F. Supp. 360, 29 Fed. R. Serv. 3d 258 (W.D. Pa. 1994)); *see also* In re CFS-Related Securities Fraud Litigation, 223 F.R.D. 631 (N.D. Okla. 2004) (analyzing scope of waiver under Hearn factors where plaintiffs alleged their counsel's receipt of defendant's opinion letter to support reliance element of securities claim); Grace v. Mastruserio, 2007-Ohio-3942, 2007 WL 2216080, at *4- (Ohio Ct. App. 1st Dist. Hamilton County 2007)

(adopting Hearn test under Ohio law of privilege); American Economy Ins. Co. v. Schoolcraft, 2007 WL 1229308 (D. Colo. 2007) (applying Hearn test as adopted by Colorado Supreme Court in People v. Madera, 112 P.3d 688 (Colo. 2005)).

[FN20] *See, e.g.,* Cox v. Administrator U.S. Steel & Carnegie, 17 F.3d 1386, 1417–18, 146 L.R.R.M. (BNA) 2158, 127 Lab. Cas. (CCH) P 11063, R.I.C.O. Bus. Disp. Guide (CCH) P 8527, R.I.C.O. Bus. Disp. Guide (CCH) P 8682, 28 Fed. R. Serv. 3d 1166 (11th Cir. 1994), opinion modified on reh'g on other grounds, 30 F.3d 1347, 147 L.R.R.M. (BNA) 2012 (11th Cir. 1994) (declining to adopt a rule that would allow an implied waiver finding where client's offer and attorney's subsequent testimony regarding attorney's actions caused no actual unfairness to plaintiffs); Harter v. University of Indianapolis, 5 F. Supp. 2d 657, 8 A.D. Cas. (BNA) 88, 127 Ed. Law Rep. 827 (S.D. Ind. 1998) ("Only when the client seeks to take advantage of the privileged communications themselves should a waiver be found on the theory that the client has put the attorney's advice in-issue."); North River Ins. Co. v. Philadelphia Reinsurance Corp., 797 F. Supp. 363, 370 (D.N.J. 1992) ("'In-issue' doctrine should be construed narrowly to create an implied waiver … only when a party puts 'in-issue' the contents of an attorney-client communication.").

[FN21] Note, Developments in the Law—Privileged Communications, 98 Harv. L. Rev. 1450, 1641–42 (1985); *see also* Marcus, "The Perils of Privilege: Waiver and the Litigator, 84 Mich. L. Rev. 1605, 1628–29 (1986).

[FN22] *See* In re County of Erie, 546 F.3d 222 (2d Cir. 2008) (criticizing Hearn test and holding that "a party must *rely* on privileged advice from his counsel to make his claim or defense in order to trigger "in issue" waiver); Union County, IA v. Piper Jaffray & Co., Inc., 248 F.R.D. 217, 220–222 (S.D. Iowa 2008), appeal dismissed, 525 F.3d 643, Bankr. L. Rep. (CCH) P 81251 (8th Cir. 2008) (discussing criticism of Hearn test but adopting it as preferable to the rule set out in Rhone-Poulenc); Banc of America Securities, LLC v. Evergreen Intern. Aviation, Inc., 2006 NCBC 2, 2006 WL 401679 (N.C. Super. Ct. 2006) (discussing differences between Hearn and Rhone-Poulenc tests for "in issue" waiver and following Rhone-Poulenc); Aristocrat Leisure Ltd. v. Deutsche Bank Trust Co. Americas, 2010 WL 2976528 (S.D. N.Y. 2010), reconsideration denied in part, 2010 WL 3431132 (S.D. N.Y. 2010) (discussing the Erie Court's criticism of Hearn).

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Successful Partnering Between Inside and Outside Counsel
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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

VI. Waiver of Protection

§ 33:67. Loss of protection: waiver—Scope of waiver

Waiver is rarely limited to the actual communications that are disclosed. Rather, under the appropriate circumstances, courts will extend the waiver to other attorney-client communications on the "same subject matter."[1] The doctrine of "subject matter waiver" is grounded on the notion of fairness: the privilege cannot be used as both a sword and a shield.[2] It is unfair for a party to selectively disclose certain privileged communications that are favorable to that party's position, while shielding from disclosure other privileged communications that are unfavorable.[3] Therefore, the scope of any particular waiver depends on the nature of the disclosure, the privilege claimant's actual or intended use of the disclosed communications, and the privilege opponent's need to discover information that may permit it to rebut or otherwise limit the use of the disclosed communications.[4] For these reasons, the waiver of privilege in one case may not cause a waiver in subsequent litigation.[5]

It is within the discretion of the court to determine waiver in the case before it.[6] Because in most instances the scope of waiver turns on an analysis of "fairness" to the opposing party, most courts have limited waiver to those documents that were actually disclosed when the disclosure was extrajudicial and the documents are not used to support a claim or defense in litigation.[7] Similarly, most courts will not find a subject matter waiver if privileged documents inadvertently produced in the litigation itself are not affirmatively used by the disclosing party.[8] And while subject matter waiver usually is not applied to the inadvertent disclosure of work product materials,[9] courts that have found broad waiver of work product when work product was used by the disclosing party in support of its claims or defenses.[10]

Once a waiver has been found under the in-issue doctrine, there is divided authority on the extent of the waiver. Some courts have held that the waiver is narrow and includes only materials that a party intends to use at trial; other courts have held that the waiver includes all privileged materials placed in-issue, without regard to their use at trial.[11] In determining the nature and scope of any waiver, the "objective consideration" of fairness, together with the "element of implied intention," constitute "the double elements that are predicated in every waiver."[12]

Since the work product doctrine is designed to protect trial preparation materials from discovery, it is not subject to the same stringent confidentiality and waiver requirements and rules as the attorney-client privilege. For example, the work product privilege may be waived when work product material is disclosed to third parties only if the disclosure "substantially increases the opportunity for potential adversaries to obtain the information."[13] The scope of work product waiver is also much different than the broad waiver of all related material that is implicated by waiver of the attorney-client privilege. Generally, work product waiver only extends to

non-opinion work product or "facts" concerning the same subject matter as the disclosed work product.[14]

Fortunately, there is a temporal limitation to the waiver doctrine. Most courts have held that the disclosure of a communication between a client and his attorney will waive privilege or work product claims for other protected materials up to the time of the waiver, but will not waive privilege claims for privileged or work product materials created after that date.[15] Thus, attorney-client communications that occur after the date on which the disclosure occurs should remain privileged despite the waiver of protection for earlier communications. Similarly, courts limit the waiver of work product to work product that was actually communicated to the client, preserving protection for any work product that remained in counsel's possession.[16]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] U.S. ex rel. Mayman v. Martin Marietta Corp., 886 F. Supp. 1243, 1252 (D. Md. 1995) (voluntary disclosure of privileged information waives the privilege as to all communications on the same subject matter); Chinnici v. Central Dupage Hosp. Ass'n, 136 F.R.D. 464 (N.D. Ill. 1991), order clarified, 1991 WL 127606 (N.D. Ill. 1991) (applying subject matter waiver); Martin Marietta Materials, Inc. v. Bedford Reinforced Plastics, Inc., 227 F.R.D. 382 (W.D. Pa. 2005) (discussing scope of waiver of privilege and work product where defendant counterclaimed patent at issue was unenforceable due to inequitable conduct before the PTO).

[FN2] In re Grand Jury Proceedings Oct. 12, 1995, 78 F.3d 251, 255–56, 1996 FED App. 0090P (6th Cir. 1996) (disclosure of some privileged communications relating to specific elements of marketing plan waived other communications on the same elements of the marketing plan but not communications as to other elements of the plan); Sedillos v. Board of Educ. of School Dist. No. 1 in City and County of Denver, 313 F. Supp. 2d 1091, 187 Ed. Law Rep. 936 (D. Colo. 2004) (refusing privilege claimant's request for ruling of limited waiver so it could use its counsel's report and investigation in employment retaliation case, where limited waiver would prevent opposing party from fully exploring the substance and circumstances of counsel's advice).

[FN3] *See* Glenmede Trust Co. v. Thompson, 56 F.3d 476, 486–487, 23 Media L. Rep. (BNA) 2036, 32 Fed. R. Serv. 3d 889 (3d Cir. 1995) (where client relies on advice of counsel, client cannot "define selectively the subject matter of the advice of counsel on which it relied in order to limit the scope of the waiver …. To do so would undermine the very purpose behind the exception to the attorney-client privilege at issue here— fairness."); Brownell v. Roadway Package System, Inc., 185 F.R.D. 19, 25, 76 Empl. Prac. Dec. (CCH) P 46023 (N.D. N.Y. 1999) (where defendant asserts adequacy of investigation as defense in action, "equity requires that Plaintiff be permitted to explore the parameters of the investigation in order to rebut the affirmative defense"); American S.S. Owners Mut. Protection and Indem. Ass'n, Inc. v. Alcoa S.S. Co., Inc., 232 F.R.D. 191, 2005 A.M.C. 2711 (S.D. N.Y. 2005), adhered to in part on reconsideration, 2005 WL 2254463 (S.D. N.Y. 2005) (intentional disclosure of privileged documents and reliance on those documents in conducting depositions was "plainly tactical and operated to the disadvantage of the defendants, resulting in waiver the scope of which would be determined by the court.).

[FN4] *See* In re Grand Jury Proceedings, 219 F.3d 175, 55 Fed. R. Evid. Serv. 817 (2d Cir. 2000) (discussing and applying "fairness principles" to scope of waiver for corporation in grand jury context);

U.S. v. Skeddle, 989 F. Supp. 917, 918–20 (N.D. Ohio 1997) (discussing factors considered by courts in deciding what falls within the same subject matter); Rambus, Inc. v. Infineon Technologies AG, 220 F.R.D. 264, 288–89 (E.D. Va. 2004), subsequent determination, 222 F.R.D. 280 (E.D. Va. 2004) (disclosure of document retention policy and "some of the reasons for adopting the policy" in defending against spoliation and crime-fraud allegations held to waive privilege for all advice of counsel that went into the preparation of the document retention policy); American S.S. Owners Mut. Protection and Indem. Ass'n, Inc. v. Alcoa S.S. Co., Inc., 232 F.R.D. 191, 2005 A.M.C. 2711 (S.D. N.Y. 2005), adhered to in part on reconsideration, 2005 WL 2254463 (S.D. N.Y. 2005) (discussing fairness considerations underlying scope of waiver).

[FN5] *See* In re Buspirone Antitrust Litigation, 208 F.R.D. 516, 521, 2002-1 Trade Cas. (CCH) ¶73742 (S.D. N.Y. 2002) (the court ruled that the defendant's testimony that placed certain privileged communications relating to intent "at issue" in a prior patent infringement action was not a waiver in the pending antitrust action where the defendant's intent was not an issue).

[FN6] *See* In re Grand Jury Proceedings, 219 F.3d 175, 185, 55 Fed. R. Evid. Serv. 817 (2d Cir. 2000) ("since fairness depends on context … it is not prudent to formulate a per se rule in this area [scope of waiver] of the law"); In re Papst Licensing GMBH & Co., KG Litigation, 250 F.R.D. 55, 59 (D.D.C. 2008) (a district court has broad discretion in deciding the scope of waiver).

[FN7] *See* In re von Bulow, 828 F.2d 94, 100–02, 23 Fed. R. Evid. Serv. 862, 8 Fed. R. Serv. 3d 897 (2d Cir. 1987); METHOD AND SYSTEM FOR SURVEILLANCE AND OPERATION SERVICES OF POWER GENERATING EQUIPMENT, US PAT APP 20030009347, 2003 WL 154870, at *8 (U.S. PTO Application 2003) (extrajudicial disclosure of portion of privileged communication will not waive privilege for rest of communication so long as the privilege claimant does not use the disclosed portion in support of a claim or defense in the litigation); In re Keeper of Records (Grand Jury Subpoena Addressed to XYZ Corp.), 348 F.3d 16, 62 Fed. R. Evid. Serv. 1032 (1st Cir. 2003) (holding no subject matter waiver occurs where the disclosure is extrajudicial and the privileged communications "not thereafter used by the client to gain adversarial advantage in judicial proceedings"); John Doe Co. v. U.S., 350 F.3d 299, 62 Fed. R. Evid. Serv. 1231 (2d Cir. 2003), as amended, (Nov. 25, 2003) (counsel's letter to U.S. Attorney explaining client's good faith defense prior to issuance of grand jury subpoena did not waive work product as disclosure was extrajudicial and did not cause "unfairness" to the U.S. Attorney); In re Polymedica Corp.Sec. Litig., 235 F.R.D. 28, 29 (D. Mass. April 7, 2006) (holding that disclosure of a consulting expert's report to the SEC did not waive a party's claims of privilege for other work product and privileged materials on the same subject matter because mere disclosure of the report did not cause prejudice to the opposing party and the party claiming privilege did not seek to use the report in a judicial proceeding).

[FN8] *See* Standard Chartered Bank PLC v. Ayala Intern. Holdings (U.S.) Inc., 111 F.R.D. 76, 85, 22 Fed. R. Evid. Serv. 1526 (S.D. N.Y. 1986) (no subject matter waiver for limited inadvertent production); Gray v. Bicknell, 86 F.3d 1472, 1483, 44 Fed. R. Evid. Serv. 1308 (8th Cir. 1996) (the inadvertent disclosure by the client of two letters from counsel waived the attorney-client privilege with respect to those letters, but the privilege continued to protect other, related documents); Bensel v. Air Line Pilots Ass'n, 248 F.R.D. 177, 181 (D.N.J. 2008) ("The general rule that a disclosure waives not only the specific communication but also the subject matter of it in other communications is not appropriate in the case of inadvertent disclosure, unless it is obvious that a party is attempting to gain an advantage or

make offensive or unfair use of the disclosure." (quoting Koch Materials Co. v. Shore Slurry Seal, Inc., 208 F.R.D. 109, 120, 59 Fed. R. Evid. Serv. 249 (D.N.J. 2002))); *but see* Elkins v. District of Columbia, 250 F.R.D. 20, 24–25 (D.D.C. 2008) (holding that the defendants had waived privilege to all privileged documents and communications "that relate to the same subject matter as documents" that had been inadvertently released to plaintiffs); Bowles v. National Ass'n of Home Builders, 224 F.R.D. 246, 257–8 (D.D.C. 2004) (subject matter waiver "applies to deliberate and inadvertent disclosures alike …."); U.S. v. Cohn, 303 F. Supp. 2d 672 (D. Md. 2003) (production of privileged documents held to waive protection for all documents on the same subject matter); Murray v. Gemplus Intern., S.A., 217 F.R.D. 362, 364–66, 56 Fed. R. Serv. 3d 856 (E.D. Pa. 2003) (finding subject waiver to exist where a party's disclosure in discovery was deemed intentional because the party failed to object to disclosure in a timely manner and the documents disclosed were beneficial to the disclosing party).

[FN9] *See* Duplan Corp. v. Deering Milliken, Inc., 397 F. Supp. 1146, 1190, 184 U.S.P.Q. 775 (D.S.C. 1974) (rejecting application of subject matter waiver to work product claims because of unfairness to work product claimant); U.S. v. Graham, 2003 WL 23198792, at *6 (D. Colo. 2003) (subject matter rule does not apply to opinion work product, even when such work product is selectively disclosed, but subject matter waiver applied to fact work production portion of interview memoranda); Anaya v. CBS Broadcasting Inc., 2007 WL 2219 394, at *8 (D.N.M. April 30, 2007) (holding that applying subject matter waiver to opinion work product would violate the purpose of work product protection); Stern v. O'Quinn, 253 F.R.D. 663 (S.D. Fla. 2008) (due to policy behind work product protection, waiver limited to the information actually disclosed); S.E.C. v. Roberts, Fed. Sec. L. Rep. (CCH) P 94817, 2008 WL 3925451 (N.D. Cal. 2008) (disclosure of facts discovered in internal investigation does not waive protection for attorneys' mental impressions and conclusions.).

[FN10] *See* Brownell v. Roadway Package System, Inc., 185 F.R.D. 19, 26, 76 Empl. Prac. Dec. (CCH) P 46023 (N.D. N.Y. 1999) (work product waived where adequacy of internal investigation raised as an affirmative defense); Kallas v. Carnival Corp., 2008 A.M.C. 2076, 2008 WL 2222152, at *5- (S.D. Fla. 2008) (finding waiver of work product where counsel relied on investigators' telephone survey of potential class members to oppose class certification).

[FN11] American Medical Systems, Inc. v. National Union Fire Ins. Co. of Pittsburgh, Pa., 1999 WL 1138484, at *3 (E.D. La. 1999) (citing state cases in support of both narrow and broad waiver); Dixie Mill Supply Co., Inc. v. Continental Cas. Co., 168 F.R.D. 554, 556 (E.D. La. 1996) (following rule that attorney-client privilege is waived only where the privilege holder "will be forced inevitably to draw upon a privileged communication at trial to prevail"); Remington Arms Co. v. Liberty Mut. Ins. Co., 142 F.R.D. 408, 416 (D. Del. 1992) (waiver required where party intends to make testimonial use of privileged communications); Potomac Elec. Power Co. v. California Union Ins. Co., 136 F.R.D. 1, 4–5 (D.D.C. 1990) (where plaintiff placed its own conduct and conduct of counsel in underlying trial at issue, plaintiff waived privilege as to documents addressing all aspects of underlying trial); Charlotte Motor Speedway, Inc. v. International Ins. Co., 125 F.R.D. 127, 131, 14 Fed. R. Serv. 3d 1414 (M.D. N.C. 1989) (in bringing action for coverage under policy, plaintiff placed activities associated with underlying action in issue and thus waived opinion work product and attorney-client privilege associated with underlying lawsuit).

[FN12] *See* 8 J. Wigmore, Evidence § 2327, at 636 (McNaughton rev. ed. 1961).

[FN13] Lawrence E. Jaffe Pension Plan v. Household Intern., Inc., 237 F.R.D. 176, 183 (N.D. Ill. 2006) ; Aronson v. McKesson HBOC, Inc., 2005 WL 934331, at *6 (N.D. Cal. 2005) ("Generally, waiver of the work product doctrine will be found only where the work product was voluntarily disclosed such that it may become readily accessible to an adversary."); In re Subpoenas Duces Tecum, 738 F.2d 1367, 1372, Fed. Sec. L. Rep. (CCH) P 91566, 16 Fed. R. Evid. Serv. 165, 39 Fed. R. Serv. 2d 611 (D.C. Cir. 1984) ("[N]ot all voluntary disclosures effect a work product waiver," especially if there are "common interests between transferor and transferee.") (quoting U.S. v. American Tel. and Tel. Co., 642 F.2d 1285, 1299, 1980-2 Trade Cas. (CCH) ¶63533, 30 Fed. R. Serv. 2d 503 (D.C. Cir. 1980)); Royal Surplus Lines Ins. v. Sofamor Danek Group, 190 F.R.D. 463, 476 (W.D. Tenn. 1999) (no waiver of work product protection "so long as the disclosure was consistent with the adversarial system"). *See also* In re JDS Uniphase Corporation Securities Litigation, 2006 WL 2850049, at *1 (N.D. Cal. 2006) (auditor-client relationship "was not the kind of adversarial relationship contemplated by the work product doctrine" that implicates waiver when work product material is shared with the auditor); Frank Betz Associates, Inc. v. Jim Walter Homes, Inc., 226 F.R.D. 533 (D.S.C. 2005) (since accountants/auditors are not conduits to potential adversaries, disclosure to independent auditor of information on litigation reserves did not waive work product protection); S.E.C. v. Roberts, Fed. Sec. L. Rep. (CCH) P 94817, 2008 WL 3925451, at *11 (N.D. Cal. 2008) (finding that the auditors and the special committee had "aligned interests" and thus were not adversaries); Regions Financial Corp. v. U.S., 2008-1 U.S. Tax Cas. (CCH) P 50345, 101 A.F.T.R.2d 2008-2179, 2008 WL 2139008, at *7 (N.D. Ala. 2008) ("[W]ork product protection is provided against 'adversaries' so only disclosing material in a way inconsistent with keeping it from an adversary waives work product privilege, …"); *but see* U.S. v. Textron Inc. and Subsidiaries, 577 F.3d 21 (1st Cir. 2009), petition for cert. filed (U.S. Dec. 24, 2009) (en banc) (overruling the trial court and First Circuit panel, holding that work product protection does not apply to tax accrual work papers shared with auditors adopting the "primary purpose" test because the papers were prepared primarily for supporting financial statements and not *for use in* litigation).

[FN14] Static Control Components, Inc. v. Lexmark Intern., Inc., 2007 WL 902273, at *4 (E.D. Ky. 2007) ("Work product waiver is not a broad waiver of all work product related to the same subject matter like the attorney-client privilege. Instead, work-product waiver only extends to 'factual' or 'non-opinion' work product concerning the same subject matter as the disclosed work product."); In re Martin Marietta Corp., 856 F.2d 619, 626 (4th Cir. 1988) ("We think that when there is subject matter waiver, it should not extend to opinion work product …."); Tennison v. City & County of San Francisco, 226 F.R.D. 615, 621–23 (N.D. Cal. 2005) (finding that subject matter waiver applied to testimony to the extent there was wavier of privilege over fact work product and matters covered in the testimony); U.S. v. Graham, 2003 WL 23198792, at *6 (D. Colo. 2003) (holding "selective disclosure to an adversary does not thereafter necessarily require a blanket application of the subject matter waiver rule."); *see also* §§ 33:61 to 33:66.

[FN15] *See, e.g.*, Duplan Corp. v. Deering Milliken, Inc., 397 F. Supp. 1146, 1191, 184 U.S.P.Q. 775 (D.S.C. 1974) (Temporal limits on waiver necessary or waiver "would effectively disallow the parties from forever thereafter discussing the same subject matter in any other privileged context."); Collaboration Properties, Inc. v. Polycom, Inc., 224 F.R.D. 473 (N.D. Cal. 2004) (waiver resulting from advice of counsel defense did not extend to communications with trial counsel who had no involvement in providing the pre-litigation patent advice); People v. Kozlowski, 11 N.Y.3d 223, 2008 WL 4585261, at *11 (2008) (finding no authority for claim that the disclosure of historical privileged documents waives

the privilege covering trial preparation materials created during a subsequent internal investigation).

[FN16] *See* Gingrich v. Sandia Corporation, 165 P.3d 1135, 1143–44 (N. Mex. Ct. App. June 15, 2007) (holding that work product communicated to client was waived but not the work product that could not be the basis of the client's actions because it had not been transmitted to the client); Rhone-Poulenc Rorer Inc. v. Home Indem. Co., 32 F.3d 851, 866, 41 Fed. R. Evid. Serv. 176, 30 Fed. R. Serv. 3d 513 (3d Cir. 1994) (work product not waived to extent it had not been communicated to the client because it could not affect the client's state of mind).

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VI. Waiver of Protection

§ 33:68. Loss of protection: waiver—Selective waiver

Selective waiver is typically sought when a party wants to share privileged or protected material with one person, i.e., the government (*e.g.*, in an effort to cooperate with a government investigation), and subsequently claim the same material as privileged in a civil case or in another investigation. Unless the concept of selective waiver is recognized in the jurisdiction where the "sharing" occurs, the result is waiver of the attorney-client privilege and, in some cases, work product protection.[1] In recent years, three applications of selective waiver have been developed by the federal courts:

- selective waiver permissible,
- selective waiver impermissible, and
- selective waiver permissible in situations where privilege is protected by a confidentiality agreement or order.[2]

Courts adopting selective waiver: All federal circuits that have addressed the issue of selective waiver have rejected the concept, except the Eighth Circuit. In Diversified Indus., Inc. v. Meredith[3], the corporation sought to protect privileged documents in a civil litigation that the company had previously voluntarily disclosed to the SEC in a separate, nonpublic SEC investigation. The Eighth Circuit concluded that only a limited waiver of privilege had occurred. The court stated "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."[4] Since then, a few district courts have followed Diversified in holding that disclosures to government agencies do not waive the protections of the attorney-client privilege.[5]

Courts rejecting selective waiver: Most courts that have considered the question of selective waiver have implicitly or explicitly rejected Diversified*'s* unqualified selective waiver theory. Federal circuits and other federal and state courts that have rejected the concept of selective waiver base the rejection on waiver being antithetical to the principles and policies behind privilege protection. These courts are also concerned with "fairness" and frown on privilege being used as a "sword" in one situation and then the same privileged information being used as a "shield" in all other matters.[6]

In re Subpoena Duces Tecum[7] is one of the leading cases illustrating waiver resulting from voluntary disclosure to a regulating agency. A corporation hired a law firm to conduct an internal investigation to determine whether illegal payments were made on behalf of the corporation to foreign officials. The results of the investigation were disclosed to the SEC under a "voluntary disclosure program" that promised lenient treatment and avoidance of formal investigation by the SEC. The final report and several binders of supporting documents and

lawyer notes were later sought by plaintiffs in a shareholder class action against the corporation and a derivative action against its officers and directors. The court rejected the corporation's argument that its voluntary disclosure to the SEC caused only a "limited waiver" as to the SEC and other government agencies.

> [The company] willingly sacrificed its attorney-client confidentiality by voluntarily disclosing material in an effort to convince another entity, the SEC, that a formal investigation or enforcement action was not warranted. Having done so, [the company] cannot now selectively assert protection of those same documents under attorney-client privilege. A client cannot waive the privilege in circumstances where disclosure might be beneficial while maintaining it in other circumstances where nondisclosure would be beneficial.[8]

The court also rejected the company's claims of work product for the same materials.[9] Because the SEC had not promised confidential treatment of the disclosed materials and the disclosure was motivated by the company's self-interest, the court concluded that there was "no question" that the SEC remained a clear adversary of the company, notwithstanding the chance of lenient treatment. The court found waiver of work product protection as against the derivative and class action plaintiffs: "It would also be inconsistent and unfair to allow [the company] to select according to their own self-interest to which adversaries they will allow access to the materials."[10]

Courts adopting selective waiver with confidentiality agreement: There have been recent cases in which courts have allowed selective waiver when the parties entered into confidentiality agreements protecting against the future disclosure of the privileged material and protecting against future use of the privileged material by other governmental agencies or other parties. These courts have approved selective waiver with the confidentiality agreement based on balancing the policy goals of encouraging cooperation with the government and the strict requirements of confidentiality for privilege. No federal circuits have adopted this approach. Several state jurisdictions have allowed privilege protection where privileged material has been produced to the government with a confidentiality agreement restricting its future use and stating an intention not to waive privilege or protection.[11]

Even though providing work-product protected materials to a third party does not automatically waive work product protection,[12] as with the attorney-client privilege, there are several jurisdictions that reject the concept of selective waiver even for work product material.[13] However, many courts recognize the special status of opinion work product and allow its protection in selective waiver situations as long as there is a confidentiality agreement to protect against its further dissemination.[14] Naturally, a confidentiality agreement does not protect against waiver if the recipient is the adverse party.[15]

Counsel advising a corporation considering a voluntary production of information and materials during a government investigation should first determine the extent to which privileged or work product materials are included in the proposed production to assess the scope of possible waiver. If possible, the corporation should limit any production to non-privileged materials, because any voluntary production waives the privilege.[16] In this regard, counsel should consider redacting privileged or work product information. If privileged materials are to be produced, counsel should consider whether to negotiate a confidentiality and non-waiver agreement with the government agency that includes restrictions on the agency's ability to share the disclosed materials with other agencies, grand juries, and prosecutors. Although such agreements have generally not been held sufficient to prevent a waiver, courts have tended to condemn specific agreements as inadequate rather than hold that no confidentiality agreement can prevent a waiver.

Should the situation arise, however, where the limited production of privileged or protected material must be made to the government, "best practices" dictate that the confidentiality agreement negotiated contain, at a minimum, provisions that clearly state:

- waiver of attorney-client privilege and work product protection are not intended and expressly reserved as to third parties;
- the receiving party may not use the privileged material for any purpose but the matter in question;
- the receiving party may not share the privileged material with any other government department or agency or any third party; and
- the receiving party is to treat the information as privileged.

To maintain privilege protection, corporations should not rely on selectively producing privileged materials in any situation. The reality is, in many jurisdictions, if privileged materials are produced to one, they become available to all. Moreover, due to the concept of *subject matter waiver*, such production may lead to broader waiver and may require production of more than the voluntarily produced documents.[17]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] For an excellent discussion of selective waiver, *see* In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002); *see also* In re Martin Marietta Corp., 856 F.2d 619, 624 (4th Cir. 1988) (providing results of internal investigation to government waived privilege as to any opponent); U.S. ex rel. Mayman v. Martin Marietta Corp., 886 F. Supp. 1243 (D. Md. 1995) (broad subject matter waiver resulted from letter to government paraphrasing internal findings and citing legal advice about billing practices).

[FN2] *See* In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 295, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002).

[FN3] *See* Diversified Industries, Inc. v. Meredith, 572 F.2d 596, 1977-2 Trade Cas. (CCH) ¶61591, 1978-1 Trade Cas. (CCH) ¶61879, 23 Fed. R. Serv. 2d 1473, 24 Fed. R. Serv. 2d 1201 (8th Cir. 1977) (rejected by, Republic of Philippines v. Westinghouse Elec. Corp., 132 F.R.D. 384, 17 Fed. R. Serv. 3d 1476 (D.N.J. 1990)) and (disapproved of by, U.S. v. Massachusetts Institute of Technology, 957 F. Supp. 301, 97-1 U.S. Tax Cas. (CCH) P 50269, 37 Fed. R. Serv. 3d 711, 79 A.F.T.R.2d 97-595 (D. Mass. 1997)) and (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)).

[FN4] Diversified Industries, Inc. v. Meredith, 572 F.2d 596, 611, 1977-2 Trade Cas. (CCH) ¶61591, 1978-1 Trade Cas. (CCH) ¶61879, 23 Fed. R. Serv. 2d 1473, 24 Fed. R. Serv. 2d 1201 (8th Cir. 1977) (rejected by, Republic of Philippines v. Westinghouse Elec. Corp., 132 F.R.D. 384, 17 Fed. R. Serv. 3d 1476 (D.N.J. 1990)) and (disapproved of by, U.S. v. Massachusetts Institute of Technology, 957 F. Supp. 301, 97-1 U.S. Tax Cas. (CCH) P 50269, 37 Fed. R. Serv. 3d 711, 79 A.F.T.R.2d 97-595 (D. Mass. 1997)) and (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)).

[FN5] *See* In re Grand Jury Subpoena Dated July 13, 1979, 478 F. Supp. 368, 372–73 (E.D. Wis. 1979)

(rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)) (citing Diversified, the court held that privilege accorded employee interview notes was not waived when defendants voluntarily released a report prepared subsequent to the interviews to the SEC, IRS, and a state grand jury); Byrnes v. IDS Realty Trust, 85 F.R.D. 679, 689, Fed. Sec. L. Rep. (CCH) P 97308, 29 Fed. R. Serv. 2d 1431 (S.D. N.Y. 1980) (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)) (relying on Diversified and In re Grand Jury Subpoena, the court concluded that "voluntary submissions to agencies in separate, private proceedings should be a waiver only as to that proceeding"); Regents of University of California v. Superior Court, 165 Cal. App. 4th 672, 683, 81 Cal. Rptr. 3d 186, 08 (4th Dist. 2008) (finding no waiver attached to the defendants' production of privileged materials to the government because no waiver attaches to coercion and defendants "had no means of asserting privileges without incurring the severe consequences threatened by the government agencies."); *see also* Enron Corp. v. Borget, 1990 WL 144879, at *2 (S.D. N.Y. 1990) (abrogated by, In re Steinhardt Partners, L.P., 9 F.3d 230, Fed. Sec. L. Rep. (CCH) P 97818, 27 Fed. R. Serv. 3d 726 (2d Cir. 1993)) and (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)) ("the public policy concern of encouraging cooperation with law enforcement militates in favor of a no waiver finding"); In re Cardinal Health, Inc. Securities Litigation, 2007 WL 495150, at *9 (S.D. N.Y. 2007) (although there was no confidentiality agreement with each government entity to which the privileged materials were produced, the court held that there was no waiver of work product on the materials produced during the SEC's investigation of Cardinal's accounting practices because Cardinal, the SEC and the U.S. Attorney had a "common interest" in the results of the investigation, and thus Cardinal could assert privilege in a parallel civil action); In re Suprema Specialties, Inc., 2007 WL 1964852, at *6 (Bankr. S.D. N.Y. 2007) (analyzing and applying Cardinal Health). *But see* In re Grand Jury Proceedings Subpoena to Testify to: Wine, 841 F.2d 230, 234, 25 Fed. R. Evid. Serv. 101 (8th Cir. 1988) ("[V]oluntary disclosure is inconsistent with the confidential attorney-client relationship and waives the privilege"); In re Lupron Marketing and Sales Practices Litigation, 313 F. Supp. 2d 8 (D. Mass. 2004) (even when government agency promises to keep privileged materials confidential, voluntary production waives the privilege).

[FN6] *First Circuit:* U.S. v. Massachusetts Institute of Technology, 129 F.3d 681, 686, 97-2 U.S. Tax Cas. (CCH) P 50955, 48 Fed. R. Evid. Serv. 66, 39 Fed. R. Serv. 3d 4, 80 A.F.T.R.2d 97-7981 (1st Cir. 1997) ("Anyone who chooses to disclose a privileged document to a third party, or does so pursuant to a prior agreement or understanding, has an incentive to do so, whether for gain or to avoid disadvantage. It would be perfectly possible to carve out some of those disclosures and say that, although the disclosure itself is not necessary to foster attorney-client communications, neither does it forfeit the privilege. With rare exceptions, courts have been unwilling to start down this path—which has no logical terminus—and we join in this reluctance.");

Second Circuit: In re John Doe Corp., 675 F.2d 482, 489, Fed. Sec. L. Rep. (CCH) P 98648, 10 Fed. R. Evid. Serv. 1390 (2d Cir. 1982) ("A claim that a need for confidentiality must be respected in order to facilitate the seeking and rendering of informed legal advice is not consistent with selective disclosure when the claimant decides that the confidential materials can be put to other beneficial purposes."); *but see* In re Steinhardt Partners, L.P., 9 F.3d 230, 236, Fed. Sec. L. Rep. (CCH) P 97818, 27 Fed. R. Serv.

3d 726 (2d Cir. 1993) (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)) (suggesting protection may be appropriate with a confidentiality agreement);

Third Circuit: Westinghouse Elec. Corp. v. Republic of Philippines, 951 F.2d 1414, 1425, 35 Fed. R. Evid. Serv. 1070, 22 Fed. R. Serv. 3d 377 (3d Cir. 1991) ("[S]elective waiver does not serve the purpose of encouraging full disclosure to one's attorney in order to obtain informed legal assistance; it merely encourages voluntary disclosure to government agencies, thereby extending the privilege beyond its intended purpose.");

Fourth Circuit: In re Martin Marietta Corp., 856 F.2d 619, 623–24 (4th Cir. 1988) ("[T]he Fourth Circuit has not embraced the concept of limited waiver of the attorney-client privilege.");

Sixth Circuit In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002) ("After due consideration, we reject the concept of selective waiver in any of its various forms …. First, the uninhibited approach adopted out of whole cloth by the Diversified court has little, if any relation to fostering frank communication between a client and his or her attorney …. Secondly, any form of selective waiver, even that which stems from a confidentiality agreement, transforms the attorney-client privilege into 'merely another brush on an attorney's pallet, utilized and manipulated to gain tactical or strategic advantage.'") (internal citations omitted);

Tenth Circuit: In re Qwest Communications Intern. Inc., 450 F.3d 1179, 1192, 70 Fed. R. Evid. Serv. 492 (10th Cir. 2006), *cert denied* in Qwest Communications Intern. Inc. v. New England Health Care Employees Pension Fund, 549 U.S. 1031, 127 S. Ct. 584, 166 L. Ed. 2d 429 (2006) (concluding that the record in the case was not sufficient to justify adoption of selective waiver or adoption of a new government-investigation privilege);

D.C. Circuit: Permian Corp. v. U.S., 665 F.2d 1214, 1218, Fed. Sec. L. Rep. (CCH) P 98280, 8 Fed. R. Evid. Serv. 1424, 32 Fed. R. Serv. 2d 429 (D.C. Cir. 1981) (finding selective waiver "wholly unpersuasive, [stating] the client cannot be permitted to pick and choose among his opponents, waiving the privilege as to some and resurrecting the claim of confidentiality to obstruct others, or to invoke the privilege as to communications whose confidentiality he has already compromised for his own benefit."); *see also* In re Subpoenas Duces Tecum, 738 F.2d 1367, Fed. Sec. L. Rep. (CCH) P 91566, 16 Fed. R. Evid. Serv. 165, 39 Fed. R. Serv. 2d 611 (D.C. Cir. 1984) (reaffirming its position against selective waiver, the court stated "[w]e believe that the attorney-client privilege should be available only at the traditional price: a litigant who wishes to assert confidentiality must maintain genuine confidentiality."); and

Federal Circuit: Genentech, Inc. v. U.S. Intern. Trade Com'n, 122 F.3d 1409, 1417, 19 Int'l Trade Rep. (BNA) 1451, 43 U.S.P.Q.2d 1722, 38 Fed. R. Serv. 3d 592 (Fed. Cir. 1997) (holding the Federal Circuit "has never recognized a "limited waiver.");

Other Jurisdictions: McKesson HBOC, Inc. v. Superior Court, 115 Cal. App. 4th 1229, 1240–41, 9 Cal. Rptr. 3d 812 (1st Dist. 2004), *review denied*, (June 9, 2004) (rejecting the selective waiver theory for an internal investigation conducted by outside counsel and provided to the SEC under a confidentiality agreement). In United States v. Bergonzi, McKesson intervened in the criminal prosecution of its

former executives to assert its attorney-client privilege and work product claims, but failed to prevail on its selective waiver or "common interest" arguments. U.S. v. Bergonzi, 216 F.R.D. 487 (N.D. Cal. 2003) (rejecting the attorney-client privilege claim on the grounds that there was no expectation of confidentiality due to McKesson's agreement with the SEC to provide the materials at issue—the results of an internal investigation—before that investigation began; rejecting the work product claim on the grounds that waiver had occurred due to the non-absolute nature of McKesson's confidentiality agreement with the SEC; and rejecting McKesson's "common interest" argument, despite the assertion of a common interest in the McKesson-SEC agreement, noting that "it could not have been the Company's goal to impose liability on itself, a consideration always maintained by the Government."); McKesson Corp. v. Green, 266 Ga. App. 157, 597 S.E.2d 447 (2004), judgment aff'd, 279 Ga. 95, 610 S.E.2d 54 (2005) (finding waiver of work product given the same set of facts, rejecting McKesson's claim that a "common interest" and confidentiality agreement barred waiver). The government cannot extract a subject matter waiver, however, where it has agreed that none would occur. In re Keeper of Records (Grand Jury Subpoena Addressed to XYZ Corp.), 348 F.3d 16, 26–28, 62 Fed. R. Evid. Serv. 1032 (1st Cir. 2003) (on appeal from motion to compel grand jury subpoena, finding no waiver beyond the limited disclosures to the government where the government agreed that no such waiver would occur).

[FN7] In re Subpoenas Duces Tecum, 738 F.2d 1367, Fed. Sec. L. Rep. (CCH) P 91566, 16 Fed. R. Evid. Serv. 165, 39 Fed. R. Serv. 2d 611 (D.C. Cir. 1984).

[FN8] In re Subpoenas Duces Tecum, 738 F.2d 1367, 1370, Fed. Sec. L. Rep. (CCH) P 91566, 16 Fed. R. Evid. Serv. 165, 39 Fed. R. Serv. 2d 611 (D.C. Cir. 1984).

[FN9] In re Subpoenas Duces Tecum, 738 F.2d 1367, 1371, Fed. Sec. L. Rep. (CCH) P 91566, 16 Fed. R. Evid. Serv. 165, 39 Fed. R. Serv. 2d 611 (D.C. Cir. 1984). State courts have reached the same conclusions with respect to both attorney-client privilege and work product claims. *See, e.g.*, Denver Post Corp. v. University of Colorado, 739 P.2d 874, 40 Ed. Law Rep. 1269, 13 Media L. Rep. (BNA) 2300 (Colo. Ct. App. 1987) (university waived all claims of protection by disclosing information to state auditor and district attorney).

[FN10] In re Subpoenas Duces Tecum, 738 F.2d 1367, 1372, Fed. Sec. L. Rep. (CCH) P 91566, 16 Fed. R. Evid. Serv. 165, 39 Fed. R. Serv. 2d 611 (D.C. Cir. 1984). Counsel should note, however, that, in a case decided three years earlier by the same court, disclosure of work product documents to the SEC under a nondisclosure agreement was held not to have waived work product protection against their later use by the Dept. of Energy. Permian Corp. v. U.S., 665 F.2d 1214, 1218, Fed. Sec. L. Rep. (CCH) P 98280, 8 Fed. R. Evid. Serv. 1424, 32 Fed. R. Serv. 2d 429 (D.C. Cir. 1981). *See also* RMED Intern., Inc. v. Sloan's Supermarkets, Inc., 2003 WL 41996, at *5 (S.D. N.Y. 2003) (applying the fiduciary exception in a securities class action where plaintiff shareholders claimed the company failed to disclose material information to the government during its investigation, where disclosure of privileged communications about the investigation was "necessary" to permit the shareholders to prove the alleged fraud). *See also* In re Qwest Communications Intern. Inc., 450 F.3d 1179, 70 Fed. R. Evid. Serv. 492 (10th Cir. 2006) in which the court held that Qwest waived claims of attorney-client privilege and fact work product, but not opinion work product, when it produced documents to the SEC pursuant to a confidentiality agreement.

[FN11] In re Steinhardt Partners, L.P., 9 F.3d 230, 236, Fed. Sec. L. Rep. (CCH) P 97818, 27 Fed. R.

Serv. 3d 726 (2d Cir. 1993) (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)) (suggesting in dicta that confidentiality agreements with the government may preserve privilege even though the court found there was no selective waiver in this particular matter); In re Cardinal Health, Inc. Securities Litigation, 2007 WL 495150 (S.D. N.Y. 2007); In re Natural Gas Commodities Litigation, 232 F.R.D. 208, 63 Fed. R. Serv. 3d 786, 164 O.G.R. 497 (S.D. N.Y. 2005); *contra* In re Initial Public Offering Securities Litigation, 249 F.R.D. 457, Fed. Sec. L. Rep. (CCH) P 94580 (S.D. N.Y. 2008) (rejecting selective waiver and finding it is not in the long term best interest of the adversary system); *cf.* Massachusetts Mut. Life Ins. Co. v. State, 39 Conn. L. Rptr. 868, 2005 WL 2277264, at *3 (Conn. Super. Ct. 2005), appeal dismissed, 281 Conn. 805, 917 A.2d 951 (2007) (holding evidence insufficient to support a finding of an explicit agreement for confidentiality to apply Steinhardt); (Lawrence E. Jaffe Pension Plan v. Household Intern., Inc., 244 F.R.D. 412, 433 (N.D. Ill. 2006) (approving selective waiver with a confidentiality agreement for both attorney-client and work product materials); *but see* In re Bank One Securities Litigation, First Chicago Shareholder Claims, 209 F.R.D. 418, 424 (N.D. Ill. 2002) (rejecting use of a confidentiality agreement to protect against voluntary production); Aronson v. McKesson HBOC, Inc., 2005 WL 934331 (N.D. Cal. 2005); and In re M & L Business Mach. Co., Inc., 161 B.R. 689 (D. Colo. 1993) (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)) (finding, on the facts of this case, no waiver of privilege for the bank's production pursuant to subpoena); Fox v. California Sierra Financial Services, 120 F.R.D. 520, 526 (N.D. Cal. 1988) (rejected by, In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002)).

[FN12] Work product waiver occurs if protected information is shared with an adversary. *See* U.S. v. Massachusetts Institute of Technology, 129 F.3d 681, 687, 97-2 U.S. Tax Cas. (CCH) P 50955, 48 Fed. R. Evid. Serv. 66, 39 Fed. R. Serv. 3d 4, 80 A.F.T.R.2d 97-7981 (1st Cir. 1997); In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002).

[FN13] *Courts rejecting selective waiver for work product*: Westinghouse Elec. Corp. v. Republic of Philippines, 951 F.2d 1414, 1429, 35 Fed. R. Evid. Serv. 1070, 22 Fed. R. Serv. 3d 377 (3d Cir. 1991) ("When a party discloses protected materials to a government agency investigating allegations against it, it uses those materials to forestall prosecution (if the charges are unfounded), or to obtain lenient treatment (in the case of well-founded allegations). These objectives, however rational, are foreign to the objectives underlying the work product doctrine."); In re Worlds of Wonder Securities Litigation, 147 F.R.D. 208, 212, Fed. Sec. L. Rep. (CCH) P 97041 (N.D. Cal. 1992) (holding the company could "not pick and choose to which adversaries [it would] reveal documents."); In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289, 58 Fed. R. Evid. Serv. 1451, 53 Fed. R. Serv. 3d 789, 2002 FED App. 0201P (6th Cir. 2002) ("[T]he standard for waiving the work-product doctrine should be no more stringent than the standard for waiving the attorney-client privilege—once the privilege is waived, waiver is complete and final."); and In re Qwest Communications Intern. Inc., 450 F.3d 1179, 1192, 70 Fed. R. Evid. Serv. 492 (10th Cir. 2006) (rejecting the concept of selective waiver for work product).

[FN14] *See* In re Subpoenas Duces Tecum, 738 F.2d 1367, 1375, Fed. Sec. L. Rep. (CCH) P 91566, 16

Fed. R. Evid. Serv. 165, 39 Fed. R. Serv. 2d 611 (D.C. Cir. 1984) (finding waiver of work product unless there is "a promise of confidentiality before disclosure …."); Permian Corp. v. U.S., 665 F.2d 1214, 1218, Fed. Sec. L. Rep. (CCH) P 98280, 8 Fed. R. Evid. Serv. 1424, 32 Fed. R. Serv. 2d 429 (D.C. Cir. 1981) (refusing to set a per se rule as to all voluntary waivers of work product); In re Martin Marietta Corp., 856 F.2d 619, 623 (4th Cir. 1988). Often courts distinguish between opinion work product and non-opinion work product when discussing selective waiver. For example, several courts have rejected the concept of selective waiver as applied to non-opinion work product while protecting opinion work product with a confidentiality agreement that precludes further dissemination. *See* In re Martin Marietta Corp., 856 F.2d 619, 623 (4th Cir. 1988).

[FN15] In re Bank One Securities Litigation, First Chicago Shareholder Claims, 209 F.R.D. 418, 424 (N.D. Ill. 2002).

[FN16] PaineWebber Group, Inc. v. Zinsmeyer Trusts Partnership, 187 F.3d 988, 992 (8th Cir. 1999).

[FN17] *See* Ryan v. Gifford, 2007 WL 4259557, at *3 (Del. Ch. 2007), certification denied, 2008 WL 43699 (Del. Ch. 2008) (both holding that privilege was lost and subject matter waiver occurred when a board special committee presented its report on an internal investigation to the full board, including directors with possible adverse interests to the corporation and their personal attorneys and made public statements that revealed details of the investigation); Blue Lake Forest Prod., Inc., 75 Fed. Cl. 779, 793 (Fed. Cl. 2007).

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by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

VII. Challenging Privilege Claims

§ 33:69. Challenging privilege claims: generally

After a party has produced documents and a corresponding privilege log, the opposing party may file a motion challenging the claims of privilege or work product for documents or communications that appear on the log. Sections 33:70 to 33:79, provide information about the procedures that are commonly used to address and resolve such challenges and practical suggestions that can be of assistance to counsel who are defending privilege claims. Because corporations are most likely to find themselves responding to privilege challenges, these sections are written from a defense perspective. However, the information and advice contained herein also will be of use to counsel who decide to challenge another party's privilege claims.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

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VII. Challenging Privilege Claims

§ 33:70. Challenging privilege claims: choice of law

A threshold issue that may arise when privilege claims are challenged is the choice of law that will be used to resolve the dispute.

Although all jurisdictions in the United States recognize the attorney-client privilege and work product doctrine, not all jurisdictions treat these privileges similarly. In federal question cases, the majority of federal courts apply the federal common law of privilege.[1] That being said, the various circuits do not apply identical views of federal common law of privilege.[2] In diversity cases, federal courts apply conflicts of law principles to determine what state law of privilege should be applied.[3] Where the privilege and work product law of the forum state is particularly restrictive, or where the forum state does not recognize a privilege available elsewhere,[4] the choice of law may be outcome determinative.

Choice of law analysis is important at two points in a case: first, when documents are being identified as potential candidates for a privilege log,[5] and second, when the opposing party initiates privilege challenges.[6] Failure to recognize choice of law issues during the document review phase of the case may result in a failure to assert legitimate privilege claims and a failure to prepare adequate privilege logs to support those claims. Once a privilege challenge has been made, counsel should be prepared to explain the choice of law rules that the court should follow and defend specific privilege claims pursuant to the proffered choice of law determinations. If there is a concern that the trial court may deny a privilege claim based on the law of the forum jurisdiction,[7] counsel may want to seek a court ruling on the privilege claim before or at the time privilege logs are provided to the opposing party to establish counsel's good faith and avoid any implication that counsel was "misusing" the privilege to hide documents from discovery.

As a practical matter, most courts are reluctant to apply a law of privilege with which they are not familiar. Therefore, most courts will apply the substantive privilege rules of the forum in which they are located, unless counsel can present the court with a compelling argument for the application of privilege rules from another jurisdiction.[8] Courts have found compelling reason to use another jurisdiction's law when applying the forum's law would be unfair to the party or negate a good-faith reliance on another state's privilege law.[9] In addition, under the "internal affairs doctrine," where the case arises out of a dispute among or between the corporation and its officers or directors, the court will apply the law of the place of incorporation.[10]

When asserting a privilege not recognized in the forum jurisdiction, counsel should consider drafting log descriptions for the "unrecognized" privilege claims in such a manner as to underscore the policy or other rationale for applying the privilege to those documents. For instance, for a document prepared by an English patent agent,

the log might read: "Letter from English patent agent, functioning in similar role as United States patent counsel, to manager of Research Department, providing advice on legal avenues available following foreign examiner's rejection of claim." Briefs and legal memoranda submitted in support of adopting privileges not available in the forum jurisdiction should address, at a minimum: (1) the forum court's choice of law principles, (2) the policy similarities behind the privilege being asserted and the privileges recognized in the forum court, and (3) the similarity behind the privilege being asserted and privileges already recognized by the forum jurisdiction.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* von Bulow by Auersperg v. von Bulow, 811 F.2d 136, 141, 13 Media L. Rep. (BNA) 2041, 22 Fed. R. Evid. Serv. 737, 7 Fed. R. Serv. 3d 389 (2d Cir. 1987) (stating that federal law of privilege applies even as to state claims over which the court has supplemental jurisdiction); Pearson v. Miller, 211 F.3d 57, 66, 53 Fed. R. Evid. Serv. 1309 (3d Cir. 2000) (same); In re Bieter Co., 16 F.3d 929, 935, R.I.C.O. Bus. Disp. Guide (CCH) P 8490 (8th Cir. 1994) (same).

[FN2] *See*, *e.g.*, discussion of choice of law between Third and Eighth Circuits in Highland Tank & Mfg. Co. v. PS Intern., Inc., 246 F.R.D. 239, 243–45 (W.D. Pa. 2007).

[FN3] Under Rule 501 of the Federal Rule of Evidence, where state law applies the rule of decision, privilege is "determined in accordance with State Law." *See* In re Avantel, S.A., 343 F.3d 311, 323–24, 61 Fed. R. Evid. Serv. 1542 (5th Cir. 2003) (Texas state law governs effect of inadvertent disclosure in federal diversity action filed in Texas); Equity Residential v. Kendall Risk Management, Inc., 246 F.R.D. 557, 564–566 (N.D. Ill. 2007) (analyzing whether Illinois or Connecticut privilege law applies to documents).

[FN4] For instance, documents created by and communications with foreign patent agents, nonlawyers whose work is largely equivalent to that of patent lawyers in the United States, are accorded privilege protection in England and some other European countries but not in the United States. Unless the forum court applies choice of law principles to recognize the foreign privilege for communications with patent agents, communications with the English patent agents must be disclosed to the opposing party. *See, e.g.*, In re Rivastigmine Patent Litigation, 237 F.R.D. 69, 74–75 (S.D. N.Y. 2006) (citing federal court cases to support that "courts look to the law of the country where the patent application is pending" to determine whether or not communications with a foreign patent agent are privileged, but courts apply U.S. privilege law regarding U.S. patent applications).

[FN5] *See* § 33:54.

[FN6] *See* § 33:74.

[FN7] In many state courts, the court will apply the privilege law of the forum state. *See* Carbis Walker, LLP v. Hill, Barth and King, LLC, 2007 PA Super 221, 930 A.2d 573, 578–80 (2007) (applying Pennsylvania law instead of Ohio law to a communication regarding a Pennsylvania lawsuit between counsel in Ohio and an Ohio corporation that was inadvertently disclosed in Pennsylvania); Sterling Finance Management, L.P. v. UBS PaineWebber, Inc., 336 Ill. App. 3d 442, 453, 270 Ill. Dec. 336, 782 N.E.2d 895 (1st Dist. 2002) (privilege law of Illinois, the forum state, was applicable even though New

York had the most significant relationship to the documents and communication at issue). Courts have also disregarded attempts by parties to use choice of law contract provisions to determine the applicable law of privilege. *See* Abbott Laboratories v. Alpha Therapeutic Corp., 200 F.R.D. 401, 404 (N.D. Ill. 2001) (holding that in a diversity case where state law supplies the rule of decision on a claim or defense, privilege is determined in accordance with that state's law notwithstanding the governing law provision in the parties' agreement).

[FN8] The Second Restatement favors denial of the claim for protection if either the forum state or the state with the most significant relationship to the communication does not recognize the privilege, unless the party can show special reasons to sustain the claim of privilege. Restatement (Second) Conflicts of Law § 139 (1971). Although the Restatement is not binding on courts, it has influenced courts' decisions and is routinely cited in cases addressing the conflict of laws. *See* In re Teleglobe Communications Corp., 493 F.3d 345, 358–59 (3d Cir. 2007), as amended, (Oct. 12, 2007) (applying choice of law of the forum state, Delaware, which follows section 139 of the Restatement); In re Rivastigmine Patent Litigation, 237 F.R.D. 69, 76 (S.D. N.Y. 2006) (adopting the Restatement's disfavor of privileges by stating that "[a]s the proponent of the privilege, the plaintiffs maintain the burden of establishing the applicability of foreign privilege laws."); Allianz Ins. Co. v. Guidant Corporation, 373 Ill. App. 3d 652, 670, 312 Ill. Dec. 51, 67, 869 N.E.2d 1042, 1058, (2d Dist. 2007), appeal denied, 225 Ill. 2d 627, 314 Ill. Dec. 822, 875 N.E.2d 1109 (2007) ("Applying these factors [based on the Second Restatement] to the case at bar, we find no 'special reason' sufficient to override Illinois's pro-admission policy."); State v. Lipham, 2006 ME 137, 910 A.2d 388, 391–92 (Me. 2006), cert. denied, 127 S. Ct. 2920, 168 L. Ed. 2d 250 (2007) (using section 139 to apply the spousal privilege law of Maine, the forum state, which would allow for admission of the evidence). However, the Second Restatement's approach has been criticized as too vague to apply consistently and as being hostile to the use of privileges. *See* 23 Charles Alan Wright & Kenneth W. Graham, Jr., Federal Practice and Procedure § 5435 n.43 (2008) (noting that courts claiming to apply the Second Restatement are often simply applying the forum state's law).

[FN9] *See, e.g.*, Equity Residential v. Kendall Risk Management, Inc., 246 F.R.D. 557, 565–66 (N.D. Ill. 2007) (applying the law of another state "out of fairness to the individuals involved in these communications" because "[h]ad they sought guidance on the scope of the privilege, all of the individuals involved in these communications would have likely consulted Connecticut law, rather than Illinois law, to determine whether their discussions would be privileged") (citing Restatement (Second) Conflict of Laws § 139 cmt. d (1971)).

[FN10] *See, e.g.*, Fagin v. Gilmartin, 432 F.3d 276, 282 (3d Cir. 2005) (under New Jersey choice of law rules, the place of incorporation governs internal corporate affairs).

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VII. Challenging Privilege Claims

§ 33:71. Challenging privilege claims: choice of law—Attorney-client privilege

Each state has its own law of attorney-client privilege, and state courts apply the privilege law of the forum state unless the state's conflict of law rules require otherwise.[1] In federal diversity cases and cases where state law claims predominate over federal claims, federal courts apply state law regarding attorney-client privilege.[2] In federal question actions, a federal court will apply the federal common law of privilege.[3] However, the question of applying state or federal law may not fully resolve the issue. Federal courts sitting in diversity jurisdiction and state courts may be required to consider conflict of law rules to determine which state's law of attorney-client privilege will apply.[4] Therefore, counsel must also consider the conflict of law principles adopted by the forum jurisdiction.

Under various conflict of law principles, courts may examine any or all of the following factors when deciding whether to apply the privilege law of another jurisdiction:

- The nature of the privilege claimed;
- The identity of the person asserting the privilege and that person's relationship to the litigation;
- The extent of the conflict between the privilege law of the forum and the law being advocated;
- The extent to which the privilege claimant relied on the privilege law of another jurisdiction;
- The connection between the communication and the state whose privilege law may apply;
- The relationship between the privilege law and the law governing the substantive issues being litigated;
- Whether or not the forum state has a policy favoring admissibility and discovery of evidence; and
- The challenging party's need for the evidence.[5]

With the increase in multi-jurisdictional litigation in mass tort and other cases, in-house counsel may want to consider whether to adopt the privilege law of a single jurisdiction, such as its principal place of business, and seek to apply that law whenever its privilege claims are litigated. As a practical matter, when faced with multiple lawsuits in a variety of jurisdictions at the same time, cost and time factors may prevent preparation of separate privilege logs for each case that would reflect the application of the differing privilege law of each jurisdiction.

However, counsel should be aware that a court that disagrees with the corporation's choice of privilege law may require the corporation to revise its privilege claims to fit the court's determination of the applicable law. For instance, in the Oklahoma Attorney General action against the tobacco industry, the Oklahoma trial court required all of the defendants to re-review all of their privileged documents and certify their good faith belief that each and every document on the log was privileged under Oklahoma law.[6]

The policy underlying the attorney-client privilege suggests that corporations ought to be able to plan and rely upon the application of a single, consistent privilege law to the conduct of corporate legal affairs. Uncertainty with respect to the applicable standards for the attorney-client privilege frustrates the goal of encouraging full and frank communication between attorney and client.[7] Thus, policy considerations support the application of the law of one jurisdiction, the corporation's state of incorporation or principal place of business, in all cases against the corporation.[8] Under the internal affairs doctrine, a choice of law principle, the law of the state in which the corporation is incorporated governs internal corporate affairs. However, the multi-jurisdictional nature of today's corporate business makes it difficult to argue that a single state's law should govern all corporate activities, wherever conducted and wherever (and by whomever) the legal advice was provided.[9] When California corporations receive advice from Illinois counsel on transactions in Florida that may affect operations in Kansas, there is no necessary connection to the privilege law of a single jurisdiction. Therefore, inside and outside counsel need to consider the choice of law issue carefully and decide whether the corporation wants to affirmatively adopt and rely upon the privilege law of a particular jurisdiction. If it decides to do so, the corporation should memorialize and implement that decision throughout its operations. By creating a consistent corporate record of reliance on the law of a particular jurisdiction, the corporation may increase the probability that that law will be applied to its privileged documents and communications.[10]

The choice of law issues can raise potential waiver problems for corporations that conduct business and face litigation in more than one jurisdiction.[11] Were the corporation to apply the differing privilege rules of different states to the same documents, the corporation might find itself claiming privilege for certain documents in one jurisdiction, while producing them in another, where that state's law does not recognize the particular claim of privilege. Under general rules of waiver, if the corporation voluntarily produces a document in one jurisdiction, the corporation cannot claim privilege for that document in other jurisdictions, even if the claim is well founded under the law of those other jurisdictions. In general, a party must take "all reasonable steps" to prevent disclosure of a privileged document to avoid waiver.[12] The fact of having produced the document even over objection absent a court order requiring production will probably be treated by other courts as a "voluntary" disclosure and therefore a waiver of the privilege claim.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Some courts treat the attorney-client privilege as a procedural rather than a substantive right, because the common law rule of privilege is a rule of evidence and thus "procedural." *See* 23 Charles Alan Wright & Kenneth W. Graham, Jr., Federal Practice and Procedure § 5435, n.14, 37 (2008) (noting that this was the traditional view of the privilege). To the extent a court views privilege as a matter of court "procedure," it is likely to apply its own law of privilege regardless of how tenuous the connection between the communication and the forum may be. Under the modern (and near universal) view, the attorney-client privilege is recognized as a substantive legal right and the forum state's law may not always apply. 23 Charles Alan Wright & Kenneth W. Graham, Jr., Federal Practice and Procedure § 5435, n.41, 2 (2008). *But see* Hatfill v. New York Times Co., 459 F. Supp. 2d 462 (E.D. Va. 2006) (noting precedent suggests that Virginia, Tennessee, and Massachusetts would likely continue to treat common-law privileges as "procedural").

[FN2] *See, e.g.,* Fed. R. Evid. 501; In re Avantel, S.A., 343 F.3d 311, 318, 61 Fed. R. Evid. Serv. 1542 (5th Cir. 2003) (applying state law to claims of attorney client privilege and its possible waiver in a diversity case); Independent Petrochemical Corp. v. Aetna Cas. and Sur. Co., 117 F.R.D. 292, 294 (D.D.C. 1987) (where state-created privileges are at issue, Erie's rationale requires the application of the substantive law of the state); IMC Chemicals, Inc. v. Niro Inc., 2000 WL 1466495, at *6 (D. Kan. 2000) (in diversity cases where the state law of privilege applies, the choice-of-law principles of the forum state apply); Note Funding Corp. v. Bobian Investment Co., 1995 WL 662402, at *1 (S.D. N.Y. 1995) ("assessment of attorney-client privilege is governed by state law" where only state law claims and defenses are asserted); *see also* Official Committee of Asbestos Claimants of G-I Holding, Inc. v. Heyman, 342 B.R. 416, 421 (S.D. N.Y. 2006), on reconsideration, 2006 WL 2883255 (S.D. N.Y. 2006) (in bankruptcy matters state law and choice of law rules apply unless there is a compelling federal interest).

[FN3] *See* Montgomery v. eTreppid Technologies, LLC, 548 F. Supp. 2d 1175 (D. Nev. 2008) (describing the rule of decision for determining the federal common law of privilege); Folb v. Motion Picture Industry Pension & Health Plans, 16 F. Supp. 2d 1164, 50 Fed. R. Evid. Serv. 760 (C.D. Cal. 1998), aff'd, 216 F.3d 1082 (9th Cir. 2000) ("In federal question cases with pendent state law claims, the law of privilege is governed by the principles of the common law as they may be interpreted by the courts of the United States …." (quoting Religious Technology Center v. Wollersheim, 971 F.2d 364, 367 n.10, R.I.C.O. Bus. Disp. Guide (CCH) P 8058 (9th Cir. 1992))); Lewis v. UNUM Corp. Severance Plan, 203 F.R.D. 615, 618 (D. Kan. 2001) (where claims are based on federal law, federal law provides the rule of decision for application of privilege).

[FN4] Although Federal Rule of Evidence 501 directs federal courts to look to the state law of attorney-client privilege in diversity cases, it does not specify how to choose a particular state's law and courts will need to rely on the forum state's conflict of law principles. *See* Official Committee of Asbestos Claimants of G-I Holding, Inc. v. Heyman, 342 B.R. 416, 421 (S.D. N.Y. 2006), on reconsideration, 2006 WL 2883255 (S.D. N.Y. 2006) (applying choice of law rule of state where court sits in bankruptcy absent compelling federal interest); Urban Outfitters, Inc. v. DPIC Companies, Inc., 203 F.R.D. 376, 378 (N.D. Ill. 2001) (holding that, under Illinois law, when a discovery dispute arises in Illinois out of litigation in another state, the privilege law of Illinois controls); Roberts v. Carrier Corp., 107 F.R.D. 678, 685 (N.D. Ind. 1985) (using conflict of law rule of state where court sits); *But see* Tucker v. U.S., 143 F. Supp. 2d 619, 57 Fed. R. Evid. Serv. 69 (S.D. W. Va. 2001) (opining that although federal courts adopt state law to determine liability under the Federal Tort Claims Act, Congress intended for federal law to control claims of privilege in such cases).

[FN5] *See* 23 Charles Alan Wright & Kenneth W. Graham, Jr., Federal Practice and Procedure § 5435 (2008) (stating that out of the variety of approaches available, such as always applying the forum's law of privilege, a majority of states adopts a conflict of laws approach); *See also* Allianz Ins. Co. v. Guidant Corporation, 373 Ill. App. 3d 652, 670, 312 Ill. Dec. 51, 67, 869 N.E.2d 1042, 1058, (2d Dist. 2007) , appeal denied, 225 Ill. 2d 627, 314 Ill. Dec. 822, 875 N.E.2d 1109 (2007) ("In determining whether a 'special reason' exists to exclude evidence, the forum will consider: (1) the number and nature of the contacts that the state of the forum has with the parties and with the transaction involved; (2) the relative materiality of the evidence that is sought to be excluded; (3) the kind of privilege involved; and (4) fairness to the parties.") (citing Restatement (Second) Conflict of Laws § 139, cmt. d (1971)); Carbis Walker, LLP v. Hill, Barth and King, LLC, 2007 PA Super 221, 930 A.2d 573, 578 (2007) ("'If we determine that a true conflict is present, we must then analyze the governmental interests underlying the issue and determine which state has the greater interest in the application of its law to the matter at

hand.'" (quoting Thibodeau v. Comcast Corp., 2006 PA Super 346, 912 A.2d 874, 886 (2006) ("Courts are not obliged to investigate whether a conflict of law issue exists, when the parties present no conflict between the laws of potentially interested states.")).

[FN6] Oklahoma v. R. J. Reynolds, Co., Okla. D. CJ-96-1499-H (1998) (order regarding procedures for review of certain documents claimed to be privileged).

[FN7] *See* § 33:4.

[FN8] States applying Restatement Second, Conflict of Laws § 139 will often abrogate privilege if either the state with the most significant relationship or the forum state do not recognize the privilege, absent a compelling reason to recognize the privilege. For corporations subject to litigation in many jurisdiction, the location of the suit may effectively abrogate many of the parties' privilege claims. *See* Carbis Walker, LLP v. Hill, Barth and King, LLC, 2007 PA Super 221, 930 A.2d 573, 578–80 (2007) (applying Pennsylvania law instead of Ohio law to find waiver of privilege for a letter from counsel in Ohio to a corporation in Ohio regarding a lawsuit in Pennsylvania that was inadvertently sent to opposing counsel in Pennsylvania, even though Ohio law would not have found waiver and the only significant contacts to Pennsylvania were the transmittal and the subject matter of the letter); Sterling Finance Management, L.P. v. UBS PaineWebber, Inc., 336 Ill. App. 3d 442, 270 Ill. Dec. 336, 782 N.E.2d 895 (1st Dist. 2002), (stating that the court would apply the Illinois "control group" rule in all cases where the other state had a broader privilege absent some reason sufficient to counteract the strongly articulated Illinois policy in favor of discoverability); *see also* In re Avantel, S.A., 343 F.3d 311, 322, 61 Fed. R. Evid. Serv. 1542 (5th Cir. 2003) (citing precedent for "the well-settled principle that 'when the parties have failed to conclusively establish foreign law, a court is entitled to look to its own forum's law.'").

[FN9] *See* Fagin v. Gilmartin, 432 F.3d 276, 282 (3d Cir. 2005) (applying law of state of incorporation to privilege claims asserted in intra-corporate dispute); VantagePoint Venture Partners 1996 v. Examen, Inc., 871 A.2d 1108, 1112–1113 (Del. 2005) (law of state of incorporation govern's issues relating to a corporation's internal affairs).

[FN10] *See* Equity Residential v. Kendall Risk Management, Inc., 246 F.R.D. 557, 565–66 (N.D. Ill. 2007) (noting good-faith reliance on the privilege law of a state where the party has substantial contacts can be a sufficient reason to apply another state's law instead of the law of the forum state).

[FN11] *See* discussion of waiver at §§ 33:61 to 33:68.

[FN12] *See*, *e.g.*, § 33:62.

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VII. Challenging Privilege Claims

§ 33:72. Challenging privilege claims: choice of law—Work product

While the work product doctrine originated in the common law, most states have now codified the doctrine in their rules of civil procedure. Federal courts apply the work product doctrine set out in Fed. R. Civ. P. 26 (b)(3) in both federal question and diversity cases.[1] However, conflict of law issues may still arise in state court, if multiple states' work product laws could apply. To resolve conflict between the laws of multiple states, courts will resort to their choice of law rules.[2]

As discussed more fully in § 33:26, the work product doctrine and the protection it provides can vary widely among jurisdictions. For instance, in most jurisdictions, opinion work product is absolutely protected from discovery.[3] In other jurisdictions, under certain circumstances, a party (or its counsel) may be required to disclose opinion work product.[4] Even courts applying the same work product rule are not always consistent in applying those rules.[5] In some jurisdictions, but not all, opinion work product is subject to the crime-fraud exception.[6] Counsel should be aware of the differences between states' work product doctrines, if potential work product has substantial connect to multiple states. For example, a document may have been prepared in Ohio for litigation in California, but is now sought by a plaintiff in an action in Illinois state court. The choice of law could determine whether the plaintiff would be given access to the work product.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Federal courts apply a valid Federal Rule of Civil procedure, instead of the state rule, when a Federal Rule of Civil Procedure is applicable. *See* Hanna v. Plumer, 380 U.S. 460, 470, 85 S. Ct. 1136, 1143, 14 L. Ed. 2d 8, 9 Fed. R. Serv. 2d 1.3, Case 1 (1965) ("The Erie rule has never been invoked to void a Federal Rule.").

[FN2] For a discussion of how courts approach conflict of laws in the context of ruling on claims of privilege *see* §§ 33:71 and 33:72; *see also* Allianz Ins. Co. v. Guidant Corporation, 373 Ill. App. 3d 652, 666–67, 312 Ill. Dec. 51, 64–65, 869 N.E.2d 1042, 1055–56, (2d Dist. 2007), appeal denied, 225 Ill. 2d 627, 314 Ill. Dec. 822, 875 N.E.2d 1109 (2007) ("[W]e find that there is a true conflict between Illinois law and the law of California and Indiana as to whether the documents requested by Allianz are protected by the attorney-client privilege or the work-product doctrine. Therefore, we must engage in a choice-of-law analysis to determine the law applicable to Allianz's motion to compel.").

[FN3] *See, e.g.*, N.Y. C.P.L.R. § 3101(c) ("The work product of an attorney shall not be obtainable.").

[FN4] *See, e.g.*, Data General Corp. v. Grumman Systems Support Corp., 139 F.R.D. 556, 561 (D. Mass. 1991) (for instance, inadvertent disclosure of opinion work product waives that protection).

[FN5] *Compare* Duplan Corp. v. Moulinage et Retorderie de Chavanoz, 509 F.2d 730, 1974-2 Trade Cas. (CCH) ¶75297, 19 Fed. R. Serv. 2d 209 (4th Cir. 1974) (opinion work product is absolutely immune from discovery) *with* In re Murphy, 560 F.2d 326, 336, 1977-2 Trade Cas. (CCH) ¶61592, 23 Fed. R. Serv. 2d 1229, 41 A.L.R. Fed. 102 (8th Cir. 1977) (opinion work product can be discovered in "rare and extraordinary circumstances").

[FN6] *See* §§ 33:79 to 33:96 addressing the crime-fraud exception. *See also* BP Alaska Exploration, Inc. v. Superior Court, 199 Cal. App. 3d 1240, 1250, 245 Cal. Rptr. 682 (5th Dist. 1988) (holding that "under the federal rules, a party can obtain opinion work product upon a showing of extraordinary justification, whereas in California an attorney's opinion work product is absolutely insulated from discovery by virtue of express statutory language," and the crime-fraud exception does not apply to materials protected by the work product privilege.); Baker v. General Motors Corp., 209 F.3d 1051, 1054, 46 Fed. R. Serv. 3d 369 (8th Cir. 2000) ("[O]pinion work product enjoys almost absolute immunity and can be discovered only in very rare and extraordinary circumstances, such as when the material demonstrates that an attorney engaged in illegal conduct or fraud.").

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§ 33:73. Challenging privilege claims: procedures

As discussed in § 33:54, a party producing documents in response to discovery requests must prepare a log of those responsive documents or other materials withheld from production on privilege or work product grounds. If the party receiving the log disagrees with the claims asserted, it may file a motion to compel production of the underlying documents. The choice of procedures that a reviewing tribunal will use to resolve challenges to privilege claims can be outcome determinative, and it is therefore perhaps the most important issue that counsel will face. Counsel's failure to request appropriate review procedures may also jeopardize counsel's ability to successfully appeal an adverse privilege ruling.

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§ 33:74. Challenging privilege claims: the privilege log

The privilege claimant bears the burden of establishing the validity of its privilege and work product claims. The privilege log is the mechanism by which the claimant must meet that burden in the first instance.[1] A party's failure to produce a log may result in a waiver of all privilege claims.[2]

Adequately preserving claims of privilege requires careful planning, and a *pro forma* objection to discovery requests will not be sufficient. Many courts have recently begun using a "holistic reasonable analysis" to determine when the assertion of privilege was sufficient to avoid waiver. The factors in the analysis include:

> the degree to which the objection or assertion of privilege enables the litigant seeking discovery and the court to evaluate whether each of the withheld documents is privileged (where providing particulars typically contained in a privilege log is presumptively sufficient and boilerplate objections are presumptively insufficient); the timeliness of the objection and accompanying information about the withheld documents (where service within 30 days, as a default guideline, is sufficient); the magnitude of the document production; and other particular circumstances of the litigation that make responding to discovery unusually easy (such as, here, the fact that many of the same documents were the subject of discovery in an earlier action) or unusually hard.[3]

Although a party may be able to avoid waiving privilege by not providing an assertion of privilege as detailed as a privilege log within 30 days, parties would be wise to secure an agreement from the other party or the court's permission before deviating from this general guideline. This is true even for document-intensive litigation, where a privilege log may take longer to prepare than the court's rules allow.[4]

When privilege claims are challenged, a court will first examine the privilege log itself to determine whether the information in the log is adequate to establish the elements of the claimed protection.

> The standard for testing the adequacy of the privilege log is whether, as to each document, it sets forth specific facts that, if credited, would suffice to establish each element of the privilege or immunity that is claimed. The focus is on the specific descriptive portion of the log, and not on the conclusory invocation of the privilege or the work-product rule, since the burden of the party withholding documents cannot be "discharged by mere conclusory or ipse dixit assertions."[5]

If the privilege log is sufficient, the court may deny the motion to compel on that basis alone.[6] Conversely, some courts have found waiver of privilege claims where the log failed to provide enough information to establish all of the elements of the privilege claimed.[7]

When preparing the privilege log counsel should be aware that the information contained in the log may be tested against the actual documents during *in camera* review. Courts do not welcome the burden of conducting an *in camera* review of privileged documents that may arise from inadequate privilege logs.[8] By ensuring that the information in the log is complete, accurate, and fully supports the protection that is claimed, counsel will provide a reviewing court with the ability to avoid a document-by-document review. If the logs are inadequate, or if the reviewing court is unwilling to rely on the logs for its decision, the court may decide to review the challenged documents *in camera* to determine whether the privilege claims should be sustained.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* § 33:54; State ex rel. Nationwide Mut. Ins. Co. v. Kaufman, 222 W. Va. 37, 658 S.E.2d 728, 734 (2008) ("A critical aspect of the discovery procedure outlined … is the requirement that a privilege log be produced when a party seeks to shield documents from disclosure."); Animal Legal Defense Fund, Inc. v. Department of Air Force, 44 F. Supp. 2d 295 (D.D.C. 1999) (purpose of the log is to provide sufficient support for the claim of privilege so that the court can rely upon the log and uphold the privilege claim). *See also* In re Grand Jury Investigation, 974 F.2d 1068, 1070–71, 36 Fed. R. Evid. Serv. 860 (9th Cir. 1992) (corporation met its burden to establish sufficient application of attorney-client privilege over documents by providing a privilege log and accompanying affidavits); Ruran v. Beth El Temple of West Hartford, Inc., 226 F.R.D. 165, 169, 60 Fed. R. Serv. 3d 1122 (D. Conn. 2005) (holding that failure to produce a privilege log resulted in failure to perfect privilege claims and waiver of those privilege claims); U.S. v. Exxon Corp., 87 F.R.D. 624, 637–38 (D.D.C. 1980) (responding to a discovery request with mere assertions of attorney-client privilege lacking a description of the documents is insufficient to preserve privilege); *accord* N.L.R.B. v. Jackson Hosp. Corp., 257 F.R.D. 302 (D.D.C. 2009) (Facciola, Magistrate Judge).

[FN2] *See* DL v. District of Columbia, 251 F.R.D. 38, 235 Ed. Law Rep. 1030 (D.D.C. 2008) (ruling failure to produce privilege log required barring the party from withholding any documents from discovery based on claims of privilege); Victor Stanley, Inc. v. Creative Pipe, Inc., 250 F.R.D. 251, 70 Fed. R. Serv. 3d 1052 (D. Md. 2008) (finding that, if the court had not ruled that privilege was already waived, failure to produce a privilege log would still have warranted an order to produce the documents); First American Corp. v. Al-Nahyan, 2 F. Supp. 2d 58 (D.D.C. 1998) (failing to produce a privilege log is the equivalent of failing to properly assert the privilege at all).

[FN3] Burlington Northern & Santa Fe Ry. Co. v. U.S. Dist. Court for Dist. of Mont., 408 F.3d 1142, 1149 (9th Cir. 2005). This approach has been widely cited with approval. *See, e.g.*, U.S. v. Ary, 518 F.3d 775, 784–85 (10th Cir. 2008).

[FN4] *See* Burlington Northern & Santa Fe Ry. Co. v. U.S. Dist. Court for Dist. of Mont., 408 F.3d 1142, 1149 n.3 (9th Cir. 2005) (recognizing that "compiling a privilege log within 30 days may be exceedingly difficult" but noting "litigants are not without recourse" and can seek an extension before that time expires). The deadline of thirty days applies in federal courts and may vary based on different courts' rules.

[FN5] High Plains Corp. v. Summit Resource Management, Inc., 1997 WL 109659, at *1 (D. Kan. 1997) (quoting Bowne of New York City, Inc. v. AmBase Corp., 150 F.R.D. 465, 470 (S.D. N.Y. 1993)).

[FN6] *See* United Investors Life Ins. Co. v. Nationwide Life Ins. Co., 233 F.R.D. 483, 486, 63 Fed. R. Serv. 3d 1184 (N.D. Miss. 2006) (preferring to rely on privilege logs rather than using *in camera* review); Bowne of New York City, Inc. v. AmBase Corp., 150 F.R.D. 465, 474 (S.D. N.Y. 1993) (court may "choose[] to rely on adequate privilege logs"); *see also* International Paper Co. v. Fibreboard Corp., 63 F.R.D. 88, 93, 181 U.S.P.Q. 740, 19 Fed. R. Serv. 2d 310 (D. Del. 1974) (listing facts to be shown, such as: identity and position of persons supplying information; place, date and manner of preparation of the document; names and position of person to whom and how the communication was made).

[FN7] *See* SPX Corp. v. Bartec USA, LLC, 247 F.R.D. 516, 527–28 (E.D. Mich. 2008) (stating a failure to provide sufficient information in the privilege log despite being allowed to amend the log twice required finding privilege was waived); CSX Transp. Inc. v. Admiral Ins. Co., 1995 WL 855421, at *3 (M.D. Fla. 1995) ("The mere submission of a privilege log asserting certain privileges is not always enough to show such assertions are actually valid …. [I]f the party invoking the privilege does not provide sufficient detail to demonstrate fulfillment of all the legal requirements for application of the privilege, his claim will be rejected.") (quoting Bowne of New York City, Inc. v. AmBase Corp., 150 F.R.D. 465, 474 (S.D. N.Y. 1993) (citations omitted). *See also* In re Grand Jury Subpoena, 274 F.3d 563, 576, 51 Fed. R. Serv. 3d 936 (1st Cir. 2001) (holding that failure to submit a privilege log waives claims of work product privilege). *But see* NXIVM Corp. v. O'Hara, 241 F.R.D. 109, 130–31, 67 Fed. R. Serv. 3d 696 (N.D. N.Y. 2007) (allowing the party to supplement the log rather than holding privilege was waived); Flint Hills Scientific, LLC. v. Davidchack, 2002 WL 975881, at *2 (D. Kan. 2002) (finding no error with the Magistrate's decision to order the privilege claimant to supplement its blanket assertion of attorney-client privilege with a privilege log before ruling on a motion to compel production of the documents).

[FN8] *See* Victor Stanley, Inc. v. Creative Pipe, Inc., 250 F.R.D. 251, 70 Fed. R. Serv. 3d 1052 (D. Md. 2008) (stating that *in camera* review "can be an enormous burden to the court, about which the parties and their attorneys often seen to be blissfully unconcerned"); N.L.R.B. v. Jackson Hosp. Corp., 257 F.R.D. 302 (D.D.C. 2009) (Facciola, Magistrate Judge) (adopting Victor Stanley requiring that before the court undertakes an in camera review, the proponent of the privilege make a factual showing of privilege, based on the privilege log and other extrinsic evidence, if necessary).

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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

VII. Challenging Privilege Claims

§ 33:75. Challenging privilege claims: *in camera* review

Assuming the privilege log is adequate, the court must review the challenged privileged documents *in camera* before overruling any privilege claims.[1] Because a court must review privileged documents ex parte, some courts are reluctant to undertake such a review or to allow the privilege claimant to submit ex parte evidence and argument in support of the privilege claims. The preparation of accurate and sufficiently detailed privilege logs during the discovery process is therefore essential: the log may be the only chance a party is afforded to explain and support its claims for protection, especially if the party will be claiming a large number of documents are privileged.[2] Counsel should also be aware that *in camera* review burdens the court and the court may not look favorably upon claims of privilege when incomplete or inadequate privilege logs have forced the court to conduct a document-by-document *in camera* review with little contextual information from the parties.

Especially broad or numerous claims of privilege have created a division among courts over how to evaluate challenges to claims of privilege when hundreds or thousands of documents are at issue. Several courts have underscored the necessity of conducting a document-by-document review to ensure that proper claims of privilege are not vitiated.[3]

However, some courts may overrule a claim of privilege based only on a sample of the claimed documents. In an action by the Minnesota Attorney General against the tobacco industry, a Minnesota trial court responded to a privilege challenge by grouping their documents into 14 broad subject matter categories for a special master to review based on samples from each category. As a result of this truncated procedure, the special master determined that documents in four of the 14 categories were to be held neither privileged nor protected by the work product doctrine or, alternatively, subject to the crime-fraud exception. The trial court held that, as sanction for the mistaken claims of privilege for some of the documents, the remaining documents in these four categories would be deemed non-privileged.[4] The Minnesota Court of Appeals subsequently endorsed the trial court's categorization and sampling process, holding that the trial court's broad discretion in controlling the discovery process allowed it to adopt the categorization process without violating the defendants' procedural due process rights.[5] However, other courts have rejected this approach out of concerns for fairness to the privilege claimant.[6]

As a practical matter, where the documents at issue are voluminous and present identical factual and privilege law issues, the privilege claimant may wish to have the court render a decision based on an examination of certain exemplars, rather than insist on a review of each and every document. If the sample documents are in fact privileged, then the court may accept the remaining claims of privilege based on the sample. If this sample of documents turns up documents that do not seem to be privileged or are incorrectly logged, the court may

agree to conduct a document-by-document review before overruling privilege claims.

Whatever the approach, the privilege log will be an important tool, as an adequate log, whose description corresponds with the documents reviewed, can convince the court that the claims of privilege were thoroughly considered and targeted to the correct documents. If the log entries accurately describe the documents, a well-prepared privilege log can forestall the court using both counsel's and the court's time for an extensive document-by-document review. However, inadequate and incorrect privilege logs may burden and anger the court.[7] Alternatively, an effective privilege log may convince a court that a document is privileged even if it does not appear so on its face.

Many judges assume that they will know what is privileged when they see it. Few judges anticipate the difficulties of making privilege determinations where they have little understanding of the nature of the documents, the context in which they were created, the roles of the individuals involved in rendering the challenged legal advice, and the like. This is particularly so when the challenged documents come from corporate files. Without guidance from the privilege claimant and evidence to support the legitimacy of the underlying privilege claim, courts may fail to identify the legal advice or work product contained in the document or may interpret the document as reflecting business rather than legal advice. For these reasons, parties that are called upon to defend their claims of privilege should request the opportunity to present evidence and argument in support of their privilege claims.

Despite their reluctance to conduct *ex parte* proceedings, courts often permit, or even require, a party to present the court with evidence and argument to support its privilege claims.[8] Counsel's submissions should contain affidavits and evidentiary and contextual materials to support each of the elements of the claimed privilege for each challenged document.[9] Where permitted, counsel should include written explanations of each document, demonstrating why the privilege claim is appropriate.[10]

As a matter of fairness, the court may insist that the privilege claimant provide opposing counsel with redacted copies of any briefs and evidentiary submissions provided to the court. The court may also insist that opposing counsel be present at any *in camera* hearing that addresses the challenged documents. Opposing counsel must be asked to leave the hearing whenever privileged information is disclosed. In some instances, courts have required the submission of supporting arguments and evidence in the presence of opposing counsel. This creates a very awkward situation in which the privilege proponent is unable to do more than advert to the privileged materials, exhibits and explanations to which only the court has access. As a practical matter, counsel defending privilege claims should be prepared to make their arguments in the presence of opposing counsel if required to do so by the court.

Counsel should consider requesting the appointment of someone other than the trial judge to conduct the review of privileged documents. Many courts are concerned that exposure to a party's privileged materials is inappropriate for a judicial officer presiding over the underlying substantive dispute.[11] Courts often lack the time to conduct a review of privileged documents. Often a court faced with the prospect of an *in camera* review will appoint a magistrate or special master to conduct the proceeding.[12] This decision depends upon a number of factors, including local or state rules that affect the ability of the court to refer decisions to another judicial officer, the volume of documents at issue, whether the judge has the time required for a detailed review, the sensitivity of the documents, and the relationship of the challenged documents to the substantive issues in the litigation. Before requesting the appointment of another judicial officer to review privileged documents, counsel will also want to consider the court's past approach to privilege issues, and the likelihood that the judge would be offended by a request to refer the review to another judicial officer. In general, counsel will fare better by emphasizing the desire to relieve the trial judge of the tedious burden of reviewing documents than a concern about potential prejudice. The latter argument may not only offend the court's belief in its own objectivity and fairness, but whet its appetite to review potentially "hot" documents.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See, e.g.,* American Nat. Bank and Trust Co. of Chicago v. Equitable Life Assur. Soc. of U.S., 406 F.3d 867, 879–80, 61 Fed. R. Serv. 3d 521 (7th Cir. 2005) (overruling magistrate's denial of privilege that was based on only a sample of the documents at issue); State ex rel. Nationwide Mut. Ins. Co. v. Kaufman, 222 W. Va. 37, 658 S.E.2d 728, 734 (2008) (ruling that "the trial court must hold an *in camera* proceeding and make an independent determination of the status of each communication"); Geary v. Hunton & Williams, 245 A.D.2d 936, 666 N.Y.S.2d 804, 807 (3d Dep't 1997) (privilege status of a particular document is a "fact specific determination … most often requiring *in camera* review"); Morrow v. Brown, Todd & Heyburn, 957 S.W.2d 722, 727 (Ky. 1997) (reversing and remanding for *in camera* review because "we strongly believe that production of opinion work product should not be ordered without a prior *in camera* inspection by the trial court").

[FN2] *See* § 33:54; United Investors Life Ins. Co. v. Nationwide Life Ins. Co., 233 F.R.D. 483, 486, 63 Fed. R. Serv. 3d 1184 (N.D. Miss. 2006) (requiring a more detailed privilege log in order for the court to make a ruling based on the privilege log alone); Allendale Mut. Ins. Co. v. Bull Data Systems, Inc., 145 F.R.D. 84, 88 (N.D. Ill. 1992) (ordering a party to produce log containing specific information and a detailed explanation of why the document is privileged, advising that "[a]ny failure to comply with these directions will result in a finding that the plaintiff-discovery opponents have failed to meet their burden [to] establish the applicability of the privilege").

[FN3] *See* In re Grand Jury Subpoena, 831 F.2d 225, 227, 24 Fed. R. Evid. Serv. 327 (11th Cir. 1987) (determining validity of privilege is accomplished by the court's inspection *in camera* on a document-by-document basis); Kahl v. Minnesota Wood Specialty, Inc., 277 N.W.2d 395, 399 n.6 (Minn. 1979) (privilege issues "must be determined for each document separately and considered on a case-by-case basis"); *but see* Bowne of New York City, Inc. v. AmBase Corp., 150 F.R.D. 465, 473–74 (S.D. N.Y. 1993) ("the courts generally look to a showing based on affidavits or equivalent statements that address each document in-issue [but] [t]his approach need not invariably be taken, however, and particularly in cases involving large quantities of disputed documents, the court has broad discretion as to how to proceed") (citing and quoting cases in favor and against document-by-document review).

[FN4] For a more detailed discussion of the Minnesota court's privilege proceedings, *see* J.J. Mulderig, L. Wharton, C.S. Cecil, "Tobacco Cases May Be Only the Tip of the Iceberg for Assaults on Privilege," 67 Defense Counsel J. 16–31 (Jan. 2000). The decision has been criticized because the procedure may violate due process rights of litigants and some documents fell into more than one category and were therefore subject to conflicting privilege rulings.

[FN5] State ex rel. Humphrey v. Philip Morris Inc., 606 N.W.2d 676, 686 (Minn. Ct. App. 2000).

[FN6] *See* American Nat. Bank and Trust Co. of Chicago v. Equitable Life Assur. Soc. of U.S., 406

F.3d 867, 878–80, 61 Fed. R. Serv. 3d 521 (7th Cir. 2005) (calling "arbitrary" and "not fair" a sanction of loss of privilege for all documents based on sampling).

[FN7] *See* In re Teleglobe Communications Corp., 493 F.3d 345, 355–56 (3d Cir. 2007), as amended, (Oct. 12, 2007) (noting that after the special master ordered review of a sample of documents *in camera* the party withdrew the privilege claims for some of the documents selected for *in camera* review and the review of the remaining documents "'raised serious questions about' the reliability of the privilege log," which required document by document review); Bolorin v. Borrino, 248 F.R.D. 93, 95 (D. Conn. 2008) (stating the court "went so far as to give the defendants the opportunity for a time-intensive *in camera* review" if the defendants would correct their inadequate privilege log but "[t]he defendants disregarded the court's order" by failing to include needed details); Stafford Trading, Inc. v. Lovely, 2007 WL 611252, at *2 (N.D. Ill. 2007), subsequent determination, 2007 WL 1238915 (N.D. Ill. 2007) (chiding counsel for providing a log where the Bates Stamp numbers on the log, the Bates Stamp numbers on the documents, and the Bates Stamp numbers in the affidavits did not correspond, by stating "counsel has taken a risk in asking the Court to do their job for them, particularly where some of the affidavits contain almost 40 paragraphs discussing at least as many documents, and the documents sought to be withheld contain hundreds of pieces of paper.").

[FN8] *See* Milinazzo v. State Farm Ins. Co., 247 F.R.D. 691, 701 (S.D. Fla. 2007) (denying claim that documents were work product when the party failed to provide affidavits establishing that the documents were prepared in anticipation of litigation); *see also* CSX Transp. Inc. v. Admiral Ins. Co., 1995 WL 855421, at *5 (M.D. Fla. 1995) (permitting party to supplement inadequate privilege log with evidentiary submissions).

[FN9] CSX Transp. Inc. v. Admiral Ins. Co., 1995 WL 855421, at *5 (M.D. Fla. 1995) (requiring the party asserting privilege to provide affidavits or other sworn statements to support their claim of privilege); Bowne of New York City, Inc. v. AmBase Corp., 150 F.R.D. 465, 473 (S.D. N.Y. 1993) (counsel permitted to submit "affidavits … setting forth the general nature of the documents that they have withheld, the provenance of those documents, and their confidential status …."); Ludwig v. Pilkington North America, Inc., 2004 WL 1898238 (N.D. Ill. 2004) (documents shared with public relations firm protected from disclosure based on affidavit that the documents reflected legal as opposed to business advice).

[FN10] A sample written explanation and evidentiary submission is provided at § 33:101.

[FN11] *See* In re St. Johnsbury Trucking Co., Inc., 184 B.R. 446, 455 n.17, 27 Bankr. Ct. Dec. (CRR) 594 (Bankr. D. Vt. 1995) ("it would be inappropriate for the Court, as the ultimate decision-maker in the sanctions proceeding, to review Respondents' privileged materials"); In re Marriage of Decker, 153 Ill. 2d 298, 180 Ill. Dec. 17, 606 N.E.2d 1094, 1107 (1992) (preferred practice for trial judge to appoint another to conduct *in camera* review of privileged documents to avoid possibility of prejudice); State ex rel. Peabody Coal Co. v. Clark, 863 S.W.2d 604, 608 n.1 (Mo. 1993) (holding that the "trial court should not review the [challenged] documents" until the special master issues recommendation that the privilege should be vitiated).

[FN12] *See* § 33:100. Sometimes more than one special officer can be appointed. *See* In re Murphy, 560 F.2d 326, 331, 1977-2 Trade Cas. (CCH) ¶61592, 23 Fed. R. Serv. 2d 1229, 41 A.L.R. Fed. 102 (8th

Cir. 1977) (appointment of a panel of three masters). Magistrates and special masters are more likely to have the time to give careful consideration to the evidence and argument presented by the privilege claimant in support of its privilege claim. *See* Hon. Frederick B. Lacey and Jay G. Safer, Chapter 28, "Magistrate Judges and Special Masters" in Haig, Business and Commercial Litigation in Federal Courts, § 28:4 (2d ed.).

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VII. Challenging Privilege Claims

§ 33:76. Challenging privilege claims: protective orders

If a court finds that any of the challenged documents are not privileged or not subject to other protection from disclosure, it will order the documents be produced to the challenging party. The losing party still has several options for protecting its materials. For instance, the party claiming privilege may seek a stay pending appeal of the order, or it may accede to the disclosure under the terms of a protective order.[1] Before deciding whether or not to appeal, counsel should consider the risk that others may argue that a failure to seek an appeal prior to disclosure constitutes a waiver of the privilege claims.[2]

Once the order to produce privileged documents becomes "final" and the privilege claimant must comply, the claimant must consider whether it intends to continue to assert privilege claims for the documents. If the answer is "yes," then the privilege claimant must ask the court for a protective order preventing the opposing party from disseminating the documents or using them for any purpose other than preparing for that specific litigation. The protective order should also require the challenging party to return the documents to the privilege claimant at the conclusion of the litigation.[3] Such protective orders are necessary to prevent public disclosure and may be required to establish that the privilege claimant has not waived its claims of privilege for the documents with respect to other litigation.

Failure to obtain a protective order will severely jeopardize the claimant's ability to successfully assert privilege claims to those documents in the future. Other litigants in other cases may argue that the failure to obtain a protective order demonstrates a failure to take reasonable steps to preserve the confidentiality that is an essential element of the privilege.[4] If the challenging party makes the documents available to other litigants or the public, courts will be reluctant to protect the documents in other litigation.[5] Additionally, one should consider whether use of documents at trial would be considered an abandonment of objections to the documents' disclosure.[6]

There are a number of arguments available to counsel to convince a court to enter a protective order for documents which it has held are not privileged. If the disclosure order is entered on the eve of trial, the court may want to avoid the delay of an appeal from the order. Furthermore, the court's interest lies in providing the documents to the opposing party for use in the case before it. By emphasizing the strong policy objectives behind the privilege, and the serious harm to the privilege claimant's interests if the privileged documents are disclosed to the public, counsel may be able to secure at least temporary protection for the documents. And there is precedent for the entry of such protective orders. In the Minnesota Attorney General action against the tobacco industry, the court entered a nondisclosure order after the tobacco defendants failed to obtain appellate relief. In the Washington Attorney General action, the court entered a nondisclosure order similar to the model nondisclosure

order in § 33:98, Counsel may wonder why a privilege claimant cannot simply avoid the expense, distraction, and risks of privilege challenge proceedings by producing the privileged documents to plaintiffs under a protective order. Any agreement to voluntarily produce privileged documents, however, will have significant waiver implications.[7] Only an involuntary production—that is one compelled by court order—will protect against waiver.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* U.S. ex rel. Bagley v. TRW, Inc., 204 F.R.D. 170, 175 (C.D. Cal. 2001) ("The party seeking a protective order has the burden of showing the existence of good cause.") (citing San Jose Mercury News, Inc. v. U.S. Dist. Court—Northern Dist. (San Jose), 187 F.3d 1096, 1103, 80 Fair Empl. Prac. Cas. (BNA) 1053, 27 Media L. Rep. (BNA) 2268, 44 Fed. R. Serv. 3d 944 (9th Cir. 1999)); Ocean Spray Cranberries, Inc. v. Holt Cargo Systems, Inc., 345 N.J. Super. 515, 785 A.2d 955, 963 (Law Div. 2000) (requiring privilege claimant to show good cause why a protective order should be issued to prevent disclosure of privileged documents pending appeal of disclosure order). Appeals from disclosure orders are discussed at § 33:79.

[FN2] *See* §§ 33:61 to 33:67 for a discussion of waiver. *See also* Seattle Northwest Securities Corp. v. SDG Holding Co., Inc., 61 Wash. App. 725, 812 P.2d 488, 494 (Div. 1 1991) (failure to test an order compelling disclosure of privileged matters through contempt, appeals, or other special proceedings could itself constitute an act of waiver).

[FN3] *See, e.g.,* Washington v. American Tobacco Co., No. 96-2-15056-8 SEA (Protective order). *See* model protective order at § 33:98 and illustrative protective orders in Chapter 61 "Discovery and Information Gathering" §§ 61:32 to 61:33.

[FN4] *See* §§ 33:61 to 33:67.

[FN5] *Compare* Koramblyum v. Medvedovsky, 7 Misc. 3d 1009(A), 801 N.Y.S.2d 235 (Sup 2005), order aff'd, 19 A.D.3d 651, 799 N.Y.S.2d 73 (2d Dep't 2005) (finding disclosure without a protective order in another action waived privilege); Kelley ex rel. Michigan v. Philip Morris, Inc., No. 96-84281-CZ, slip op. at 2 (Mich. Cir. Ct. July 9, 1998) (with respect to privileged documents released by Congress to the public, the court held: "There simply is no public policy justification to keep what is no longer secret from the eyes of the court when everyone else may see it. Therefore without regard to whether or not the privilege is waived, the Court finds that the privilege is gone.") *with* Hamilton v. State Farm Mut. Auto. Ins. Co., 204 F.R.D. 420, 424 (S.D. Ind. 2001) (determining that good cause existed to enter an order protecting confidential, non-privileged, trade secrets because "[t]he fact that State Farm's policy manuals have been circulated throughout the legal community pursuant to discovery requests does not constitute a waiver of confidentiality … the record reflects that State Farm routinely seeks protective orders to maintain the confidentiality of its proprietary company documents."); Long Island Lighting Co. v. Allianz Underwriters Ins. Co., 301 A.D.2d 23, 32, 749 N.Y.S.2d 488, 495 (1st Dep't 2002) (holding that inadvertent disclosure of a document in the parallel federal action did not waive privilege because the party "had promptly invoked the privilege, demanded the return of the document, and sought a protective order when its demand was refused" which preserved their claim of privilege).

[FN6] *See* Ward v. Succession of Freeman, 854 F.2d 780, 786–88, Fed. Sec. L. Rep. (CCH) P 94019 (5th Cir. 1988) (rejecting argument that defendants waived privilege when using documents to rebut plaintiff's claims because, after the trial court denied the claim of privilege, defendants moved for a protective order to preserve the claim on appeal and did not voluntarily waive privilege by using the same documents at trial).

[FN7] *See*, *e.g.*, §§ 33:61 and 33:64.

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VII. Challenging Privilege Claims

§ 33:77. Challenging privilege claims: loss of privilege as a sanction

Most courts view loss of privilege as an extreme sanction which should only be imposed when other sanctions will not adequately deter discovery abuse and control the litigation before the court.[1] Thus, for instance, the Texas Supreme Court reversed a trial court order requiring the production of privileged materials as a sanction for discovery abuse, noting that such a "severe sanction" was "like the 'death penalty' sanction [and] should apply only when lesser sanctions are inadequate to correct the discovery abuse."[2]

The Federal Rules of Civil Procedure do not limit the sanctions a court can impose for inappropriately claiming privilege. This means that for egregious situations relating to the withholding of documents, the sanction can be quite extreme.[3] However, both state and federal courts are loathe to override privilege claims as a sanction for conduct not directly related to the party's failure to establish the privilege exists.[4]

At least one court has ordered the production of privileged and work product documents as a sanction for alleged discovery abuse. In the Minnesota Attorney General action against the tobacco industry, the trial court acknowledged that its adjudication of privilege claims by subject matter category, rather than on a document-by-document basis, would lead to the production of legitimately privileged documents. Nonetheless, the court justified holding entire categories of documents not privileged by declaring that the production of privileged documents in categories, where sample documents were found not to be privileged, was an appropriate sanction for the act of claiming privilege for those documents the court held were not privileged. On appeal from a post-trial order requiring public disclosure of those documents, the Minnesota Court of Appeals quoted, with approval, the district court's justification for its sanction ruling:

> [O]therwise-privileged documents may lose their privileged status if and when review of less than the entire category reveals abuse of the privilege. However, the law provides that sanctions may be imposed for abuse of process and disregard of court rules and orders. The resulting sanction loss of privilege for a category of documents is in line with those sanctions authorized by statute and case law in this jurisdiction.[5]

It is the rare instance in which a reviewing court agrees with each and every privilege assertion for the documents under review.[6] The abrogation of legitimate privilege claims as a sanction for making privilege assertions with which the court disagrees, if generally adopted, would seriously jeopardize the attorney-client and work product privileges and the policies behind them. Although it is extremely unlikely that a court would find an abuse of privilege where only a few documents are at issue, corporations are at greater risk in large document cases where opposing counsel may challenge thousands—or tens of thousands—of privileged documents. If the

court disagrees with the privilege claimant's application of privilege law to a sizeable volume of similar documents, the court may treat those claims as an abuse where a similar disagreement as to a smaller number of documents would not strike the court as abusive. The Minnesota Court of Appeals ruling stands alone in endorsing this drastic approach. Another court has deemed sanctions based on samples as "not fair" and "arbitrary."[7]

Courts are hesitant to override claims of privilege only if the party has properly presented the privilege claim. Loss of privilege for failure to adequately support a claim of privilege—such as by not providing a privilege log or supporting documentation—can occur frequently. However, such sanctions are generally limited to the particular documents at issue.[8] Courts striking an adequately presented claim of privilege for other conduct—such as claiming privilege for other documents which are not privileged—is much more controversial.

Although the risk of incorrectly claiming privilege may be unavoidable when dealing with hundreds or thousands of documents, counsel can take steps to ensure that the court does not view overbroad claims of privilege as conduct that requires sanction. The submission of an adequate privilege log and willingness to submit documents for *in camera* review may convince courts that counsel acted in good faith even though some documents were not privileged according to the court.[9]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* Occidental Chemical Corp. v. Banales, 907 S.W.2d 488, 490 (Tex. 1995) (per curiam) ("The sanction imposed for discovery abuse should be no more severe than necessary to satisfy the legitimate purposes of the discovery process offended.") (citing TransAmerican Natural Gas Corp. v. Powell, 811 S.W.2d 913, 917 (Tex. 1991)); *see also* Jayne H. Lee, Inc. v. Flagstaff Industries Corp., 173 F.R.D. 651, 657, 38 Fed. R. Serv. 3d 1347 (D. Md. 1997) (where party refused to respond to interrogatories and document requests, the court held that all objections to the discovery requests were waived *except* for objections based upon privilege); Queen's University at Kingston v. Kinedyne Corp., 161 F.R.D. 443, 447, 37 U.S.P.Q.2d 1398 (D. Kan. 1995) (declaring loss of privilege would be an "especially harsh sanction" for an untimely objection to a discovery request).

[FN2] Occidental Chemical Corp. v. Banales, 907 S.W.2d 488, 490 (Tex. 1995) (per curiam). *But see* Ritacca v. Abbott Laboratories, 203 F.R.D. 332, 335, 49 Fed. R. Serv. 3d 1052 (N.D. Ill. 2001) (privilege waived as a result of "unjustified, inexcusable, and … bad faith" delay in asserting the attorney-client privilege).

[FN3] Heath v. F/V ZOLOTOI, 221 F.R.D. 545, 552–53 (W.D. Wash. 2004) (sanctioning the defendants for a "frivolous" claim of privilege that prevented the plaintiff from using a critical piece of evidence at trial by finding the defendants liable and fining the defendants' counsel $25,000.

[FN4] American Nat. Bank and Trust Co. of Chicago v. Equitable Life Assur. Soc. of U.S., 406 F.3d 867, 878–81, 61 Fed. R. Serv. 3d 521 (7th Cir. 2005) (reversing decision to sanction a party by removing privilege from documents); Wachtel v. Health Net, Inc., 239 F.R.D. 81, 106–07, (D.N.J. 2006) (holding, despite defendants egregious discovery conduct and failure to inform the court of documents withheld as privileged for two years, only claims of privilege "waived as extraordinarily untimely" would be denied and other claims of privilege would be entertained).

[FN5] State ex rel. Humphrey v. Philip Morris Inc., 606 N.W.2d 676, 693 (Minn. Ct. App. 2000) (quoting district court's Order with Respect to Non-Liggett Defendants' Objections to the Special Master's Report Dated September 10, 1997, at 25, State ex. rel. Humphrey v. Philip Morris Inc., No. C1-94-8565 (Minn. Dist. Ct. Dec. 16, 1997).

[FN6] As indicated in §§ 33:69 to 33:72, corporations may face this problem where the law of a particular jurisdiction provides more limited protection than that available in other jurisdictions. Privilege law regarding corporations requires counsel make inherently difficult decisions regarding when to claim privilege. *See* American Nat. Bank and Trust Co. of Chicago v. Equitable Life Assur. Soc. of U.S., 406 F.3d 867, 879, 61 Fed. R. Serv. 3d 521 (7th Cir. 2005) (reversing an award of sanctions because counsel acted "while treading in an area of privilege law that is generally recognized to be 'especially difficult,' namely, distinguishing in-house counsels' legal advice from their business advice.").

[FN7] The Seventh Circuit overruled a magistrate's decision to sample only 20 of 400 documents to determine privilege for all 400 documents and to sanction the party by waiving privilege if it found four of those 20 were not actually privileged. American Nat. Bank and Trust Co. of Chicago v. Equitable Life Assur. Soc. of U.S., 406 F.3d 867, 878–81, 61 Fed. R. Serv. 3d 521 (7th Cir. 2005).

[FN8] *See* § 33:74.

[FN9] *See, e.g.*, Qamhiyah v. Iowa State University of Science and Technology, 245 F.R.D. 393, 398, 226 Ed. Law Rep. 907 (S.D. Iowa 2007) (refusing to award attorney's fees as a sanction even though the claims of privilege were denied because submission of privilege log and *in camera* review showed counsel had nothing other than "a good faith belief that the documents in question were privileged"); In re Application for an Order for Judicial Assistance in a Foreign Proceeding in the Labor Court of Brazil, 244 F.R.D. 434, 438–39 (N.D. Ill. 2007) (declining to sanction a party for submitting inadequate privilege logs because *in camera* review revealed that almost all documents were privileged and the log was created in good faith); Anaya v. CBS Broadcasting, Inc., 251 F.R.D. 645 (D.N.M. 2007) (noting that the court could find waiver because of repeatedly inadequate privilege logs, but declined to because *in camera* review showed the logs were made in good faith, even though they were vague).

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VII. Challenging Privilege Claims

§ 33:78. Challenging privilege claims: taking the offensive

Corporations usually find themselves on the receiving end of privilege challenges. In actions brought by individuals, such as product liability and other personal injury actions, plaintiffs rarely have attorney-client or work product documents that are responsive to discovery requests. However, in actions brought against other corporations, associations, or governmental bodies, the opposing party usually has responsive documents for which it claims privilege and may produce deficient privilege logs or seek to claim privilege for documents or communications which are not subject to protection from disclosure.

There are a number of reasons why it may be appropriate to challenge an opposing party's privilege claims. Challenges may be based on an inadequate privilege log, waiver, inappropriate claims of privilege, or the crime-fraud exception to the privilege and work product doctrine. In certain circumstances, a challenge to fact work product claims may be made on the basis of "substantial need" for the material under Fed. R. Civ. P. 26 (b)(3)(A)(ii), or the corresponding state rule.[1]

Counsel should not initiate privilege challenges without serious consideration of the time and cost involved in such proceedings and the distraction they impose on trial counsel. Nevertheless, there may be strategically important reasons for initiating privilege challenges. For instance, a review of the log may suggest that non-privileged documents, which could serve as significant evidence on points of contention, are being claimed as privileged. Alternatively, the opposing party may have already initiated privilege challenges. When a party can challenge privilege claims without fear that it will be subject to the same substantive and procedural rulings, the challenging party is less likely to be sensitive to the niceties of procedural due process or the application of the substantive law of privilege. When both parties are bringing challenges to the other's privilege claims, the court is more likely to take a balanced view of the claims under review. Furthermore, in reviewing only one party's privilege claims, if the court believes that the party's privilege logs are not adequate or that it has made inappropriate privilege claims, courts may develop an unfair and inappropriate bias against that party. Courts are less likely to view one party negatively if exposed to both sides of the privilege battlefield. Under these circumstances, counsel may consider challenging improper claims of privilege when it might otherwise have let the issue pass.

Before deciding to challenge an opposing party's privilege claims, it is essential that counsel be certain of two things: that your privilege logs are better than your opponent's and that your privilege claims are well-founded under the applicable law. A rash challenge without adequate preparation will distract from defending your own claims of privilege and could highlight inadequate preparation in establishing privilege.[2]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* § 33:34.

[FN2] *See, e.g.*, DL v. District of Columbia, 251 F.R.D. 38, 235 Ed. Law Rep. 1030 (D.D.C. 2008) (rejecting the District of Columbia's contention that the opposing party had failed to disclose documents where that party had submitted a detailed privileged log of all documents withheld, and finding that the District of Columbia itself had waived its privilege claims by not submitting any privilege logs).

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VII. Challenging Privilege Claims

§ 33:79. Challenging privilege claims: appeals from disclosure orders

In most instances, pre-trial discovery orders by federal courts cannot be appealed until after the conclusion of trial. However, waiting until the conclusion of trial to appeal erroneous privilege decisions may place those claims at serious risk. Unless the verdict demonstrably turns on the trial use of privileged documents, it is unlikely that the appellate court will address the issue, leaving the trial court's disclosure order uncorrected.[1] A party seeking to protect its privileged or work product materials in the face of an adverse lower court disclosure order must seek an immediate appeal by whatever means are available.

Some courts will certify direct appeals from orders overruling privilege claims.[2] As a general matter, to certify for immediate appeal, the court must agree that the pre-trial discovery ruling involves a "controlling question of law, … with substantial ground for difference of opinion, … [and where] immediate appeal from the order may materially advance the ultimate termination of litigation."[3] While some trial courts will certify rulings denying privilege claims for interlocutory appeal, others have refused to do so, leaving the privilege claimant to seek alternative means of securing review.[4]

Because of the strong policy favoring protection of the privilege and the irreparable loss of confidentiality flowing from a disclosure order, appellate courts have accepted review of privilege rulings through writs of mandamus.[5] The Fifth Circuit articulated the rationale for granting an extraordinary appeal of adverse privilege rulings as follows: "the difficulty of obtaining effective review of discovery orders, the serious injury that sometimes results from such orders, and the often recurring nature of discovery issues, support use of mandamus in exceptional cases."[6] Privilege rulings are recognized by many courts as special situations in which irreparable harm can be easily inferred making mandamus an appropriate avenue for appeal.[7]

The collateral order doctrine is yet another means to obtain review of a disclosure order.[8] The collateral order doctrine allows review by the appellate court if the order conclusively determines the disputed question, resolves an important issue completely separate from the merits of the action, and is effectively unreviewable on appeal from a final judgment.[9] Courts are split on the applicability of the collateral order doctrine to document disclosure orders. Some courts have considered these orders to be unappealable, but the majority of federal circuits have ruled that orders overruling privilege claims are not appealable under the collateral order doctrine.[10]

Finally, in some situations the only route for appeal is refusal to comply with an order to produce in anticipation of entry of a contempt order.[11] Contempt is the only route to appeal from production orders directed to a nonparty.[12] A contempt citation is immediately appealable.[13] When the witness is not the privilege

claimant, the witness is unlikely to risk contempt in order to protect the privilege. For instance, where an employee is subpoenaed to testify before a grand jury, that employee is not likely to undergo criminal contempt to protect her employer's claims of privilege. In such cases, courts may grant immediate review to the privilege claimant.[14] If the privilege claimant is not a party in the action, the claimant may be permitted to intervene in order to assert his or her privilege claims and seek appellate review.[15]

In considering appeals from disclosure orders, most appeals courts review a trial court's privilege determinations under an abuse of discretion standard.[16] However, some appeals courts have acknowledged that a privilege determination is a mixed issue of fact and law requiring de novo review.[17] Where the trial court's error lies in applying the wrong privilege or work product standards or wrong procedures for review, the appeals court should review the lower court's error of law de novo.[18]

Because privilege determinations involve the application of privilege law to the facts of a particular document or communication, privilege rulings inherently involve determinations of fact and law and should be reviewed under a de novo standard. Counsel seeking to overturn privilege rulings should include in their appeal papers arguments in favor of applying a de novo review standard. Because a court of appeals is not permitted to consider evidence in support of privilege claims that was not presented to the court below, counsel defending privilege claims need to think carefully about the evidentiary record submitted to the lower court during challenge proceedings to make certain that it will be adequate to support a subsequent appeal from an adverse ruling.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* Jenkins v. Weinshienk, 670 F.2d 915, 917 (10th Cir. 1982) (when a district court orders production of information over a litigant's claim of privilege not to disclose, appeal after a final decision is an inadequate remedy); Motley v. Marathon Oil Co., 71 F.3d 1547, 69 Fair Empl. Prac. Cas. (BNA) 911, 33 Fed. R. Serv. 3d 1069 (10th Cir. 1995) (Pre-trial discovery rulings are within the broad discretion of the district court. Absent an abuse of discretion, their decision is final.).

[FN2] *See* U.S. v. Philip Morris Inc., 314 F.3d 612, R.I.C.O. Bus. Disp. Guide (CCH) P 10408, 54 Fed. R. Serv. 3d 632 (D.C. Cir. 2003), subsequent determination, 347 F.3d 951, R.I.C.O. Bus. Disp. Guide (CCH) P 10561 (D.C. Cir. 2003) (granting British American Tobacco (Investments) Ltd. ("BATCO") an emergency stay and granting BATCO's request to appeal the lower court's adverse privilege ruling under the collateral order doctrine); Grace v. Mastruserio, 2007-Ohio-3942, 2007 WL 2216080, at *6 (Ohio Ct. App. 1st Dist. Hamilton County 2007) (under Ohio law, an order compelling the production of privileged material gives rise to an interlocutory appeal).

[FN3] 28 U.S.C.A. § 1292(b) (As an exception to the final judgment rule of 28 U.S.C.A. § 1291, district courts may certify certain types of rulings for interlocutory appellate review.); International Business Machines Corp. v. U.S., 471 F.2d 507, 516, 1973-1 Trade Cas. (CCH) ¶74293, 16 Fed. R. Serv. 2d 1217 (2d Cir. 1972), on reh'g, 480 F.2d 293, 1973-1 Trade Cas. (CCH) ¶74494 (2d Cir. 1973) (discussing certification under 28 U.S.C.A. § 1292(b) as an escape hatch from the finality rule "[w]here a discovery question is of extraordinary significance or there is extreme need for reversal of the district court's mandate before the case goes to judgment" (internal quotation marks omitted).

[FN4] *See* Lane v. Sharp Packaging Systems, Inc., 2002 WI 28, 251 Wis. 2d 68, 640 N.W.2d 788

(2002) (granting interlocutory appeal because the discovery issues in the case are matters of first impression and "go to the very core of the lawyer-client relationship and the reach of the lawyer-client privilege" (quotation marks omitted)).

[FN5] *See e.g.*, Carpenter v. Mohawk Industries, Inc., 541 F.3d 1048, 1053–54, 28 I.E.R. Cas. (BNA) 121 (11th Cir. 2008), petition for cert. filed, 77 U.S.L.W. 3346 (U.S. Nov. 20, 2008) (while found unwarranted in this case, the court stated that mandamus is appropriate method for obtaining review of orders compelling discovery); In re BankAmerica Corp. Securities Litigation, 270 F.3d 639, 50 Fed. R. Serv. 3d 1336 (8th Cir. 2001) (granting petition for writ of mandamus "[b]ecause maintenance of the attorney-client privilege up to its proper limits has substantial importance to the administration of justice, and because an appeal after disclosure of the privileged communication is an inadequate remedy" (alteration in original) (quotation marks omitted)); In re Spalding Sports Worldwide, Inc., 203 F.3d 800, 804, 53 U.S.P.Q.2d 1747 (Fed. Cir. 2000) (mandamus available because protection of privilege is of "substantial importance to the administration of justice"); accord State ex rel. Peabody Coal Co. v. Clark, 863 S.W.2d 604, 608 (Mo. 1993) (granting writ of prohibition because once the privileged material is produced, "the damage to the party against whom discovery is sought is both severe and irreparable" and that "damage cannot be repaired on appeal"); *see, e.g.*, In re U.S. Dept. of Homeland Sec., 459 F.3d 565, 568 (5th Cir. 2006) (stating the std. of review for writ of mandamus is appropriate where an order to produce privileged documents would not be reviewable on appeal); Keene Corp. v. Caldwell, 840 S.W.2d 715, 721 (Tex. App. Houston 14th Dist. 1992) (mandamus requirement that appellant not have an adequate remedy on normal appeal is met "where a trial court orders the disclosure of privileged information …. [t]he same reasoning applies to the documents constituting work product").

[FN6] In re Burlington Northern, Inc., 822 F.2d 518, 522, 1987-2 Trade Cas. (CCH) ¶67650, 8 Fed. R. Serv. 3d 545 (5th Cir. 1987) (granting mandamus to review trial court's finding of crime-fraud covering several thousand documents); *see also* In re Qwest Communications Intern. Inc., 450 F.3d 1179, 70 Fed. R. Evid. Serv. 492 (10th Cir. 2006) (discussing standards for issuing writ of mandamus to consider appeals from district court orders ruling on issues of attorney-client privilege and work product protection and denying writ where, after full review of the legal issues and record, district court had not abused its discretion in refusing to adopt doctrine of selective waiver).

[FN7] *See* Geilim v. Superior Court, 234 Cal. App. 3d 166, 285 Cal. Rptr. 602 (2d Dist. 1991) (granting writ of mandate and prohibition requiring pre-disclosure review by the trial court of disputed documents because "[o]nce [opponents] have free access to all of the seized documents, a substantial component of their privileged nature is forever destroyed").

[FN8] Baird v. Palmer, 114 F.3d 39 (4th Cir. 1997) (while finding the claim lacked a regulation to claim collateral order, the court stated that collateral order doctrine permits "immediate appeal of classes of orders in which considerations that favor immediate appeals seem comparatively strong and those that disfavor such appeals seem comparatively weak." (quotation marks omitted)).

[FN9] Sell v. U.S., 539 U.S. 166, 176, 123 S. Ct. 2174, 156 L. Ed. 2d 197, 188 A.L.R. Fed. 679 (2003); Brunet v. City of Columbus, Ohio, 826 F.2d 1062, 1066, 44 Fair Empl. Prac. Cas. (BNA) 1671, 45 Fair Empl. Prac. Cas. (BNA) 1080, 43 Empl. Prac. Dec. (CCH) P 37309 (6th Cir. 1987); Baird v. Palmer, 114 F.3d 39, 42 (4th Cir. 1997) (collateral order doctrine allows immediate appeal of orders that "finally determine claims of right separable from, and collateral to, rights asserted in the action, too important to be denied review and too independent of the cause itself to require that appellate consideration be deferred until the whole case is adjudicated" (quotation marks omitted)).

[FN10] *See e.g.*, In re Teleglobe Communications Corp., 493 F.3d 345, 357–58 (3d Cir. 2007), as amended, (Oct. 12, 2007) (taking appeal of privilege ruling under collateral order doctrine); In re Napster, Inc. Copyright Litigation, 479 F.3d 1078, 1087–89, 72 Fed. R. Evid. Serv. 826 (9th Cir. 2007) (order compelling disclosure of attorney-client communication appealable under the collateral order doctrine); *but see* F.D.I.C. v. Ogden Corp., 202 F.3d 454, 458, 46 Fed. R. Serv. 3d 772 (1st Cir. 2000) (order requiring disclosure of privileged information not appealable under collateral order doctrine); Texaco Inc. v. Louisiana Land and Exploration Co., 995 F.2d 43, 44, 26 Fed. R. Serv. 3d 728 (5th Cir. 1993) (same); Boughton v. Cotter Corp., 10 F.3d 746, 27 Fed. R. Serv. 3d 1368 (10th Cir. 1993) (privilege ruling not appealable because if "privileged documents were wrongly turned over to the plaintiffs and were used to the detriment of defendants at trial, [the court] can reverse any adverse judgment and require a new trial"). In re Ford Motor Co., 110 F.3d 954, 962, 37 Fed. R. Serv. 3d 600 (3d Cir. 1997) (granting appeal under collateral order doctrine); *see also* U.S. v. Joseph, 2008 WL 183219 (D. Haw. 2008) (denying appeal under collateral order doctrine).

[FN11] One of the substantial risks is that the court will not enter a contempt order but will impose other discretionary sanctions.

[FN12] In re Grand Jury Proceedings, 604 F.2d 798, 800, 13 Env't. Rep. Cas. (BNA) 1519, 4 Fed. R. Evid. Serv. 1330, 9 Envtl. L. Rep. 20553 (3d Cir. 1979) (discussing policy behind rule prohibiting witnesses from appealing discovery orders, unless held in contempt); *but see* In re Doe, 662 F.2d 1073, 1076, 9 Fed. R. Evid. Serv. 578, 32 Fed. R. Serv. 2d 1280, 64 A.L.R. Fed. 457 (4th Cir. 1981) (witness can seek direct appeal of order to produce work product where attorney witness is author of documents at issue).

[FN13] U.S. v. Ryan, 402 U.S. 530, 533, 91 S. Ct. 1580, 29 L. Ed. 2d 85, 71-1 U.S. Tax Cas. (CCH) P 9404A, 27 A.F.T.R.2d 71-1504 (1971).

[FN14] *See* Perlman v. U.S., 247 U.S. 7, 38 S. Ct. 417, 62 L. Ed. 950 (1918); In re Grand Jury Proceedings in Matter of Fine, 641 F.2d 199, 201, 8 Fed. R. Evid. Serv. 137 (5th Cir. 1981) (recognizing an order as directly appealable under 28 U.S.C.A. § 1291).

[FN15] In re Grand Jury Proceedings, 563 F.2d 577, 580, 2 Fed. R. Evid. Serv. 1081 (3d Cir. 1977) (permitting appeal by intervenor without necessity of contempt order where witness will not undergo the penalties of contempt to protect someone else's privilege claims).

[FN16] Motley v. Marathon Oil Co., 71 F.3d 1547, 1550, 69 Fair Empl. Prac. Cas. (BNA) 911, 33 Fed. R. Serv. 3d 1069 (10th Cir. 1995) (absent a finding of abuse of discretion by lower court, "denial of motion to compel discovery" of documents subject to crime-fraud exception stands (quoting Martinez v. Schock Transfer and Warehouse Co., Inc., 789 F.2d 848, 850, 40 Empl. Prac. Dec. (CCH) P 36224, 6 Fed. R. Serv. 3d 503 (10th Cir. 1986))).

[FN17] *See e.g.*, Henderson v. State, 962 S.W.2d 544, 550 (Tex. Crim. App. 1997) (reviewing de novo attorney-client privilege determinations is appropriate where mixed question of fact and law implicates "important, clearly defined issues of first impression").

[FN18] In re Sealed Case, 146 F.3d 881, 883, 49 Fed. R. Evid. Serv. 467, 40 Fed. R. Serv. 3d 1141 (D.C. Cir. 1998) (reviewing de novo because the district court applied the wrong legal standard); U.S. v. Aldaco, 201 F.3d 979, 987, 53 Fed. R. Evid. Serv. 1154 (7th Cir. 2000) (same); F.T.C. v. GlaxoSmithKline, 294 F.3d 141, 146, 2002-2 Trade Cas. (CCH) ¶73728, 58 Fed. R. Evid. Serv. 1443, 53 Fed. R. Serv. 3d 98 (D.C. Cir. 2002) (same).

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VIII. The Crime-Fraud Exception
A. In General

§ 33:80. The crime-fraud exception: definition and application

The crime-fraud exception to the privilege vitiates privilege claims for any communications or documents in which: (1) the client consulted counsel in order to commit a future crime or fraud, and (2) the challenged communications were "in furtherance of" that alleged crime or fraud. Under pressure from the plaintiffs' bar and government prosecutors, courts now are applying the exception in increasingly expansive ways to broader allegations of wrongdoing than were permitted in the past. The following Sections discuss the policy behind the crime-fraud exception, the elements that must be established for the exception to apply, and the procedures used to adjudicate crime-fraud challenges.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

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VIII. The Crime-Fraud Exception
A. In General

§ 33:81. The crime-fraud exception: policy

The crime-fraud exception is based on public policy. Lawyers are not given professional licenses so that they can help their clients to commit frauds and crimes and then hide their wrongdoing behind claims of privilege. As a Missouri court so colorfully put it: "The law does not make a law office a nest of vipers in which to hatch out frauds and perjuries."[1]

The attorney-client privilege and work product protection are also based on public policy—a policy that recognizes the value to society and our adversary system of ensuring confidentiality for attorney-client communications and the trial preparation of counsel.[2] Because of these policy concerns, almost all courts have acknowledged that the crime-fraud exception should be applied narrowly.[3]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Gebhardt v. United Rys. Co. of St. Louis, 220 S.W. 677, 679, 9 A.L.R. 1076 (Mo. 1920).

[FN2] *See* §§ 33:4 and 33:27.

[FN3] *See e.g.*, Newport Ltd. v. Sears, Roebuck & Co., 1995 WL 295297, at *1 (E.D. La. 1995) (crime-fraud is a "narrow exception to the attorney-client privilege" which will not be applied where the documents at issue do "not contain any advice that would 'assist the client in carrying out a contemplated illegal or fraudulent scheme'"); NXIVM Corp. v. O'Hara, 241 F.R.D. 109, 125–26, 67 Fed. R. Serv. 3d 696 (N.D. N.Y. 2007) ("The attorney-client privilege is not given broad, unfettered lattitude to every communication with a lawyer, but is to be narrowly construed to meet this narrowest of missions.").

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VIII. The Crime-Fraud Exception
A. In General

§ 33:82. The crime-fraud exception: lack of common definition

The crime-fraud exception has its roots in the common law. State courts and legislatures have articulated the exception in a variety of ways, through decisional law or statutory enactment.[1] No federal statute sets forth a common and coherent statement of the crime-fraud exception for use by the federal courts.[2] The United States Supreme Court has addressed the crime-fraud exception in only a few cases and has never provided a comprehensive definition or analysis of its scope and application.[3] As a result, federal courts rely on state and federal decisional law, a practice that sometimes has led to confusing, even inconsistent, standards for application of the crime-fraud exception. As one article so aptly stated:

> because of the widespread variation and imprecision in the standards governing the exception, the rule receives uneven and uncertain application. This can present a significant danger to the defendant caught unaware of the nuances that pervade the doctrine.[4]

Because sensitivity to such nuances may permit corporate counsel to successfully withstand crime-fraud challenges, substantive and procedural aspects of the crime-fraud exception are covered in §§ 33:88 to 33:97.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See, e.g.*, Ala. R. Evid. Rule 502(d) (no privilege applies "[i]f the services of the attorney were sought or obtained to enable or aid anyone to commit or plan to commit what the client knew or reasonably should have known to be a crime or fraud"); N.J. Stat. Ann. § 2A:84A-20 (the attorney-client privilege does not extend "to a communication in the course of legal service sought or obtained in aid of the commission of a crime or a fraud").

[FN2] An attempt to codify the crime-fraud exception in Rule 503(d)(1) of the Federal Rules of Evidence was defeated by Congress in 1975.

[FN3] *See, e.g.*, Alexander v. U.S., 138 U.S. 353, 360, 11 S. Ct. 350, 34 L. Ed. 954 (1891) (suggesting that the crime-fraud exception applies "where the party is tried for the crime in furtherance of which the communication was made"); Clark v. U.S., 289 U.S. 1, 15, 53 S. Ct. 465, 77 L. Ed. 993 (1933) (in dicta, the Supreme Court set out a *prima facie* requirement for application of the exception: the party seeking

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to invoke the crime-fraud exception must present "something to give colour to the charge … that has some foundation in fact"); U.S. v. Zolin, 491 U.S. 554, 109 S. Ct. 2619, 105 L. Ed. 2d 469, 89-1 U.S. Tax Cas. (CCH) P 9380, 27 Fed. R. Evid. Serv. 833, 63 A.F.T.R.2d 89-1483 (1989) (setting out certain procedural requirements for crime-fraud challenges).

[FN4] Brian A. Foster et al., "The Crime-Fraud Exception to the Attorney-Client Privilege," For The Defense, Sept. 1996, at 27; Marjorie Shields, "Crime-Fraud Exception to Attorney-Client Privilege in State Courts—Contemplated Crime," 9 A.L.R. 6th 363 (2005); Deborah Buckman, "Crime-Fraud Exception to Work Product Privilege in Federal Courts," 178 A.L.R. Fed. 87 (2002); Daily, "Has the Exception Outgrown the Privilege: Exploring the Application of the Crime-Fraud Exception to the Attorney-Client Privilege," 16 Geo. J. Legal Ethics 583 (2003); Biagio, "Federal Criminal Law and the Crime-Fraud Exception: Disclosure of Privileged Conversations and Documents Should Not Be Compelled without the Government's Factual Foundation Being Tested by the Crucible of Meaningful Adversarial Testing," 62 Md. L. Rev. 1 (2003).

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VIII. The Crime-Fraud Exception
A. In General

§ 33:83. The crime-fraud exception: the Restatement

The American Law Institute's *Restatement (Third) of the Law Governing Lawyers* illustrates the lack of a clear definition and guidelines for applying the crime-fraud exception. Until recently, the *Restatement* defined the crime-fraud exception as follows: In 2000, the American Law Institute adopted a new definition of the crime-fraud exception:

> The attorney-client privilege does not apply to a communication occurring when a client consults a lawyer for the purpose of obtaining assistance in engaging in conduct or aiding a third person in engaging in conduct if the client, at the time of the communication, knows or reasonably should know that the conduct is a crime or fraud.[1]

> The attorney-client privilege does not apply to the communication occurring when a client:
> (a) consults a lawyer for the purpose, later accomplished, of obtaining assistance to engage in a crime or fraud or aiding a third person to do so, or
> (b) regardless of the client's purpose at the time of the consultation, uses the lawyer's advice or other services to engage in or assist a crime or fraud.[2]

This new definition modifies the pre-existing rule in two significant ways. First, in section (a) the insertion of the phrase "later accomplished" appears to require the client to actually commit a crime or fraud, rather than permitting the exception to apply where the client is only accused of having "intended" to commit some crime or fraud.[3] This provision is in direct conflict with those cases which hold that the exception will apply where the client intends, but never actually commits, the crime or fraud.[4] Second, section (b) appears to permit the challenger access to any attorney-client communications preceding the client's commission of a crime or fraud, regardless of whether the client intended wrongdoing at the time of the consultation, so long as the client later used that advice or legal services in aid of his wrongdoing.[5] This provision conflicts with those cases which have held that the client's intent at the time of consulting with counsel is crucial; if the client decided to commit a crime or fraud only after consulting with counsel, that consultation will remain privileged.[6]

These changes in the *Restatement* treatment of the crime-fraud exception reflect some of the conflicting policy objectives which create enormous variation and confusion in the application of the exception. As the following sections will make abundantly clear, no definition of the exception covers all factual situations with which courts have been confronted.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Restatement (Third) of the Law Governing Lawyers § 132 (Tentative Draft No. 2, Apr. 7 1989). The Restatement definition of the crime-fraud exception has largely been ignored by the courts. One case cited to § 132 as one of the "minor variations" in the expression of the crime-fraud exception. Purcell v. District Attorney for Suffolk Dist., 424 Mass. 109, 676 N.E.2d 436, 439 (1997).

[FN2] Restatement (Third) of the Law Governing Lawyers § 82 (2000).

[FN3] The comment to this provision explains that the drafters wanted to permit the client to "choose whether or not to commit or aid the act after consulting the lawyer, and thus … avoid exposing secret communications." Restatement (Third) of the Law Governing Lawyers § 82 cmt. b (2000).

[FN4] *See e.g.* In re Grand Jury Proceedings, 87 F.3d 377, 381, 35 Fed. R. Serv. 3d 515 (9th Cir. 1996) (crime-fraud exception does not require completed crime or fraud, but only that the client consulted an attorney in an effort to complete one); U.S. v. Ruedlinger, 1997 WL 161960, at *4 (D. Kan. 1997) (attorney-client privilege does not shield communications relating to the planning of a fraud or crime); In re Public Defender Service, 831 A.2d 890 (D.C. 2003) (crime or fraud that is the subject of the communication does not have to be completed for the exception to apply); Koch v. Specialized CAre Services, Inc., 437 F. Supp. 2d 362 (D. Md. 2005) ("[crime-fraud] exception applies regardless of whether the crime or fraud is completed").

[FN5] Restatement (Third) of the Law Governing Lawyers § 82 cmt. c. (2000) ("The client need not specifically understand that the contemplated act is a crime or fraud. The client's purpose in consulting the lawyer or using the lawyer's services may be inferred from the circumstances. It is irrelevant that the legal service sought by the client (such as drafting an instrument) was itself lawful.").

[FN6] *See, e.g.*, Pritchard-Keang Nam Corp. v. Jaworski, 751 F.2d 277, 281, Fed. Sec. L. Rep. (CCH) P 91930, 17 Fed. R. Evid. Serv. 240 (8th Cir. 1984) (communication must be "for the purpose of" committing fraud); Fidelity-Phenix Fire Ins. Co. of N. Y. v. Hamilton, 340 S.W.2d 218 (Ky. 1960) (holding that where a client retained a second lawyer to file a suit on a fire insurance policy despite the advice of a first lawyer that the client's own version of events precluded suit, the testimony of the first lawyer regarding advice not to sue was not privileged even when the client did not know that the contemplated suit was "a civil wrong" prior to consulting with the first attorney); In re Sealed Case, 107 F.3d 46, 50, 37 Fed. R. Serv. 3d 540 (D.C. Cir. 1997) ("the government had to demonstrate that the Company sought the legal advice with the intent to further its illegal conduct. Showing temporal proximity between the communication and a crime is not enough."); Tri-State Hosp. Supply Corp. v. U.S., 238 F.R.D. 102, 104, 2007-1 U.S. Tax Cas. (CCH) P 50233, 98 A.F.T.R.2d 2006-6798 (D.D.C. 2006) ("crime-fraud exception, applies when the following two conditions are satisfied: (1) the client made or received the otherwise privileged communication with the intent to further an unlawful or fraudulent act, and (2) the client has carried out the crime or fraud.").

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Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

VIII. The Crime-Fraud Exception
A. In General

§ 33:84. The crime-fraud exception: application to work product

The crime-fraud exception originally applied only to attorney-client communications, but courts have subsequently applied it to other privileged relationships.[1] Courts also apply the exception to the attorney work product privilege.[2] With respect to work product, the Third Circuit stated:

> Information furnished by the client to the lawyer may merge into his work product; moreover, the overriding purpose of the two privileges is the same to encourage proper functioning of the adversary system. From this viewpoint, there is no actual inconsistency in applying the crime-fraud exception to the work product as well as to the attorney-client privilege.[3]

The interest in promoting the adversarial process by protecting an attorney's work product fails when that work product is created to subvert the ends of justice that the adversarial system is designed to promote. This is particularly true where the attorney is alleged to have engaged in criminal conduct in the context of defending his client, such as obstruction of justice or subornation of perjury.[4] The exception also has been applied in cases where the client is accused of engaging in a cover-up of past criminal or fraudulent conduct or of perpetuating wrongdoing through the defense of litigation.[5]

Since the attorney need not be aware of the client's criminal or fraudulent intent for the exception to apply, the exception may apply even when the attorney does not intend to engage in wrongdoing in pursuit of his client's legal defense. In a number of cases, litigation itself or the settlement of litigation has been analyzed under the crime-fraud exception.[6]

The application of the crime-fraud exception to attorney work product is exemplified in grand jury proceedings against FMC Corporation relating to alleged discharges of carbon tetrachloride into the Kanawha River.[7] A grand jury was convened in 1977 to investigate allegations that FMC had made false statements to the EPA relating to the carbon tetrachloride discharges. No indictment was issued. A second grand jury was convened in 1979 to investigate the same allegations. The firm of Cleary, Gottlieb, Steen & Hamilton represented FMC in civil EPA administrative proceedings relating to pollution problems associated with its Kanawha River manufacturing plants, but was not involved in the grand jury proceedings. The second grand jury issued subpoenas to the Cleary, Gottlieb attorney representing FMC before the EPA, alleging Cleary, Gottlieb's work product materials were used to further FMC's violation of the environmental laws, and that work product was therefore discoverable under the crime-fraud exception. On appeal, the Third Circuit Court of Appeals criticized the district court's

decision ordering disclosure of the challenged work product because the trial court did not demonstrate a clear connection between the Cleary, Gottlieb work product and the alleged false statements being investigated by the grand jury. The Third Circuit remanded to the district court for a determination of when FMC's alleged false statements were made: if FMC's allegedly false statements to the EPA were made prior to its consultation with Cleary, Gottlieb about the carbon tetrachloride discharges, then the attorney work product would remain protected; but if they occurred after consultation with counsel, then the crime-fraud exception could be applied. In effect, the Third Circuit held that if misrepresentations were made to the EPA after the Cleary firm was retained, then Cleary work product relating to the EPA civil proceedings would be subject to the crime-fraud exception.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See, e.g.,* Smith ex rel. Smith v. U.S., 193 F.R.D. 201, 205–06 (D. Del. 2000) (applying the crime-fraud exception to the "Quality Assurance privilege" established by 10 U.S.C.A. § 1102, protecting medical quality assurance records created by or for the Department of Defense); In re Grand Jury Proceedings (Gregory P. Violette), 183 F.3d 71, 73, 52 Fed. R. Evid. Serv. 456 (1st Cir. 1999) ("The crime-fraud exception applies to the psychotherapist-patient privilege."); U.S. v. Rakes, 136 F.3d 1, 48 Fed. R. Evid. Serv. 948 (1st Cir. 1998) (assuming but without finding that the crime-fraud exception applies to the marital privilege); Ellis v. U.S., 922 F. Supp. 539, 44 Fed. R. Evid. Serv. 639 (D. Utah 1996) (applying Utah law on clergy privilege, magistrate judge found the crime-fraud exception to apply to the priest-penitent privilege).

[FN2] *See, e.g.*, In re Grand Jury Subpoena, 419 F.3d 329, 335 (5th Cir. 2005) ("The work product privilege is subject to the same crime-fraud exception."); In re Green Grand Jury Proceedings, 492 F.3d 976, 979–80 (8th Cir. 2007) ("[A] client who has used his attorney's assistance to perpetrate a crime or fraud cannot assert the work product privilege as to any documents generated in furtherance of his misconduct."); In re Certified HR Services Co., 2008 WL 2783157 (Bankr. S.D. Fla. 2008) ("The crime-fraud exception applies to the work product doctrine."); S.E.C. v. Dowdell, 2006 WL 3876294 (M.D. Fla. 2006) ("The exception applies to work product in the same way that it applies to the attorney-client privilege and is one of the rare and extraordinary circumstances in which opinion work product is discoverable."); *but see* Cal. Civ. P. § 2018(c) ("Any writing that reflects an attorney's impressions, conclusions, opinions, or legal research or theories shall not be discoverable under any circumstances."); BP Alaska Exploration, Inc. v. Superior Court, 199 Cal. App. 3d 1240, 245 Cal. Rptr. 682 (5th Dist. 1988) (crime-fraud exception does not apply to opinion work product); In re Green Grand Jury Proceedings, 492 F.3d 976 (8th Cir. 2007) (holding the crime-fraud exception does not destroy the attorney's own claim of opinion work product if the attorney was not aware that his work was in furtherance of a crime or fraud).

[FN3] In re Grand Jury Proceedings, 604 F.2d 798, 802, 13 Env't. Rep. Cas. (BNA) 1519, 4 Fed. R. Evid. Serv. 1330, 9 Envtl. L. Rep. 20553 (3d Cir. 1979).

[FN4] In re John Doe Corp., 675 F.2d 482, 492, Fed. Sec. L. Rep. (CCH) P 98648, 10 Fed. R. Evid. Serv. 1390 (2d Cir. 1982); In re Doe, 662 F.2d 1073, 1079, 9 Fed. R. Evid. Serv. 578, 32 Fed. R. Serv. 2d 1280, 64 A.L.R. Fed. 457 (4th Cir. 1981) (extending exception to opinion work product).

[FN5] *See* In re Doe, 662 F.2d 1073, 1079–80, 9 Fed. R. Evid. Serv. 578, 32 Fed. R. Serv. 2d 1280, 64

A.L.R. Fed. 457 (4th Cir. 1981) (attorney forfeited protection of work product rule in conspiring, obstructing justice and suborning perjury); In re Sealed Case, 754 F.2d 395, 402, 17 Fed. R. Evid. Serv. 600 (D.C. Cir. 1985) (where the government alleged document destruction and misrepresentations constituting fraud on the court, client communications with counsel relating to past crimes—including past misconduct before other courts—would remain protected, but past acts of misconduct which were part of the cover-up during the period of counsel's representation of the client would be subject to the crime-fraud exception).

[FN6] *See* Fidelity-Phenix Fire Ins. Co. of N. Y. v. Hamilton, 340 S.W.2d 218 (Ky. 1960) (where insured brought suit against insurer under fire loss policy, and where insured had learned from prior counsel that the loss was not covered because it fell within policy exclusion period, insured's communications with prior counsel were not protected); Duplan Corp. v. Deering Milliken, Inc., 540 F.2d 1215, 1221, 191 U.S.P.Q. 417, 1976-2 Trade Cas. (CCH) ¶60998 (4th Cir. 1976) (considering possibility that crime-fraud exception would apply if a party made a *prima facie* showing that settlement of litigation was intended to violate the antitrust laws). *See also* § 33:96, discussing fraud on the court.

[FN7] In re Grand Jury Proceedings, 604 F.2d 798, 13 Env't. Rep. Cas. (BNA) 1519, 4 Fed. R. Evid. Serv. 1330, 9 Envtl. L. Rep. 20553 (3d Cir. 1979).

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VIII. The Crime-Fraud Exception
B. Elements

§ 33:85. The crime-fraud exception: elements—A crime or fraud

As a general matter, to establish the crime-fraud exception to the attorney-client privilege, the privilege challenger must present sufficient evidence to demonstrate: "(1) that the client was engag[ed] in (or was planning) criminal or fraudulent activity when the attorney-client communications took place; and (2) that the communications were intended by the client to facilitate or conceal the criminal or fraudulent activity."[1] This section examines the first prong of the exception. Sections 33:85 to 33:87 examine the second prong.

Historically, the crime-fraud exception applied only to crimes or intentional frauds that were inherently wrong, the kind of act that any person would recognize as evil.[2] In the past decades, courts have applied the crime-fraud exception in non-criminal matters where the law imposes a higher duty of care such as a fiduciary duty on the party accused of wrongdoing.[3] A number of courts have extended the exception to intentional torts.[4] For instance, in Koch v. Specialized Care Services, the U.S. District Court of Maryland (interpreting Maryland law) applied the crime-fraud exception to a claim of tortious interference with an employment agreement because "the policies underlying the attorney-client privilege would not support the protection of 'the injurious conduct or fraud' alleged by the plaintiffs."[5] Other courts have refused to apply the exception to breaches of duty even where that party had a high duty of candor or duty of disclosure to the challenging party,[6] Only a few courts have suggested that the crime-fraud exception may be applied to mere torts.[7]

There are particular concerns in applying the crime-fraud exception to regulated companies who do and must seek legal advice of compliance issues all the time. The Eighth Circuit has refused or seeks legal advice on compliance and is later accused of violating the statute.[8]

The expansion of the crime-fraud exception is most obvious in cases where counsel is alleged to have engaged in discovery abuse or "fraud upon the court." Because "fraud on the court" is a species of crime-fraud unto itself, it is discussed separately in § 33:96.

Courts differ on whether the privilege claimant must have successfully carried out the crime or fraud in order to invoke the crime-fraud exception. The D.C. Circuit follows the Restatement approach, § 33:82, and will only pierce the attorney-client privilege if the client has carried out a crime or fraud.[9] The rationale for this limitation is to avoid "penaliz[ing] a client for doing what the privilege is designed to encourage—consult a lawyer for the purpose of achieving law compliance."[10] Where the exception applies only to an actual crime or fraud, some courts require that the opposing party make a showing to support each element of the alleged crime or fraud.[11]

Other courts hold that the party seeking to abrogate the privilege need only "'give colour to the charge' by showing 'some foundation in fact.'"[12] This lower standard is likely to result in the attorney-client privilege being pierced more frequently. These courts tend to focus on the client's intent and will pierce the privilege without requiring the actual commission of a crime or fraud, holding that "[t]he client's abuse of the attorney-client relationship, not his or her successful criminal or fraudulent act, vitiates the privilege."[13] Obviously, in cases where no crime or fraud has actually been committed, the challenging party will not be required to establish each of the elements of the crime or fraud as part of its *prima facie* challenge to the privilege.[14]

Extending the exception to situations where the client never actually commits a crime or fraud may be appropriate when intent to commit a crime is an indictable offense in and of itself. However, this extension may fall too harshly on legitimate privileges where the challenging party submits evidence supporting the inference that the client intended to commit a civil fraud but is unable to submit evidence that any fraud was actually committed. By eliminating the requirement that the challenger establish that a crime or fraud actually took place, the challenger may be permitted to invoke the exception without establishing any element of the alleged crime or fraud except intent, obtaining access to the confidential communications between client and counsel.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] In re Grand Jury Proceedings, 417 F.3d 18, 22 (1st Cir. 2005).

[FN2] For an excellent discussion of the early history of the exception, *see* Fried, "Too High a Price for Truth: The Exception to the Attorney-Client Privilege for Contemplated Crimes and Frauds," 64 N.C. L. Rev. 443, 450–52 (1986).

[FN3] *See* Steelvest, Inc. v. Scansteel Service Center, Inc., 807 S.W.2d 476, 488 (Ky. 1991) (holding that the crime-fraud exception applied to permit discovery of Scanlan's attorney, who assisted Scanlan in his breach of fiduciary duty); First Union Nat. Bank v. Turney, 824 So. 2d 172 (Fla. Dist. Ct. App. 1st Dist. 2001) (crime fraud exception applied when trustee bank breached fiduciary duty to trust beneficiary); Galaxy CSI, LLC v. Galaxy Computer Services, Inc., 2004 WL 3661433 (E.D. Va. 2004) (finding crime-fraud exception applied in fiduciary duty case).

[FN4] *See* Madanes v. Madanes, 199 F.R.D. 135, 149 (S.D. N.Y. 2001) (discussing courts in the Southern District of New York that have applied the exception to intentional torts other than fraud); Cooksey v. Hilton Intern. Co., 863 F. Supp. 150, 151 (S.D. N.Y. 1994) (exception triggered by attorney-client communications made with the intent to "mislead" the plaintiffs in a sexual discrimination lawsuit); Rattner v. Netburn, 1989 WL 223059, at *47 (S.D. N.Y. 1989), aff'd, 1989 WL 231310 (S.D. N.Y. 1989) (approving the extension of the crime-fraud exception to intentional torts, but finding that the exception did not apply because plaintiffs had not established that the communications in question had been made for the purpose of facilitation or concealing the commission of an intentional tort).

[FN5] Central Const. Co. v. Home Indem. Co., 794 P.2d 595, 598 (Alaska 1990) (holding that an insurer's "flagrant bad faith" in denying coverage to the insured was sufficient to invoke the crime-fraud exception because "the policy of promoting the administration of justice would not be well served by permitting services sought in aid of misconduct to be cloaked in the attorney-client privilege.").

[FN6] *See* Abbott Laboratories v. Andrx Pharmaceuticals, Inc., 241 F.R.D. 480, 487–88 (N.D. Ill. 2007) (although a finding by the patent office that a patentee has engaged in inequitable conduct by breaching its "duty of candor and good faith" is considered egregious enough to render a patent unenforceable, it was not enough to meet "[t]he evidentiary showing required to make a *prima facie* showing of fraud in order to establish the crime-fraud exception to the attorney-client privilege [because that standard] is … greater than the evidentiary showing required to make a *prima facie* showing of inequitable conduct"); Union Carbide Corp. v. Dow Chemical Co., 619 F. Supp. 1036, 1051, 229 U.S.P.Q. 401 (D. Del. 1985) (even though parties practicing before the patent office must act with a "high degree of candor," the crime-fraud exception will apply only where a party has engaged in fraud, even though mere inequitable conduct is sufficient to make the patent unenforceable).

[FN7] *See, e.g.,* Berroth v. Kansas Farm Bureau Mutual Ins. Co., Inc., 205 F.R.D. 586, 589 (D. Kan. 2002) (recognizing that Kansas law statutorily defines the crime-fraud exception to encompass torts); *but see* In re E.E.O.C., 207 Fed. Appx. 426, 434, 18 A.D. Cas. (BNA) 1304 (5th Cir. 2006) (refusing to extend crime-fraud exception to the negligent, incompetent or frivolous pursuit of a lawsuit); Motley v. Marathon Oil Co., 71 F.3d 1547, 1552, 69 Fair Empl. Prac. Cas. (BNA) 911, 33 Fed. R. Serv. 3d 1069 (10th Cir. 1995) (document prepared by attorney that was discussing allegedly discriminatory workforce reductions did not fall into crime-fraud exception because exception is limited to attorney advice in furtherance of a crime, not advice related to alleged tortious conduct); *see also* Milroy v. Hanson, 902 F. Supp. 1029, 1033 (D. Neb. 1995) (noting "the technical nature of some torts, particularly under federal law" in limiting the exception to crimes and common law fraud).

[FN8] In re BankAmerica Corp. Securities Litigation, 270 F.3d 639, 643–44, 50 Fed. R. Serv. 3d 1336 (8th Cir. 2001). As the BankAmerica court explained in refusing to apply the exception to documents connected with an allegedly negligent failure to disclose material information in a securities lawsuit; stating: "[T]he crime-fraud exception does not apply when a publicly held company seeks legal advice concerning its disclosure obligations and commits an unintentional disclosure violation. To be sure, a client may seek legal advice in furtherance of intentional securities law fraud, and the crime-fraud exception will then apply. But it is not enough to show that an attorney's advice was sought before a decision was made not to disclose information that is alleged, as a matter of hindsight, to have been material." (Emphasis in original.); *see also* In re Sulfuric Acid Antitrust Litigation, 235 F.R.D. 407, 425, 2006-1 Trade Cas. (CCH) ¶75315 (N.D. Ill. 2006), supplemented, 432 F. Supp. 2d 794, 2006-1 Trade Cas. (CCH) ¶75316 (N.D. Ill. 2006) (crime-fraud exception does not apply to report reflecting that defendants sought legal advice to "get around" Supreme Court antitrust ruling while maintaining benefit of their former operating system).

[FN9] In re Sealed Case, 107 F.3d 46, 49, 37 Fed. R. Serv. 3d 540 (D.C. Cir. 1997). *See also* Chevron U.S.A., Inc. v. U.S., 80 Fed. Cl. 340, 363 (2008), on reconsideration in part, 83 Fed. Cl. 195 (2008) and motion to certify appeal denied, 83 Fed. Cl. 313 (2008).

[FN10] In re Sealed Case, 107 F.3d 46, 49, 37 Fed. R. Serv. 3d 540 (D.C. Cir. 1997) (quoting Restatement of the Law Governing Lawyers § 142 cmt. c, at 461 (Proposed Final Draft No. 1, 1996)).

[FN11] *See, e.g.,* Berroth v. Kansas Farm Bureau Mutual Ins. Co., Inc., 205 F.R.D. 586, 590 (D. Kan. 2002) (declining to apply the crime-fraud exception to perjury allegations in a gender discrimination suit where the challenging party failed to establish a *prima facie* case for each element of fraud).

[FN12] U.S. v. BDO Seidman, LLP, 492 F.3d 806, 818–19, 2007-2 U.S. Tax Cas. (CCH) P 50530, 100 A.F.T.R.2d 2007-5052 (7th Cir. 2007), cert. denied, 128 S. Ct. 1471, 170 L. Ed. 2d 296 (2008) (referring to this approach as a "totality of circumstances analysis").

[FN13] In re Napster, Inc. Copyright Litigation, 479 F.3d 1078, 1090, 72 Fed. R. Evid. Serv. 826, 07 (9th Cir. 2007) ("The planned crime or fraud need not have succeeded for the exception to apply."). *See* In re Grand Jury Subpoena Duces Tecum Dated Sept. 15, 1983, 731 F.2d 1032, 1039, 15 Fed. R. Evid. Serv. 327, 38 Fed. R. Serv. 2d 1351 (2d Cir. 1984) (the crime or fraud need not have occurred for the exception to be applicable; it need only have been the objective of the fraudulent communication).

[FN14] *See* BP Alaska Exploration, Inc. v. Superior Court, 199 Cal. App. 3d 1240, 1262–63, 245 Cal. Rptr. 682 (5th Dist. 1988) (Because the exception applies to plans to commit fraud as well as to completed fraud, "the proponent of the exception need only … prove the right to rely" on a false statement of material fact, rather than actual reliance).

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VIII. The Crime-Fraud Exception
B. Elements

§ 33:86. The crime-fraud exception: elements—The "in furtherance" prong

The second requirement for application of the crime-fraud exception focuses on the connection between the client's communication with counsel and the commission of a crime or fraud. Attorney-client confidences cannot be abrogated merely because a client commits a crime or fraud. That would vitiate the policy behind the privilege and deprive clients of the assistance of counsel when most needed. The exception only applies when the client consults an attorney with respect to committing a future or continuing crime or fraud.[1] It does not apply to past crimes or fraud. However, like all aspects of the crime-fraud exception, the standards applied by courts to determine whether a communication was in furtherance of a crime or fraud are not always clear or consistent.

There are two aspects of the "in furtherance" prong that counsel need to consider. The first is the relationship in time between the client's decision to commit a crime or fraud and the client's consultation with counsel. The second is the nature of the connection between the attorney's advice and the client's commission of a crime or fraud. Some courts have held that the "in furtherance" requirement will only be satisfied where the client consulted with counsel *for the purpose of* committing a crime or fraud *and actually used counsel's advice* to further its wrongdoing. Other courts have adopted a more expansive interpretation of the "in furtherance" prong of the crime-fraud exception.

With respect to the temporal relationship between the client's consultation with counsel and the commission of a crime or fraud, most courts have required the privilege challenger to show that the client intended to commit a crime or fraud at the time the client consulted with counsel.[2] Some courts also require the challenging party to demonstrate that the client intended to use the attorney-client communication itself to further the crime.[3] Other courts have held that there is no need to show that the client intended to commit a crime or fraud at the time the client consulted with counsel, so long as counsel's advice or services subsequently were used to further the wrongdoing.[4] Still others appear to have abrogated the privilege based only on the fact that the client consulted with counsel close in time to committing the alleged crime.[5]

While the temporal relationship between consulting an attorney and committing a crime may be easy to determine in the case of individuals or small businesses, it may be next to impossible for large corporations with in-house legal staff who provide ongoing legal advice on matters such as regulatory compliance. Corporations need the continuous advice of counsel to comply with the plethora of statutes and regulations that govern various aspects of their business.[6] When a corporation is accused of violating a statute or fraudulently misleading consumers, the loose temporal standard for the "in furtherance" prong could make all legal advice from counsel on the same issue subject to the crime-fraud exception, since the corporation could be viewed as having em-

ployed all legal advice it received on the subject to facilitate its improper conduct. This result is clearly absurd and demonstrates the error of basing the exception on mere closeness in time. When facing crime-fraud allegations, corporations should be prepared to demonstrate the inappropriateness of applying this loose standard to corporate documents with arguments that stress the importance of the privileges and the narrow and limited nature of the crime-fraud exception.

With respect to the degree of connectedness aspect of the "in furtherance" prong, courts have articulated widely divergent standards for application of the exception.

Most courts have held that the crime-fraud exception applies only to legal advice (or services) that actually furthers the commission of the crime or fraud.[7] The U.S. District Court of Maryland (applying Maryland law) described this as the "most restrictive of the tests" and noted that:

> [I]t is not enough that the privileged communication "closely relate," "clearly relate" or "reasonably relate" to the wrongful conduct. The otherwise privileged communication of the client (and advise of the attorney) must be in furtherance of the wrongful conduct.[8]

The Second Circuit has been a strong proponent of a strict "in furtherance" requirement, limiting application of the crime-fraud exception to instances where "there is probable cause to believe that the particular communication … was intended in some way to facilitate or to conceal the criminal activity."[9] The Third Circuit Court of Appeals has similarly held that the communication must actually play a causal role in facilitating the fraud:

> The seal is broken when the lawyer's communication is meant to facilitate future wrongdoing by the client. Where the client commits a fraud or crime for reasons completely independent of legitimate advice communicated by the lawyer, the seal is not broken, for the advice is, as the logicians explain, non causa pro causa.[10]

However, not all courts have required such a rigorous an analysis of the relationship between the client's consultation with counsel and the client's commission of a crime or fraud. Some courts have held that the "in furtherance" prong is satisfied so long as "the documents containing the privileged materials bear a close relationship to the client's existing or future scheme to commit a crime or fraud."[11] Other courts have articulated an even more relaxed standard, requiring only that the documents "reasonably relate" to the fraudulent activity.[12]

The test applied for the "in furtherance" requirement is important because it may affect the procedures adopted by the court for making crime-fraud determinations. Where a strict "in furtherance" test is applied, the court must determine that each "specific document … was made in furtherance of [the] … alleged fraud and closely related to it."[13] The looser the required connection between the consultation with counsel and the wrongdoing, the more likely a court will adopt summary procedures permitting rulings on large numbers of documents without close scrutiny. The "closely connected to" or "related to" tests may be used to extend the exception to any documents or communications between counsel and client which merely relate to the subject of that advice.[14]

In cases of continuing crimes or frauds, such as the failure to comply with regulations, allegations of crime-fraud may jeopardize all or the vast majority of the otherwise privileged work of in-house counsel responsible

for regulatory compliance. If inside counsel are responsible for both monitoring compliance and rendering legal advice relating to compliance, courts may require disclosure of both the "facts" discovered by counsel in monitoring or investigating compliance and the legal conclusions and advice given by counsel about those facts based on the inference that counsel's activities were "in furtherance" of either the failure to comply or a cover-up of that failure to comply while the corporation was investigating and determining how to respond to the situation. If the corporation seeks legal evaluation and advice from outside counsel, as opposed to inside counsel, the fact that the corporation makes a discrete request for legal advice at a specific point in time and receives and responds to that advice at a subsequent, clearly identifiable point in time, may help insulate that legal analysis from allegations that it was sought or used "in furtherance" of the alleged wrongdoing. Effective partnering between inside and outside counsel through the appropriate division of responsibilities may go a long way to protecting corporate privileges in such situations.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] U.S. v. Zolin, 491 U.S. 554, 562–63, 109 S. Ct. 2619, 2626, 105 L. Ed. 2d 469, 89-1 U.S. Tax Cas. (CCH) P 9380, 27 Fed. R. Evid. Serv. 833, 63 A.F.T.R.2d 89-1483 (1989) ("The attorney-client privilege must necessarily protect the confidences of wrongdoers, but the reason for that protection … 'ceas[es] to operate at a certain point, namely, where the desired advice refers not to prior wrongdoing, but to future wrongdoing.").

[FN2] *See, e.g.*, Cendant Corp. v. Shelton, 246 F.R.D. 401, 406 (D. Conn. 2007) (crime-fraud exception applied because plaintiff offered evidence that communications with attorneys were intended to facilitate fraudulent activity; defendant used attorneys to shield assets by forming trust after fraud at company had been discovered)); Miyano Machinery USA, Inc. v. Miyanohitec Machinery, Inc., 2008 WL 2364610, at *6- (N.D. Ill. 2008) (noting that an email between a lawyer and client could not have been in furtherance of alleged fraudulent statements made to the Patent and Trademark Office because the email was sent after the statements were made); Pritchard-Keang Nam Corp. v. Jaworski, 751 F.2d 277, 281, Fed. Sec. L. Rep. (CCH) P 91930, 17 Fed. R. Evid. Serv. 240 (8th Cir. 1984) (holding that the privileged document must be communicated for the purpose of committing a fraud; it is not enough that the communication precede the fraud and that it was subsequently used in perpetrating (or serves as evidence of) the fraud).

[FN3] *See* U.S. v. Kerik, 531 F. Supp. 2d 610 (S.D. N.Y. 2008) ("Communications made to an attorney are excluded from the privilege where the party invoking the crime-fraud exception demonstrates that there is probable cause to believe that the particular communication or work-product was *intended* to facilitate or conceal ongoing or contemplated criminal or fraudulent activity." (emphasis added)).

[FN4] *See* In re Sealed Case, 754 F.2d 395, 399, 17 Fed. R. Evid. Serv. 600 (D.C. Cir. 1985) (government not required to show client intent in consulting attorney); In re Grand Jury Investigation, 445 F.3d 266 (3d Cir. 2006) (requiring attorney to testify about conversations with corporate employee where employee deleted emails potentially responsive to a subpoena after learning from in-house counsel the type of material the government was seeking); In re De Mayolo, 73 Fed. R. Evid. Serv. 226 (N.D. Iowa 2007) (piercing the privilege between an employer and its attorney where "the employer continued his illegal employment practices after consulting with the attorney").

[FN5] *See* In re Grand Jury Proceedings, 604 F.2d 798, 804, 13 Env't. Rep. Cas. (BNA) 1519, 4 Fed. R. Evid. Serv. 1330, 9 Envtl. L. Rep. 20553 (3d Cir. 1979) (crime-fraud exception may be applied where client consulted with civil counsel representing client before the EPA prior to committing a crime, but not where client consulted with counsel after committing the alleged crime); State ex rel. Peabody Coal Co. v. Clark, 863 S.W.2d 604, 608 (Mo. 1993) (reversing crime-fraud ruling because "legal advice given in 1979 is neither directly related to nor contemporaneous with actions taken in 1985").

[FN6] *See, e.g.*, Upjohn Co. v. U.S., 1981-1 C.B. 591, 449 U.S. 383, 392, 101 S. Ct. 677, 66 L. Ed. 2d 584, Fed. Sec. L. Rep. (CCH) P 97817, 1980-81 Trade Cas. (CCH) ¶63797, 81-1 U.S. Tax Cas. (CCH) P 9138, 7 Fed. R. Evid. Serv. 785, 30 Fed. R. Serv. 2d 1101, 47 A.F.T.R.2d 81-523 (1981); In re Teleglobe Communications Corp., 493 F.3d 345, 360 (3d Cir. 2007), as amended, (Oct. 12, 2007) (discussing Upjohn's holding that employees' communications to a company's attorneys are privileged in order "to enhance compliance with the law"); Faloney v. Wachovia Bank, N.A., 2008 WL 2631360, at *7 (E.D. Pa. 2008) (work product protection for email from corporate counsel because it was legal advice, not business advice, and because promoting "candid exchanges helps ensure compliance with the law"); *but see* In re Grand Jury Matter, 147 F.R.D. 82, 85–86 (E.D. Pa. 1992) (documents not protected because communications were from an expert consultant and made to achieve regulatory compliance, not to assist the law firm in providing legal advice); *see also* William W. Horton, "A Transactional Lawyer's Perspective on the Attorney-Client Privilege: A Jeremiad for Upjohn," 61 Business Lawyer 95 (2005); *but see* Edward Brodsky and M. Patricia Adamski, Law of Corporate Officers and Directors: Rights, Duties and Liabilities 10:13 Crime-fraud exception (2008), citing In re John Doe Corp., 675 F.2d 482, Fed. Sec. L. Rep. (CCH) P 98648, 10 Fed. R. Evid. Serv. 1390 (2d Cir. 1982) (business ethics review documents developed in effort to ensure compliance with regulations held discoverable because they were used in furtherance of fraud); U.S. v. Chen, 99 F.3d 1495, 1500, 45 Fed. R. Evid. Serv. 1146 (9th Cir. 1996) ("[the crime-fraud exception] is difficult to apply when the lawyer's role is more in the nature of business planning or counseling or bringing the client into compliance for past wrongs, as opposed to simply defending the client against a charge relating to past wrongs.") In re Grand Jury Subpoena To Kansas City Bd. of Public Utilities, 246 F.R.D. 673 (D. Kan. 2007). *See also* H. Lowell Brown, " The Crime-Fraud Exception to the Attorney-Client privilege in the Context of Corporate Counseling," 87 Kentucky L.J. 1191 (1999).

[FN7] *See* MacNamara v. City of New York, 2008 WL 186181 (S.D. N.Y. 2008) (exception does not apply where there is no evidence that the challenged documents were used in furtherance of a fraud); Loustalet v. Refco, Inc., 154 F.R.D. 243, 246, Fed. Sec. L. Rep. (CCH) P 98011 (C.D. Cal. 1993) (crime-fraud exception did not apply where counsel was not used to further the illegal activity, rather the client only sought advice from counsel regarding the legality of his conduct prior to submitting false statement to the SEC); In re Grand Jury Proceedings, 417 F.3d 18, 22 (1st Cir. 2005) (client must seek counsel's aid or advice in order to carry out a crime or fraud).

[FN8] Koch v. Specialized CAre Services, Inc., 437 F. Supp. 2d 362 (D. Md. 2005).

[FN9] In re Richard Roe, Inc., 68 F.3d 38, 40, 43 Fed. R. Evid. Serv. 175 (2d Cir. 1995).

[FN10] Haines v. Liggett Group Inc., 975 F.2d 81, 90, 36 Fed. R. Evid. Serv. 782 (3d Cir. 1992), as amended, (Sept. 17, 1992).

[FN11] In re Grand Jury Proceedings #5 Empanelled January 28, 2004, 401 F.3d 247, 251, 66 Fed. R. Evid. Serv. 913 (4th Cir. 2005). *See also* In re Murphy, 560 F.2d 326, 338, 1977-2 Trade Cas. (CCH) ¶61592, 23 Fed. R. Serv. 2d 1229, 41 A.L.R. Fed. 102 (8th Cir. 1977) (requiring that the documents "bear a close relationship to the client's existing or future scheme to commit a crime or fraud").

[FN12] In re Sealed Case, 676 F.2d 793, 815, Fed. Sec. L. Rep. (CCH) P 98647, 82-1 U.S. Tax Cas. (CCH) P 9335, 10 Fed. R. Evid. Serv. 490, 33 Fed. R. Serv. 2d 1778, 50 A.F.T.R.2d 82-5637 (D.C. Cir. 1982) (finding that the grand jury should be able to see and question witnesses regarding a "cryptic" and difficult to read line of text that "might be innocent, but … might just as well reveal planning for still more bribery payments …. [o]r … might at least disclose an ongoing relationship casting doubt" on defendant's assertions).

[FN13] Rabushka ex rel. U.S. v. Crane Co., 122 F.3d 559, 566, 21 Employee Benefits Cas. (BNA) 1569 (8th Cir. 1997). *See also* Pfizer Inc. v. Lord, 456 F.2d 545, 551, 1972 Trade Cas. (CCH) ¶73847, 15 Fed. R. Serv. 2d 1280 (8th Cir. 1972) (requiring special master to order the production "only of those documents individually found to have been prepared in perpetration or furtherance of fraudulent activity"); In re Burlington Northern, Inc., 822 F.2d 518, 525, 1987-2 Trade Cas. (CCH) ¶67650, 8 Fed. R. Serv. 3d 545 (5th Cir. 1987) (in case alleging that defendants engaged in sham litigation against competitors, court's "focus must be narrowed to the specific purpose of the particular communication or document," and "[t]o the extent the document deals with a protected activity, it is immune from discovery").

[FN14] *See* Cunningham v. Connecticut Mut. Life Ins., 845 F. Supp. 1403, 1415 (S.D. Cal. 1994) (based on finding that crime-fraud exception applied to one letter, the court ruled that "the attorney-client privilege does not shield from disclosure any documents reasonably related to the plaintiff's alleged fraudulent disability claim and fraudulent statements to Connecticut Mutual"); In re Burlington Northern, Inc., 822 F.2d 518, 534, 1987-2 Trade Cas. (CCH) ¶67650, 8 Fed. R. Serv. 3d 545 (5th Cir. 1987) (In remanding for specific findings to support crime-fraud exception, the Fifth Circuit directed that, if the court found that the litigation was a sham, then "at that moment the attorney/client and work product privileges will evaporate so that all material in the litigation will be subject to discovery.").

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VIII. The Crime-Fraud Exception
B. Elements

§ 33:87. The crime-fraud exception: elements—Knowledge and intent

Proof of intent is almost always a required element for establishing the crime-fraud exception.[1] The rationale behind the requirement is obvious: If the client is unaware that he is violating the law or does not intend to do so, he cannot have consulted with counsel in order to further the crime or fraud. For example, the U.S. District Court for the Northern District of Illinois declined to apply the exception where the movant was unable to produce independent evidence of an intent to deceive, which was an element of the underlying fraud claim.[2]

In the corporate context, it is important to insist that the privilege challenger establish intent to commit a crime or fraud as a predicate to disclosure. In today's legal and regulatory environment, it is not uncommon for corporations to learn that they have unknowingly violated some regulation, or for counsel to erroneously advise the client that a proposed course of action conforms with regulatory requirements.[3] The Fifth Circuit Court of Appeals articulated the specific concerns of corporations in a case alleging corporate bribery and failure to report the bribes to shareholders:

> It seems clear that the plaintiffs will be able to show that illegal payments were made and not reported. Since this was not reported officially until 1978, it could be argued that a *prima facie* case of ongoing fraud was thereby established …. Yet it may well be that the purpose of commencing the special review was entirely pure. In the modern corporate world with multiple subsidiaries and hundreds of employees, shady practices may occur without the directors' and officers' knowledge. An attempt by the management to investigate past and present questionable practices should not be discouraged by guaranteed disclosure. In the present case the court should require some proof of specific intent by management in the development of the work product documents.[4]

Nevertheless, some courts have applied the crime-fraud exception where the privilege challenger failed to establish intent to commit a crime or fraud.[5] To the extent that intent to commit a crime is no longer a condition precedent to abrogation of the privilege under the crime-fraud exception, corporations are exposed to the loss of confidentiality for attorney-client communications whenever they stray, however inadvertently, from the path of strict regulatory compliance.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* Olson v. Accessory Controls and Equipment Corp., 254 Conn. 145, 757 A.2d 14, 31, 16 I.E.R. Cas. (BNA) 1050, 142 Lab. Cas. (CCH) P 59132 (2000) (crime-fraud exception will not apply absent a showing of probable cause that legal advice was sought with the intent to commit fraud); State ex rel. North Pac. Lumber Co. v. Unis, 282 Or. 457, 579 P.2d 1291, 1297 (1978) (reversing crime-fraud ruling where lower court inferred intent to commit crime stating: "the issue before the court is not whether a reasonable person … would have sought legal advice, but whether such a person must be held to have realized, prior to obtaining legal advice, that the intended conduct was illegal"). *But see* Cunningham v. Connecticut Mut. Life Ins., 845 F. Supp. 1403, 1414 (S.D. Cal. 1994) ("Plaintiff's intent to deceive can be inferred from the circumstances" in establishing application of crime-fraud exception.); Union Carbide Corp. v. Dow Chemical Co., 619 F. Supp. 1036, 1054, 229 U.S.P.Q. 401 (D. Del. 1985) (where patent holder was accused of fraud on Patent Office, existence of fraudulent intent for purposes of crime-fraud exception can be presumed from proof of misrepresentation of material fact).

[FN2] *See* Abbott Laboratories v. Andrx Pharmaceuticals, Inc., 241 F.R.D. 480, 487–88 (N.D. Ill. 2007) (although the movant made a sufficient showing to trigger *in camera* review, upon review of the documents the court found insufficient evidence that the actions of the privilege holder were anything more than negligent). *See also* In re Napster, Inc. Copyright Litigation, 479 F.3d 1078, 1097–98, 72 Fed. R. Evid. Serv. 826, 07 (9th Cir. 2007) (declining to apply the crime-fraud exception where contract terms misrepresented the parties' agreement because the evidence did not suggest that the terms were added with the intent to defraud).

[FN3] *See, e.g.*, In re BankAmerica Corp. Securities Litigation, 270 F.3d 639, 643–44, 50 Fed. R. Serv. 3d 1336 (8th Cir. 2001) (declining to apply the crime-fraud exception to attorney advice regarding an omission from a financial disclosure where fraudulent intent was not an element of the alleged securities fraud).

[FN4] In re International Systems and Controls Corp. Securities Litigation, 693 F.2d 1235, 1243, Fed. Sec. L. Rep. (CCH) P 99036, 35 Fed. R. Serv. 2d 732 (5th Cir. 1982) (citations and footnotes omitted).

[FN5] *See* U.S. v. Windsor Capital Corp., 524 F. Supp. 2d 74 (D. Mass. 2007) ("the exception applies not only where the client actually knows that the contemplated activity is illegal, but also where the client reasonably should have known"); In re Sealed Case, 754 F.2d 395, 402, 17 Fed. R. Evid. Serv. 600 (D.C. Cir. 1985) (court ordered former counsel of church to testify regarding church's alleged discovery abuses despite the fact that the government had not shown that the church consulted with attorney with the intention of obstructing justice or submitting false statements); In re Sealed Case, 676 F.2d 793, 815, Fed. Sec. L. Rep. (CCH) P 98647, 82-1 U.S. Tax Cas. (CCH) P 9335, 10 Fed. R. Evid. Serv. 490, 33 Fed. R. Serv. 2d 1778, 50 A.F.T.R.2d 82-5637 (D.C. Cir. 1982) (government did not have to show that the client sought counsel's advice with the intention of using that advice to further a crime or fraud).

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VIII. The Crime-Fraud Exception
B. Elements

§ 33:88. The crime-fraud exception: elements—Intent of counsel

The attorney-client privilege belongs to the client, and it is the client's wrongdoing that abrogates the privilege. Where it is the attorney who has abused the client's trust by engaging in criminal or fraudulent conduct, courts often will protect the client's claims of privilege.[1]

The crime-fraud exception applies to attorney-client communications, even where the attorney is completely unaware of the client's improper intent.[2] This principle has been applied to the work product doctrine.[3] However, as with other aspects of the crime-fraud exception, the courts are not always consistent. When attorneys come under judicial scrutiny for alleged criminal or fraudulent activity, an innocent client's claims of privilege may thrust aside.[4]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] In re Grand Jury Proceedings, 417 F.3d 18, 23 (1st Cir. 2005) ("[T]he privilege is not lost solely because the client's *lawyer* is corrupt …. The crime-fraud exception requires the *client's* engagement in criminal or fraudulent activity and the *client's* intent with respect to attorney-client communications." (emphasis in original)); U.S. v. Windsor Capital Corp., 524 F. Supp. 2d 74 (D. Mass. 2007) (declining to apply the crime-fraud exception to pierce the attorney-client privilege in dispute over documents pertaining to the tax structure of charitable donations in part because the allegedly fraudulent structure of the transaction was entirely conceived by the lawyers, not the client).

[FN2] *See* In re Grand Jury Investigation, 445 F.3d 266, 279 n.4 (3d Cir. 2006).

[FN3] *See* In re Grand Jury Proceedings, 604 F.2d 798, 802, 13 Env't. Rep. Cas. (BNA) 1519, 4 Fed. R. Evid. Serv. 1330, 9 Envtl. L. Rep. 20553 (3d Cir. 1979) ("[I]n determining whether the exception is applicable [to work product], the client's intentions control and the privilege may be denied even if the lawyer is altogether innocent.").

[FN4] *See, e.g.* In re Impounded Case (Law Firm), 879 F.2d 1211, 1213, 28 Fed. R. Evid. Serv. 974 (3d Cir. 1989) (crime-fraud exception applied to attorney-client privilege and work product privilege when attorney tried to prevent "investigation of his own alleged criminal conduct by asserting an innocent client's privilege with respect to documents tending to show criminal activity by the lawyer"); In re Doe, 662 F.2d 1073, 1079, 9 Fed. R. Evid. Serv. 578, 32 Fed. R. Serv. 2d 1280, 64 A.L.R. Fed. 457 (4th Cir. 1981) ("[t]he crime-fraud exception [to work product protection] … must apply in proceedings against a suspected lawyer equally or even more readily than … against a client").

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VIII. The Crime-Fraud Exception
C. Procedure

§ 33:89. The crime-fraud exception: procedure

Federal and state courts vary considerably in their articulation of the threshold showing the challenging party must make to institute crime-fraud challenges, the procedures to be used in resolving the challenges, the opportunity for the privilege claimant to introduce evidence and argument in support of its privilege claims, and the standard to be employed by the court in making a final crime-fraud determination. Because the procedures and standards adopted by the court may be dispositive of the privilege claims, counsel are advised to carefully consider the issues raised in the next succeeding sections whenever it appears that an opposing party or the government may invoke the crime-fraud exception.

The United States Supreme Court established procedures for adjudicating crime-fraud challenges in United States v. Zolin,[1] which are binding on federal but not on state courts. Furthermore, Zolin addressed only two aspects of crime-fraud procedure: the challenger's burden to establish a *prima facie* case sufficient to trigger the court's *in camera* review of the challenged documents and certain aspects of the *in camera* review itself.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] U.S. v. Zolin, 491 U.S. 554, 109 S. Ct. 2619, 105 L. Ed. 2d 469, 89-1 U.S. Tax Cas. (CCH) P 9380, 27 Fed. R. Evid. Serv. 833, 63 A.F.T.R.2d 89-1483 (1989).

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§ 33:90. The crime-fraud exception: procedure—*Zolin* and the *prima facie* requirement

Both state and federal courts require the challenging party to make some initial showing of crime-fraud before the court will apply the exception and abrogate privilege claims. In United States v. Zolin,[1] the United States Supreme Court held that the challenging party must make a *prima facie* showing that the crime-fraud exception applies in order to initiate crime-fraud proceedings. Zolin introduced a radical change in the meaning and use of the phrase "*prima facie*," which traditionally referred to the ultimate burden for establishing application of the exception to particular documents.[2] For this reason, counsel must be careful to distinguish cases applying the post-Zolin meaning of "*prima facie*" from those state cases and earlier federal cases in which "*prima facie*" refers to the ultimate burden for applying the exception.

Because Zolin is the authoritative statement of crime-fraud procedure for federal courts and has been followed by many state courts, it warrants some discussion. Zolin involved an IRS investigation of the tax returns of L. Ron Hubbard, founder of the Church of Scientology. The IRS sought production of two tapes containing attorney-client communications that the IRS argued were subject to the crime-fraud exception. In support of its crime-fraud challenge, the IRS submitted two declarations of an IRS agent and urged the district court to listen to the challenged tapes in making its privilege determination. The district court considered the agent's declarations, but refused to listen to the tapes themselves. The court found that the two tapes contained privileged information and were not subject to the crime-fraud exception. The court of appeals affirmed, noting that the district court could not listen to the challenged tapes because, under the crime-fraud exception, the court cannot consider the challenged, privileged communications in deciding whether the challenging party has presented sufficient evidence to apply the exception.[3] The Supreme Court granted review on the narrow issue of whether the district court had the power to conduct an *in camera* review of the two challenged tapes in deciding whether or not the tapes were themselves subject to the crime-fraud exception.

The Supreme Court held that *in camera* review of the challenged documents—under appropriate circumstances—was permissible for resolving crime-fraud challenges.[4] However, *in camera* review would not be automatic. The Supreme Court acknowledged that the competing interests must be balanced: privileges must be respected, but an absolute prohibition on *in camera* review would permit "blatant abuses of the privilege" to be shielded where the privilege opponent was unable to obtain sufficient extrinsic evidence to establish application of the crime-fraud exception.[5] The Court therefore held that the privilege challenger had to meet some "threshold showing" in order to justify the intrusion of *in camera* review:

Before engaging in *in camera* review to determine the applicability of the crime-fraud exception, "the judge

should require a showing of a factual basis adequate to support a good faith belief by a reasonable person," *Caldwell v. District Court*, 644 P.2d 26, 33 (Colo. 1982), that *in camera* review of the materials may reveal evidence to establish the claim that the crime-fraud exception applies.[6]

This *prima facie* showing would be a "lesser evidentiary showing … than is required ultimately to overcome the privilege."[7] The Supreme Court declined to address what standard the privilege opponent would need to meet in order to force disclosure of the challenged materials under the crime-fraud exception.[8]

Even if the privilege challenger establishes a *prima facie* showing of crime-fraud, the Supreme Court held that the trial court is not required to undertake an *in camera* review. That decision rests within "the sound discretion" of the court based on the particular circumstances of the case before it. Among the factors to be considered are: (1) the volume of materials to be reviewed, (2) the relative importance of the challenged materials to the case, and (3) the likelihood that review will actually establish that the crime-fraud exception applies.[9] The Supreme Court did not address how lower courts should weigh these factors.

Thus, under the procedure set out in Zolin, crime-fraud challenges must be adjudicated in two phases. In the *prima facie* stage, the privilege opponent has the burden to produce sufficient evidence to warrant *in camera* review of the documents. In the second phase, during or after *in camera* review by the court, some higher—but undefined—burden must be met before the challenged documents will be held subject to the exception.

The Zolin decision provides very little guidance to courts or protection to parties subject to crime-fraud challenges. It is not clear what or how much "evidence" is needed to create a "factual basis adequate to support a good faith belief by a reasonable person … that *in camera* review of the materials may reveal evidence to establish the claim that the crime-fraud exception applies."[10] Courts have variously articulated the privilege opponents' burden in establishing a *prima facie* showing of crime-fraud.[11] It is certainly not sufficient to merely allege a "general theory that a fraud occurred" and claim that "any communications made aided that fraud."[12]

Zolin did not address whether the party asserting the privilege was entitled to present countervailing evidence before the court decided whether or not to conduct an *in camera* review. Consequently, "[i]t has been assumed … that while nothing forbids the district court from asking for or receiving such countervailing evidence, there is also nothing requiring the district court to do so."[13] Because Zolin does not mandate that courts look at evidence from both sides prior to determining whether to conduct an *in camera* review of the privileged documents, some federal courts have held that the court need only look at evidence submitted by the privilege opponent in making the initial *prima facie* finding of crime-fraud.[14]

Counsel for the privilege claimant should use every opportunity to rebut the challenger's effort to establish a *prima facie* case of crime-fraud. This should include challenges to the adoption of loose legal rules and standards, arguments that the challenger has failed to establish each required element of the crime-fraud exception, and a factual rebuttal (based on affidavits and supporting evidence) of the inferences relied upon by the challenger to support allegations of crime or fraud.

The crime-fraud exception only applies if the challenged document is otherwise privileged. As a practical matter, courts may be unwilling to appoint a magistrate or special master to review the documents for privilege and then conduct another, separate review, once the foundation for a crime-fraud proceeding has been established. Thus, courts often will conduct only one review, during which all of the privilege-related determinations are made. For instance, the Fourth Circuit has stated that the district court can *either* determine whether the documents are privileged or determine whether the crime-fraud exception would nevertheless vitiate the privilege.[15] It is very unlikely that an appellate court would find that a court had abused its discretion in conducting an *in camera* review of privileged documents on the grounds that the court lacked sufficient evidence at the time it conducted the *in camera* review to establish a *prima facie* case for application of the crime-fraud exception.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] U.S. v. Zolin, 491 U.S. 554, 109 S. Ct. 2619, 105 L. Ed. 2d 469, 89-1 U.S. Tax Cas. (CCH) P 9380, 27 Fed. R. Evid. Serv. 833, 63 A.F.T.R.2d 89-1483 (1989). *See also* discussion of district court decision in 9th Circuit Court of Appeals en banc decision, the Court of Appeals, U.S. v. Zolin, 842 F.2d 1135, 1139, 25 Fed. R. Evid. Serv. 1114 (9th Cir. 1988).

[FN2] Clark v. U.S., 289 U.S. 1, 53 S. Ct. 465, 77 L. Ed. 993 (1933) (In dicta: "To drive the privilege away, there must be 'something to give color to the charge;' there must be '*prima facie* evidence that it has some foundation in fact.'"); In re Vargas, 723 F.2d 1461, 1467 (10th Cir. 1983) ("Before the privilege is lost 'there must be "*prima facie*" evidence that [the allegation of attorney participation in a crime or fraud] has some foundation in fact.'").

[FN3] U.S. v. Zolin, 809 F.2d 1411, 1418, 87-1 U.S. Tax Cas. (CCH) P 9234, 22 Fed. R. Evid. Serv. 763, 59 A.F.T.R.2d 87-596 (9th Cir. 1987).

[FN4] In so ruling, the Supreme Court held that Fed. Evid. R. 104(a), requiring courts to apply the rules of evidence in making privilege determinations, did not stand as a bar to *in camera* review of privileged documents. U.S. v. Zolin, 491 U.S. 554, 566, 109 S. Ct. 2619, 105 L. Ed. 2d 469, 89-1 U.S. Tax Cas. (CCH) P 9380, 27 Fed. R. Evid. Serv. 833, 63 A.F.T.R.2d 89-1483 (1989); *But see* Burton v. R.J. Reynolds Tobacco Co., 167 F.R.D. 134 (D. Kan. 1996) (determining that under Kansas statutory law, the moving party may not use the documents sought pursuant to the crime-fraud exception to help make the necessary *prima facie* case).

[FN5] U.S. v. Zolin, 491 U.S. 554, 569–70, 109 S. Ct. 2619, 105 L. Ed. 2d 469, 89-1 U.S. Tax Cas. (CCH) P 9380, 27 Fed. R. Evid. Serv. 833, 63 A.F.T.R.2d 89-1483 (1989).

[FN6] U.S. v. Zolin, 491 U.S. 554, 572, 109 S. Ct. 2619, 105 L. Ed. 2d 469, 89-1 U.S. Tax Cas. (CCH) P 9380, 27 Fed. R. Evid. Serv. 833, 63 A.F.T.R.2d 89-1483 (1989).

[FN7] U.S. v. Zolin, 491 U.S. 554, 572, 109 S. Ct. 2619, 105 L. Ed. 2d 469, 89-1 U.S. Tax Cas. (CCH) P 9380, 27 Fed. R. Evid. Serv. 833, 63 A.F.T.R.2d 89-1483 (1989).

[FN8] U.S. v. Zolin, 491 U.S. 554, 563, 109 S. Ct. 2619, 105 L. Ed. 2d 469, 89-1 U.S. Tax Cas. (CCH) P 9380, 27 Fed. R. Evid. Serv. 833, 63 A.F.T.R.2d 89-1483 (1989) ("We need not decide the quantum of proof necessary ultimately to establish the applicability of the crime-fraud exception.").

[FN9] U.S. v. Zolin, 491 U.S. 554, 572, 109 S. Ct. 2619, 105 L. Ed. 2d 469, 89-1 U.S. Tax Cas. (CCH) P 9380, 27 Fed. R. Evid. Serv. 833, 63 A.F.T.R.2d 89-1483 (1989).

[FN10] U.S. v. Zolin, 491 U.S. 554, 572, 109 S. Ct. 2619, 105 L. Ed. 2d 469, 89-1 U.S. Tax Cas.

(CCH) P 9380, 27 Fed. R. Evid. Serv. 833, 63 A.F.T.R.2d 89-1483 (1989). (citation and quotation omitted). *See* Lane v. Sharp Packaging Systems, Inc., 2002 WI 28, 251 Wis. 2d 68, 640 N.W.2d 788, 808 (2002) (the complaint and evidence developed through depositions and affidavits is sufficient to establish a *prima facie* case of fraud sufficient to trigger *in camera* review); In re Grand Jury Proceedings, 417 F.3d 18, 22 (1st Cir. 2005) ("'May' is a very relaxed test and, as only the judge gets this initial access, properly so.").

[FN11] *See* In re Grand Jury Investigation, 974 F.2d 1068, 1073, 36 Fed. R. Evid. Serv. 860 (9th Cir. 1992) ("[s]ome speculation is required under the Zolin threshold" for a *prima facie* finding); In re Grand Jury Proceedings, 87 F.3d 377, 381, 35 Fed. R. Serv. 3d 515 (9th Cir. 1996) (a mere "sneaking suspicion" of crime-fraud not sufficient to support an *in camera* review); Berroth v. Kansas Farm Bureau Mutual Ins. Co., Inc., 205 F.R.D. 586, 588 (D. Kan. 2002) (requiring plaintiff to make out a *prima facie* case as to each element of the alleged perjury and requiring more than an inference that the statements at issue were false); In re Grand Jury Subpoena #£06-1, 274 Fed. Appx. 306 (4th Cir. 2008); Miyano Mach. USA, Inc. v. Miyanohitec Mach., Inc., No. 08 C 526, 2008 WL 2364610, at *6 (N.D. Ill. June 6, 2008) ("Before engaging in *in camera* review to determine the applicability of the crime-fraud exception, 'the judge should require a showing of a factual basis adequate to support a good faith belief by a reasonable person' that *in camera* review of the materials may reveal evidence to establish the claim that the crime-fraud exception applies." (internal citations omitted in original) (citing U.S. v. Zolin, 491 U.S. 554, 572, 109 S. Ct. 2619, 105 L. Ed. 2d 469, 89-1 U.S. Tax Cas. (CCH) P 9380, 27 Fed. R. Evid. Serv. 833, 63 A.F.T.R.2d 89-1483 (1989)); Wachtel v. Guardian Life Ins., 2007 WL 1752036, at *2 (D.N.J. 2007) (lesser threshold showing for *in camera* review "requires a factual basis 'to support a good faith belief by a reasonable person that the materials may reveal evidence of a crime or fraud'").

[FN12] Rabushka ex rel. U.S. v. Crane Co., 122 F.3d 559, 566, 21 Employee Benefits Cas. (BNA) 1569 (8th Cir. 1997); U.S. ex rel. Bagley v. TRW, Inc., 204 F.R.D. 170 (C.D. Cal. 2001) (plaintiff did not present sufficient evidence for *prima facie* case that crime-fraud exception applied); In re BankAmerica Corp. Securities Litigation, 270 F.3d 639, 50 Fed. R. Serv. 3d 1336 (8th Cir. 2001) (plaintiff's threshold showing was insufficient to support discovery of privileged documents).

[FN13] In re Napster, Inc. Copyright Litigation, 479 F.3d 1078, 1092, 72 Fed. R. Evid. Serv. 826, 07 (9th Cir. 2007).

[FN14] Royal Surplus Lines Ins. v. Sofamor Danek Group, 190 F.R.D. 463, 488 (W.D. Tenn. 1999) (at the *prima facie* stage of the analysis, the court "should focus only on evidence presented by the party requesting *in camera* review"); Haines v. Liggett Group Inc., 975 F.2d 81, 97, 36 Fed. R. Evid. Serv. 782 (3d Cir. 1992), as amended, (Sept. 17, 1992) ("For *in camera* inspection, it would be sufficient for the district court, in its discretion, to consider only the presentation made by the party challenging the privilege.").

[FN15] In re Grand Jury Subpoena #£06-1, 274 Fed. Appx. 306 (4th Cir. 2008).

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VIII. The Crime-Fraud Exception
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§ 33:91. The crime-fraud exception: procedure—Burden of proof

In Zolin, the Supreme Court focused on the *type* of evidence that courts could consider in deciding whether to apply the crime-fraud exception but expressly declined to consider "the quantum of proof necessary ultimately to establish the applicability of the crime-fraud exception."[1] Zolin provides guidance on whether courts should conduct *in camera* review; however, once that review is conducted, the standard of proof required for the court to overturn the privilege and apply the exception is unsettled. The only guidance provided by Zolin is that the standard of proof required to overcome the privilege is a higher standard than is required to trigger *in camera* review because "*in camera* inspection … is a smaller intrusion upon the confidentiality of the attorney-client relationship than is public disclosure."[2]

Federal courts have created varying standards for applying the exception ranging from "reasonable basis" to "probable cause" to "preponderance of the evidence."[3] The important thing for counsel to remember is that regardless of what standard the court applies for outright disclosure, it must he a higher standard than the standard for triggering *in camera* review. Thus, a decision by the court to conduct *in camera* review is not a guarantee that the court will ultimately apply the exception and vitiate the privilege.[4] For state courts that have adopted the two step procedure from Zolin, the standards for outright disclosure also vary.[5]

Although courts have articulated the evidentiary burden that must be met to overcome the privilege in different ways, many contend that these different articulations are indistinguishable from a practical perspective.[6] To the extent that crime-fraud rulings are reviewed by appellate courts under an "abuse of discretion" standard, there may be little practical difference among these varying evidentiary burdens. However, when counsel are before the judge or magistrate presenting evidence to support privilege claims and rebut crime-fraud allegations, the situation is quite different if the challenging party has to overcome the privilege claim by "clear and convincing" evidence rather than a mere "preponderance of the evidence." Thus, the challenger's evidentiary burden for establishing the application of the exception to specific documents has a great deal of practical importance to the party defending the privilege claim.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] U.S. v. Zolin, 491 U.S. 554, 563, 109 S. Ct. 2619, 105 L. Ed. 2d 469, 89-1 U.S. Tax Cas. (CCH) P 9380, 27 Fed. R. Evid. Serv. 833, 63 A.F.T.R.2d 89-1483 (1989).

[FN2] U.S. v. Zolin, 491 U.S. 554, 572, 109 S. Ct. 2619, 105 L. Ed. 2d 469, 89-1 U.S. Tax Cas. (CCH) P 9380, 27 Fed. R. Evid. Serv. 833, 63 A.F.T.R.2d 89-1483 (1989) (citing Fried, Too High a Price for Truth: The Exception to the Attorney-Client Privilege for Contemplated Crimes and Frauds, 64 N.C. L. Rev. 443, 467 (1986)).

[FN3] *See, e.g.*, U.S. v. Schlesinger, 261 Fed. Appx. 355, 360, (2d Cir. 2008), cert. denied, 129 S. Ct. 174, 172 L. Ed. 2d 44 (2008) (requiring "probable cause to believe that the communications with counsel were intended in some way to facilitate or to conceal the criminal activity" (internal citations omitted)); In re Grand Jury Investigation, 445 F.3d 266, 274 (3d Cir. 2006) (holding that "[a] '*prima facie* showing' requires presentation of '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'"); In re Grand Jury Subpoena, 419 F.3d 329, 336 (5th Cir. 2005) (requiring evidence "such as will suffice until contradicted and overcome by other evidence" to establish crime or fraud (quotations and citations omitted)); U.S. v. Collis, 128 F.3d 313, 320–21, 1997 FED App. 0275P (6th Cir. 1997) ("To satisfy its *prima facie* showing, the evidence presented by the government must be such that 'a prudent person [would] have a reasonable basis to suspect the perpetration of a crime or fraud.'"); U.S. v. BDO Seidman, LLP, 492 F.3d 806, 818, 2007-2 U.S. Tax Cas. (CCH) P 50530, 100 A.F.T.R.2d 2007-5052 (7th Cir. 2007), cert. denied, 128 S. Ct. 1471, 170 L. Ed. 2d 296 (2008) ("The party seeking to abrogate the privilege meets its burden by bringing forth sufficient evidence to justify the district court in requiring the proponent of the privilege to come forward with an explanation for the evidence offered against it."); In re Napster, Inc. Copyright Litigation, 479 F.3d 1078, 1094–95, 72 Fed. R. Evid. Serv. 826, 07 (9th Cir. 2007) (requiring "preponderance of the evidence" in civil cases, "reasonable cause" in grand jury cases); In re Grand Jury, 475 F.3d 1299, 1305 (D.C. Cir. 2007) ("[T]he … burden of proof is satisfied 'if [the privilege challenger] offers evidence that if believed by the trier of fact would establish the elements of an ongoing or imminent crime or fraud.'").

[FN4] *See, e.g.*, Abbott Laboratories v. Andrx Pharmaceuticals, Inc., 241 F.R.D. 480, 489–90 (N.D. Ill. 2007) (although the Zolin standard for *in camera* review was satisfied, the court did not apply the crime-fraud exception because, after consideration of the privileged documents, there was insufficient evidence of fraud).

[FN5] *See, e.g.*, Stidham v. Clark, 74 S.W.3d 719, 727 (Ky. 2002) (under Kentucky law "a claim of privilege can be defeated by proof by a preponderance of the evidence"); Lee v. State Farm Mut. Auto. Ins. Co., 249 F.R.D. 662, 680 (D. Colo. 2008), motion for stay pending appeal denied, 2008 WL 1849005 (D. Colo. 2008) (referring to the standard for outright disclosure as a "*prima facie* showing": under Colorado law "[a] *prima facie* showing exists where the plaintiff raises a reasonable inference"). Genentech, Inc. v. Insmed Inc., 236 F.R.D. 466, 470 (N.D. Cal. 2006) ("The standard for establishing the crime-fraud exception to the attorney-client privilege is different from the standard required to establish waiver of the attorney-client privilege").

[FN6] Haines v. Liggett Group, Inc., 140 F.R.D. 681, 691–92 (D.N.J. 1992), mandamus granted, order vacated on other grounds, 975 F.2d 81, 36 Fed. R. Evid. Serv. 782 (3d Cir. 1992), as amended, (Sept. 17, 1992) (all of the standards articulated by courts to overcome the privilege "amount to the same basic proposition: has the party seeking discovery presented evidence which, if believed by the fact-finder, supports plaintiffs' theory of fraud"). *But see* In re Sealed Case, 107 F.3d 46, 50, 37 Fed. R. Serv. 3d 540 (D.C. Cir. 1997) (in which the D.C. Circuit confessed "some difficulty in understanding" why it

> had previously characterized the differences between the Second Circuit and D.C. Circuit standards as slight; the Second Circuit standard required "probably cause that a crime or fraud had been committed and that the communications were in furtherance thereof" and the D.C. Circuit standard required "evidence that if believed by a trier of fact would establish the elements of an ongoing or imminent crime or fraud").

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§ 33:92. The crime-fraud exception: procedure—*In camera* review

Zolin did not address the actual process of *in camera* review, only the standard for triggering it.[1] Zolin also does not address whether the district court should consider the privilege claimant's evidence during the *in camera* review phase.[2] Some courts do permit the privilege claimant to present evidence in support of its privilege claims before the court undertakes *in camera* review.[3]

The Zolin decision also does not address whether the *in camera* review must address each of the challenged documents. However, the general requirement that privilege challenges be considered on a document-by-document basis is well established in the law.[4] Certainly, a court can only make a finding that a particular document was prepared "in furtherance of" the alleged crime or fraud, if it considers that specific document.[5]

Some courts have expressed concern that exposure to privileged documents will unfairly influence the judge, urging appointment of a magistrate or special master to handle the adjudication of privilege claims. For instance, the Missouri Supreme Court has mandated appointment of a special master to resolve crime-fraud challenges, stating:

> Even where the seeking party claims underlying criminal activity, the trial court must make the first determination of the propriety of appointing a master based on the evidence presented to it by the seeking party. Only after the seeking party has convinced the trial court that *prima facie* evidence of a crime or fraud exists, may the trial court appoint a master to review the privileged documents. The trial court should not review the documents itself; this procedure assures the litigants that the trial court will not see the documents unless the master recommends that the privilege should be vitiated.[6]

Counsel are well advised to request the appointment of a magistrate or special master to conduct crime-fraud proceedings. This not only helps insulate the trial judge from exposure to privileged documents and the evidence submitted supporting the allegations of wrongdoing; magistrates and special masters are likely to have more time and therefore may be more willing to give careful consideration to the often detailed evidence and lengthy argument presented by the privilege claimant in support of its privilege claims and in rebuttal to the allegations of wrongdoing.[7]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] U.S. v. Zolin, 491 U.S. 554, 109 S. Ct. 2619, 105 L. Ed. 2d 469, 89-1 U.S. Tax Cas. (CCH) P 9380, 27 Fed. R. Evid. Serv. 833, 63 A.F.T.R.2d 89-1483 (1989).

[FN2] The Zolin Court acknowledged that it would be proper for the court to consider "other available evidence" at the *in camera* review stage, but did not require the court to do so. U.S. v. Zolin, 491 U.S. 554, 573–74, 109 S. Ct. 2619, 105 L. Ed. 2d 469, 89-1 U.S. Tax Cas. (CCH) P 9380, 27 Fed. R. Evid. Serv. 833, 63 A.F.T.R.2d 89-1483 (1989).

[FN3] *See, e.g.*, In re Ditropan XL Antitrust Litigation, 2007 WL 3256208, at *2 (N.D. Cal. 2007) ("Nothing forbids the district court from considering countervailing evidence" when deciding whether or not to conduct *in camera* review.); Haines v. Liggett Group Inc., 975 F.2d 81, 97, 36 Fed. R. Evid. Serv. 782 (3d Cir. 1992), as amended, (Sept. 17, 1992) (when deciding whether to apply the exception, the party defending the privilege must "be given the opportunity to be heard, by evidence and argument, at the hearing seeking exception to the privilege"); State ex rel. Humphrey v. Philip Morris Inc., 606 N.W.2d 676, 694 (Minn. Ct. App. 2000) (privilege claimants given opportunity to submit evidence and present argument in defense of privilege claims).

[FN4] *See* In re BankAmerica Corp. Securities Litigation, 270 F.3d 639, 644, 50 Fed. R. Serv. 3d 1336 (8th Cir. 2001) (reversing, in part, for failure to conduct *in camera* review of each document subject to crime-fraud exception); Lane v. Sharp Packaging Systems, Inc., 2002 WI 28, 251 Wis. 2d 68, 640 N.W.2d 788, 809 (2002) (remanding with instructions to conduct *in camera* review of documents subject to crime-fraud challenge).

[FN5] *See* MacNamara v. City of New York, 2008 WL 186181, at *4 (S.D. N.Y. 2008) ("application of the crime-fraud exception requires a showing of 'probable cause to believe' that *each* of the particular attorney-client communications at issue was used 'in furtherance of [a] crime or fraud,' … and cannot rest merely upon the movant's presentation of a 'theory' regarding widespread fraud" (emphasis added)); In re Grand Jury Proceedings #5 Empanelled January 28, 2004, 401 F.3d 247, 254–255, 66 Fed. R. Evid. Serv. 913 (4th Cir. 2005) (holding that the court abused its discretion in finding privilege was inapplicable because of the crime-fraud exception where the court did not view the documents or receive evidence of their content to determine if the documents had a "close relationship" to the crime or fraud).

[FN6] State ex rel. Peabody Coal Co. v. Clark, 863 S.W.2d 604, 608 n.1 (Mo. 1993) (emphasis supplied); *see also* U.S. v. Zolin, 491 U.S. 554, 109 S. Ct. 2619, 105 L. Ed. 2d 469, 89-1 U.S. Tax Cas. (CCH) P 9380, 27 Fed. R. Evid. Serv. 833, 63 A.F.T.R.2d 89-1483 (1989) (acknowledging that "a blanket rule allowing *in camera* review as a tool for determining the application of the crime-fraud exception … would place the policy of protecting open and legitimate disclosure between attorneys and clients at undue risk.").

[FN7] *See* Hon. Frederick B. Lacey and Jay G. Safer, Chapter 28, "Magistrate Judges and Special Masters" in Haig, Business and Commercial Litigation in Federal Courts, §§ 28:1 et seq. (2d ed.).

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§ 33:93. The crime-fraud exception: procedure—The right to rebut

As discussed in the previous section, the Supreme Court's decision in Zolin does not address whether the privilege claimant can introduce rebuttal evidence prior to the court making its decision to conduct an *in camera* review or during the *in camera* review stage itself. The decision also provides no guidance on whether or at what point in the proceedings the privilege proponent is permitted to introduce evidence in support of its privilege claims.

The privilege claimant must also be prepared to present evidence and argument to rebut each element of the crime-fraud allegation on a document-by-document basis,[1] for it may be too late to make an effective rebuttal after the court has completed its *in camera* review and has come to its own conclusions about the documents, informed only by the challenger's allegations of wrongful conduct.

Although the United States Supreme Court has been silent on the issue, other courts have recognized that a privilege claimant has an absolute right to present evidence, testimony and argument to rebut crime-fraud allegations. In Haines v. Liggett Group, Inc., the Third Circuit held that "where a fact finder undertakes to weigh evidence in a proceeding seeking an exception to the privilege, the party invoking the privilege has an absolute right to be heard by testimony and argument."[2] Distinguishing the lesser burden for invoking *in camera* review of challenged documents from the more formal process of applying the exception, the Haines court expressly recognized that "fundamental concepts of due process require that the party defending the privilege be given the opportunity to be heard, by evidence and argument, at the hearing seeking an exception to the privilege."[3] Except for crime-fraud proceedings arising out of grand jury proceedings,[4] most courts will provide the privilege claimant with some opportunity to introduce evidence and argument to rebut the crime-fraud allegations.[5] However, the court's reluctance to conduct "mini-trials" on pre-trial discovery matters, along with the lack of clear decisional guidelines on the procedures to be employed, may severely limit the privilege claimant's ability to address with evidence and argument the multitude of factual issues raised by the challenged documents and rebut all negative crime-fraud inferences that may be applied to specific documents or communications.

Counsel defending privilege claims in crime-fraud proceedings should argue for the right to present evidence and argument on a document-by-document basis at the time the court conducts its *in camera* review. This is particularly important where the court has made broad and nonspecific *prima facie* findings of crime-fraud or indicates that the *prima facie* finding of crime-fraud permits it to indulge inferences in favor of the privilege challenger's evidence. This step is also important if counsel intend to appeal the court's ultimate ruling, if unfavorable. Only evidence in the record can be submitted on appeal to demonstrate the trial court's error in holding

specific documents subject to the crime-fraud exception.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] In re M & L Business Mach. Co., Inc., 167 B.R. 937, 943 (D. Colo. 1994).

[FN2] Haines v. Liggett Group Inc., 975 F.2d 81, 97, 36 Fed. R. Evid. Serv. 782 (3d Cir. 1992), as amended, (Sept. 17, 1992).

[FN3] Haines v. Liggett Group Inc., 975 F.2d 81, 97, 36 Fed. R. Evid. Serv. 782 (3d Cir. 1992), as amended, (Sept. 17, 1992). *See also* Laser Industries, Ltd. v. Reliant Technologies, Inc., 167 F.R.D. 417, 428, 45 Fed. R. Evid. Serv. 71 (N.D. Cal. 1996), dismissed on other grounds, 232 F.3d 910 (Fed. Cir. 2000) (also relying on Haines); *see* U.S. v. Segal, 2004 WL 830428 (N.D. Ill. 2004) (illustrating *in camera* review under the crime fraud exception and the need to rebut each element of the claimed fraud); *but see* U.S. v. Segal, 313 F. Supp. 2d 774 (N.D. Ill. 2004) (stating that there is no *per se* due process right to the attorney-client privilege).

[FN4] *See* § 33:94.

[FN5] *See, e.g.*, In re Napster, Inc. Copyright Litigation, 479 F.3d 1078, 1093, 72 Fed. R. Evid. Serv. 826, 07 (9th Cir. 2007) (holding that "in civil cases where outright disclosure is requested the party seeking to preserve the privilege has the right to introduce countervailing evidence"); Gutter v. E.I. Dupont De Nemours, 124 F. Supp. 2d 1291 (S.D. Fla. 2000), (approving report and recommendation of the Special Master holding that DuPont had failed to rebut the *prima facie* showing during a crime-fraud hearing that spanned four days, during which the Special Master heard testimony from five DuPont attorneys and received numerous exhibits from both plaintiffs and defendants); In re A.H. Robins Co., Inc., 107 F.R.D. 2, 6, 18 Fed. R. Evid. Serv. 849, 3 Fed. R. Serv. 3d 298 (D. Kan. 1985) (holding that "the demands of due process do not require an evidentiary hearing," although Robins had notice and had submitted briefs and evidence in written form and made oral argument in support of its privilege claims).

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VIII. The Crime-Fraud Exception
D. Additional Considerations

§ 33:94. The crime-fraud exception: the grand jury context

It is essential to distinguish crime-fraud proceedings that arise in the context of grand jury proceedings from crime-fraud proceedings that arise in civil or criminal litigation. Because of the requirements of grand jury secrecy, and the distanced relationship between the grand jury and the district court to which discovery matters are referred, crime-fraud challenges in the grand jury context do not present the same issues as those which occur in civil or criminal actions. In grand jury proceedings, the government need not disclose to the privilege claimant the factual basis for the crime-fraud challenge.[1] In such instances, the privilege claimant can only guess at the basis for invocation of the crime-fraud exception and is thus at a disadvantage when it comes to rebutting the crime-fraud allegation.

Although trial courts may be hesitant to expose themselves to a party's privileged materials, and often appoint magistrates or special masters to conduct *in camera* reviews, grand jury courts have no such hesitancy because they will not play any role in the grand jury's fact-finding. For these reasons, the reported grand jury crime-fraud decisions tend to move from a discussion of the government's *ex parte* submission in support of *in camera* review to the court's review and ruling, without mentioning any meaningful participation by the privilege claimant. In fact, a number of federal courts of appeals have refused to permit the privilege claimant to introduce evidence in support of its privilege claims in the context of grand jury proceedings.[2] Further, grand jury courts often express a willingness to indulge inferences in favor of applying the crime-fraud exception, even where the government lacks the evidence to support each required element of the exception.[3] Courts are more willing to abrogate the privilege in the grand jury context because they do not want to withhold potentially relevant evidence from the grand jury and because evidence submitted to the grand jury is protected by statute from subsequent disclosure.[4]

Counsel defending against crime-fraud challenges in civil and criminal litigation should be prepared to argue that the truncated procedures adopted by grand jury courts are inappropriate for civil and criminal actions.[5]

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* In re John Doe Corp., 675 F.2d 482, 490, Fed. Sec. L. Rep. (CCH) P 98648, 10 Fed. R. Evid. Serv. 1390 (2d Cir. 1982) (refusing to provide the privilege claimant with a synopsis of government

evidence submitted *in camera* where grand jury secrecy at issue); In re Antitrust Grand Jury, 805 F.2d 155, 160, 1986-2 Trade Cas. (CCH) ¶67337, 21 Fed. R. Evid. Serv. 1341 (6th Cir. 1986) (no due process violation where the grand jury material supporting crime-fraud finding was not disclosed to the privilege claimant); In re Grand Jury Subpoena, 223 F.3d 213, 218 (3d Cir. 2000) (holding that, in a grand jury investigation, the government may submit an *ex parte* affidavit to support the application of the crime-fraud exception without violating the target's due process rights which would be implicated in civil, adversarial proceedings under Haines v. Liggett Group Inc., 975 F.2d 81, 36 Fed. R. Evid. Serv. 782 (3d Cir. 1992), as amended, (Sept. 17, 1992)).

[FN2] *See* In re Green Grand Jury Proceedings, 492 F.3d 976, 984 (8th Cir. 2007) ("[G]rand jury proceedings should not be encumbered with procedures that would frustrate the efficient execution of its investigative purposes."); In re Antitrust Grand Jury, 805 F.2d 155, 167, 1986-2 Trade Cas. (CCH) ¶67337, 21 Fed. R. Evid. Serv. 1341 (6th Cir. 1986) ("If the district court were required to weigh all conflicting evidence, it would be tantamount to a mini-trial, which the courts do not sanction at the grand jury stage.") (citation omitted); In re Sealed Case, 676 F.2d 793, 815 n.88, Fed. Sec. L. Rep. (CCH) P 98647, 82-1 U.S. Tax Cas. (CCH) P 9335, 10 Fed. R. Evid. Serv. 490, 33 Fed. R. Serv. 2d 1778, 50 A.F.T.R.2d 82-5637 (D.C. Cir. 1982) ("Because of the need for speed and simplicity at the grand jury stage, courts should not employ a standard that requires them to hear testimony or to determine facts from conflicting evidence." (citing C. McCormick, Handbook of the Law of Evidence § 77 at 159)); In re Grand Jury Subpoena #£06-1, 274 Fed. Appx. 306, 309–10 (4th Cir. 2008) (permitting court to make crime-fraud determination either through *in camera* review of the documents under Zolin or by considering the government's proffer in support of the exception but not both).

[FN3] *See, e.g.*, In re Grand Jury Subpoena Duces Tecum Dated Sept. 15, 1983, 731 F.2d 1032, 1039, 15 Fed. R. Evid. Serv. 327, 38 Fed. R. Serv. 2d 1351 (2d Cir. 1984) (finding government evidence insufficient to establish a reasonable basis for violation of criminal statute but inferring from the relationship of the parties, inadequacy of consideration and haste of transaction that there was a "reasonable inference that nondisclosure of the fraudulent conveyance" was part of the plan to prevent collection and was therefore in furtherance of ongoing fraud); *but see* In re Grand Jury Proceedings in Matter of Fine, 641 F.2d 199, 203, 8 Fed. R. Evid. Serv. 137 (5th Cir. 1981) (reversing district court crime-fraud ruling where no evidence connected "shady circumstances" permitting inference of fraud; holding that although "facts may support a strong suspicion, … it is not enough for courts").

[FN4] *See* In re John Doe Corp., 675 F.2d 482, 490, Fed. Sec. L. Rep. (CCH) P 98648, 10 Fed. R. Evid. Serv. 1390 (2d Cir. 1982) (There is a public interest in respecting confidentiality of communications by clients to their attorneys, in maintaining the secrecy of grand jury proceedings and in investigating and prosecuting federal crimes. Where these interests conflict or the validity of privilege claims based on these interests are challenged, the limitations on adversary argument caused by *in camera* submissions are clearly outweighed by the benefits of obtaining a judicial resolution of a preliminary evidentiary issue while preserving confidentiality); In re Grand Jury Proceedings in Matter of Freeman, 708 F.2d 1571, 1576, 13 Fed. R. Evid. Serv. 1017 (11th Cir. 1983) (The court explained that "cautious use of *in camera* proceedings is appropriate to resolve disputed issues of privilege. The need to preserve the secrecy of an ongoing grand jury investigation is of paramount importance."); *see also* Fed. R. Crim. P. 6(e)2.

[FN5] *See*, *e.g.*, U.S. v. Thompson, 518 F.3d 832, 859–862, 2008-1 U.S. Tax Cas. (CCH) P 50398, 101

A.F.T.R.2d 2008-1187 (10th Cir. 2008), cert. denied, 129 S. Ct. 487 (2008) (discussing standards applied in post-trial appeal of application of crime-fraud exception in grand jury proceedings). For an excellent discussion of the differences between grand jury and other applications of the crime-fraud exception, *see* In re Napster, Inc. Copyright Litigation, 479 F.3d 1078, 1090, 72 Fed. R. Evid. Serv. 826, 07 (9th Cir. 2007).

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Successful Partnering Between Inside and Outside Counsel
Database updated April 2012
Chapter
33. Attorney-Client Privilege and Attorney Work Product Protection
by Leslie Wharton, Cheryl G. Ragsdale, and Marc Firestone[*]

VIII. The Crime-Fraud Exception
D. Additional Considerations

§ 33:95. The crime-fraud exception: not a ruling on the merits

While a crime-fraud ruling abrogates the privilege or work product, it is not a finding on the merits that the client committed a crime or fraud. The crime-fraud exception only permits the challenger to place before the finder of fact hitherto privileged evidence to support the substantive allegations in the complaint.[1] Even though a crime-fraud decision is not a decision on the merits, if the results of the ruling are made public, an adverse crime-fraud finding can cause significant harm to the privilege holder, because the public will not appreciate the significant differences between a pre-trial discovery ruling and a decision on the merits. For this reason, the Third Circuit Court of Appeals has cautioned that "[b]ecause of the sensitivity surrounding the attorney-client privilege, care must be taken that, following any determination that an exception applies, the matters covered by the exception be kept under seal or appropriate court-imposed privacy procedures until all avenues of appeal are exhausted."[2]

Counsel defending against crime-fraud challenges should ask the court to place all briefs and orders relating to the crime-fraud proceeding under seal, even those briefs and orders that do not contain privileged information. Furthermore, in the event that the court overrules certain privilege claims, counsel should seek the entry of a protective order to prevent the opposing party from publicly disclosing the documents or using them for purposes other than the case in which they were ordered to be disclosed.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] In re A.H. Robins Co., Inc., 107 F.R.D. 2, 9, 18 Fed. R. Evid. Serv. 849, 3 Fed. R. Serv. 3d 298 (D. Kan. 1985) (crime-fraud ruling not a finding that defendant was guilty of perpetrating a crime or fraud, but a discovery order holding that the privileged memoranda were discoverable under the crime-fraud exception).

[FN2] Haines v. Liggett Group Inc., 975 F.2d 81, 97, 36 Fed. R. Evid. Serv. 782 (3d Cir. 1992), as amended, (Sept. 17, 1992).

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VIII. The Crime-Fraud Exception
D. Additional Considerations

§ 33:96. The crime-fraud exception: fraud on the court

Certain courts have expanded the meaning of "fraud" for purposes of applying the crime-fraud exception to include "fraud on the court." Courts have applied the crime-fraud exception to perjury,[1] destruction of evidence and obstruction of justice,[2] and the bad faith or fraudulent bringing of a court action.[3] Some courts have gone beyond frauds that are indictable offenses to include various lesser wrongs for purposes of applying the crime-fraud exception.[4]

For example, in Volcanic Gardens Management Co., Inc. v. Paxson,[5] the plaintiff brought a personal injury suit against the amusement park where plaintiff allegedly injured his knee. In the course of the litigation, Volcanic Gardens moved to depose the claimant's former attorney, arguing that the claimant had suffered a similar injury several years earlier and that the claimant and his attorney had in fact conspired to file a false claim.[6] In deciding whether the crime-fraud exception would permit Volcanic Gardens to examine counsel about privileged communications, the court considered whether "fraud" for crime-fraud purposes includes a situation where the claimant sought the assistance of counsel to make a false statement to the court. Finding that it did, the court adopted an expansive definition of "fraud" for purposes of applying the crime-fraud exception:

> although the "fraud" referred to in the exception certainly includes common law fraud and criminal fraud; it is much broader than that. "Fraud" is sometimes defined as "[a] generic term, embracing all multifarious means which human ingenuity can devise, and which are resorted to by one individual to get advantage over another by false suggestions or by suppression of truth, and includes all surprise, trick, cunning dissembling, and any unfair way by which another is cheated."[7]

Particularly troubling is a recent decision that finds that counsel's advocacy on behalf of the client before a government agency constituted crime-fraud. In re Napster, Inc. Copyright Litigation,[8] Judge Patel held that white papers submitted by counsel to the Antitrust Division in the context of a government investigation of potentially anticompetitive licensing agreements were subject to the crime-fraud exception, requiring production of all attorney-client and work product materials related to that investigation. Judge Patel's draconian ruling was based on her finding that the white papers submitted to the government omitted material facts and were "unpersuasive," in spite of the fact that the parties had produced documents to the Antitrust Division which disclosed the purportedly omitted material facts and there was no showing that the Antitrust Division had actually been misled by the parties' advocacy.

Other courts have similarly concluded that the crime-fraud exception vitiates the attorney-client privilege or work product doctrine where some sort of fraud on the court is alleged, even though that alleged fraud falls far short of the types of fraud required to abrogate those privileges in other civil actions.[9]

Of particular note, courts have applied the crime-fraud exception to alleged discovery abuse. In Gutter v. E.I. DuPont de Nemours,[10] a Florida securities fraud class action, the plaintiffs brought a crime-fraud motion challenging work product claims of 280 documents related to soil testing for a possible contaminant. The Florida court relied, in large part, upon prior rulings of other courts to establish a *prima facie* case of crime-fraud.[11] The Florida court rejected DuPont's defense that 1) it, as a corporation, was unaware that local counsel in the Georgia case had offered work product soil testing documents to opposing counsel and therefore 2) the assertion of work product protection over those same documents by DuPont's counsel in the Hawaii action was not an intentional act of fraud on the court sufficient to invoke the crime-fraud exception. Instead, the Florida court relied upon agency principles to impute to DuPont the collective knowledge of numerous in-house and outside lawyers who acted as DuPont's national and local counsel in the various benlate cases. The court found that, even if no single lawyer for DuPont knew all of the facts necessary to support a finding of crime-fraud, nonetheless there was "ample evidence that DuPont itself had the requisite knowledge and intent to commit, through its agents, the fraud upon the Hawaii and Georgia courts."[12]

Finally, some courts have applied the crime-fraud exception to force an attorney to divulge the identity or location of his client, where the client was in violation of a court order.[13] Other courts have applied the crime-fraud exception where the privilege claimant is believed to have misused the legal process by filing counterclaims or raising frivolous defenses to force the plaintiff to settle or delay what the court regards as an inevitable judgment of liability.[14] Some courts have evoked the crime-fraud exception for making misrepresentations to the court.[15] However, the Second Circuit Court of Appeals has cautioned that allegations that the defense of a lawsuit is a species of continuing fraud subject to the crime-fraud exception must satisfy a high threshold showing before the trial court can order disclosure:

> Where the very act of litigating is alleged as being in furtherance of a fraud, the party seeking disclosure under the crime-fraud exception must show probable cause that the litigation or an aspect thereof had little or no legal or factual basis and was carried on substantially for the purpose of furthering the crime or fraud.[16]

While the cases in which the crime-fraud exception has been invoked by reason of "fraud on the court" may be egregious examples, warranting severe disciplinary action by the courts, the fact that courts have applied the crime-fraud exception in these instances is nevertheless troubling. Courts have a multitude of disciplinary measures and sanctions available to them including dismissal of a frivolous suit or claim and contempt. By extending the crime-fraud exception to allegations of abuse of the adversary system, courts may be undermining that very adversary system which depends heavily for its effectiveness on the guarantee of confidentiality for attorney-client communications and attorney work product. This expansion of the crime-fraud exception invites parties to litigate the litigation itself by challenging the opposing party's good faith in asserting claims or defenses or taking specific positions in litigation. Just as significant, the courts' willingness to extend the crime-fraud exception to various acts not limited "to the conventional notions of tortious frauds"[17] opens the door to a broader application of the crime-fraud exception outside the limited domain of "fraud on the court." In "fraud on the court" decisions, there is often little evidence that the court has required proof of each element of the alleged fraud on the court or has conducted a document-by-document review to limit its ruling to those documents which actually

furthered that alleged fraud. Such an erosion of the narrow application of the exception to crimes and true frauds would inevitably chill attorney-client relations and interfere with an attorney's ability to counsel his or her clients and represent them effectively in court.[18]

Counsel facing crime-fraud challenges should be alert to an opponent's attempt to use "fraud on the court" cases to argue that the crime-fraud exception applies to garden variety torts.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* U.S. v. Gordon-Nikkar, 518 F.2d 972, 975 (5th Cir. 1975) (conversations with counsel concerning plans to commit perjury were not protected by attorney-client privilege, since "it would be a perversion of the privilege to extend it so as to protect communications designed to frustrate justice by committing other crimes to conceal past misdeeds").

[FN2] *See* In re Sealed Case, 754 F.2d 395, 400, 17 Fed. R. Evid. Serv. 600 (D.C. Cir. 1985) (court found that perjury and obstruction of justice, but not mere discovery abuse, constitute serious misconduct); U.S. v. Laurins, 857 F.2d 529, 540, 89-1 U.S. Tax Cas. (CCH) P 9250, 26 Fed. R. Evid. Serv. 1346, 63 A.F.T.R.2d 89-767 (9th Cir. 1988) (obstruction of justice is sufficiently serious offense to overcome attorney-client privilege); Alexander v. F.B.I., 198 F.R.D. 306, 311, 49 Fed. R. Serv. 3d 18 (D.D.C. 2000) (declining to apply the crime-fraud exception where the proponent of the privilege did not know of or actively participate in the alleged obstruction of justice); Rambus, Inc. v. Infineon Technologies AG, 220 F.R.D. 264, 283 (E.D. Va. 2004), subsequent determination, 222 F.R.D. 280 (E.D. Va. 2004) (holding that the crime-fraud exception applies to any "materials or communication created for planning, or in furtherance of, spoliation"); In re Grand Jury Investigation, 445 F.3d 266 (3d Cir. 2006) (upholding district court order requiring counsel to testify about and turn over notes from conversation with client where client used information obtained from counsel about scope of grand jury subpoena to delete e-mails and other responsive documents in obstruction of justice under the crime-fraud exception).

[FN3] *See, e.g.*, In re Myers, 382 B.R. 304, 310 (Bankr. S.D. Miss. 2008) (abrogating debtors' claims of privilege where court found allegations that debtor had converted from Chapter 13 to Chapter 7 in bad faith).

[FN4] Nesse v. Pittman, 202 F.R.D. 344, 354 (D.D.C. 2001) (an ethical conflict of interest between the attorney's duty to a former client and another may defeat the attorney's claims of privilege against the former client); *see also* Madanes v. Madanes, 199 F.R.D. 135, 149 (S.D. N.Y. 2001) (lawyer's failure to protect confidences of former client, an intentional tort which undermines the adversarial system, may be sufficient to trigger the crime-fraud exception).

[FN5] Volcanic Gardens Management Co., Inc. v. Paxson, 847 S.W.2d 343 (Tex. App. El Paso 1993).

[FN6] Volcanic Gardens Management Co., Inc. v. Paxson, 847 S.W.2d 343, 346 (Tex. App. El Paso 1993).

[FN7] Volcanic Gardens Management Co., Inc. v. Paxson, 847 S.W.2d 343, 346 (Tex. App. El Paso

1993) (quoting Johnson v. McDonald, 1934 OK 743, 170 Okla. 117, 39 P.2d 150 (1934) (citations omitted).

[FN8] In re Napster, Inc. Copyright Litigation, 235 F.R.D. 463, 2006-1, 2006-1 Trade Cas. (CCH) ¶75205 (N.D. Cal. 2006), order vacated on motion of the parties' notification that final settlement of the case depended upon the decision being vacated, 2007 WL 844551 (N.D. Cal. 2007).

[FN9] *See* Fellerman v. Bradley, 99 N.J. 493 A.2d 1239, 1245 (1985) (acknowledging that while "[m]isleading, inconsistent, or deceitful actions directed at the court itself denote a species of deceptive conduct that may fall short of civil or criminal fraud" those acts can constitute a fraud on the court").

[FN10] Gutter v. E.I. Dupont De Nemours, 124 F. Supp. 2d 1291 (S.D. Fla. 2000).

[FN11] In a previous Hawaii state court case arising out of possible contamination of DuPont's fungicide, benlate, certain soil testing documents were withheld as work product. The documents indicated that the benlate may have been contaminated. These same documents had earlier been produced to plaintiffs in another, similar case in Georgia. Because DuPont had voluntarily produced the documents at issue in the Georgia case, the Hawaii court found that DuPont had engaged in discovery abuse by withholding the documents under claims of privilege.

[FN12] Gutter v. E.I. Dupont De Nemours, 124 F. Supp. 2d 1291 (S.D. Fla. 2000).

[FN13] Bersani v. Bersani, 41 Conn. Supp. 252, 565 A.2d 1368, 1370 (Super. Ct. 1989) (applying the crime-fraud exception on the grounds that the attorney's silence served to assist the wife with her ongoing violation of a court order and therefore constituted fraud on the court); In re Callan, 122 N.J. Super. 479, 300 A.2d 868, 877 (Ch. Div. 1973), aff'd, 126 N.J. Super. 103, 312 A.2d 881 (App. Div. 1973), judgment rev'd on other grounds, 66 N.J. 401, 331 A.2d 612 (1975) (holding that "countenancing by silence the violation of a court order and aiding and abetting the continued contempt of another, are all frauds within the meaning of Evidence Rule 26(2)(a)," and that "[p]ublic policy demands that the 'fraud' exception to the attorney-client privilege as used in Evidence Rule 26 be given the broadest interpretation").

[FN14] In re St. Johnsbury Trucking Co., Inc., 1995 WL 547805, at *3 (Bankr. D. Vt. 1995) (holding that filing of a "bogus" counterclaim in order to force opposing party to settle constitutes fraud on the court sufficient to satisfy crime-fraud exception); United Services Auto. Ass'n v. Werley, 526 P.2d 28, 33 (Alaska 1974) (rejected by, State ex rel. U.S. Fidelity and Guar. Co. v. Montana Second Judicial Dist. Court, 240 Mont. 5, 783 P.2d 911 (1989)) (insurer's tortious breach of duty of good faith and fair dealing in raising bad faith defense to insured's claim satisfies "civil fraud" requirement of the crime-fraud exception).

[FN15] Craig v. A.H. Robins Co., Inc., 790 F.2d 1, 20 Fed. R. Evid. Serv. 625 (1st Cir. 1986) (refusing to overturn crime-fraud ruling based on intentional misrepresentation to the court).

[FN16] In re Richard Roe, Inc., 168 F.3d 69, 50 Fed. R. Evid. Serv. 1421, 43 Fed. R. Serv. 3d 585 (2d Cir. 1999).

[FN17] In re Callan, 122 N.J. Super. 479, 300 A.2d 868, 877 (Ch. Div. 1973), aff'd, 126 N.J. Super. 103, 312 A.2d 881 (App. Div. 1973), judgment rev'd on other grounds, 66 N.J. 401, 331 A.2d 612 (1975).

[FN18] The loose standards applied for abrogating privilege and work products claims stand in sharp contrast to the very strict standards applied for establishing a substantive claim of fraud on the court. *See* Herring v. U.S., 424 F.3d 384, 33 Media L. Rep. (BNA) 2313, 68 Fed. R. Evid. Serv. 386 (3d Cir. 2005) (requiring proof of an intentional fraud by an officer of the court directed at the court itself and which in fact deceives the court); *see also* Demjanjuk v. Petrovsky, 10 F.3d 338, 348, 27 Fed. R. Serv. 3d 437 (6th Cir. 1993).

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IX. Practice Aids
A. Checklist

§ 33:97. Form: Practice checklist

I. Managing Documents to Protect Privileges (*See* §§ 33:29, 33:51 to 33:52)

A. Use privilege legends, but only where appropriate.

B. Identify your position.

C. Identify the subject matter of the document in the caption. (*See* § 33:9)

D. Specify who was present when describing privileged oral communications. (*See* §§ 33:12 to 33:19)

E. If a communication relates to a specific case, identify the case.

F. Describe the legal purpose of any advice or opinions you give.

G. Limit distribution to maintain confidentiality.

H. Be careful to specify if communications with a third party are privileged. (*See* §§ 33:17 to 33:19)

I. Identify legal purpose of edits on science, business, lobbying and public relations documents. (*See* §§ 33:4; 33:9)

II. File documents properly. (*See* §§ 33:22, 33:51)

A. Use file labels.

B. Keep related documents together.

C. Do not "pull apart" compilations.

D. Properly label documents received from litigation counsel.

III. Information to Include in Privilege Logs (*See* §§ 33:54 and 33:74)

A. Type of document withheld (*e.g.*, memorandum, letter, chart, etc.).

B. Author(s) (If you are not including a glossary of names and titles for persons listed on a privilege log, it may be advisable to also include the author's job title in this section (*e.g.*, Smith, Robert J., General Counsel)).

C. Recipients(s) (If you are not including a glossary of names and titles for persons listed on a privilege log, it may be advisable to include recipients' roles or job titles in this section (*e.g.*, Sullivan, John J., Vice-President, Marketing)).

D. Date (of document creation).

E. The nature of the privilege asserted (*e.g.*, attorney-client, work product, joint-defense).

IV. Establishing *Prima Facie* Showing of Privilege in the Log

A. Include a brief statement of the subject matter as it relates to any legal issue addressed in the document (*e.g.*, FTC regulation).

B. Include an assertion of the confidentiality of the document, and be sure that any authors or recipients of the document who do not fall within the traditional definition of attorney or client are described sufficiently to establish that their participation does not nullify confidentiality (*e.g.*, expert consultant retained by counsel).

C. Include the job titles of authors and recipients.

D. Include a statement to the effect that the document was a communication created for the purpose of obtaining or providing legal advice (in the case of attorney-client privilege).

E. Include a statement to the effect that the document was prepared in anticipation of litigation (in the case of work product). Opinion work product should also include a statement establishing that the document reflects the opinions and impressions of counsel.

V. Work Product Protection (*See* §§ 33:26 to 33:35)

A. For federal cases, refer to Rule 26(b)(3) of the Federal Rules of Civil Procedure.

B. For state cases, check state court rules, local court rules, state statutory provisions, and judicial decisions to determine the applicability and scope of work product protection.

C. For interpretation of poorly developed state law on work product protection, refer to federal cases interpreting Rule 26(b)(3) of the Federal Rules of Civil Procedure and the Restatement (Third) of the Law Governing Lawyers (Proposed Final Draft No. 1, Mar. 29, 1996).

D. When creating large litigation databases, ensure that "objective" information can be segregated from "subjective" analysis and privileged documents/information, do not include subjective or privileged information in the database. (*See* § 33:29).

VI. Protecting Privilege and Work Product in Litigation (*See* § 33:26)

A. When in-house counsel must obtain information from corporate employees for use in litigation or to

render legal advice to the corporation, in-house counsel's request should identify the reason for or purpose of the request for the information from the employee and in the case of litigation, the name of the litigation or potential claim. (*See* §§ 33:9, 33:11, 33:27 to 33:33)

B. When requesting information from corporate employees for use in anticipated litigation or to render legal advice to the corporation, have the employee provide the information to in-house counsel by noting in the response the context in which that the information is being provided, *e.g.*, "in response to your request for information related to [the claim of …] or [the subject of …]." (*See* §§ 33:9 and 33:11 through 33:31).

C. Beware of instructing employees to use labels such as "Attorney-Client," "Privileged and Confidential," or "Work Product."

D. Label and file confidential attorney-client and work product materials separately from business documents. (*See* §§ 33:51, 33:52)

E. Restrict circulation of confidential attorney-client and work product materials to those with a need to use the material for advice to the corporation or the prosecution or defense of a claim. (*See* §§ 33:8, 33:10 through 33:19 and 33:33).

F. Label all in-house counsel generated materials with the appropriate legend noting the privileged and confidential nature of the material, *e.g.*, "Privileged and Confidential" or "Attorney Work Product."

G. Do not use privilege legends on business documents.

H. When an in-house communication of necessity contains both business and legal advice, to the extent possible separate and identify each within the memorandum or other document. (*See* § 33:9)

I. Establish procedures that keep access to legal files restricted to counsel and the law department to avoid claims of loss of confidentiality.

J. Identify yourself and your legal position on documents which are privileged.

K. Establish the purpose of the document by the content and not just by the use of a privilege legend, *e.g.*, describe in the document the legal purpose of any advice, request or opinion.

L. If you provide legal advice by way of handwritten comments on a draft, somewhere on the draft indicate whether your comments are legal or business advice and clearly identify yourself (handwriting is hard to identify). Avoid labeling stylistic edits as "legal" advice. (*See* §§ 33:9 and 33:11)

M. Advise corporate employees to circulate drafts to the legal department for legal advice prior to circulation to business people for business advice.

VII. Privilege Challenge Proceedings

A. Determine what law of privilege and work product the court will apply. (*See* §§ 33:70 to 33:72)

B. If the forum court does not recognize the privilege claim asserted, consider whether choice of law and policy arguments will support the privilege claim.

C. Make sure that the privilege log is timely provided to the opposing party. (*See* § 33:54)

D. Make sure that the privilege log supports each element of each of the privilege claims asserted. (*See* §§ 33:54, 33:74)

E. If the court undertakes an *in camera* review of challenged privileged documents, prepare evidentiary submissions (including testimony, exhibits, affidavits and narrative explanations) to support each claim of privilege and, where applicable, rebut crime-fraud allegations. (*See* §§ 33:75, 33:78, 33:101)

F. Consider whether to ask the court to appoint a magistrate or special master to conduct any *in camera* review of privileged documents. (*See* §§ 33:75, 33:100)

G. Request the court to conduct a document-by-document review of the challenged documents. (*See* § 33:75)

H. If the court orders the production of privileged documents, consider seeking an immediate appeal of the disclosure order. (*See* § 33:79)

I. If an appeal is not filed, or if the appellate court denies the request for review, request a protective order from the court. (*See* § 33:76)

J. Before challenging the privilege claims of an opposing party, ascertain that your privilege logs are adequate to support the privilege claims asserted. (*See* § 33:78)

VIII. Crime-Fraud Challenges

A. If the opposing party brings a crime-fraud challenge, argue that a *prima facie* showing must be made as to each element of the crime-fraud exception. (*See* § 33:90)

B. Be careful to distinguish crime-fraud proceedings in the context of criminal grand jury investigations from those that arise in civil or criminal litigation, as the procedural rules are quite different. (*See* § 33:94)

C. Be careful to distinguish crime-fraud rulings in instances of alleged "fraud on the court," because the standards for establishing the exception are different from those applied in other civil (or criminal) cases. (*See* § 33:96)

IX. Taking and Defending Depositions

A. Prepare the deponent to recognize potentially privileged information, and questions potentially calling for disclosure of privileged information. (*See* §§ 33:55 through 33:60)

B. Prepare the deponent to freely consult with counsel whenever a question may call for disclosure of privileged information. (*See* § 33:56)

C. Do not use privileged documents or materials to prepare a deponent. Counsel may employ specially prepared compilations of the most significant documents during preparation, but should not provide a copy of any such compilation for review by the deponent. (*See* § 33:58)

D. If depositions are proceeding pursuant to a stipulation that failure to object to a question does not waive the privilege, counsel should specifically state on the record that the parties are proceeding under such a rule at each deposition. (*See* § 33:50)

E. Counsel may object to questions calling for disclosure of privileged matters and may instruct a deponent not to answer when necessary to preserve a privilege pursuant to Fed. R. Civ. P. 30 (d)(1). (*See* § 33:56)

F. Avoid designating attorneys as witnesses. If designation of counsel as witness is unavoidable, avoid designating or questioning counsel as to matters for which counsel also performs legal services. (*See* § 33:59)

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

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IX. Practice Aids
B. Forms

§ 33:98. Form: model protective order for production of privileged documents[1]

COURT

_____

PLAINTIFF

PROTECTIVE

v. ORDER

DEFENDANT

_____

WHEREAS, this Court finds that certain documents withheld on claims of privilege should be produced to plaintiff in this action and, having overruled defendants' objections to production and claims of privilege as to certain documents, this Court has ordered production to plaintiff;
IT IS HEREBY ORDERED:

1. Defendant shall produce to plaintiff the documents, which documents shall be stamped to indicate that they were produced pursuant to Court Order and are subject to a protective order in this case.

2. The defendant's production of these documents to plaintiff shall in no way be construed as a waiver of defendant's right to pursue an appeal or as a waiver of defendant's respective rights to assert claims of privilege to the documents in any other forum.

3. Documents produced by defendant shall be used by plaintiff or plaintiff's counsel (or any representative or agent of plaintiff or plaintiff's counsel) solely for the purposes of this action, and shall not be disseminated by plaintiff or plaintiff's counsel (or any representative or agent of plaintiff or plaintiff's counsel) or be used for any purpose other than the prosecution of this action. Any dissemination or publication of these documents in any other forum, prior to the overruling of any privilege claim in that other forum, or for any purpose other than by plaintiff or plaintiff's counsel (or any representative or agent of plaintiff or plaintiff's counsel), shall be prohibited and in violation of this protective order.

_____

TRIAL COURT

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] *See* alternative protective orders at in Chapter 61 "Discovery and Information Gathering" §§ 61:32 to 61:33.

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IX. Practice Aids
B. Forms

§ 33:99. Form: model joint defense agreement

This Joint Defense Agreement (the "Agreement") is made as of March 28, 2009 by and between CHO Holding, Inc., CHO II Holding, Inc., CHO I Lease Corporation, CHO II Lease Corporation (the "CHO Entities") and WW Properties, Inc. ("WWP"), by and through their undersigned counsel (collectively the "Parties").
WHEREAS, the CHO Entities are plaintiffs and counterclaim defendants in litigation pending in the United States District Court for the Eastern District of Virginia, under the caption CHO Holding, Inc., et al. v. Angels in the Outfield Concepts, Inc., Civil Action No. 1 (the "Action");
WHEREAS, WWP is in receipt of certain subpoenas to produce documents and to appear as a witness in the Action;
WHEREAS, there have existed certain Advisory Agreements between various of the CHO Entities and affiliates of WWP;
WHEREAS, the Parties anticipate that in the Action they will have mutuality of interest, making joint efforts in preparation for certain aspects of the Action essential; and
WHEREAS, the Parties wish to work together on issues of mutual interest without waiving applicable rules of privilege and confidentiality;
NOW, THEREFORE, the Parties, for valuable consideration and intending to be legally bound, do hereby agree as follows:

1. **Confidentiality and Applicability of Privileges.** It is the Parties' intention and understanding that (a) except as required by applicable law or pursuant to a compulsion order from a court of competent jurisdiction, the fact that particular communications have been made between or among Parties, (b) the information communicated, (c) all or any part of any memoranda, documents or other materials containing or referring to such communications, and (d) the fact and existence of this Agreement, shall remain confidential and protected from disclosure to any third party by each party's attorney-client privilege, by the attorney work product doctrine immunity, by any other available privilege or protection, and by the "joint defense doctrine" as recognized in cases including but not limited to U.S. v. Bay State Ambulance and Hosp. Rental Service, Inc., 874 F.2d 20, 28, 25 Soc. Sec. Rep. Serv. 443, 28 Fed. R. Evid. Serv. 223 (1st Cir. 1989) ("The joint defense privilege protects communications between an individual and an attorney for another when the communications are part of an on-going and joint effort to set up a common defense strategy"); Matter of Bevill, Bresler & Schulman Asset Management Corp., 805 F.2d 120, 126, Bankr. L. Rep. (CCH) P 71525, 22 Fed. R. Evid. Serv. 52 (3d Cir. 1986). No sharing of information under this Agreement shall be deemed to be a waiver of any otherwise applicable privilege or rule of production or discovery.

2. **Agreement to Share Information.** To further their mutual interests, the Parties may share and exchange between and among themselves, as each counsel deems appropriate given the unique interests and concerns of their respective clients, witness statements, memoranda, summaries, transcript digests, documents, legal strategies, legal research, intelligence, confidences, materials prepared by experts and other information (collectively "Joint Defense Materials") for the limited and restricted purpose of assisting counsel in protecting the rights and interests of their respective clients. Joint Defense Materials include only those materials shared with any other Party to this Agreement or its attorneys for this purpose. Nothing herein shall require any Party to disclose materials in that Party's files to any other Party to this Agreement and any material not so disclosed shall not become Joint Defense Materials, but shall retain whatever protections exist under privileges and protections applicable to that Party.

3. **Agreement Not to Disclose to Third Parties**. Each Party agrees not to reveal to any third party any information received under this Agreement, except with the advance, written consent of the Party who provided such information and upon no less than five (5) business days' notice to the other Party. A Party receiving such information may communicate it pursuant to a compulsion order from a court of competent jurisdiction; however, each Party agrees that, if it receives any summons, subpoena or similar process, or request to produce Joint Defense Materials, it will immediately notify the other Party and provide not less than five (5) business days' notice before production, to permit the other Party to take appropriate action. If five (5) business days' notice cannot be provided, the Party upon which the demand or request is made shall give the best notice practicable to the other Party.

4. **Duty of Attorney-Signatories**. The Parties understand and acknowledge that, while the attorney-signatories to this Agreement have a duty to preserve confidences disclosed to them pursuant to this Agreement, each attorney-signatory to this Agreement has an obligation to zealously represent his or her own client to the exclusion of all other interests. Before the Actions conclude, each attorney may need to, and is free to, take action which may be contrary to the interests of the other Party, subject to Paragraph 15 herein. These actions include, but are not limited to, examining or cross-examining the other Party or its representatives at depositions, trial or other proceedings.

5. **Substitution of Parties or Attorneys**. This Agreement shall automatically apply to substitute or associated counsel who may appear on behalf of any Party. This Agreement shall not be subject to abrogation by any assign or other successor in interest to any Party, nor shall such assign or successor in interest waive any privilege or doctrine with regard to information shared by or among the Parties.

6. **Prior Exchange of Defense Materials**. The Parties agree that any disclosure or exchange of Joint Defense Materials made prior to the effective date of this Agreement shall be subject to all the terms and conditions of the Agreement.

7. **Right to Terminate Participation; Termination Prospective Only**. Each Party has the right to terminate its participation in the Agreement at any time. Termination shall be effective upon tendering written notice to each and every Party. Termination of a Party's participation under this Agreement shall not operate as a waiver or authorize violation of this Agreement by disclosure of information obtained while a party to this Agreement. A terminating Party remains bound to maintain the confidentiality of information received under this Agreement. If requested in writing by any Party to this Agreement, a terminating Party must return all of the Joint Defense Materials (and all copies, summaries or excerpts) in the possession, custody or control of that Party to the Party making the request.

8. **Potential Conflict Waived**. No Party withdrawing from this Agreement shall assert that counsel for the other Party has a conflict of interest in the continued representation of their respective clients, nor shall a withdrawn Party object to continued representation of the remaining Party by their respective counsel. Nothing contained in this Agreement shall be used by any Party as a basis for seeking to disqualify any attorney for the other Party from representing his or her client in the Actions or any matter arising from or related to the Actions, provided that no attorney representing either Party may utilize any information obtained pursuant to this Agreement in any action against a Party to this Agreement. This paragraph does not restrict the ability of either Party from utilizing any information obtained other than pursuant to this Agreement. Subject to Paragraph 15 hereto, no Party shall be prevented, based on participation in this Agreement, from examining or cross-examining any Party or its representatives who testify in any deposition, trial or other proceeding arising from or related to the Actions.

9. **Breach of Agreement; Remedies**. The Parties acknowledge that any breach of this Agreement may result in immediate and irreparable injury for which there is no adequate remedy at law, and agree that specific performance and injunctive relief are appropriate remedies to compel performance of this Agreement.

10. **Governing Law**. This Agreement shall be construed in accordance with and in all respects governed by the laws of the State of [insert state].

11. **Agreement Fully Explained**. Each attorney-signatory has fully explained the terms of this Agreement to his client and is fully satisfied that the client understands the terms, agrees to abide by them, and that the attorney is authorized by the client to execute this Agreement on the client's behalf.

12. **Execution in Counterparts**. This Agreement may be executed in one or more counterparts and shall be effective upon execution. Any original executed in counterpart shall be deemed an executed original.

13. **Modifications**. Any modification to this Agreement must be in writing and signed by all parties.

14. **Limited Use of Shared Information**. No communication, statement, admission, or document related to the prosecution or defense of either of the Actions which has been created, made, uttered, or shared by the Parties from and including March 28, 2009 through the earliest of (i) the termination of this Agreement or (ii) the date on which both Actions are concluded by settlement or entry of final judgment by the highest court(s) having competent jurisdiction may be used by either Party against the other in any subsequent litigation. This paragraph does not restrict the ability of any Party from utilizing any communication, statute, admission, or document obtained other than pursuant to this Agreement.

IN WITNESS WHEREOF, the signatures below indicate acceptance and concurrence in this Agreement by the Parties.

CHO HOLDING, INC., CHO I
HOLDING, INC., CHO LEASE
CORPORATION, CHO I LEASE
CORPORATION,
By its attorneys,

_____
Jack T. Smith
Jane C. Doe

Smith & Doe
Riverfront Plaza, North Tower
12345 Plaza Drive
Richmond, VA 23219
WW PROPERTIES, INC.
By its attorneys,
_____
Broughton Paddington
GOODBAR & PADDINGTON LLP
Exchange Place
Boston, MA 02109-2881
Tel: (617) 555-1000

Dated: March_____, 2009

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

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END OF DOCUMENT

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§ 33:100. Form: model order appointing special master to conduct privilege challenge proceedings

COURT

_____

PLAINTIFF

ORDER APPOINTING SPECIAL MASTER

v.

DEFENDANT

_____

This Court hereby appoints_____, as Special Master to review challenges to documents claimed privileged by defendant on a document-by-document basis.

The Special Master is authorized to and may conduct hearings to determine the procedures to be followed on challenges to privilege claims, including the number of documents for which challenges will be permitted in light of the trial date.

In making determinations on challenges to claims of privilege, the Special Master is authorized to conduct conferences, hearings, and proceedings, *in camera* or otherwise, and to require the parties to make such submissions in briefs, documents, affidavits, or other papers as he deems appropriate to carry out his duties. Defendant will be given an opportunity to present to the Special Master *ex parte* submissions, argument and testimony as to any specific document challenged by plaintiff.

The Special Master shall report to the Court recommendations for rulings as to privilege claims for documents specifically challenged on a document-by-document basis. The Special Master shall deliver his final report and recommendations, together with such other materials as he may deem appropriate, which may include any transcripts of hearings and *ex parte* submissions to this Court, with copies to counsel for the defendant and (except with respect to any materials received *in camera* and under seal) to counsel for Plaintiff. Upon service of the Special Master's report and recommendations, all materials submitted to the Special Master *in camera* shall be returned to the defendant.

This Court shall thereafter, by order, adopt, modify or reject the final report and recommendations of the Special Master. Any recommendation of the Special Master to the contrary notwithstanding, all documents claimed by defendant to be privileged or protected from disclosure shall continue to be treated as privileged and protected from

disclosure until entry of a final order by this Court, and any appeal therefrom, holding that such document(s) are neither privileged nor otherwise protected from disclosure or until the expiration or termination of a stay entered by this Court or an appellate court, whichever is later.

Any *in camera* submission of the challenged documents or additional materials claimed to be privileged to the Special Master shall not be deemed a waiver of any claim of privilege or confidentiality, nor in any way diminish or extinguish any privilege, protection, or right against disclosure or production that otherwise exists. Such documents, information contained within the documents, and statements by defendant's counsel regarding the content of the documents shall be confidential and under seal and shall not be disclosed except upon further order of the Court.

The Special Master is authorized to utilize, under his supervision, such lawyers, paralegals, and assistants as he deems appropriate provided, however, that any report or recommendations to the Court shall be that of the Special Master personally, based on his independent examination, inspection, and consideration of the submissions of the parties and the applicable law. The Special Master and such person or persons shall, however, be bound by the provisions of this and all other orders of the Court and such person or persons shall be present at hearings held by the Special Master where specific claims of privilege are discussed or argued.

The Special Master may receive and consider submissions by third parties who may have claims of privilege, without the necessity of formal intervention.

At the request of any party, conferences, hearings, and proceedings before the Special Master, if any, shall be transcribed.

The Special Master may order the parties to meet and confer under Local Rule_____ if it appears that such would resolve any remaining disputes.

Dated this _____ day of _____, 2009.

_____
TRIAL JUDGE

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

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IX. Practice Aids
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§ 33:101. Form: model evidentiary submission to support privilege claims

SUPPORT FOR BATES NO. 12345/48[1]

Author: Julie Smith, Smith & Jones, Outside Counsel for Widget World Corp.
Recipient: John Doe, Doe & Roe, Outside Counsel for Widgets R Us
Date: March 10, 1999

Discussion: Document 12345/48 is a memorandum containing witness profiles that Widget World's outside counsel prepared in an effort to identify suitable witnesses for the upcoming Federal Widget Control Act Hearings (FWCA) before the United States Congress. The document contains Smith's comments on each potential witness, including her opinion as to whether the person would make a suitable witness on behalf of the widget industry. See, for example, Smith's comment on Bates no. 12356 where she states that "Dr. Gadget may not be a good choice for the industry, since he is a former manufacturer of a similar product."

Smith's comments are protected as opinion work product because they reflect her thoughts, analysis and strategy with regard to preparing her client for the upcoming hearing. Attorney preparation for this type of hearing would be protected by the work product doctrine since the hearing is adversarial in nature. *See* Restatement (Third) of the Law Governing Lawyers § 136 Cmt. h. (litigation "includes a proceeding such as a grand jury or a coroner's inquiry or an investigative legislative hearing."). Widget World and other widget manufacturers were asked by Congress to appear at the hearing because Congress was conducting an investigation to determine whether the FWCA needed to be amended to impose regulations requiring the use of certain widget safety devices. After Widget World president submitted his testimony, he was then cross-examined by Congresswoman Soandso. *See* Hearing Before U.S. Committee on Product Safety, House of Representatives, 106st Congress, 1st Session, p. 743 to 44 (1999), Attachment A. Two of the witnesses discussed in Smith's report testified at the hearing on behalf of the widget industry. *See* Hearing Before U.S. Committee on Product Safety, House of Representatives, 106st Congress, 1st Session, p. 748 to 53, 762 to 88 (1999), Attachment A and Attachment B. It is clear that the work reflected in the document at issue was done in preparation for the hearing. Moreover, several product liability and fraud lawsuits have been filed against widget manufacturers, and Congress and federal regulatory agencies have instituted legislative, rule-making and other proceedings (including a civil action filed by the FTC) to impose severe restraints on the manufacture, sale and advertising of widgets. Therefore, this document evaluating witnesses in light of ongoing adversarial proceedings is protected by the work product doctrine.

Smith sent this witness report to John Doe, outside counsel for Widgets R Us. The disclosure of attorney Smith's work product to attorney Doe does not waive the work product claim. Widget World and Widgets R

Us entered into a joint defense/common interest agreement whereby the two companies acknowledged their common interest in the face of these lawsuits and regulatory initiatives relating to the manufacture and sale of widgets, as described above. *See* July 4, 1998 Joint Defense Agreement, Attachment C. The document at issue is covered by the joint defense agreement. It is the type of legal work that was intended to be shared by the companies when they entered into the agreement. Therefore, Smith's opinions and analysis remain confidential and protected by work product doctrine under joint defense privilege.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1].

The exhibits referenced in this sample submission would be physically attached thereto as exhibits when submitted to the court and opposing party. If the submission or exhibits contained privileged information, such as the last line of the first paragraph, the copy provided to opposing counsel would be suitably redacted.

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§ 33:102. Form: model privilege log

Bates #	Date	Author	Recipient	Description	Privilege	Redaction
CL0001–CL0005	11/1/2007	J. Meyers, Esq	T. Elders, CEO	Confidential memorandum from outside counsel providing legal advice on potential impact of bill pending before Congress.	AC	No
CL0045	1/2/2006	S. Sommers, Esq.	J. Smith, Esq.	Memorandum sent from outside counsel to in-house counsel discussing privilege issues likely to arise in anticipated litigation.	AC, OWP	No
CL0320–CL0336	3/1/2008	J. Meyers, Esq.	T. Brooks; S. Spear; R. Mims; G. Horowitz	Memorandum from outside counsel to CIO Brooks and IT employees discussing changes in records management procedures for Opponent, Inc. v. Client, Inc., served 2/27/2008.	AC, FWP, OWP	No
CL0401–CL0422	10/7/2007	T. Brooks	S. Spear; R. Mimms; G. Horowitz	Memorandum from CIO Brooks to IT employees transmitting counsel's legal advice on records management issues.	AC	Yes
CL0670–CL0677	10/19/2007	R. Mimms	J. Smith, Esq.	E-mail string between IT employee and in-house counsel providing information requested by counsel for purpose of providing legal advice in conjunction with potential acquisition.	AC	Yes
CL0773–CL0774	5/8/2007	G. Horowitz; J. Smith, Esq	J. Smith, Esq.; G. Horowitz	E-mail from IT employee to in-house counsel seeking legal advice with respect to implementing new operating software with legal advice provided by counsel in response.	AC	No

AC = Attorney-Client Privilege; FWP = Fact Work Product; OWP = Opinion Work Product

Note: Information identifying the title and role of each author and recipient can also be provided in an accompanying glossary to provide more detailed support for the claims of privilege and work product.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

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§ 33:103. Form: clawback agreement[1]

The Court recognizes that the production of documents in the manner ordered above carries with it a risk that certain, otherwise privileged documents will be produced inadvertently. Accordingly, it is hereby Ordered as follows:

1. The inadvertent production of any document or other information during discovery in this action shall be without prejudice to any claim that such material is protected by any legally cognizable privilege or evidentiary protection including, but not limited to, the attorney-client privilege or the work product doctrine, and no party shall be held to have waived any rights by such inadvertent production.

2. Upon written notice of an unintentional production by the producing party or oral notice if notice must be delivered at a deposition, the receiving party must promptly return or destroy the specified document and any hard copies the receiving party has and may not use or disclose the information until the privilege claim has been resolved. To the extent that the producing party insists on the return or destruction of electronic copies, rather than disabling the documents from further use or otherwise rendering them inaccessible to the receiving party, the producing party shall bear the costs of the return or destruction of such electronic copies.

3. To the extent that the information contained in a document subject to a claim has already been used in or described in other documents generated or maintained by the receiving party, the receiving party will sequester such documents until the claim has been resolved. If the receiving party disclosed the specified information before being notified of its inadvertent production, it must take reasonable steps to retrieve it. The producing party shall preserve the specified information until the claim is resolved.

4. The receiving party shall have ten (10) days from receipt of notification of the inadvertent production to determine in good faith whether to contest such claim and to notify the producing party in writing of an objection to the claim of privilege and the grounds for that objection.

5. The producing party will then have ten (10) days from the receipt of the objection notice to submit the specified information to the Court under seal for a determination of the claim and will provide the Court with the grounds for the asserted privilege or protection. Any party may request expedited treatment of any request for the Court's determination of the claim.

6. Upon a determination by the Court that the specified information is protected by the applicable privilege,

and if the specified information has been sequestered rather than returned or destroyed, the specified information shall be returned or destroyed.

7. Upon a determination by the Court that the specified information is not protected by the applicable privilege, the producing party shall bear the costs of placing the information into any programs or databases from which it was removed or destroyed and render accessible any documents that were disabled or rendered inaccessible, unless otherwise ordered by the Court.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] Williams v. Taser Intern., Inc., 2007 WL 1630875, at *7- (N.D. Ga. 2007) (court order entered to facilitate electronic discovery).

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§ 33:104. Form: upjohn warnings

Introduction with Upjohn warnings for interview with company employees by counsel conducting a privileged internal investigation.

Before we begin:

I would like to introduce myself and my colleague. I am Mary Smith and with me is Brian Jones. We are from the law firm of Smith & Jones. We have been retained by XYZ Corp., your employer, to provide legal advice to the company in relation to the XYZ Corp. contract with Deflat, and the lawsuit on that contract that Deflat has filed against XYZ.

This means that our conversation with you today is subject to the attorney-client privilege between XYZ Corp. and its counsel Smith & Jones. We are speaking with you to obtain information to provide legal advice to the company and to prepare a defense to the Deflat lawsuit.

Smith & Jones is required by our retention by XYZ Corp. to keep all matters we discuss with you confidential unless XYZ Corp., our client, decides otherwise. We ask that you also keep our discussions confidential and not discuss them with others, including your fellow employees.

We are talking with you today pursuant to the memorandum you received from Mr. Kay (President of XYZ or the employee's direct supervisor) informing you of this investigation and asking that you cooperate with counsel's investigation into the contract and issues raised in the Deflat lawsuit. We understand from your supervisor that that you have dealt with the contract as part of your job duties, and thus we need to discuss with you your knowledge of the contract and the issues raised in the lawsuit so we may advise the company.

Do you have any questions on our representation of XYZ Corp. and the reason for our discussion today?

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

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§ 33:105. Form: exemplar of memorandum from audit/law department on the need for an internal investigation to secure legal advice for the company[1]

PRIVILEGED & CONFIDENTIAL
ATTORNEY-CLIENT/WORK PRODUCT COMMUNICATION

To: CEO/Chairman of the Board[2]
From: Audit/Law[3]
CC: General Counsel
Re: Need to Conduct an Internal Investigation
to Obtain Legal Advice for the Company

On *[date]*, the Audit Department *[or Law Department]* received information of allegations of breach of the ABC contract. The information received included allegations of fraud in the procurement of the contract and possible kickbacks. I/We understand that legal action may be imminent.

The Audit Department and Law Department have consulted on the issues related to the allegations and believe that a confidential internal investigation into the allegations is warranted to obtain legal advice for the Company and to defend the Company in possible litigation. The internal investigation is to obtain facts necessary to facilitate the rendition of legal advice to the Company on the issues of breach and possible fraud and kickbacks. The internal investigation is confidential and will require that counsel interview Company employees in *[identify specific business units or "All," if the investigation involves employees company-wide]*. It is recommended that outside counsel be retained to conduct the investigation and to provide legal advice to the Company on these matters and to prepare to defend the Company in anticipated litigation. *[Optional, if outside legal counsel is necessary.]*

Once senior management has considered and approved the investigation, the Law Department shall retain outside counsel, if requested, and plan and conduct the investigation in accordance with Company procedures to ensure that any privileges associated with the investigation are maintained.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1] This form may be used when information implicating the need for legal advice to the Company is initially reported to the Audit or Law Departments and not to senior management, i.e., the President, Chairman of the Board, Chief Financial Officer, etc.

[FN2].

The memorandum may be directed to the President, Chairman of the Board of Directors or any individual member of senior management as the situation requires.

[FN3].

The "From" should identify the name and position of each author, e.g., John Smith, General Counsel.

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§ 33:106. Form: exemplar of senior management request to law department for internal investigation

PRIVILEGED & CONFIDENTIAL
ATTORNEY-CLIENT/WORK PRODUCT COMMUNICATION

To: General Counsel
From: The President[1]
Re: Legal Advice on the ABC Contract
and Possible Litigation

I have received the Audit/Law Department memorandum dated *[date]* on the allegations concerning the ABC contract.[2] It is my understanding the allegations include issues related to breach of contract, fraud in procurement of the contract and possible kickbacks under the contract. The allegations are such that litigation on the contract appears imminent. Management is in need of legal advice on these matters.

Because of the allegations and possible litigation, I ask that the Law Department conduct a confidential internal investigation to develop factual information needed to provide management with legal advice on the contract and the allegations of breach, fraud and possible kickbacks and to defend the Company in possible litigation. Your final report and legal analysis and advice should be directed to me[3] with a carbon copy to the Chairman of the Board of Directors.[4]

Should you deem it necessary, outside counsel should be retained to assist the Law Department in the confidential internal investigation and to facilitate the provision of legal advice to the Company on these matters. All employees who are called upon to participate in the investigation should cooperate fully with counsel and be instructed to maintain the investigation's confidentiality.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1].
The memorandum should be from a member of senior management, e.g., the President, Vice President of Operations, Chief Financial Officer, Chairman of the Board of Directors.

[FN2].
If the issue is initially reported to senior management and not the Audit or Law Departments, the memorandum may begin, e.g., "The Company has learned that there may be allegations that it has breached a major

contract with ABC."

[FN3].
The final report should be directed to a member of senior management.

[FN4].
If carbon copies are necessary, they should be sent to members of senior management or the Board of Directors only, if possible.

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§ 33:107. Form: exemplar of senior management memorandum to employees about the internal investigation

PRIVILEGED & CONFIDENTIAL
ATTORNEY-CLIENT/WORK PRODUCT COMMUNICATION

To: Employees[1]
From: The President[2]
Re: Company Investigation to Obtain Legal
Advice on the ABC Contract

The Company has learned that there are allegations that the Company has breached a major contract with ABC. The allegations include issues of fraud related to procurement of the contract and possible kickbacks. The Company understands that litigation is likely.

The Law Department, along with *[name of outside retained counsel, if applicable]*, will be conducting a confidential internal investigation to develop the factual information needed to provide the Company with legal advice on these matters and to defend the Company in possible litigation. Because these matters come within the scope of your job responsibilities, you are asked to cooperate with counsel to discuss the facts within your knowledge that relate to these issues. The investigation is confidential, and you should not discuss the details of the investigation with others.

A full investigation is being conducted and you are being questioned by the Company's legal *[in-house and/or outside]* counsel so that the Company may secure legal advice. All privileges that attach to the investigation and your communications with counsel are privileges of the Company. The Company wishes to maintain the confidentiality of the investigation and all its privileges but may voluntarily waive its privileges should it be deemed necessary to do so in the future.

Thank you for cooperating in the investigation and helping the Company secure legal advice on these allegations. If you have any questions, please have your direct supervisor notify Ms. *[in-house counsel supervising the investigation]*, in-house counsel who is supervising the investigation.

[FN*] The 2011 Supplement was prepared by Cheryl G. Ragsdale, Hunton & Williams LLP.

[FN1].
If information is needed from one or a limited number of business units, the distribution should be limited to the employees in those identified business units to facilitate maintaining confidentiality.

[FN2].
The memorandum should be from a member of senior management, e.g., the President, Vice President of Operations, Chief Financial Officer, Chairman of the Board of Directors.

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END OF DOCUMENT