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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF ILLINOIS

EASTERN DIVISION

LAWRENCE E. JAFFE PENSION PLAN, On Behalf of Itself and All Others Similarly Situated, Plaintiff, vs. HOUSEHOLD INTERNATIONAL, INC., et al., Defendants.	Lead Case No. 02-C-5893 (Consolidated) CLASS ACTION Judge Ronald A. Guzman Magistrate Judge Nan R. Nolan

APPENDIX OF ELECTRONIC CASES IN SUPPORT OF LEAD PLAINTIFFS' MOTION TO COMPEL THE HOUSEHOLD DEFENDANTS TO PRODUCE DOCUMENTS IMPROPERLY WITHHELD ON THE BASIS OF PRIVILEGE

CASE **TAB**

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TAB 1

LEXSEE 1985 US DIST LEXIS 14140

ABBOTT LABORATORIES, Plaintiff, v. AIRCO, INC., et al., Defendants.

No. 82 C 3292

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

1985 U.S. Dist. LEXIS 14140

November 5, 1985

LexisNexis(R) Headnotes

OPINIONBY: [*1]

ROVNER

OPINION:

MEMORANDUM DECISION AND ORDER

ROVNER

This matter is before this court on both Abbott's and Airco's respective claims that certain documents, sought to be produced by the opposing party, are protected from disclosure by attorney-client privilege or work product immunity. The attorney-client and work product privilege claims involve literally hundreds of documents demanded by both parties. The district court agreed, however, to expedite review of 11 n1 contested Airco privilege claims and five contested Abbott privilege claims because these documents were relevant to certain depositions which had to be adjourned pending disposition of the privilege claims. This memorandum first will discuss the general law governing these claims and then will treat each claim individually.

n1 The district court originally agreed to review 13 contested Airco privilege claims. Claims on document nos. 29 and 199, however, are no longer a subject of dispute. See Airco's Memorandum in Support at 2.

This is a suit arising out of a license agreement between Abbott Laboratories and Airco to sell and market an inhalent anesthetic invented by Airco, isoflurane, in countries outside [*2] the United States and Canada. The dispositive issues are whether either side breached the exclusive license agreement, in Abbott's case, by its alleged failure to actively market and sell isoflurane; in Airco's case, by its alleged unlawful intrusion into Abbott's exclusively licensed territories. Airco, Inc., is a Delaware corporation with its principal place of business in Montvale, New Jersey. Abbott Laboratories is an Illinois corporation with its principal place of business in North Chicago, Illinois. This court's jurisdiction rests on diversity of citizenship. *28 U.S.C. § 1332.*

1. Choice of Law

A threshold question on this motion is whether New York, Illinois or federal law applies to the privilege claims. Here, the contract on which this law suit is based contains a choice of law clause which states, "This Agreement shall be deemed to have been made in and shall be construed in accordance with the law of the State of New York, U.S.A." Thus, any questions regarding the substance and validity of the contract are to be resolved by New York law. Although the parties are given broad discretion to stipulate the substantive law to be applied to their dispute," id [*3] . at 531, discovery questions as to

whether a particular individual has a right to exercise a privilege and whether documents prepared in anticipation of litigation must be disclosed are generally questions pertaining to the procedural format of a case rather than the substantive issues. Furthermore, it is well settled that both the Federal Rules of Evidence and the Federal Rules of Civil Procedure apply in diversity as well as federal question and admiralty cases. *Flaminio v. Honda Motor Co., Ltd., 733 F.2d 463 (7th Cir. 1984).* State law has little relevance to discovery in a federal court. 8 Wright and Miller, Federal Practice and Procedure § 2005. We turn, then, to those sources for guidance.

A. Attorney-Client Privilege Claims

According to *Federal Rule of Evidence 501*, to the extent that state law supplies the rule of decision on an element of a claim or defense in a civil action, "the privilege of a witness, person, government, State or political subdivision thereof shall be determined in accordance with State law.",See 8 Wright and Miller at § 2016 (pocket part); see also *Slakan v. Porter, 737 F.2d 368, 377 (4th Cir. 1984).* This rule [*4] applies to diversity proceedings. *Fed. R. Evid. 1101(c); Fed. R. Civ. P. 26(b)(1).* See also *Armor Int'l. Co. v. Worldwide Cosmetics, Inc., 689 F.2d 134 (7th Cir. 1982).* This rule, however, provides no explicit guidance as to which state's law regarding privilege is to be applied in a diversity case. This court sits in Illinois yet it is New York law which, under the contract, provides the rule of decision on the substantive claims. The court concludes that Illinois law determines the scope of the parties'attorney-client privilege.

Federal courts have held that under Rule 501, a district court exercising diversity jurisdiction must apply the law of privilege which would be applied by the courts of the state in which it sits. *Samuelson v. Susen, 576 F.2d 546, 549 (3d Cir. 1978); Super Tire Engineering Co. v. Bundy, Inc., 562 F. Supp. 439, 440 (E.D. Penn. 1983); Buffington v. Gillette Co., 101 F.R.D. 400, 404 (W.D. Okla. 1980); Union Planters National Bank v. ABC Records, Inc., 82 F.R.D. 472, 473 (W.D. Tenn. 1979).* We thus look to Illinois' law to determine whether New York or Illinois privilege rules apply. The court concludes that Illinois courts [*5] would hold that in the present situation the attorney-client privilege claims are questions of discovery and evidence and that, in determining the scope and validity of the privilege claims, Illinois law governs. See *People v. Saiken, 49 Ill.2d 504, 509, 275 N.E.2d 381, 385 (1971)* (evidentiary questions are generally governed by the laws of the forum); *Ogdon v. Gianakos, 415 Ill. 591, 596, 114 N.E.2d 686, 689 (1953)* (procedure is the machinery for carrying on the suit, including pleading, process, evidence and practice); *People v. Wells. 380 Ill. 347, 354, 44 N.E.2d 32, 36 (1942)* (questions of evidence are governed by the law of the forum, and the same general principle applies to the competency, admissibility, quality and degree of evidence); *Jackson v. Shuttleworth, 42 Ill. App. 2d 257, , 192 N.E.2d 217, 218 (3d Dist. 1963)* (rules of evidence are matters of procedural law and depend upon the law of the forum). Thus, Illinois law on privileges will be applied to the attorney-client privilege issues before the court.

B. Work Product Privilege Claims

Unlike *Federal Rule of Evidence 501*, *Federal Rule of Civil Procedure 26(b)(3)*, governing [*6] the discovery of materials prepared in anticipation of litigation (i.e., work product), does not contain a clause requiring the district court in diversity actions to apply the law of the state in which it sits. Thus, in accordance with the principle that the Federal Rules of Civil Procedure apply to diversity actions and that state law has very little to do with federal discovery proceedings, resolution of any work product claims will be made under federal law.

II. Attorney-Client Privilege in Illinois

Illinois law states the classic version of the attorney-client privilege:

(1) Where legal advice of any kind is sought (2) from a professional legal adviser in his capacity as such, (3) the communications relating to that purpose, (4) made in confidence (5) by the client, (6) are at his insistance permanently protected (7) from disclosure by himself or by the legal advisor, (8) except the protection be waived.

People v. Adam, 51 Ill.2d 46, 48, 280 N.E.2d 205, 207, cert. denied, *409 U.S. 948, 93 S. Ct. 289, 34* [*7] *L.Ed.2d 218 (1972).* See *Nieukirk v. Board of Fire & Police Commissioners, 98 Ill. App. 3d 109, 112, 423 N.E.2d 1259, 1261 (3d Dist. 1981).* The person asserting the privilege has the burden of proving its existence. *Shere v. Marshall Field & Co., 26 Ill. App. 3d 728, 730, 327 N.E.2d 92, 94 (1st Dist. 1974).* The scope of the attorney-client privilege should be strictly confined within the narrowest possible limits. *Consolidated Coal Co. v. Bucyrus-Erie Co., 89 Ill.2d 103, 118, 432 N.E.2d 250, 257 (1982)* (citing 8 Wigmore, Evidence § 2291, at 554 (rev. ed. 1961).

Concerning corporations, the Illinois Supreme Court adheres to an expanded version of the "control group" test, whereby the only communications that are held privileged "are those made by top management who have the ability to make a final decision. . . , rather than those made by employees whose positions are merely advisory." The privilege extends to those "employee[s]

whose advisory role to top management in a particular area is such that a decision would not normally be made without his advice or opinion, and whose opinion in fact forms the basis of any final decision by those with actual authority." [*8] *Consolidated Coal Co., 89 Ill.2d at 120, 432 N.E.2d at 257-58* (citation omitted). The Illinois version of the corporate attorney-client privilege is considerably narrower than the federal version, which recognizes a privilege for"confidential" communications between corporate employees who are not control group members and the corporation's attorneys. n2 As applied to the documents in question, however, unless the communicator of the alleged confidential communication is a member of the control group as set forth in Consolidated Coal, the documents are not privileged.

> n2 The federal version is set out in *Upjohn Co. v. United States, 449 U.S. 383 (1981)*, where the Supreme Court expressly rejected the "control-group" test and found that the scope of the attorney-client privilege in the corporate context must be decided on a case-by-case basis. The Seventh Circuit has adopted the "subject matter" approach "which would recognize the attorney-client privilege where an employee not within the control group of the corporation receives privileged communications whose subject matter is within the scope of the employee's duties." *Illinois Tool Works, Inc. v. K.L. Spring & Stamping Corp., 207 U.S.P.Q. 806, 808 n.1 (N.D. Ill. 1981).*

[*9]

III. Work Product Immunity in Federal Courts

Work product immunity from discovery was originally approved by the United States Supreme Court in *Hickman v. Taylor, 329 U.S. 495, 67 S. Ct. 385, 91 L.Ed. 451 (1947)*, and was subsequently codified in *Rule 26(b)(3) of the Federal Rules of Civil Procedure*. Under Rule 26(b)(3), work product immunity attaches (1) to documents and materials otherwise discoverable (2) which are prepared in anticipation of litigation or trial, (3) and by or for another party or that other party's representative (including his or her attorney, consultant, surety, indemnitor, insurer or agent). Work product immunity attaches even where litigation has not been threatened but is only a mere possibility. *Upjohn Co. v. United States, 449 U.S. 383, 402, 101 S. Ct. 677, 689, 66 L.Ed.2d 584, 599 (1981)*. The Rule provides that ordinary work product may be discoverable only if the party seeking discovery can show (1) substantial need in preparation of the case and (2) that he is unable without undue hardship to obtain substantial equivalent of the materials by other means. This substantial need test" prevents "an attorney from waiting while opposing [*10] counsel does investigative work and then simply requesting the fruits of such efforts via discovery." *Eirhart v. Libbey-Owens-Ford Co., 93 F.R.D. 370, 372 (N.D. Ill. 1981)*.

Rule 26(b)(3) contains mandatory language that the federal 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." This "opinion work product" may not be discovered on a showing of substantial need and the inability to obtain the equivalent material without undue hardship. *Upjohn at 402, 101 S. Ct. at 689, 66 L.Ed.2d at 599*. Upjohn, although failing to set forth a standard when or even if such material could be discovered, concluded that a "far stronger showing" than was contained in the Rule is required regardless of hardship. Id.

IV. Contested Abbott Privilege Claims

The five documents which Abbott claims are protected from discovery by the attorney-client privilege are certain notes written by Susan Mayer, then secretary to Charles Baker, who was Executive Vice President of Abbott's International Division. Basically, these notes transmit legal advice from [*11] Mark Barmak, Division Counsel at Abbott, or are requests to Barmak for such advice. Without having seen four of the five documents, Airco makes several general objections to Abbott's assertion of privilege.

First, Airco contends that the information provided by Abbott on its privilege claims is too "sketchy". Airco cannot adequately address the issue of whether these communications were confidential, whether the communications were

made to attorneys for the purpose of obtaining legal advice, or whether the communications remained confidential.

The information provided by Abbott in its claims list, however, is adequate. The list provides as much information as is possible without disclosing the substance of the information sought to be protected. The privilege claims list sets forth the type of document, individuals involved, other recipients if any, nature of the document, plus the basis of the claim.

Airco's second argument is that Susan Mayer, the author of the allegedly privileged communications, is not a member of the control group. As secretary to Charles Baker, a member of the Abbott control group, Susan Mayer was acting as a ministerial agent of either counsel imparting [*12] legal advice to a member of the control

group or top management requesting legal advice. A recognized exception to the rule that the communication must be directly between the client and attorney is for ministerial agents of the attorney (such as clerks, secretaries and stenographers) or of the client who facilitate transmission of the communication. Furthermore, "[t]he client's freedom of communication requires a liberty of employing other means than his own personal action. The privilege of confidence would be a vain one unless its exercise could be thus delegated. A communication, then, by any form of agency employed or set in motion by the client is within the privilege." 8 Wigmore § 2317 at 618 (McNaughton rev. 1961); 8 Wigmore § 2301 at 583. See *People v. Knippenberg, 66 Ill. 2d 276, 362 N.E.2d 681 (1981)* (client's communications to attorney's agent privileged); *People v. Ryan, 40 Ill. App. 2d 352, 356, 189 N.E.2d 763, 765 (3d Dist. 1963)* (the attorney-client privilege extends to the clients communication to an agent for transmission to the attorney), rev'd on other grounds, *30 Ill.2d 456, 197 N.E.2d 15 (1964)*. All of the documents indicate that Susan [*13] Mayer authored the notes at the behest of Charles Baker seeking legal advice, or Mark Barmak imparting legal advice. Thus, on this ground the documents retain their privileged status.

Airco's third contention is that summaries of legal advice cannot be

privileged because the attorney-client privilege protects a client's confidences, not a lawyer's advice. Airco's assertion is ill-founded. Clearly, memoranda of information or advice directed to or received from an attorney, prepared by an agent of the client or attorney, as a record of that advice or request, are protected by the attorney-client privilege. That the notes simply highlight or outline relevant portions of the advice should in no way defeat the privilege. See *C.N.R. Investments, Inc. v. Jefferson Trust and Savings Bank, 115 Ill. App. 3d 1071, 1074, 451 N.E.2d 580, 582 (3d Dist. 1983);* c.f., *Illinois Tool Works, Inc. v. K.L. Spring & Stamping Corp., 207 U.S.P.Q. 806, 807 (N.D. Ill. 1980)* (intra-corporate communications recounting legal opinions and advice of counsel held protected).

Finally, Airco asserts that if Ms. Mayer's documents reflect destruction of evidence or any other fraud, then there is [*14] no basis for a valid privilege claim. Although it is true that incidents of discovery abuse may justify overriding privilege claims, *In Re Sealed Case, 754 F.2d 395 (D.C. Cir. 1985)*, a review of the documents reveals no evidence of legal advice given to perpetuate a fraud and the documents do not reflect the destruction of evidence. Absent further showing, Abbott's claims of privilege are not defeated on grounds of fraud.

VI. In Camera Examination-Rulings .

Under the above principles, the court has examined the documents submitted in camera and makes the following rulings:

Doc.1112-Privileged.

Doc. 1375-Privileged.

Doc. 1505-Privileged.

Doc. 1680-Privileged.

Doc. 1690-Privileged. (This document is already in Airco's counsel's possession. Abbott now has demanded that it be returned. According to Airco, it was inadvertently given to them which may trigger a waiver of privilege. Abbott contends that it was given to Airco under the express condition that any claim of privilege would not be waived. This court has taken the view that truly inadvertent disclosure during discovery does not waive the privilege.)

V. Contested Airco Privilege Claims

Abbott has [*15] challenged Airco's privilege claims on a series of documents involving two deponents, Donald Reich and Hume Matthews. Reich was the president and chief executive officer of Airco from 1979 to 1983. Prior to 1979, from 1973 to 1978, he held positions in Airco as senior vice president and executive vice president. In these positions he obviously meets the control group criteria set forth in Consolidated Coal. Matthews, according to Airco, is presently an outside attorney for Airco. He is a partner in a law firm which specializes in intellectual property law. Airco asserts that since 1976 Matthews has been consulted as outside counsel on a regular basis concerning, this dispute with Abbott. Prior to 1976, Matthews was Director of Patents, Trademarks, and Licensing at Airco. While an attorney with Airco he negotiated numerous license agreements, including the agreements at issue here.

With respect to these claims of privilege the court rules as follows:

a) R.16, R.18, R.19, R.20.

These claims are multiple copies and excerpts of a draft of an internal memorandum on the FDA's position on testing isoflurane for carcinogenicity. The memorandum was drafted by Edward Mashek, then [*16] Regulatory Affairs Attorney at Airco, and signed by Donald Reich, then senior vice president and executive vice president of Airco. The identity of its addressee is Mr. Mashek. The identity of other recipients is unknown. Airco asserts that the internal memorandum represents communications between the executive vice

president of the corporation and corporate counsel and as such are attorney-client privileged.

In support of its challenge to the privilege claims on these documents, Abbott asserts three principle objections. First, the communications are not privileged because they contain no confidential information communicated or legal advice rendered. Second, the documents were prepared or received by corporate counsel acting in his business rather than legal capacity. Finally, Abbott asserts that Airco failed to meet its burden to prove that the communications were maintained within the control group because Airco represented that exactly who received the documents was unknown.

In order to avail itself of the attorney-client privilege, Airco must at a minimum show that the communication originated in a confidence that it would not be disclosed, was made to an attorney acting in [*17] his legal capacity for the purpose of securing legal advice or services, and remained confidential." *Consolidation Coal, at 119, 432 N.E.2d at 257.* The privilege does not apply to communications discussing business advice instead of legal advice. *CNR Investments, at 1076, 451 N.E.2d at 583.* Accord *Matter of Walsh, 623 F.2d 489, 494 (7th Cir. 1980).* Furthermore, in order for the communications between the attorney and his corporate client to be privileged, the attorney must be acting in his capacity as a professional legal advisor rather than a business advisor at the time the disclosures were made. *Consolidated Coal, at 89, Ill. 2d, 432 N.E.2d, at 257.* Accord *In Re Shapiro, 381 F. Supp. 21, 22 (N.D. Ill. 1974).* Finally, where there is no indication as to whom the memorandum was directed, it cannot be said that the communication remained confidential and was only directed to members of the control group of the corporation asserting the privilege or was prepared with the intent that the same would remain confidential. *CNR Investments, 115 Ill. App. 3d at 1076, 451 N.E.2d at 583.*

Document R.16, a five-page document, appears to be a portion of the internal memorandum [*18] discussing the legal and business options of Airco in response to a letter from the FDA. Paragraphs 2-7 of the document contain legal alternatives whereas the remaining six paragraphs address business alternatives. In its November 1984 description, Airco indicated that it did not know who the addressee(s) of the memorandum was or whether there were any other recipients. In its subsequent Index of Work Product and Privilege Claims, dated April 2, 1985, Airco stated that Mashek received the memorandum but it was unknown whether there were any other recipients. Thus, to the extent Airco has not indicated whether other individuals have received the memorandum it has not met the "control group" test threshold requirement that it show the communication "was not disclosed except to certain authorized parties, i.e., the 'control group' of the corporation." Id. Thus, R.16 is not privileged and should be disclosed.

Document R.18 is simply a photocopy of pages 1, 2, and 5 of R.16. These particular pages contain the legal advice" portion of R.16. For the reasons stated above, however, this document should be disclosed.

Document R.19 is simply a photocopy of pages 3 and 4 of R.16. These pages [*19] contain only "business advice" and as such are not privileged and should be disclosed.

R.20 is a different draft of document R.16 and contains several different editing changes. None of the changes affect whether a particular paragraph contains legal or business advice. Thus, because Airco has not met it burden to show that the document was maintained within the control group, R.20 cannot be said to be privileged.

b) R.35, R.48.

These claims are memoranda drafted by an in-house attorney reporting on conferences held between Airco representatives and representatives of the Food and Drug Administration (FDA). The memoranda advise members of the Airco control group of possible actions by the FDA. Airco claims that these memos represent legal advice and that if Abbott's claims regarding the summaries" of legal advice by Susan Mayer are upheld, Airco's claims should be accorded reciprocal treatment.

In support of its challenge to the privilege claims on these documents, Abbott claims the documents contain no requests for advice of counsel, advice of counsel or any other confidential attorney-client communications. Additionally, Abbott asserts that communication by lawyers acting [*20] as businessmen are not privileged and that the confidentiality of the communications must be maintained and not disclosed to third party. Abbott concludes that simply because a lawyer took notes of conversations between corporate officials and third parties does not make the communications privileged.

Abbott's position with respect to these documents is correct, and individual examination of the memoranda indicates that neither contains privileged communications. Any communication by a client to his attorney in the presence of a third person who is not an agent of the client or his attorney is not privileged nor would any communication by the client to a third person in the presence of his attorney be privileged. *People v. Werhollick, 45 Ill.2d 459, 462, 259 N.E.2d 265, 266 (1970); In Re Busse's Estate, 332 Ill. App. 258, 262, 75 N.E.2d 36, 39-40 (2d Dist. 1947).* See 8 Wigmore at § 1311. Concomitantly, any summaries of non-confidential

conversations by an attorney who was present during the communications are similarly not privileged.

Document R.35 is a report prepared by Airco counsel to a member of the control group of a conference between Airco and members of [*21] the FDA that took place in April, 1976. The report contains no legal advice whatsoever and is merely a summary of the discussions and highlights of the meeting. Thus, since the conference was between Airco and a third party, the FDA, it contained no confidential communications and a summary of the proceedings is not privileged.

Document R.48 is a memorandum prepared by Airco counsel to the files summarizing a June, 1977 meeting between Airco employees and members of the FDA. The memoranda basically reviews the highlights of the meeting and although it briefly mentions possible FDA actions it contains no legal advice. The advice that it does contain appears to be business advice. Thus, this summary of a non-confidential meeting between Airco employees and a third party is not privileged.

Airco's contention that these documents should be afforded the same treatment as Abbott's privilege claims concerning Susan Mayer's summaries" of legal advice is incorrect. The Mayer documents involved notes and summaries" of confidential communications given by a client to its counsel or by counsel to the client. Moreover, those communications were notes concerning legal advice. Documents R.35 and [*22] R.48 are, on the other hand, summaries and minutes of conversations which took place between the client and a third party. The communications were not intended to be confidential nor did they involve any legal advice.

c) R.209, R.210, R.211

These documents are duplicate copies of an internal memorandum discussing several of Airco's defense theories and options in this lawsuit (R.209, 210) plus a cover letter to Mr. Matthews that accompanied a copy of the memorandum (R.211). The document is a memorandum to the files drafted by Mr. Mashek, then Airco's Associate General Counsel and the in-house counsel in charge of this litigation. A copy of the memorandum was sent to Hume Matthews, who, prior to 1976, was an in-house attorney at Airco. After 1976 Mr. Matthews left Airco for private practice but according to Airco continued in his capacity as legal counsel and advisor to Airco. Other recipients of the memorandum were limited to three individuals on Airco's list of in-house and outside counsel.

In support of its challenge to the privilege claims, Abbott asserts that the documents are not privileged because they were disclosed to Matthews well after he left Airco and that confidential [*23] information which is disclosed to third parties is not privileged. Abbott also contends that the documents were dated less than two months before the preliminary injunction hearing and Matthews testified as a third party witness at the hearing. Abbott concludes that Airco's communications with a third party witness who is not a member of the control group are not privileged.

Although it is clear that the disclosure of confidential information to individuals outside the control group can result in a waiver of the attorney-client privilege, in this case the information was disclosed to a third party acting in his capacity as legal counsel and advisor to Airco. Document 211 clearly indicates that the memorandum was sent to Matthews as an Airco attorney, seeking any advice Matthews might have regarding the corporation's litigation strategy. Thus, the fact that Matthews had left Airco in 1976 is irrelevant because it appears that Airco had retained him as a legal advisor. Additionally, that Matthews testified at the preliminary injunction hearing does not affect the memorandum's confidentiality. The attorney-client privilege belongs to the client, not the attorney. Abbott does not allege [*24] that Matthews disclosed this confidential communication in his testimony. That the attorney is called as a witness and discloses confidential communications does not abrogate the privilege so long as the client objects to the disclosure of any confidential communications. See *Newton v. Meissner, 76 Ill, App. 3d 479, 394 N.E.2d 1241 (1st Dist. 1979)*. Thus, the fact that Matthews testified at the preliminary injunction hearing is immaterial to the question of whether documents 209, 210 and 211 are privileged.

Finally, Abbott has not addressed Airco's claim that the memorandum is immune from discovery as work product. Examination of the memorandum indicates that it clearly falls within the mandatory language of *Federal Rules of Civil Procedure 26(b)(3)* regarding "opinion work product". The subject matter of the memorandum concerns issues regarding this litigation and contains Mashek's opinions, mental impressions and legal theories on the case. Thus, R.209 and R.210 are clearly opinion work product. Furthermore, under the federal rule, the work product privilege is not as easily waived as the attorney-client privilege by only partial disclosure or disclosure to third parties. [*25] See *Sporck v. Peil, 759 F.2d 312 (3d Cir. 1985); In Re September 1978 Grand Jury (II), 640 F.2d 49 (7th Cir. 1980); Nye v. Sage Products, Inc., 98 F.R.D. 452 (N.D. Ill. 1982)*. The work product privilege is not deemed waived by disclosure unless the disclosure is inconsistent with maintaining secrecy from possible adversaries. *Stix Prod., Inc. v. United Merchants Mfg., Inc., 47 F.R.D. 334 (S.D.N.Y. 1969)*. The disclosure of the memorandum to Matthews is consistent with Airco's attempt to keep the information

confidential. Matthews was in-house counsel to Airco and as an attorney in private practice was frequently relied on by Airco for legal advice. Thus, that Maschek sent a copy of documents R.208 and R.210 to Matthews does not abrogate their work product immunity.

With respect to document R.211, this is simply Mashek's cover letter to Matthews accompanying the R.209/210 memorandum. The document does not reveal any confidences and merely solicits comments on the enclosed document. As such, R.211 does not appear to be work product or privileged and should be disclosed.

d) R.216

Document R.216 is a letter from Matthews, then Director of Patent, Trademark [*26] and Licensing Activities at Airco, to W. D. Carroll, outside counsel to Airco, discussing possible antitrust implications for the 1970 Ethrane agreement with Abbott and requesting legal advice on the issue from Carroll. Matthews was one of the negotiators of the Ethrane agreement. R.216 then, appears to be privileged as a communication of confidential information to legal counsel and a request for legal advice.

Abbott contends, however, that the attorney-client privilege for this document has been waived because Matthews testified at the preliminary injunction hearing that the scope of Airco's retained rights for Forane were the result of those antitrust concerns. Abbott argues that a party cannot claim a privilege on a communication it has already used for its own benefit. Furthermore, Abbott asserts that Judge Getzendanner already ruled that documents authored by negotiators which address the interpretation of the agreement and the intent of the parties are not privileged and that many such documents have already been produced.

Airco agrees that neither side can claim a privilege for documents concerning the negotiations leading to the isoflurane agreement but contends that R.216 [*27] has nothing to do with the 1974 isoflurane negotiations. The letter, Airco asserts, was written years before the isoflurane negotiations began and additionally "does not even shed light on the [1970] enflurane negotiations, because it was written after all the terms of the enflurane agreement had been fully negotiated." Airco's Memorandum in Support of its Privilege Claims at 5. Finally, Airco contends that the only similarity between R.216 and Matthews' testimony is that both contain the word "antitrust". According to Airco, however, Abbott's "waiver" argument is without merit because the word is used in two entirely different contexts.

Abbott is correct that "a party waives the attorney-client privilege when the contents of the privileged communications are put in issue by the party asserting the privilege." In *Matter of Continental Illinois Securities Litigation, 732 F.2d 1302, 1315* N.20 (7th Cir. 1974). Abbott, however, is incorrect when it asserts that Matthews testified that the scope of Airco's retained rights for Forane were the result of antitrust concerns arising out of the Ethrane agreement. At the preliminary injunction hearing, the context and content of Matthews' [*28] testimony clearly indicate that his testimony about his antitrust concerns referred to the negotiations surrounding the 1974 isoflurane agreement. Document R.216, however, discusses the 1970 Ethrane agreement. Beyond the general discussion of "antitrust" concerns, R.216 and Matthews' testimony are not related. Thus, Airco did not waive the attorney-client privilege when Matthews testified at the injunction hearing.

Finally, Judge Getzendanner's order regarding the disclosure of documents authorized by negotiators concerned the negotiators of the 1974 agreement which is the agreement at issue in this litigation. Thus, this order has no effect on document R.216 which relates to the 1970 agreement.

R.216 is privileged and must be returned.

e) R.220

This document is a memorandum from Mashek to two members of the Airco control group advising them of topics Mashek anticipates will be the subject of their depositions. As such, it is unquestionably attorney-client and opinion work product privileged. See *Sprock v. Peil, 759 F.2d 312 (3d Cir. 1985)*. Abbott has not asserted any special objections to this document. R.220 is thus privileged and should not be disclosed.

ORDER [*29]

It is therefore ordered that the parties, within ten days hereof, disclose or return documents in conformity with this memorandum decision.

Under *Rule 72(a), Fed.R.Civ.P.*, objections to this order must be filed with the district judge within ten days after its entry. Failure to object will constitute a waiver of objections on appeal.

TAB 2

LEXSEE 2002 U.S. DIST. LEXIS 4805

AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, as Trustee f/b/o Emerald Investments LP and Emerald Investments LP, an Illinois partnership, Plaintiffs, v. AXA CLIENT SOLUTIONS, LLC; THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES; and AXA FINANCIAL, INC., Defendants.

Case No. 00 C 6786

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

2002 U.S. Dist. LEXIS 4805

March 20, 2002, Decided
March 22, 2002, Docketed

DISPOSITION: [*1] American National Bank's motion to test sufficiency of Equitable Life Assurance Society's claims of attorney-client privilege and work-product doctrine per third amended privilege log granted in part and denied in part.

LexisNexis(R) Headnotes

COUNSEL: For AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, as Trustee f/b/o Emerald Investments LP, EMERALD INVESTMENTS LP, an Illinois Partnership, plaintiffs: Charles S. Bergen, George Robert Dougherty, Matthew O'Neill Sitzer, Peter S. Roeser, Grippo & Elden, Chicago, IL.

For AXA CLIENT SOLUTIONS, LLC, AXA FINANCIAL, INC., defendants: Jeffrey A Rossman, McDermott, Will & Emery, Chicago, IL.

For EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES, defendant: Steven Samuel Scholes, Thomas D. Shakeshaft, Michael Lawrence Duffy, Jeffrey A Rossman, McDermott, Will & Emery, Chicago, IL.

For EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES, third-party plaintiff: Steven Samuel Scholes, Thomas D. Shakeshaft, Michael Lawrence Duffy, Jeffrey A Rossman, McDermott, Will & Emery, Chicago, IL.

For NIKOH SECURITIES CORPORATION, third-party defendant: Michael Daehyun Lee, Daniel Joseph McCarthy, III, Schuyler, Roche & Zwirner, Chicago, IL.

JUDGES: MARTIN C. [*2] ASHMAN, United States Magistrate Judge. Judge Charles P. Kocoras.

OPINIONBY: MARTIN C. ASHMAN

OPINION:

MEMORANDUM OPINION AND ORDER

American National Bank and Trust Company moves this Court to test the sufficiency of Equitable Life Assurance Society's claims of attorney-client privilege and work-product doctrine as per its third amended privilege log. Equitable's privilege log spans 118 pages. We have agreed to conduct an in camera review of every fifteenth document listed on the privilege log, up to a total of ten documents. For the reasons stated, this Court grants American National Bank's motion in part and denies it in part.

I.

The facts relating to the underlying dispute between the parties have been narrated twice before. *See Am. Nat'l Bank & Trust Co. v. AXA Client Solutions, LLC, 2001 U.S. Dist. LEXIS 8893,* No. 00 C 6786, *2001 WL*

743399, at *1 (N.D. Ill. June 29, 2001); *Am. Nat'l Bank & Trust Co. v. AXA Client Solutions, LLC, 2001 U.S. Dist. LEXIS 1556*, No. 00 C 6786, *2001 WL 127653*, at *1 (N.D. Ill. Feb. 14, 2001). For purposes of the instant motion, it is enough to say that American National Bank contends that Equitable improperly obstructed American National Bank's right to transfer [*3] funds in and out of certain annuity accounts. Time is better spent jumping into the thick of it, discussing the attorney-client privilege and work-product doctrine and then assessing Equitable's basis or bases for withholding the submitted documents from discovery.

The attorney-client privilege protects confidential communications between a client and his legal advisor. It developed as a consideration for the fostering of confidence and trust by the client in his legal advisor so that the legal advisor could provide effective legal advice. *Trammel v. United States, 445 U.S. 40, 51, 63 L. Ed. 2d 186, 100 S. Ct. 906 (1980); Prevue Pet Prods., Inc. v. Avian Adventures, Inc., 200 F.R.D. 413, 415 (N.D. Ill. 2001)* (quoting *Upjohn Co. v. United States, 449 U.S. 383, 389, 66 L. Ed. 2d 584, 101 S. Ct. 677 (1981))*. In the Seventh Circuit, the general principle of the attorney-client privilege takes the following form: "Where legal advice of any kind is sought from a professional legal adviser in his capacity as such, the communications relating to that purpose, made in confidence by the client, are at his instance permanently protected from [*4] disclosure by himself or by the legal adviser, except the protection be waived." *United States v. White, 950 F.2d 426, 430 (7th Cir. 1991)* (quoting 8 Wigmore, Evidence § 2292, at 554 (McNaughton rev. 1961)). Because the attorney-client privilege impedes the judicial search for truth, it is strictly construed. *In re Walsh, 623 F.2d 489, 493 (7th Cir. 1980)*. The party asserting the attorney-client privilege bears the burden of establishing all of its elements on a document-by-document basis. *United States v. Lawless, 709 F.2d 485, 487 (7th Cir. 1983)*.

The work-product doctrine protects communications between a client and his legal advisor and much that has its source outside of client communications. It developed as a consideration for the maintenance of a certain "degree of privacy" to protect the legal advisor's work so as to promote balance and fairness in the adversarial system. *Upjohn Co., 449 U.S. at 397-402; Hickman v. Taylor, 329 U.S. 495, 507-12, 91 L. Ed. 451, 67 S. Ct. 385 (1947)*. In codified form, the work-product doctrine states that "a party may obtain discovery of documents . . . otherwise [*5] discoverable . . . and prepared in anticipation of litigation or for trial by or for another party or by or for that other party's representative 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." *Fed. R. Civ. P. 26(b)(3)*. The party asserting the work-product doctrine must prove all of its elements on a document-by-document basis. *Applied Telematics, Inc. v. Sprint Communications Co., 1996 U.S. Dist. LEXIS 13782, Civ. A. No. 94-4603, 1996 WL 539595*, at *4 (E.D. Pa. Sept. 18, 1996). The threshold determination in any case is "whether, in light of the nature of the document and the factual situation in the particular case, the document can fairly be said to have been prepared or obtained because of the prospect of litigation." *Binks Mfg. v. Nat'l Presto Indus., 709 F.2d 1109, 1118-19 (7th Cir. 1983)* (quoting 8 Charles Alan Wright et al., Federal Practice and Procedure § 2024, at 343 (2d ed. 1994)).

The first document submitted by Equitable is listed on the privilege log as EQ 7500--EQ [*6] 7510. The document was authored by in-house counsel and sent to in-house counsel and an Equitable employee. Equitable described the document as draft letters for brokers regarding warnings for market timing. Equitable claimed that the draft letters were protected against discovery under the attorney-client privilege. We uphold this assertion of the attorney-client privilege, assuming that the privilege has not been waived. Courts have held that parts of draft letters ultimately disclosed to third parties via the final version of the letter must be disclosed due to waiver. *See Softview Computer Prods. Corp. v. Haworth, Inc., 2000 U.S. Dist. LEXIS 4254*, No. 97 Civ. 8815 KMWHBP, 2000 WL 351411, at *15 (S.D.N.Y. Mar. 21, 2000) ("Drafts of documents prepared by an attorney for transmission to third parties are protected by the attorney-client privilege only where the draft document contains confidential information communicated by the client to the attorney that is maintained in confidence."); *Schenet v. Anderson, 678 F. Supp. 1280, 1284 (E.D. Mich. 1988)* ("The privilege is waived only as to those portions of the preliminary drafts ultimately revealed to third parties."). Here, it is apparent [*7] that the draft letters contain legal advice and opinions of in-house counsel, and, based on the description of the draft letters on the privilege log, it appears that the draft letters were prepared and kept in confidence.

The second document submitted by Equitable is listed on the privilege log as EQ 7556. The document contains handwritten notes that were authored by in-house counsel. Equitable described the document as a draft letter and the handwritten notes as reflecting legal advice from in-house counsel. Equitable claimed that the handwritten notes were protected against discovery under the attorney-client privilege. We dismiss this assertion of the attorney-client privilege because the handwritten notes were not communicated by in-house counsel to anyone and disclosure of the handwritten

notes would not reveal any confidential communication that was made for the purpose of obtaining legal advice. *See Midwestern Univ. v. HBO & Co., 1998 U.S. Dist. LEXIS 20550,* No. 96 C 2826, *1999 WL 32928,* at *4 (N.D. Ill. Jan. 4, 1999); *Sneider v. Kimberly-Clark Corp., 91 F.R.D. 1, 6 (N.D. Ill. 1980).* The handwritten notes merely reflect in-house counsel's own uncommunicated thoughts, [*8] and such recorded and uncommunicated thoughts fall outside the province of the attorney-client privilege.

The third document submitted by Equitable is listed on the privilege log as EQ 7631--EQ 7665. The document was authored by in-house counsel and sent to in-house counsel and two Equitable employees. Equitable described the document as draft letters to customers regarding market timing and dated the draft letters September 2000. Equitable claimed that the draft letters were protected against discovery under the attorney-client privilege and work-product doctrine. We find that the draft letters are protected against discovery under the attorney-client privilege, assuming that the privilege has not been waived. *See Softview Computer Prods. Corp., 2000 U.S. Dist. LEXIS 4254, 2000 WL 351411,* at *15; *Schenet, 678 F. Supp. at 1284.* The draft letters contain legal advice and opinions of in-house counsel and it appears, based on the description of the draft letters on the privilege log, that the draft letters were prepared and kept in confidence. We find that the draft letters are not protected against discovery under the work-product doctrine because the draft letters were not prepared [*9] in anticipation of litigation. The motivation for preparing the draft letters was to assist Equitable in managing its business, which is shown by the content of the letters. These templates would have likely been prepared regardless of whether any litigation was expected to ensue. *See Hardy v. N.Y. News Inc., 114 F.R.D. 633, 646 (S.D.N.Y. 1987).*

The fourth document submitted by Equitable is listed on the privilege log as EQ 7762--EQ 7763. The document contains two e-mails. One of the e-mails, dated March 9, 2000, was authored by an Equitable employee and sent to in-house counsel and several Equitable employees. The other e-mail, dated March 7, 2000, was also authored by an Equitable employee and sent to in-house counsel and several Equitable employees. Equitable described the document as e-mails concerning possible actions that Equitable might take in response to market timing. Equitable claimed that both e-mails were protected against discovery under the attorney-client privilege. We disagree with this assertion, but agree that the part of the first sentence in the last paragraph beginning with "and" and ending with "change" is protected against discovery under the [*10] attorney-client privilege. Disclosure of this part of the March 7 e-mail would reveal a confidential communication that was made for the purpose of obtaining legal advice. In the corporate context, it is well settled that the privileged nature of a communication does not lose its status as such simply because it is disseminated among numerous employees of the corporation. *See McCook Metals L.L.C. v. Alcoa Inc., 192 F.R.D. 242, 254 (N.D. Ill. 2000); Bank Brussels Lambert v. Credit Lyonnais (Suisse) S.A., 160 F.R.D. 437, 442 (S.D.N.Y. 1995).* It is equally settled, however, that a communication is not necessarily privileged because the communication was sent to an attorney. *United States Postal Serv. v. Phelps Dodge Refining Corp., 852 F. Supp. 156, 160 (E.D.N.Y. 1994).* Accordingly, the test rest of the document, which reveals communications made by Equitable employees for the purpose of obtaining business advice, must be disclosed.

The fifth document submitted by Equitable is listed on the privilege log as EQ 7809--EQ 7810. The document contains four e-mails. One of the e-mails, dated March 15, 2000, was authored by in-house counsel [*11] and sent to in-house counsel and two Equitable employees. Another e-mail, dated March 15, 2000, was authored by an Equitable employee and sent to another Equitable employee. The other two e-mails, dated March 21, 2000, were authored by the same Equitable employee and sent to in-house counsel and three Equitable employees. Equitable described the document as four e-mails relating to changing addresses for contract holders. Equitable claimed that the e-mails were protected against discovery under the attorney-client privilege. We uphold this assertion of the privilege because the e-mails contain communications that were made for the purpose of obtaining or providing legal advice. *See United States v. Rowe, 96 F.3d 1294, 1296-97 (9th Cir. 1996).* Particularly, in-house counsel was in the process of obtaining information necessary to provide legal advice. *See Upjohn Co., 449 U.S. at 390-91.*

The sixth document submitted by Equitable is listed on the privilege log as EQ 7865. The document was authored by in-house counsel and sent to an Equitable employee. Equitable described the document as a handwritten memorandum and claimed that it was protected against [*12] discovery under the attorney-client privilege. We dismiss this assertion of the privilege because the content of the handwritten memorandum does not reveal any confidential communication that was made for the purpose of obtaining legal advice. The handwritten memorandum merely reports in one sentence the content of the attached document that was delivered to the Equitable employee, akin to a cover letter containing a terse description of the transmittal. *See Republican Party of N.C. v. Martin, 136 F.R.D. 421, 428 (E.D.N.C. 1991).* It appears that in-house counsel

delivered the attached document on his own account, rather than in response to a request.

The seventh document submitted by Equitable is listed on the privilege log as EQ 7994--EQ 7995. The document contains four e-mails. One of the e-mails, dated June 21, 2000, was authored by an Equitable employee and sent to in-house counsel and two Equitable employees. The second e-mail, dated June 22, 2000, was authored by in-house counsel and sent to in-house counsel and three Equitable employees. The third e-mail, also dated June 22, 2000, was authored by an Equitable employee and sent to in-house counsel and two Equitable [*13] employees. Lastly, the fourth e-mail, dated June 26, 2000, was authored by in-house counsel and sent to in-house counsel and three Equitable employees. Equitable described the document as e-mails reflecting correspondence with counsel regarding contract language on market timing. Equitable claimed that the e-mails were protected against discovery under the attorney-client privilege. We find that the communication contained in the June 21 e-mail is protected against discovery under the attorney-client privilege because it was made for the purpose of obtaining legal advice. *See Nguyen v. Excel Corp., 197 F.3d 200, 206 (5th Cir. 1999)* ("A client's specific request to an attorney and pertinent information related thereto fall within the reaches of the privilege."). We find that the communication contained in the June 22 e-mail from in-house counsel is protected against discovery under the attorney-client privilege, assuming that the privilege has not been waived, because the communication contains legal advice and opinions of in-house counsel and it appears, based on the description of the e-mail on the privilege log, that the communication was prepared and kept in confidence. [*14] *See Softview Computer Prods. Corp.,2000 U.S. Dist. LEXIS 4254, 2000 WL 351411,* at *15; *Schenet, 678 F. Supp. at 1284.* The communication contained in the June 22 e-mail from the Equitable employee is protected against disclosure under the attorney-client privilege because it was made for the purpose of obtaining legal advice. And lastly, the communication contained in the June 26 e-mail is protected against discovery under the attorney-client privilege, assuming that the privilege has not been waived, because the communication contains legal advice and opinions of in-house counsel and it appears, based on the description of the e-mail on the privilege log, that the communication was prepared and kept in confidence. *See Softview Computer Prods. Corp., 2000 U.S. Dist. LEXIS 4254, 2000 WL 351411,* at *15; *Schenet, 678 F. Supp. at 1284.*

The eighth document submitted by Equitable is listed on the privilege log as EQ 8066. The document was authored by in-house counsel and sent to in-house counsel and several Equitable employees. It contains a handwritten note written by in-house counsel. Equitable described the document as an e-mail with a handwritten note concerning proposed [*15] market timing language. Equitable claimed that the e-mail and handwritten note were protected against discovery under the attorney-client privilege. We uphold this assertion of the privilege with respect to the e-mail itself, assuming that the privilege has not been waived. *See Softview Computer Prods. Corp.,2000 U.S. Dist. LEXIS 4254, 2000 WL 351411,* at *15; *Schenet, 678 F. Supp. at 1284.* The e-mail contains legal advice and opinions of in-house counsel and it appears, based on the description of the e-mail on the privilege log, that the e-mail was prepared and kept in confidence. However, we dismiss this assertion of the privilege with respect to the handwritten notes because the handwritten notes were not communicated by in-house counsel to anyone and disclosure of the handwritten notes would not reveal any confidential communication that was made for the purpose of obtaining legal advice. *See Midwestern Univ., 1998 U.S. Dist. LEXIS 20550, 1999 WL 32928,* at *4; *Sneider, 91 F.R.D. at 6.* The handwritten notes merely reflect in-house counsel's own uncommunicated thoughts, and such recorded and uncommunicated thoughts fall outside the province of the attorney-client privilege. [*16]

The ninth document submitted by Equitable is listed on the privilege log as EQ 8126--EQ 8127. The document was authored by in-house counsel and sent to in-house counsel. Equitable described the document as a legal memorandum concerning changes to transfer rules. Equitable claimed that the document was protected against discovery under the attorney-client privilege. We uphold this assertion of the privilege because disclosure of the legal memorandum would reveal confidential communications that were made for the purpose of obtaining legal advice. *See N.C. Elec. Membership Corp. v. Carolina Power & Light Co., 110 F.R.D. 511, 517 (M.D.N.C. 1986)* ("Legal memoranda which summarize case law but contain no factual application to the client do not contain confidential client information and are thus not privileged."); *SCM Corp. v. Xerox Corp., 70 F.R.D. 508, 523 (D. Conn. 1976)* ("Of course, the attorney's opinions and legal theories, even if recorded in his own files, are privileged under the narrow standard of *United Shoe* if they reveal information supplied in confidence by the client.").

Finally, the tenth document submitted by Equitable is listed [*17] on the privilege log as EQ 8200. The document was authored by in-house counsel and sent to in-house counsel and two Equitable employees. Equitable described the document as an e-mail providing legal advice regarding market timing sales agreements.

Equitable claimed that the document was protected against discovery under the attorney-client privilege. We uphold this assertion of the privilege because the e-mail contains legal advice and opinions of in-house counsel.

II.

For the reasons stated, this Court grants American National Bank's motion in part and denies it in part. Equitable must produce documents to American National Bank as stated above.

ENTER ORDER:

Dated: March 20, 2002.

MARTIN C. ASHMAN

United States Magistrate Judge

TAB 3

LEXSEE 2003 US DIST LEXIS 11485

JAMES P. BRENEISEN, JR., BARBARA L. BRENEISEN, LAURA M. JONES, ANNA M. LINEWEAVER, JENNIFER HORTON, and AMY L. BOONOS a/k/a AMY L. CLARK, Plaintiffs, v. MOTOROLA, INC., a corporation,, JUNE JOHNSON, individually and not as an employee of MOTOROLA, INC., DARLENE PATTERSON, individually and not as an employee of MOTOROLA, INC., DON SMITH, individually and not as an employee of MOTOROLA, INC., ALAN SHAW, individually and not as an employee of MOTOROLA, INC., FRANK GALINDO, individually and not as an employee of MOTOROLA, INC., ROY FAIN, individually and not as an employee of MOTOROLA, INC., and MARK LARSON, individually and not as an employee of MOTOROLA, INC., Defendants.

Case No. 02 C 50509

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, WESTERN DIVISION

2003 U.S. Dist. LEXIS 11485

July 3, 2003, Decided
July 3, 2003, Filed; July 7, 2003, Docketed

DISPOSITION: [*1] Defendants' Motion for Protective Order granted in part and denied in part.

LexisNexis(R) Headnotes

COUNSEL: For JAMES P BRENEISEN, JR, BARBARA L BRENEISEN, LAURA M JONES, ANNA M LINEWEAVER, plaintiffs: Mark J. Vogg, Williams, Montgomery & John, Ltd., Chicago, IL.

For JAMES P BRENEISEN, JR, BARBARA L BRENEISEN, LAURA M JONES, ANNA M LINEWEAVER, plaintiffs: Robert A. Clifford, Clifford Law Offices, P.C., Chicago, IL.

For JAMES P BRENEISEN, JR, BARBARA L BRENEISEN, LAURA M JONES, ANNA M LINEWEAVER, plaintiffs: Patrick E. Mahoney, Patrick Mahoney & Associates, Chicago, IL.

For JAMES P BRENEISEN, JR, BARBARA L BRENEISEN, LAURA M JONES, ANNA M LINEWEAVER, plaintiffs: Peter Thomas Shovlain, Peter T. Shovlain & Associates, Waukegan, IL.

For MOTOROLA, INC., defendant: Michael A. Warner, Joan E. Gale, Scott A. Carlson, Susan F. Gallagher, Theresa Robbins Shea, Christopher Lawrence Casazza, Seyfarth Shaw, Chicago, IL.

For JUNE JOHNSON, DARLENE PATTERSON, DON SMITH, ALAN SHAW, FRANK GALINDO, ROY FAIN, defendants: Michael A. Warner, Scott A. Carlson, Theresa Robbins Shea, Seyfarth Shaw, Chicago, IL.

For MARK LARSON, defendant: Scott A. Carlson, Seyfarth Shaw, Chicago, IL.

JUDGES: P. MICHAEL MAHONEY, [*2] MAGISTRATE JUDGE, UNITED STATES DISTRICT COURT. Philip G. Reinhard.

OPINIONBY: P. MICHAEL MAHONEY

OPINION:

Memorandum Opinion and Order

This Court must address a discovery dispute between James P. Breneisen (the "named Plaintiff") and other current and former employees of Motorola Inc. (collectively "Plaintiffs") and Motorola Inc. and seven

individuals and supervisors of Motorola Inc. (collectively "Defendants" or "Motorola"). The current dispute before this Court is Plaintiffs' attempt to possess memoranda and emails written by the individual Defendants. In response to Plaintiffs' attempt, on December 2, 2002, while this case was still in the Eastern Division, Defendants filed a Motion for Protective Order ("Defendants' Motion for Protective Order"). Plaintiffs filed their response on December 30, 2002. On January 21, 2003, after this case had been transferred to the Western Division, Defendants filed their reply. This Court held an in court hearing on April 15, 2003. The specifics of that hearing are not relevant for the instant motion. However, what is relevant is that during that in court hearing, this Court ordered Defendants to produce the documents listed on its privilege log [*3] for an *in camera* inspection. For the following reasons, Defendant's Motion for a Protective Order is granted in part and denied in part.

Background

This case involves claims brought under the Family Medical Leave Act, *29 U.S.C. § 2601* ("FMLA"), as well as common law claims for intentional infliction of emotional distress ("IIED"). Plaintiffs in this case are current and former employees of Motorola's Rockford facility who allegedly exercised their rights under the FMLA. Plaintiffs' Amended Complaint contains twenty counts against Defendants. Plaintiffs are alleging they were the victims of harassment and intimidation by Defendants in order to prevent additional employees from exercising their rights under FMLA.

Vital to Plaintiffs' case are five emails that are in the possession of the named Plaintiff. Allegedly, these emails were sent between August 31, 2001 and January 7, 2002 by Defendants June Johnson and Darlene Patterson to each other and to Defendant Alan Shaw. The validity of the emails is the crux of this litigation due to the damaging nature of their content. The named Plaintiff alleges he received these emails from Motorola information [*4] technology employee Jamie Campbell, although Ms. Campbell denies ever having the emails or giving them to the named Plaintiff.

At issue are various communications, both memorandum and email form, between Defendants after the termination of the named Plaintiff. Defendants, in order to prevent disclosure of these communications, filed a Motion for Protective Order.

Defendants maintain that Plaintiffs seek discovery of documents created by the individual Defendants who are agents of Motorola, particularly those containing summaries of factual events and investigations relating to the claims in the instant case. The memoranda at issue are identified as "February 6, 2002, regarding J. Breneisen" and "April 8, 2002, regarding L. Jones," and updated versions of the February 6, 2002 memorandum. n1 Defendants oppose the discovery of these items, based on the assertion that the information is protected by the attorney-client privilege and the work-product doctrine.

> n1 It should be noted that Defendants' Motion for a Protective Order only sought the protection of certain documents that Plaintiffs had previously requested and not all the documents listed on Defendants' privilege log. However, Plaintiffs, in response to Defendants' Motion for a Protective Order, made it clear in their brief that they sought every document on the privilege log. Defendants, in reply, then articulated a privilege argument for every document listed on their privilege log.

[*5]

Defendants first argue that the factual summaries and chronological statements of events are protected by the attorney-client privilege. Specifically, Defendants argue that factual summaries and chronological statements were prepared by individual Defendants and the Human Resource Manager at the direction of counsel and in anticipation of and in response to the instant litigation. In terms of the February 6, 2002 memorandum and email relating to James Breneisen, Defendants argue that the named Plaintiff informed Motorola's Human Resources Manager, Bobbi Cooper, that he was going to sue Motorola based upon his alleged treatment. Ms. Cooper, at the direction of Motorola's law department, prepared a factual summary of events relating to, and in response to the named Plaintiff's threat of litigation.

In terms of the April 1, 2, 3, 8, 22 and May 10, 2002 documents and emails relating to the Plaintiffs, Defendants argue that the individual Defendants were served with the complaint for the instant case between March 22 and April 1, 2002. These individuals contacted Ms. Cooper who in turn contacted Motorola's law department. The law department, Defendant asserts, directed Ms. Cooper to assist [*6] the individuals in assembling information for outside counsel for litigation. Ms. Cooper, in turn, according to Defendants, communicated to the individual Defendants and assisted them in updating the memoranda relating to the named Plaintiff.

Plaintiffs argue that, in terms of the February 6, 2002 memorandum and email regarding James Breneisen, the claim that the memorandum was created at the direction of Motorola's legal department is supported only by Ms. Cooper's unverified declaration.

Additionally, documents reflecting any subsequent fact investigation of the Law and Human Resources Departments of Motorola are not privileged because they reflect statements that would have been made absent the privilege. The attorney-client privilege, according to Plaintiffs, protects only those disclosures necessary to obtain informed legal advice which might not have been made absent the privilege. Therefore, because Motorola policy requires its Human Resources Department to investigate employee complaints, Plaintiffs maintain that the documentation in question is merely documentation produced in the normal course of business and not in furtherance of litigation.

Defendants next argue, as discussed [*7] above, that the memoranda created by Ms. Cooper and the individual Defendants were created in response to a specific threat of litigation by the named Plaintiff. Therefore, pursuant to *Federal Rules of Civil Procedure 26(b)(3)*, Defendants maintain that these documents should be privileged under the work-product doctrine.

Plaintiffs argue the February 6, 2003 memorandum and documents reflecting the subsequent fact investigation of Plaintiffs' claim were created in the ordinary course of business and are not work product. Specifically, Plaintiffs argue that not every document created or produced by a company can be categorized as work product simply because the company's internal investigation is co-existent with a present or anticipated lawsuit that is the same subject matter of the litigation. *See Caremark v. Affiliated Computer Services, Inc., 195 F.R.D 610, 614-15 (N.D. Ill. 2000).*

Lastly, Plaintiffs argue that even if the memoranda and emails in question are protected by work-product privilege, Plaintiffs are nevertheless entitled to the documents because they have demonstrated a substantial need for the information. Specifically, Plaintiffs maintain that because [*8] of the nature of the information, Plaintiffs cannot and will not be able to obtain the documents from any other source, and as such, Plaintiff can demonstrate both a substantial need for the materials and that Plaintiffs would suffer undue hardship in procuring the requested information some other way.

Discussion

Rule 26(c) states "for good cause shown, the court in which the action is pending ... may make any order which justice requires to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense, including ... (1) that the disclosure or discovery not be had." *Fed. R. Civ. P. 26(c)(1).* The district court has discretion to decide when a protective order is appropriate and what degree of protection is required. *Seattle Times Co., v. Rhinehart, 467 U.S. 20, 36, 81 L. Ed. 2d 17, 104 S. Ct. 2199 (1984). Rule 26(c)* states only good cause is required in determining whether or not to issue a protective order. *Id. at 37.* In deciding whether good cause exists, the district court must balance the interests of the parties taking into account, the harm to the party seeking the protective order, and the importance [*9] of the disclosure to the non-moving party. *Wiggins v. Burge, 173 F.R.D 226, 229 (N.D. Ill. 1997).*

A. Attorney-Client Privilege

The Seventh Circuit applies the general principles of attorney-client privilege as outlined by Wigmore:

> (1) Where legal advice of any kind is sought, (2) from a professional legal adviser in a capacity as such, (3) the communications relating to that purpose, (4) made in confidence, (5) by the client, (6) are at the client's instance permanently protected (7) from disclosure by the client or by the legal adviser (8) unless the protection is waived.

United States v. White, 950 F.2d 426, 430 (7th Cir. 1991) (citing 8 Wigmore§ 2292). Because Defendants are the party seeking to establish the privilege, Defendants bear the burden of demonstrating that all of the requirements for invoking the attorney-client privilege are met. *White, 950 F.2d at 430.* The inquiry into whether documents are subject to the privilege '"must be made and sustained on a question-by-question or document-by-document basis;' it cannot be a blanket claim." *EEOC v. Int'l Profit Assoc., 206 F.R.D. 215, 218* (citing [*10] *White, 950 F.2d at 430*).

The attorney-client privilege extends to corporate in-house counsel. *See Upjohn Co. v. United States, 449 U.S. 383, 389, 101 S. Ct. 677, 66 L. Ed. 2d 584 (1981)*(stating corporate employees' communications to counsel for corporation in order to secure legal advice for corporation are privileged). However, communications made by and to a corporate in-house counsel with respect to business matters, management decisions, or business advice are not protected by the privilege. 6 *Moore's Federal Practice,* § 26.49 (Matthew Bender 3d ed. 2002). To be entitled to the privilege, a corporate lawyer must not only be functioning as a lawyer, but the advice given must be predominately legal, as opposed to business, in nature. *Id.* In deciding whether the privilege exists, this Court must examine whether the lawyer was acting as a lawyer rather than a business advisor or management decision maker. Generally, there is a presumption that a lawyer in the legal department of the

corporation is giving legal advice, and an opposite presumption for a lawyer who works on the business or management side. However, the lawyer's position in the [*11] corporation is not necessarily dispositive. *See e.g., Boca Investerings Partnership v. United States, 31 F. Supp. 2d 9, 12 (D.D.C. 1998)*(finding documents prepared by a corporate attorney who worked on business side of office were nevertheless entitled to protection because advice was predominately legal as opposed to business).

As stated above, Defendants first argue that the investigative factual summaries and chronological statements of events are protected by the attorney-client privilege. This is so, Defendants argue, because the investigative factual summaries and chronological statements were prepared by the individual defendants and Motorola's Human Resource Manager at the direction of counsel and in anticipation of and in response to filed litigation. This Court agrees that some of the communications are covered by attorney-client privilege, but not all.

As stated above, to establish an attorney-client privilege, there needs to be a communication with an attorney where legal advice is sought. After reviewing the documents submitted for an *in camera* inspection, this Court finds that only PR 0009 and 0023 falls under the attorney-client privilege. These [*12] documents contain communications from attorneys in Defendant's corporate law department which contain advice regarding the impending litigation. As such, these documents are privileged. *See Lexecon, Inc. v Milberg Weiss Bershad Specthrie & Lerach, 1993 U.S. Dist. LEXIS 6898, 1993 WL 179789,* *7 (N.D. Ill. May 24, 1993)("Attorney-client privilege claims would protect only documents, from client to lawyer or from lawyer to lawyer or from lawyer to client, whose production would reveal the content of privileged communications from clients made for the purpose of securing legal advice or services.")

B. Work-Product Doctrine

The work-product doctrine, codified as *Rule 26(b)(3) of the Federal Rules of Civil Procedure*, protects otherwise discoverable documents and tangibles. *Rule 26(b)(3)* provides:

> [A] party may obtain discovery of documents and tangible things otherwise discoverable under subdivision (b)(1) of this rule and prepared in anticipation of litigation or for trial by or for another party or by or for that other party's representative (including the other party's attorney, consultant, surety, indemnitor, insurer, or agent) only upon a showing that the party seeking discovery has [*13] 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.

Fed. R. Civ. P. 26(b)(3). The test to determine whether materials were prepared in anticipation of litigation is "whether, in light of the nature of the document and the factual situation in the particular case, the document can fairly be said to have been prepared or obtained because of the prospect of litigation." *Binks Mfg. Co. v. Nat'l Presto Indus., Inc., 709 F.2d 1109, 1119 (7th Cir. 1983)*. To qualify under the privilege, the material sought must come into existence because of the prospect of litigation or because some articulable claim is likely to lead to litigation. *Id. at 1120*. Important to note for this case, the work-product privilege extends beyond the attorney to documents [*14] prepared by a party's representative or agent. *Ventre v. Datronic Rental Corp., 1993 U.S. Dist. LEXIS 17594,* No. 92 C 3289, *1993 WL 5243777,* at * 3 (N.D. Ill. Dec. 13, 1993). The work-product privilege can be rebutted, however, "if the party seeking production demonstrates both a substantial need for the materials and that it would suffer undue hardship in procuring the requested information some other way." *Logan v. Commercial Union Ins. Co., 96 F.3d 971, 976 (7th Cir. 1996)*.

In support of their position, Defendants have produced a declaration of Bobbi Cooper. Ms. Cooper's declaration is supported by the documents submitted for an *in camera* inspection to this Court. According to Ms. Cooper's declaration, on February 5, 2002, the named Plaintiff informed Ms. Cooper that he was going to sue Motorola based on his alleged treatment as an employee. After meeting with members of her team, Ms. Cooper stated that she felt it necessary to seek the advice of Motorola's law department. For the purpose of seeking legal advice, Ms. Cooper and Ms. Patterson prepared a memorandum concerning the named Plaintiff to be given to Motorola's internal law department on February 6, 2002. (Decl. [*15] of Bobbi Cooper at P2). This document is PR 0063-0065. Two of the recipients of this document (email) were Kay Hoogland and Margaret

Hockenberry, members of Motorola's internal law department. Additionally, Ms. Cooper stated that since the named Plaintiff's statement to her regarding his suing Defendant, Motorola's internal and outside attorneys have directed her to assist them by coordinating with the individual Defendants and coordinating some of the fact gathering efforts. (Decl. of Bobbi Cooper at P4). This statement is supported by the material submitted to this Court for an in camera inspection.

For example, PR 0011-0021, 0035-0039, 0047-0062 are chronological histories submitted to Ms. Cooper by the individual Defendants on or about April 1, 2002. These documents clearly are work product as they were gathered only in anticipation of litigation and for the purposes of assisting internal and outside attorneys in this case. Additionally, documents 0004-0008, 0010, 0022, 0024-0028, and 0033 were created in anticipation of litigation and for the purposes of assisting the attorney's in the instant action. While most of these documents are merely communications regarding deposition [*16] dates and schedules, they fit under the work-product privilege.

However, documents stamped 0001-0003, 0029-0032 and 0034 do not fit under the work-product privilege. Rather, these documents appear to be communications regarding the normal course of business activities and not prepared in anticipation of litigation. Therefore, 0001-0003, 0029-0032 and 0034 are discoverable. Defendants are ordered to produce those documents to Plaintiffs within 7 days of this Order.

Plaintiffs may still discover the documents deemed work product above, however, if they demonstrate a "substantial need" for the documents and that they would suffer "undue hardship" if they were required to obtain the information in another manner. *Caremark, 195 F.R.D. at 614*. This burden is difficult to meet and is satisfied only in "rare situations, such as those involving witness availability." *Trustmark Insurance Co. v. General & Cologne Life Re of America, 2000 U.S. Dist. LEXIS 18917, 2000 WL 1898518,* at *3 (N.D. Ill. Dec. 20, 2000). Plaintiffs have failed to meet this burden. Plaintiffs can obtain the information contained in the factual chronologies and/or investigative reports by submitting interrogatories [*17] and/or deposing the author of the chronology or report.

Conclusion

For the above stated reasons, Defendants' Motion for a Protective Order is granted in part and denied in part. Defendants are ordered to produce the documents bate stamped 0001-0003, 0029-0032 and 0034 within 7 days of this Order. The remaining bate stamped documents are privileged.

ENTER

P. MICHAEL MAHONEY, MAGISTRATE JUDGE

UNITED STATES DISTRICT COURT

DATE: 7/3/03

TAB 4

LEXSEE 1999 US DIST LEXIS 17281

JOHN F. BYRNES et al., Plaintiffs, -against- EMPIRE BLUE CROSS BLUE SHIELD, Defendant.

98 Civ. 8520 (BSJ)(MHD)

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

1999 U.S. Dist. LEXIS 17281

November 2, 1999, Decided
November 4, 1999, Filed

LexisNexis(R) Headnotes

COUNSEL: [*1] For RICHARD G. KUNKEL, JOSEPH G. MURPHY, DANIEL ROSENBERG, DANIEL G. SANDERS, JAMES C. SNYDER, ANTHONY J. TRUHON, JOHN WANDZILAK, JR., JOHN F. BYRNES, WILLIAM A. DE MAURO, FRANCIS J. DEVLIN, MICHAEL ELKINS, JERROLD I. EHRLICH, BEVERLY GLICKERMAN, EUGENE F. HARRISON, GERALD HARRISON, JOHN F. LUCZUN, JOHN F. MULDOON, HARRY E. NICHOLSEN, RONALD D. ZAMMIT, plaintiffs: Meredith Haver Savitt, Hite & Casey, P.C., Albany, NY.

For STERLING E CATHEY, LOUIS L. LEVINE, ELLEN H. PROPP, JOHN L. SHURTLEFF, JULES K. LAMBEK, consolidated plaintiffs: Meredith Haver Savitt, Hite & Casey, P.C., Albany, NY.

For EMPIRE BLUE CROSS BLUE SHIELD, defendant: Gary H. Glaser, Seyfarth Shaw Fairweather & Geraldson, New York, NY.

JUDGES: MICHAEL H. DOLINGER, UNITED STATES MAGISTRATE JUDGE.

OPINIONBY: MICHAEL H. DOLINGER

OPINION:

MEMORANDUM & ORDER

MICHAEL H. DOLINGER
UNITED STATES MAGISTRATE JUDGE:

Plaintiffs are former employees of the defendant Empire Blue Cross Blue Shield. They have sued under the Employee Retirement Income Security Act, *29 U.S.C. § 1101* et seq., challenging the denial by defendant of certain life insurance benefits allegedly promised to them.

The parties [*2] currently dispute the discovery status of some documents in the possession of a non-party, the Segal Company, which served as an actuary and consultant to Empire. In that consulting capacity, representatives of Segal apparently participated in the decision-making process that led Empire to change the benefits plan in which plaintiffs were participants or beneficiaries.

Plaintiffs served a subpoena duces tecum on Segal, which triggered a motion by defendant to quash the subpoena in part. Specifically, defendant contends that seven documents sought by plaintiffs from Segal are protected by defendant's attorney-client privilege and that two of them are also immunized from discovery under the work-product rule.

For the reasons that follow, we grant the motion in part, concluding that one of the seven documents and a portion of a second document are protected.

ANALYSIS

Since the claims and defenses in this case arise under federal law, *Fed. R. Evid. 501* dictates that the application of the attorney-client privilege is governed by federal law. See, e.g., *United States v. Goldberger & Dubin, P.C., 935 F.2d 501, 505 (2d Cir. 1991); von Bulow v. von Bulow, 811 F.2d 136, 141 (2d Cir. 1987).*

[*3] As for the work-product rule, it is always assessed under federal law in the federal courts. See, e.g., *United Coal Cos. v. Powell Constr. Co., 839 F.2d 958, 966 (3d Cir. 1988); Bowne of New York City, Inc. v. AmBase Corp., 150 F.R.D. 465, 471 (S.D.N.Y. 1993).*

A. The Attorney-Client Privilege

The attorney-client privilege protects from disclosure those communications made in confidence between an attorney and a client for the purpose of facilitating the attorney's rendering of legal services to the client. See, e.g., *United States v. Constr. Prods. Research, Inc., 73 F.3d 464, 473 (2d Cir. 1995); United States v. Adlman, 68 F.3d 1495, 1499 (2d Cir. 1995); United States v. Schwimmer, 892 F.2d 237, 243 (2d Cir. 1989).* The privilege is not limited, however, to communications directly between client and counsel. It also encompasses contacts between the attorney and a client's agent or representative and between the client and the attorney's agents, provided that the communications are intended to facilitate the provision of legal services by the attorney to the client. See, e.g., *Adlman, 68 F.3d at 1499* [*4] (citing *United States v. Kovel, 296 F.2d 918, 918 (2d Cir. 1961));* Golden Trade, s.r. *L. v. Lee Apparel Co., 143 F.R.D. 514, 518 (S.D.N.Y. 1992)* (citing 2 J. Weinstein & M. Berger, Weinstein's Evidence P 503(b)[03] at 503-1, 503-6 (1990)). Since all of the documents at issue were either authored by or sent to Segal -- which is not the client -- Empire argues that the privilege applies because Segal was assisting defendant's attorneys in preparing and rendering advice to Empire.

To assess this argument, we first turn to the evidentiary record before us. In this regard we note that the party that invokes the privilege bears the burden of proving the facts on which the privilege claim is based. See, e.g., *Adlman, 68 F.3d at 1500.* To satisfy that burden, the party cannot rely on conclusory assertions, but rather must proffer competent evidence to demonstrate that its privilege claims are well founded. E.g., *von Bulow, 811 F.2d at 146.*

In this case defendant proffers principally the affidavit of Joyce Tichy, Esq., who is an Assistant Vice President and Associate Counsel for Empire. We have also been provided portions [*5] of the deposition testimony of S. Tyrone Alexander, the defendant's Senior Vice President of Human Resources.

We are not told in detail by either Ms. Tichy or Mr. Alexander what specific services Segal performed for Empire in connection with this project, although some idea of Segal's role may be gleaned from the withheld documents. The record so created demonstrates that Empire apparently had a long-term relationship with Segal, which served as the actuary for one or several of the benefit plans maintained by Empire for its employees. In addition, however, a representative of Segal served on a working group established by Empire to determine whether and in what respects the company should change its benefits plans, and Segal performed other services for Empire in connection with that project.

Segal's representative on the task force was not an attorney, and Segal itself is not a law firm. Rather its expertise, insofar as pertinent to the benefits modification decision, appears to have been in acquiring information about what other companies were offering and possibly in assessing the economic and competitive significance of proposed changes in the benefit plans offered by Empire. [*6]

Given the apparent fact that Empire and its counsel utilized the services of Segal in assessing the advisability of altering Empire's benefits plan, we do not view the Second Circuit's decision in *United States v. Ackert, 169 F.3d 136 (2d Cir. 1999),* as necessarily fatal to Empire's privilege claims. In that case the attorney for the client had consulted an accounting firm for information useful to the attorney's performance of his legal duties to the client, but there was no indication that the accounting firm had been retained in whole or in part by the attorney or the client to assist in the project for which the legal services were being provided. *Id. at 139-40.* In contrast, as noted, here the Segal Company was involved as a consultant on the very project for which the attorney was also rendering assistance to Empire.

Nonetheless, the privilege claims of Empire can succeed only if the Segal employees' participation in the assertedly protected communications was designed to assist the attorney to perform her counseling function, and not merely to aid the business decision of Empire's officers. See, e.g., *Adlman, 68 F.3d at 1500.* [*7] To assess that question, we have reviewed the withheld documents in camera. Based on that review and the evidentiary record, we make the following rulings on defendant's claim of attorney-client privilege.

1. Memorandum from Joyce Tichy, Esq. to Noel Boyland and Others

This memorandum from Empire's attorney to a number of Empire employees and to Segal's representative, Noel Boyland, encloses a draft of a letter prepared by counsel for transmission to the State Insurance Superintendent. The covering memorandum requests that Mr. Boyland and other recipients review the letter and attached documents, and in context it is evident that this review is intended to assist the attorney in preparing the final version of the letter. Since preparation of that letter is within the scope of the legal services that the attorney is providing, document 1 comes within the scope of the privilege.

2. Memorandum from Joyce Tichy, Esq. to Noel Boyland

This communication from Empire's attorney conveys to Segal a copy of a memorandum that the attorney was sending to the corporate client. The memo to the client conveys an item of information previously requested by the client.

This set of documents [*8] is not protected by the privilege. First, there is no indication that counsel undertook this communication to Mr. Boyland to assist her in performing any services for the client, whether of a legal nature or otherwise. Second, the underlying memo to the client conveyed only a purely factual item of information, not self-evidently related to any legal service that an attorney might be expected to perform for a client. Since the conveyance by an attorney to a client of facts learned elsewhere is not protected by the privilege and is not ordinarily a legal service, see, e.g., *Smith v. Conway Org., Inc., 154 F.R.D. 73, 78 (S.D.N.Y. 1994)*, there is no basis for viewing this communication to Segal as protected.

3. Notes by Noel Boyland

This document consists of handwritten notes by Mr. Boyland of a meeting of the "Board", presumably of Empire. The notes do not, on their face, reflect any legal advice by counsel, and appear to refer to a discussion of non-legal aspects of the decision whether to modify Empire's benefit plans. Since defendant offers no competent evidence that this document reflects attorney-client privileged communications, n1 we conclude that it has [*9] not met its burden to demonstrate the applicability of the privilege.

n1 Empire's trial attorney lists this document as privileged on the basis that it contains "notes of comments by counsel regarding legal aspects of retiree benefit changes." (Undated Declaration of Gary H. Glaser, Esq., at P 3 (quoting privilege log)). This assertion is not competent evidence, since there is no indication that trial counsel was present at the meeting, and there is no other source of information as to what the notes reflect, either from their author or from corporate counsel. As noted, the notes themselves also do not appear to reflect legal advice.

4. Memorandum from Sonia Peter (of Segal) to Joyce Tichy, Esq.

This memorandum was sent from an employee of Segal to Empire's counsel and conveyed certain data that the attorney had requested from Segal. It is not self-evident from the document that the information was sought by counsel in order to facilitate her rendering of legal advice to the client, although that is at least [*10] possible.

We infer that defendant relies in this respect on the general statement by Ms. Tichy in her affidavit that her role in connection with Empire's decision to change its benefits plans "was solely legal, and was solely to render my legal opinion regarding potential risks, ramifications or liabilities associated with various proposed changes to benefits provided by Empire to both its employees as retirees." (Aff. of Joyce Tichy, Esq., sworn to June 4, 1999, at P 8). The implication is that any request by her to Segal for information was necessarily related to her performance of her legal advisory function.

The difficulty with this assertion is that it appears to be contradicted by at least one of the withheld documents -- numbered 2 -- which, as noted, indicates that counsel was also providing the client with business-related factual data, separate and apart from her advisory function. Given this lack of clarity, we conclude that defendant has not demonstrated that this particular document was conveyed to counsel for the purpose of assisting her in formulating legal advice for the client. See, e.g., *Adlman, 68 F.3d at 1500* (privilege claim rejected since evidence [*11] was subject to conflicting interpretations).

5 & 6. Memos from Segal to Joyce Tichy, Esq. (# 5) and from Segal to Joseph Blunk (# 6)

The next two documents are a memorandum from Sonia Peter of the Segal Company to Empire's attorney and a letter from Ms. Peter to Empire's Vice President for Compensation, Benefits & HRIS. Each of these writings encloses the same chart, summarizing legal research performed at Segal. There is no specific indication that Segal undertook this research at the request of the attorney, and indeed the memorandum addressed to Ms. Tichy appears to suggest the contrary. n2

n2 From the letter to Mr. Blunk it may also be inferred that this research was performed at his request rather than at that of Ms. Tichy.

In this somewhat unusual circumstance we conclude that the attorney-client privilege may not be asserted. The privilege protects communications by an attorney that embody the attorney's legal advice. It also covers, as noted, communications by others within the reach of the attorney-client [*12] relationship that are designed to facilitate the attorney's performance of legal services. It does not, however, cover communications between a non-attorney and a client that involve the conveyance of

legal advice offered by the non-attorney, except perhaps when the non-lawyer is acting under the supervision and at the direction of an attorney. See, e.g., *Nat'l Hockey League Players' Assoc. v. Bettman, 1994 U.S. Dist. LEXIS 1160, 1994 WL 38130,* at *12 (S.D.N.Y. Feb. 4, 1994); *Stryker Corp. v. Intermedics Orthopedics, Inc., 145 F.R.D. 298, 305 (E.D.N.Y. 1992).*

Although the matter is not free from doubt, it appears in this instance that Segal chose to undertake legal research either on its own or at the suggestion of a non-lawyer at Empire, and then provided the fruits of that research to the non-lawyer client and to Empire's counsel. Such work by a non-attorney, undertaken without a request by the attorney to assist her, is not within the privilege, see, e.g., *Occidental Chem. Corp. v. OHM Remediation Servs. Corp., 175 F.R.D. 431, 435 (W.D.N.Y. 1997)* (no privilege absent proof that non-attorney was hired to assist counsel); *Nat'l Hockey League Players' Ass'n, 1994 WL 38130,* [*13] at *12 (same); cf. Golden Trade. s.r. *L., 143 F.R.D. at 519* (protecting communications with non-attorney patent agents), and hence is unprotected. n3

n3 We offer no suggestion as to whether these document would be protected under the work-product rule, since defendant does not invoke that defense to production for these documents.

7. Memorandum from Joyce Tichy, Esq. to Noel Boyland With Attached Documents

The last document consists of a memorandum from Empire's counsel to Segal's representative, and two attached memos. One conveys four questions or requests for information from an officer at Empire, and the other embodies a proposed response, apparently authored by the attorney. In the cover memorandum, however, the attorney requests that Segal's representative review the attached response before it is conveyed to the client.

Of the four inquiries, one calls for legal analysis and the other three seek purely factual information. The responsive memorandum consists of a legal analysis prepared [*14] by or for the General Counsel, and briefer responses to the factual inquiries.

The communication by counsel to Segal seeks assistance by the consultant in preparing a document that consists predominantly of legal advice rendered by the attorney to her client. As such it is covered by the privilege. As for the other two documents, to the extent that they reflect a request for legal advice to counsel and the attorney's advice in response to that request, they are protected.

The other segments of the two attached documents are not protected. The information in question is, as noted, purely factual, and appears to have been compiled originally by non-lawyers at Empire from the company's own records. Moreover, it is apparent that this data was intended to assist the business decision-makers to assess the economic impact of possible alternatives, and thus does not reflect the performance by counsel of legal services. See, e.g., *United States v. Millman, 822 F.2d 305, 310 (2d Cir. 1987); General Elec. Capital Corp. v. DirecTV, Inc., 1998 U.S. Dist. LEXIS 18932, 1998 WL 849389,* at *6 (D.Conn. July 30, 1998). The fact that the data was funneled by Empire through its attorney for conveyance [*15] back to a higher level decision-maker within the company does not trigger the protection of the privilege if it would not otherwise apply.

B. The Work-Product Rule

In support of the motion to quash, defendant invokes the work-product rule as an alternative ground to protect against compelled production of two of the seven disputed documents, those numbered 2 and 7. n4 We conclude that document 2 is not protected by the rule, and that the portion of document 7 that embodies legal advice, and is thus covered by the attorney-client privilege, is also protected work-product.

n4 In its memorandum of law, defendant initially lists documents 1, 2 and 7 as the items for which work-product immunity is sought. (Def.'s Mem. of Law at 9). In the body of its argument, however, the memorandum refers only to documents 2 and 7. (Id. at 9-10).

Rule 26(b)(3) of the Federal Rules of Civil Procedure establishes a qualified immunity from discovery for documents "prepared in anticipation of litigation or for trial" by the [*16] party or its attorney or by an agent of the party or attorney. As recently interpreted by the Second Circuit, this wording covers documents prepared "because of" litigation or the prospect of litigation, regardless of whether the document was intended to assist in such litigation. See *United States v. Adlman, 134 F.3d 1194, 1196-1203 (2d Cir. 1998).* Moreover, there is no requirement that the anticipated litigation be imminent rather than merely a potential future prospect. If the preparation of the document is attributable to concern about the possibility of such litigation in the future, Rule 26(b)(3) is triggered. *Id. at 1198.* See also *id. at 1205* (Kearse, J., dissenting).

The protection of the work-product rule is only conditional. Thus, even if otherwise applicable, it may be overcome if the discovering party demonstrates that he

"has [a] substantial need of the materials in the preparation of [his] case and that [he] is unable without undue hardship to obtain the substantial equivalent of the materials by other means." *Fed. R. Civ. P. 26(b)(3)*. See, e.g., *Horn & Hardart Co. v. Pillsbury Co., 888 F.2d 8, 12 (2d Cir. 1989)*. [*17]

In pressing its work-product theory, defendant makes no effort to demonstrate an evidentiary basis for its claim, at least in the affidavits and deposition testimony proffered on the motion. Again, however, it is possible that some support for the claim may be found in the substance of the withheld documents, and we have therefore referred to them for this purpose.

As noted, document 2 contains an answer to a purely factual question posed by an official at Empire. There is nothing in the document that suggests that the factual inquiry in question was motivated by a concern about possible future litigation, as distinguished from a need to assess the financial considerations that might affect the decision whether to change the company's benefits plans.

As for document 7, we have already concluded that the sections containing a legal analysis are protected by the attorney-client privilege. The same portions of the document are plainly within the ambit of the work-product rule, since the contents of the analysis make it self-evident that the concern of the client that elicited the analysis was the prospect of litigation. See *Adlman, 134 F.3d at 1202*. We also note that [*18] plaintiffs demonstrate no compelling need for these portions of the document, see, e.g., *Martin v. Valley Nat'l Bank, 140 F.R.D. 291, 304 (S.D.N.Y. 1991)*, and therefore cannot justify setting aside the protection of the work-product rule in this instance.

The balance of the document does not trigger the same protection. It involves factual information relating to business considerations that might affect the decision in question, and we have every reason to believe that the corporate decision-makers would have reviewed such data even absent any concern about possible future lawsuits.

CONCLUSION

For the reasons noted, we conclude that document 1 is protected by the attorney-client privilege, and that the portions of document 7 that refer to or contain legal analysis are protected by the privilege and also constitute protectible work product. The balance of the documents at issue have not been shown to be privileged or otherwise immune from discovery and are therefore to be produced within seven days.

Dated: New York, New York

November 2, 1999

MICHAEL H. DOLINGER

UNITED STATES MAGISTRATE JUDGE

TAB 5

LEXSEE 1996 U.S. DIST. LEXIS 19274

HEIDELBERG HARRIS, INC., Plaintiff, v. MITSUBISHI HEAVY INDUSTRIES, LTD. and MLP U.S.A., INC., Defendants.

Case No. 95 C 0673

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

1996 U.S. Dist. LEXIS 19274

December 9, 1996, Decided
December 18, 1996, DOCKETED

DISPOSITION: [*1] Mitsubishi's motion to compel granted in part and denied in part.

LexisNexis(R) Headnotes

COUNSEL: For HEIDELBERG HARRIS, INC., plaintiff: Alan Norris Salpeter, Javier H. Rubinstein, Mayer, Brown & Platt, Chicago, IL. Richard L. Mayer, Richard S. Gresalfi, Michael D. Loughnane, Cary S. Kappel, William C. Gehris, Kenyon & Kenyon, New York, NY.

For MITSUBISHI HEAVY INDUSTRIES, LTD. I, defendant: George S. Bosy, William P. Oberhardt, Harry J. Roper, Steven Raymond Trybus, Roper & Quigg, Chicago, IL. For MLP U.S.A., INC., defendant: George S. Bosy, (See above). Steven Raymond Trybus, (See above).

JUDGES: MARTIN C. ASHMAN, United States Magistrate Judge. Judge Blanche M. Manning

OPINIONBY: MARTIN C. ASHMAN

OPINION:

MEMORANDUM OPINION AND ORDER

I. Procedural Background

Defendants, Mitsubishi Heavy Industries, Ltd. and Mitsubishi Lithographic Presses U.S.A., Inc. ("Mitsubishi"), bring this motion to compel Plaintiff, Heidelberg Harris ("Harris"), to produce documents claimed to be immune from discovery under the attorney client and work product privileges and additionally, to produce, in unredacted form, documents already produced.

Prior to the filing of this motion, [*2] Harris was withholding over 500 documents under claims of attorney client and work product privilege. After the motion to compel was filed, Harris reviewed its privilege log and produced almost 200 documents, many in redacted form. Mitsubishi, however, contends that the majority of the documents still claimed to be privileged are outside the scope of either the attorney client or work product protection. Consequently, Mitsubishi seeks the production of most of the remaining documents in unredacted form, and the unredacted production of documents already produced. The documents have been submitted to this Court for *in camera* inspection.

II. Factual Background

Harris brought this suit alleging the infringement of three of its patents, all of which cover offset printing presses, specifically gapless blanket cylinders, used in the printing of newspapers, magazines and other publications. The patents at issue in this case include Patent Nos. 5,304,267 ("the '267 patent"), 5,429,048 ("the '048 patent") and 5,440,981 ("the '981 patent"). Harris claims that Mitsubishi is willfully infringing these three patents, thus subjecting Mitsubishi to potential liability for treble damages. [*3] *35 U.S.C. § 284.* Mitsubishi denies the infringement of any Harris owned patents and further claims that the patents are invalid and unenforceable.

III. Legal Analysis

In asserting that Harris' unproduced documents are not within the scope of either the attorney client or work product privilege, Mitsubishi divides the documents into five categories, with numerous documents falling into more than one category. As an introductory matter, the Court notes that, because of the large numbers of documents reviewed, the Court will make its ruling on categories of documents, rather than explaining the basis for its ruling on each document individually. However, where the Court finds that a document is not privileged, the Court will address the document individually and explain the basis for its finding.

Category One--Communications Not Involving Attorneys

The first category of documents delineated by Mitsubishi are those which it claims do not contain communications to or from attorneys. Mitsubishi claims that these documents were neither authored nor received by attorneys. Defendant therefore contends that Harris must identify an attorney operating in his legal capacity to whom [*4] the document was sent or from whom the document originated in order to establish protection under the attorney client privilege. Mitsubishi essentially argues that, where the document was neither authored by or sent to an attorney, it cannot constitute a communication with an attorney, and thus is not entitled to protection under the attorney client privilege.

The essential elements of the attorney client privilege, as set forth by Wigmore, include:

> (1) Where legal advice of any kind is sought (2) from a professional legal advisor in his capacity as such, (3) the communications relating to that purpose (4) made in confidence (5) by the client, (6) are at his instance permanently protected (7) from disclosure by himself or by the legal advisor, (8) except the protection be waived.

8 J. Wigmore, EVIDENCE § 2292 at 904, (MacNaughton rev. ed. 1961).

The party asserting this privilege bears the full burden of establishing these elements. *Fischer v. United States, 425 U.S. 391, 48 L. Ed. 2d 39, 96 S. Ct. 1569 (1976).* Therefore, the mere fact that an attorney client relationship exists does not create a presumption of confidentiality. *U.S. v. Tratner, 511 F.2d 248 (7th Cir. 1975).* [*5] The party asserting the privilege must affirmatively demonstrate why the privilege should attach, which requires the party asserting the privilege to show who was involved in the communication and that the advice sought was of a legal nature. *See Fischer, supra.*

While revealing a privileged communication to a third party generally destroys the privilege, if the third party shares a community of interest with the privilege holder, the privilege remains intact. *See Baxter Travenol Laboratories, Inc. v. Abbott Laboratories, 1987 WL 12919 (N.D. Ill. 1987).* A community of interest arises when two parties have an identical legal interest with respect to the subject matter of a communication between an attorney and a client regarding legal advice. *Baxter Travenol, 1987 WL 12919* at *1. A community of interest may arise between two companies jointly developing a patent because they have a common legal interest in obtaining the greatest protection and ability to profit from the patent. *Id.* The community of interest, however, covers only communications relating to the prosecution and litigation of the patents, and not communications relating to the parties rights between themselves. [*6] *Id.* at *2. n1

> n1 During the course of the September 10, 1996 oral argument on Mitsubishi's motion, the Court ruled that Harris shared a community of interest with American Roller, but did not share any such relationship with Day International or Reeves Brothers. The Court notes, however, that a community of interest existed between Harris and Reeves Brothers solely for the purpose of the litigation discussed in Doc. No. 238 in category four. Based on this community of interest, the Court finds Doc. No. 238 to be privileged and not subject to disclosure. However, for the purposes of the other documents to which Reeves was a party, no such community of interest exists, and indeed, the Plaintiff never argued to the contrary.

Additionally, Defendants claim such documents cannot be subject to the work product immunity. The work product immunity protects from discovery an attorney's thoughts, strategies, mental processes and opinions prepared in anticipation of litigation. *See Hickman v. Taylor, 329 U.S. 495,* [*7] *67 S. Ct. 385, 91 L. Ed. 451 (1947); FED. R. CIV. P. 26(b)(3)* (1970).

Keeping the above principles in mind, the Court has conducted an *in camera* review of the documents in Mitsubishi's category one. Included in this category are documents numbered:

> 6, 22-24, 36, 40, 60, 66, 78, 89, 101, 128, 135, 159, 182, 196-197, 199, 267, 269, 300, 309, 321-323, 325, 352-353, 355, 367, 393, 399, 410-411, 441, 454-455,

469, 482-483, 486, 488-489, 496-499, 505, 511 and 533.

The Court finds that the following documents are subject to the attorney client privilege based on the fact that each document is either a communication from an attorney to employees of Harris conveying legal advice on the patents at issue in this case or related patents, or a communication from a Harris employee to counsel conveying information for the purposes of obtaining legal advice on the above issues:

22, 23, 24, 36, 60, 66, 78, 89, 128, 135, 159, 182, 196, 197, 199, 267, 300, 321, 322, 323, 352, 353, 355, 393, 410, 441, 469, 486, 488, 496, 497, 499, 505, and 511.

The Court also finds that the following documents, which contain attorneys' thoughts and strategies prepared in anticipation of this [*8] litigation, are subject to the work product doctrine: 60, 66, 323, and 355.

The following category one documents are not protected by the attorney client privilege or the work product immunity, or are only protected in part:

Doc. No. 6 -- This document is a handwritten note of one of the inventors, Jim Vrotacoe, regarding sleeves for the offset press. It contains neither legal advice from an attorney, nor information that was conveyed to counsel to obtain legal advice. The document is therefore not subject to any protection and must be produced unredacted.

Doc. Nos. 40 -- This is a communication from Bogert to Harris employees conveying legal advice about the Mitsubishi blanket. Pages two and three of the document are therefore privileged and need not be disclosed. However, the first page is a blank page with a handwritten note on it which is not privileged and must be produced.

Doc. No. 101 -- This is a letter from the Canadian patent agent, Dennison Associates, to a Harris employee regarding the Canadian patent application. Although the representatives of an attorney come within the ambit of the attorney client privilege, patent agents are generally [*9] not considered to be an attorney's representatives for purposes of the privilege. n2 *Sneider v. Kimberly-Clark Corp., 91 F.R.D. 1, 5 (N.D. Ill. 1980).* Consequently, this document is not privileged and must be produced unredacted.

Doc. No. 269 -- This document is a letter from a Harris employee to an employee of American Roller, a company with which Harris co-developed a patent, memorializing a draft of a contract between the two companies. No attorneys were involved in this communication and the document is therefore not privileged and must be produced in unredacted form.

Doc. No. 309 -- This is a handwritten note from one Harris employee to another discussing the joint patent application with American Roller. This document was the subject of a declaration that purported to establish the existence of an attorney client privilege, however, the declaration is not sufficiently specific to convince the Court of the applicability of the privilege to a document which appears, on its face, to contain only non-privileged business information.

Doc. No. 325 -- This communication is an e-mail from one employee of Harris to another regarding the blanket rubber formulas [*10] and does not convey legal advice or information conveyed for purposes of obtaining such advice. The document must therefore be produced in unredacted form.

Doc. No. 367 -- This document is an invention disclosure form that is essentially identical to Doc. No. 366 which Harris voluntary disclosed. Therefore, the privilege with respect to this document, if any existed, is waived and the document must be produced.

Doc No. 399 -- This is an e-mail from one Harris employee to another discussing conversations with Day International. The document does not contain any privileged information and therefore must be disclosed. The Court notes that this document was the subject of a declaration that did not match the substance of the document. The declaration was therefore disregarded in ruling on this document.

Doc. No. 411 -- This communication is a facsimile from an American Day employee to a Harris employee reproducing a letter originally sent from an American Roller employee to a Day International employee. The privilege with respect to this document is waived by virtue of disclosure to a third party, Day, and the document must be produced

Doc. Nos. 454 and [*11] 455 -- No. 454 is an e-mail from one Harris employee to another regarding blankets being developed by Grace. Doc. No. 455 is a copy of Doc. No. 454. Neither document contains any privileged communication, as both involve business information. Therefore, both documents must be produced unredacted.

Doc. Nos. 482 and 483 -- Doc. No. 482 is a letter from a Harris employee to an American Roller employee regarding the American Roller agreement. Doc. No. 483 is a copy of Doc. No. 482. Neither document involves a communication with an attorney, nor does either serve to convey legal advice. Therefore, the documents must be produced.

Doc. No. 489 -- This document is a copy of a European patent containing handwritten notes of a Harris employee reflecting information conveyed to counsel to obtain legal advice. The European patent is public information and is therefore not privileged and must be produced. However, the handwritten notes are protected by the attorney client privilege and may be redacted.

Doc. No. 498 -- This document is the handwritten notes of a Harris employee reflecting instructions to seek legal advice on certain issues and containing miscellaneous [*12] business information. The notations concerning obtaining legal advice from Tarolli on the top of the page may be redacted as they are protected by the attorney client privilege. This information was ultimately conveyed to Tarolli to obtain legal advice on patent related issues. However, the remainder of the document is not privileged and must be produced.

Doc. No. 533 -- This communication is a handwritten memo from a Reeves employee to an American Roller employee regarding printing blanket terminology. This document contains no legal advice, nor information conveyed to obtains such advice and is therefore not privileged. Additionally, any privilege would have been waived by virtue of the document's disclosure to third parties.

n2 While the Court concludes that the German patent agents at issue in this case are covered by the attorney client privilege based on its analysis in the later part of this opinion, the Court notes that this determination was made as a result of evidence presented which established that the German patent agents were engaged in the substantive lawyering process and were authorized under the law of their country to act, in essence, as attorneys. This conclusion with respect to the German patent agents in no way alters the general rule that patent agents who merely act as a conduit for information are not within the scope of the attorney client privilege.

[*13]

Category Two--Anonymous or Undated Documents

The second category of documents designated by Mitsubishi are those it contends are anonymous or undated or both. Defendant claims that these omissions make it impossible to determine the applicability of the attorney client or work product privileges. No documents which are solely in this category are any longer at issue as a result of this Court's September 10, 1996 ruling and Harris' subsequent production.

Category Three--Document Not Addressed to a Recipient

The third category of documents set forth by Mitsubishi includes documents not addressed to a recipient. Mitsubishi characterizes these documents as memoranda to files. Defendants argue that these documents cannot be privileged because, where a document is not addressed to anyone, there is no communication with a client. Included in category three are Doc. Nos.:

6, 22-24, 36, 66, 89, 159, 196, 197, 262-264, 273-277, 323, 353, 355, 367, 373,

393, 406, 410, 469, 486, 496-498, 505, 511 and 552.

Memos to files prepared by non-legal personnel containing business information are clearly not privileged. These memos are not communications directed to anyone for the [*14] purpose of obtaining legal advice and cannot therefore fall within the ambit of the privilege. *Sneider, 91 F.R.D. at 6.* The same reasoning applies with equal force to memos to file prepared by counsel because, once again, the intent to confidentially communicate with the client is missing. *Id.* However, these attorney produced memos may be covered by the work product privilege if they contain the attorney's mental impressions and were prepared in anticipation of litigation. *Id.* Additionally, "memoranda of information or advice directed to or received from an attorney, prepared by an agent of the client or attorney, as a record of that advice or request are protected by the attorney client privilege. That the notes simply highlight or outline relevant portions of that advice should in no way defeat the privilege," *Abbott Laboratories v. Airco, Inc.*, Slip Op. No. 82 C 3292 (N.D. Ill. Nov. 5, 1985).

Applying the above principals, the Court finds that the following documents are subject to the attorney client privilege:

22, 23, 24, 36, 66, 89, 159, 196, 197, 262, 273-277, 323, 353, 355, 393, 406, 410, 469, 486, 496, 497, 505, 511, and 552.

The following documents [*15] are also subject to the work product privilege: 66, 323, 355, and 552.

The Court finds the following category three documents to be not within in the scope of the attorney client privilege:

Doc Nos. 263-264 -- Doc. No. 263 is a draft of a purchasing agreement between American Roller and Harris, prepared by one of Harris' attorneys. There is no claim that this draft is in any material respect different than the purchasing agreement ultimately used by the parties. The agreement concerns the parties' rights amongst themselves in the patent the two companies co-developed and does not relate to the prosecution or litigation of that patent. The communication is therefore not within the scope of the parties' community of interest and the privilege is therefore waived. Doc. No. 264 is the same as Doc. No. 263, with the addition of the attorney's handwritten notes conveying legal advice to employees of Harris. These handwritten notes are privileged and may be redacted.

Doc. No. 373 -- This document is the typed notes of a Harris employee regarding miscellaneous information about one of the patents with handwritten notes reflecting legal advice given by one of the Harris [*16] attorneys in a meeting. The typed document is not privileged and must be produced, however, the handwritten notes are subject to the attorney-client privilege and may be redacted.

Additionally, Doc. Nos. 6, 367 and 498 were found not privileged as a result of the Court's analysis of the category one documents.

Category Four--Documents Related to Internal Business Strategy

The fourth category of documents encompasses those communications which Mitsubishi claims relate to Harris' internal business strategy regarding licensing negotiations with third parties. Documents in category four include:

84, 87, 89, 91, 211, 238, 244, 254, 294-295, 299-300, 324-327, 337, 342, 371, 374-377, 379-387, 389-390, 392-400, 403, 405-406, 408, 410, 411-415, 418, 423, 427-431, 436, 438, 440-450, 452-456, 458-467, 469, 478-479, 481-483, 505-506 and 513.

Mitsubishi argues that, because many of the documents were sent to non-legal personnel, this indicates that the documents involve business strategy rather than legal communications.

Where the client is a corporation, the Seventh Circuit applies the "subject matter" test to determine the scope of the attorney client privilege. Under [*17] that test, "if the agent is in possession of information acquired in the ordinary course of business relating to the subject matter of his employment, and the information is communicated confidentially to corporate counsel to assist him in giving legal advice, then the communication is privileged." *See Harper & Row Publishers, Inc. v. Decker, 423 F.2d 487 (7th Cir. 1970), aff'd, 400 U.S. 348, 91 S. Ct. 479, 27 L. Ed. 2d 433 (1971).*

It is clear from the affidavits submitted and the context of the communications that all of the parties involved, either as authors or recipients, with the documents in this category fall within the perimeter of the subject matter test articulated above. Consequently,

the Court finds the following documents to be protected by the attorney client privilege:

87, 89, 91, 211, 238, 244, 254, 294, 295, 299, 300, 324, 325-27, 337, 342, 374, 375, 376, 377, 379-387, 392, 393, 396, 398, 399, 400, 403, 406, 408, 410, 413-415, 430, 436, 438, 440, 441, 443, 446, 448, 460-467, 469, 478-479, 505, 506, and 513.

The Court also finds that Doc. No. 238 is privileged. This document is from an attorney for Reeves Brothers to the attorney for Harris discussing [*18] legal strategy and advice in anticipation of potential litigation pursuant to *35 U.S.C. § 1337.* Reeves was one of two manufacturing licensees of Harris' gapless blanket technology. Reeves and Harris therefore shared the same legal interest in enforcing the Harris owned patents. Consequently, the Court finds that the two companies shared a community of interest for purposes of the information contained in Doc. No. 238.

The following documents are not privileged and must be produced either unredacted, or in redacted form, where indicated:

Doc. No. 84 -- This is a memo from one Harris employee to others regarding a meeting to discuss a review of the print blanket. The memo contains references to attorney advice on the subject of the blankets. The memo must be produced, but the attorney advice is privileged and may be redacted.

Doc. No. 371 -- This document is a letter from a Harris employee to Day's general counsel regarding the licensing agreement between the parties. This document is not privileged because it was disclosed to a third party not subject to the community of interest exception. Any privilege is therefore waived and the document must be produced.

[*19] Doc. No. 389 -- This is an e-mail from one Harris employee to other Harris employees conveying information on a meeting with Day. Although the Court was unable to read the entire document because portions were blocked out, the information appears to be general business and scheduling information about the meeting which is not subject to the attorney client privilege. The document must therefore be produced.

Doc. No. 390 -- This communication is an e-mail from one Harris employee to several others conveying information about upcoming visits with Day and Reeves. Most of the document contains business information that is not subject to the attorney client privilege, however, paragraph three appears to contain legal advice and may therefore be redacted. The remainder of the document must be produced.

Doc. Nos. 394, 395 and 397 -- These documents are letters or memos from one of Harris' attorneys to employees of American Roller and/or Day conveying information on the licensing agreement. Because the documents were disclosed to a third party, namely Day, which is not subject to the community of interest exception, any attorney client privilege with respect to these documents [*20] has been waived, and all of the documents must be produced.

Doc. No. 405 -- This document is a memorandum from a Harris employee to the attorney for Day regarding a draft of the licensing agreement. Since Day is not covered by any community of interest exception, any attorney client privilege is waived by virtue of disclosure to a third party, and the document must be produced.

Doc. No. 412 -- This document is a letter from one of the attorneys for Harris to a Day employee regarding the '928 patent application. Disclosure to Day has waived any attorney client privilege and the document must be disclosed.

Doc No. 418 -- This is an e-mail from one Harris employee to another regarding discussions with Day International personnel about the licensing agreement between the two companies. This communication contains business, rather than legal, information and is therefore not subject to the attorney client privilege. Doc. No. 418 must be disclosed.

Doc. No. 423 -- This communication is a letter from a Day employee to a Harris employee regarding the licensing agreement. Attached is a copy of the agreement with changes proposed by Day. This document originated [*21] from a third party not covered by the community of interest exception and any privilege is therefore waived. However, the handwritten notes of the Harris employee requesting legal advice are privileged and may be redacted.

Doc. Nos. 427, 428 and 431 -- These are letters or memoranda from an attorney for Reeves to a Harris employee regarding a proposed licensing agreement. Attached to Doc. No. 427 is a draft of the agreement. Any privilege with respect to these documents has been waived by disclosure to a third party (Reeves), not covered by the community of interest exception, and the documents must be produced.

Doc. No. 429 -- This document is an e-mail from a Harris employee to other employees regarding the licensing agreement between Harris and Reeves. The information contained in this communication pertains to business and technical, rather than legal, matters and is therefore not privileged and must be produced.

Doc. Nos. 442, 444, 445, 447, 449, 450, 452, 453 and 458 -- These communications are either letters or e-mail from one Harris employee to others regarding discussions with Grace personnel about the testing of print blankets, the development of [*22] confidentiality agreements and other matters related to business conducted with Grace. These documents do not contain information conveyed for purposes of obtaining legal advice or legal opinions, but rather contain business information and are therefore not privileged and must be produced.

Doc. No. 456 -- This is a letter from one of Harris' attorneys to a Harris employee with a copy of a Grace patent attached. The letter contains legal advice and opinions and is therefore privileged, however, the attachment is public information and is subject to production.

Doc. No. 459 -- This is an e-mail from one Harris employee to others containing information on the proposed business relationship with Grace. The document does not contain any privileged information and must therefore be disclosed.

Doc. No. 481 -- This is a two-page document. The first page contains no privileged information and must be produced. However, the second page contains information conveyed for the purpose of obtaining legal advice and is therefore privileged.

Additionally, the Court notes that Doc. Nos. 411, 454-55, and 482-83 were ruled on in category one.

Category Five--Documents [*23] Connected with Harris' German Patent Agents

The fifth category delineated by Mitsubishi includes those documents connected with members of Harris' patent department in Germany, including Messrs. Bogert, Hoerschler, and Stoltenberg. Documents in category five include:

21, 34, 42, 43, 50, 95, 97, 99, 123, 168-171, 187-191, 288, 302-303, 354, 495 and 549.

After reviewing the arguments presented in the parties' memoranda submitted in connection with Mitsubishi's motion to compel, the Court requested the submission of affidavits by the members of Harris' German patent department regarding their qualifications as attorneys, the structure of the German legal system and their ability to practice law in Germany. These affidavits and a memorandum arguing that Harris' German patent employees were the functional equivalent of American attorneys were submitted along with the documents produced for *in camera* inspection and Defendants were then given leave to file a response.

The submitted affidavits establish that Mr. Stoltenberg is a Patentassessor and is the head of the Patent Department at Heidelberger Druckmaschinen AG, Harris' German parent corporation. n3 A "Patentassessor" [*24] is an in-house patent attorney who is qualified to practice before the German Patent Office, but who is not able to represent a client before the German District Court. Patentassessors are qualified to conduct any activities which take place before the

German Patent Office, including the appealing of decisions of examiners on applications, and the filing and litigating of opposition proceedings. Patentassessors may also provide legal advice to clients on such issues as patentability, patent infringement and validity.

> n3 Mr. Stoltenberg is responsible for all decisions related to patent lawsuits affecting Heidelberg Harris in the United States and U.S. attorneys handling those suits report directly to and request approval for any course of action from Mr. Stoltenberg.

To become a Patentassessor, it is necessary to have a technical university degree, to have completed ten years of training with the patent department of a German company and to have passed a three-day "bar" exam concentrating on German patent law, [*25] but also covering other areas of German law. However, there is a distinction made between Patentassessors and a Rechtsanwalt, or an attorney-at-law, who appears before the civil and criminal courts.

Messrs. Bogert and Hoerschler are employed by the Patent Department of Heidelberger Druckmaschinen AG and are currently Patentanwaltzskandidats, studying to become Patentassessors. Both are qualified to render advice and opinions on patent issues to Heidelberger Druckmaschinen AG and its subsidiaries. Additionally, both have been under the supervision of and have reported directly to Mr. Stoltenberg. Mr. Bogert has been the primary person to whom Harris has turned for patent advice from October of 1988 to September of 1993.

Mitsubishi argues that, since neither Stoltenberg, Bogert, nor Hoerschler are licensed attorneys, the privilege cannot attach to any documents authored by or sent to any of them. Defendants argue that the extension of the attorney client privilege to cover communications not connected with a licensed attorney abrogates the traditionally narrow scope accorded to the privilege. By affidavit submitted from a German attorney-at-law, Defendants contend that, under German [*26] law, a Patentassessor is not capable of creating a privileged communication and that Patentanwaltzskandidats are really no more than the German equivalent of an American law student, unable to render legal advice or create confidential communications.

Additionally, Mitsubishi claims that applying the privilege as Harris contends it should be applied would lead to an anomalous result which is contrary to the law of the United States. Mitsubishi contends that if the attorney client privilege is applied to the facts of this case, the privilege would be extended to cover a communication created outside of this country, which would not be privileged where made (in Germany) and which, if made in the United States, would not be privileged here, based on the fact that communications with patent agents are generally not privileged. Defendant argues that Mr. Stoltenberg is more closely equivalent to a Patent Agent than to an attorney.

The Court finds that Mr. Stoltenberg is the functional equivalent of an attorney and that the attorney client privilege therefore applies to legal communications with which he was involved. Additionally, the Court finds that Messrs. Bogert and Hoerschler were [*27] Mr. Stoltenberg's agents in that they shared a relationship similar to that which exists between an American attorney and a paralegal or law clerk. Therefore, legal communications emanating from or received by Bogert and Hoerschler are also subject to the privilege.

The purpose of the attorney client privilege is to encourage the free flow of communications between the professional qualified to give legal advice and the client seeking that advice. *Sneider, 91 F.R.D. at 2.* A mechanical application of this principle which focuses on labels rather than reasoning defeats the purpose of the privilege. It is therefore essential to look to the substance of the roles assumed by the parties, rather than merely ending the analysis with the titles attached to the parties involved.

In this case, Messrs. Stoltenberg, Hoerschler, and Bogert were all qualified to give legal advice and were in fact often relied upon by Harris in this capacity. Courts have held that, where a foreign patent agent is engaged in the "substantive lawyering process" and communicates with a United States attorney, the communication is privileged to the same extent as a communication between American co-counsel on the [*28] subject of their joint representation. *See Mendenhall v. Barber-Greene Co., 531 F. Supp. 951, 953 (N.D. Ill. 1982); Baxter Travenol Laboratories, Inc. v. Abbott Laboratories, 1987 WL 12919* *8 (N.D. Ill. 1987). By parity of reasoning, where a party who may arguably be termed a foreign patent agent is engaged in the substantive lawyering process and communicates with his client, the communication is privileged to the same extent as a communication between an American attorney and his client.

The documents listed below are all communications to or from Mr. Bogert which either contain legal advice or convey information for purposes of obtaining such advice. Applying the principles discussed above, the Court finds that these documents are covered by the attorney client privilege and are therefore not subject to discovery. The privileged documents are:

21, 34, 42, 43, 50, 95, 97, 123, 168, 169, 188, 189, 190, 191, 302, 354 and 549.

The remaining documents are not privileged and must be disclosed in whole or in part for the following reasons:

Doc. No. 99 -- This document is a letter from Bogert to a Harris employee requesting a copy of the agreement between [*29] American Roller and Harris. The letter contains no privileged information and must therefore be produced.

Doc. No. 170 -- This is a letter from Wallon (written for Stoltenberg) to a Harris employee requesting an improved copy of a document which Harris previously sent to Stoltenberg. The document contains no privileged information and must therefore be disclosed.

Doc. No. 171 -- This communication is a memo from an employee at Harris to Bogert conveying business and administrative information. The memo contains no legal advice or information conveyed for purposes of obtaining such advice and is therefore not privileged and must be produced.

Doc. No. 187 -- This is a cover letter from Bogert to a Harris employee with a copy of a German patent attached. The cover letter contains no privileged information and the German patent is information which is publicly available. Therefore, neither document is privileged and both must be produced.

Doc. No. 288 -- This is a compilation of patent evaluations and patent abstracts sent from a Harris employee to Hoerschler. The documents contain publicly available information and business advice and therefore are [*30] not privileged and must be produced.

Doc. No. 303 -- This document is a memo from one Harris employee to another conveying business, rather than legal, information or advice and is therefore not privileged and must be produced.

Doc. No. 495 -- This communication is a memo from one Harris employee to another regarding Sunday press patent activity. The document contains largely non-privileged information and must therefore be produced, however, the information contained in paragraphs 2 and 7 is legal advice, subject to the attorney client privilege, and those paragraphs may be redacted.

The final two groups of documents Mitsubishi seeks production of include A) documents related to Harris' patent applications, including patent disclosures, drafts of patent applications, and technical, non-legal material and B) the complete text of documents already produced in redacted form. Each group will be addressed individually below.

Group A--Documents Related to Harris' Patent Applications

Mitsubishi moves for discovery of documents it claims appear to be patent disclosures, drafts of patent applications, and other technical, non-legal documents. These documents include: [*31]

13-17, 46, 50, 68, 78, 80, 93, 159, 162-166, 168-173, 177-180, 182, 187-193, 198-199, 202, 204-205, 207, 209-210, 228-230, 249, 289, 291-292, 296, 301-303, 308-309, 330-333, 339, 352-353, 357-364, 367, 373, 388, 391, 484, 486, 495-498, 511-512, 519, 521-522, 525, 529-530, 531-533, 536-549 and 557.

The intermingling of technical information with requests for legal advice or with the legal advice itself does not automatically destroy the privilege. *Sneider, 91 F.R.D. at 4.* Where the party asserting the privilege can establish that the communications were intended to be confidential and were made primarily to obtain legal advice or were primarily legal in nature, the privilege may attach. *Id.* However, this protection will not be extended to papers, communications and documents arising from *ex parte* patent proceedings and therefore, all "patent disclosures, draft patent applications and technical, non-legal material related to the final patent must be produced." *Id.*

In light of the above principles, the Court finds that the following documents are primarily legal in nature in that they predominately contain either legal advice or information conveyed for the [*32] purpose of obtaining such advice and are therefore privileged:

13, 14, 16, 17, 46, 50, 68, 78, 93, 163, 164, 166, 168, 169, 172, 173, 177, 178, 188, 192, 193, 199, 202, 204-05, 207, 209, 210, 228, 229, 289, 296, 301-02, 309, 330-33, 339, 352, 357, 359-64, 388, 391, 484, 486, 496, 497, 519, 522, 531, 532, 536, 537-39, 547, 549 and 557.

Additionally, Doc. Nos. 17 and 549 were prepared in anticipation of litigation and contain attorney strategies and mental impressions and are therefore also covered by the work product doctrine.

The remaining documents are not privileged and must be produced in part or in whole for the following reasons:

Doc. No. 15 -- This communication is a letter from Hoerschler to a Harris employee conveying legal advice on a Mitsubishi patent, which is attached to the letter. The letter is a privileged communication and is not subject to production, however, the copy of the Mitsubishi patent is public information and must be disclosed.

Doc. No. 80 -- This is a memo from Stoltenberg to Harris employees and attorneys informing them that Mr. Hoerschler would be replacing Mr. Bogert as the patent engineer in charge of patent matters [*33] at Harris. This document contains no privileged communications and must therefore be disclosed.

Doc. No. 162 -- This is a copy of an information disclosure statement sent to the United States Patent and Trademark Office by one of Harris' attorneys. The communication is related to *ex parte* patent proceedings and appears to have been part of the patent application and is therefore not privileged and subject to discovery.

Doc. No. 165 -- This is a letter from one of the attorneys for Harris to Bogert conveying legal advice and providing information for the purposes of obtaining legal advice. Attached is a copy of a draft patent application. The letter contains privileged communications and need not be produced, however, the draft patent application is public information and must be disclosed.

Doc. No. 171 -- This communication is a memorandum from a Harris employee to Bogert discussing administerial patent matters. The memo does not contain any privileged information and is therefore subject to discovery.

Doc. No. 179 -- This document is a letter from an American Roller employee to a Harris employee discussing the joint patent application with a [*34] copy of a draft of the patent attached. The letter contains business, rather than legal, advice or information and is therefore not privileged. The draft of the patent application is also not privileged. Consequently, both documents must be produced.

Doc. No. 180 -- This is a letter from one of the Harris attorneys to a Harris employee containing legal advice on the patent information disclosure statement with a copy of the statement attached. The letter is privileged and need not be produced. However, the attachment is part of the patent application and must be disclosed.

Doc. No. 187 -- This communication is a cover letter from Bogert to a Harris employee discussing the submission of english translations of German patents with a copy of the patents attached. The letter does not contain any privileged information and the patent is public information. Therefore, both must be disclosed.

Doc. No. 198 -- This is a letter from one of the attorneys for Harris to a Harris employee discussing legal advice on some of the patent applications with a copy of the patent applications attached. The letter is privileged and need not be disclosed, but the drafts of the patent [*35] applications are public information and must be produced.

Doc. No. 230 -- This document is a fax cover sheet from one of the attorneys for Harris to a Harris employee with a copy of a Mitsubishi patent attached. The cover sheet does not contain any confidential

information and is therefore subject to discovery and the patent is public information and must be disclosed. However, the handwritten notes rendering legal advice which appear on the patent are privileged and may be redacted.

Doc. No. 249 -- This is a letter from a Harris employee to a Grace employee discussing experimentation on the Grace print blankets. The information appears to be primarily business information, and furthermore, any privilege which may have existed was waived by disclosure to the third party, Grace. Consequently, this document must be produced.

Doc. Nos. 291 and 292 -- Doc. No. 291 is the same as the first part of Doc. No. 292, which is a two part document. The first part of No. 292 is an e-mail from one of the Harris attorneys to Bogert discussing training sessions. The second part of No. 292 is also an e-mail to several Harris employees from Harris' in-house counsel discussing [*36] legal advice from Harris' outside counsel. The first part of the document contains no privileged information. Therefore, both Doc. No. 291 and the first part of Doc. No. 292 must be disclosed. However, the second part of Doc. No. 292 (the e-mail from Lee to Brown and others) is privileged and is not subject to discovery.

Doc. No. 308 -- This is a letter from one of the Harris attorneys to a Harris inventor conveying legal advice on the gapless blanket cylinder with a copy of U.S. patents attached. The letter is clearly privileged and need not be produced, however, the attached patents are public information and must be disclosed.

Doc. No. 358 -- This is a memo from one Harris attorney to a Harris employee conveying legal advice on the '587 patent with a copy of an office action from the United States Patent and Trademark Office rejecting one of the Harris patent applications. The letter contains privileged communications and therefore need not be disclosed, however, the attachment is public information and must be produced.

Doc. No. 373 -- This document is the typed notes of one Harris employee reflecting patent ideas with handwritten notes reflecting legal [*37] advice given by Harris' outside counsel. The typed notes are not privileged communications and therefore must be produced, however, the handwritten notes may be redacted as they contain privileged information.

Doc. No. 512 -- This is a letter from one American Roller employee to an attorney for American Roller discussing administrative information about the joint Harris/American Roller patent. The letter does not contain any privileged communications and is therefore subject to production.

Doc. Nos. 521 and 525 -- These documents are letters from an American Roller employee to American Roller personnel and a Reeves employee. Any privilege is waived by disclosure to the third party, Reeves, with whom Harris does not share a community of interest. The document must therefore be produced.

Doc. No. 529 -- This is a letter from an American Roller employee to one of Harris' attorneys discussing administrative patent information. This document does not contain legal advice or information conveyed to obtain such advice and must therefore be produced.

Doc. No. 530 -- This communication is a letter from one American Roller employee to another discussing the [*38] joint patent developed with Harris. Information under "10/16/90" is not privileged and therefore must be produced. However, information under "10/18/90" reflects a privileged attorney client communication and therefore may be left redacted.

Doc. Nos. 540-546 -- These documents are letters or facsimiles from employees of NEARC or Stork Screens to employees of American Roller. Any privilege with respect to these documents is waived by disclosure to third parties (NEARC and Stork Screens) not covered by the

community of interest exception and all of the documents must therefore be produced.

Doc. No. 548 -- This is an e-mail from one Harris employee to another discussing the Mitsubishi printing presses. The communication does not contain any privileged information and must therefore be produced.

The Court notes that Doc. Nos. 170, 189-191, 303 and 495 were addressed in category five, Doc. No. 353 was addressed in category three, and Doc. Nos. 182, 367, 498 and 533 were addressed in category one.

Group B--Documents Already Produced in Redacted Form

Finally, Mitsubishi seeks production of numerous documents already produced in redacted from. Mitsubishi claims [*39] the redacted portions of these documents are not subject to any privilege and that the full text of the documents must therefore be produced. Consequently, Mitsubishi seeks the unredacted production of the following documents:

1, 2, 11, 12, 19, 35, 41, 44, 45, 47, 51-53, 56, 65, 67, 70, 72-74, 76, 77-79, 81, 86, 88, 94, 110, 120, 127, 140, 149, 152-55, 176, 181, 185, 186, 201, 203, 208, 212, 219, 220, 234, 235, 239, 240, 242, 246, 247, 253, 257, 260, 261, 278, 283, 285, 290, 293, 307, 320, 338, 347, 365, 402, 412, 471, 473, 474, 494, 503, 515, 518, 526, 528, 530, 535 and 555.

After examining the unredacted documents, the Court concludes that the following documents need not be produced in any greater detail based on the Court's conclusion that the redacted information was protected under either the attorney client privilege or the work product doctrine:

1 n4, 2, 11, 45, 51, 52, 56, 67, 72-74, 76, 77, 78, 81, 86, 110, 120, 140, 149, 152-55, 185, 186, 201, 203, 208, 235, 239, 247, 257, 285, 290, 293, 307, 320, 347, 365, 402, 471, 473, 474, 494, 503, 515, 526, and 555.

n4 This document is also subject to protection under the work product doctrine.

[*40]

The remaining documents must be produced in unredacted form for the following reasons:

Doc. Nos. 12 and 65 -- These documents are the same -- both are a fax from one Harris employee to others of a copy of a Japanese patent. Patents are public information and are therefore not privileged. Consequently, the documents must be produced.

Doc. No. 19 -- This is a fax from the Japanese division of Harris to another Harris employee of a copy of a Japanese patent application. The document must be produced for the same reasons articulated above.

Doc. No. 35 -- This document is a letter from Bogert to Harris employees regarding Mitsubishi's plan to introduce the new machines to the market. The letter contains business, rather than legal, advice and information and must therefore be produced.

Doc. Nos. 41 and 70 -- These two documents are essentially the same. Both are letters from the Japanese branch of Harris to Stoltenberg regarding the opening of a patent for public inspection and information about the patent itself. The documents contain only business information and must therefore be produced.

Doc. No. 44 -- This is a letter from Harris-Japan [*41] to Stoltenberg regarding research on Sumitomo's applications for patents and information on patent applications. Confidential research on matters of public record is not the equivalent of confidential legal communications and the documents must therefore be produced. *See Sneider, 91 F.R.D. at 5.*

Doc. No. 47 -- This document is a status report from an unknown source to Harris employees listing the names of individuals associated with various organizations. This document does not contain any privileged communications and must be disclosed.

Doc. No. 53 -- This is an e-mail from one Harris employee to another listing the Sunday Press inventions and information on patents and use in current design. Nothing in this document is privileged and therefore the entire document must be produced.

Doc. No. 79 -- This document is a status report from one Harris employee to another conveying the status of various inventions. It does not appear to contain any privileged communications, but rather merely contains business information and must therefore be disclosed.

Doc. No. 88 -- This is the handwritten notes of one Harris employee discussing gapless blanket disclosures. [*42] This document does not contain legal advice or information that is legal in nature and the document must therefore be produced.

Doc. No. 94 -- This is a letter from an employee of the European Patent Office to a Harris employee. The Court was unable to determine the nature of this communication because the document is in German. Since the Plaintiff has failed to show how this document is privileged, the document must be produced.

Doc. No. 127 -- This is a copy of a document sent from the United States Patent and Trademark Office to one of Harris' attorneys. The redacted portion does not contain any privileged communications and therefore the entire document must be produced.

Doc. No. 176 -- This document is a memo from a Harris employee to an unknown recipient discussing the agenda for a meeting with American Roller. The document does not contain any privileged communication and must therefore be produced.

Doc. No. 181 -- This communication is a memo from one of Harris' attorneys to Harris Graphics discussing the summary of the invention, background information, a description of the invention and a discussion of the invention's patentability. The [*43] entire document must be produced with the exception of the paragraph on patentability which contains legal advice and may be left redacted.

Doc. No. 212 -- This is a letter from an employee of Perry Printing to a Harris employee discussing Perry Printing's possible patent infringement as a result of its use of Mitsubishi's presses. This document was disclosed to a third party and therefore cannot be privileged. The entire document must be produced.

Doc. No. 219 -- This is a letter from the attorney for Sumitomo to a Harris employee discussing Harris' request for information on Sumitomo's patent, with a handwritten note directing a copy to the attention of Harris' attorneys. Nothing in this document is privileged, including the handwritten note, and the entire document must therefore be produced.

Doc. No. 220 -- This document is a letter from a Harris employee to Sumitomo requesting information on blankets used by Mitsubishi which were produced by Sumitomo, with a handwritten note to send copies to Harris' attorneys. The document contains no privileged communication and must be produced in its entirety.

Doc. No. 234 -- This is a fax cover sheet from [*44] a Harris attorney to a Harris employee with a handwritten note at the bottom from an unknown source. The fax cover sheet and the note contain no privileged information. Additionally, there is no indication who authored the note. Therefore, the entire document must be produced.

Doc. No. 240 -- This is a copy of a draft of a licensing agreement between Harris and Reeves Brothers. The redacted information is handwritten notes which are illegible. Because Plaintiff has failed to establish how these notes are privileged and because the Court is unable to make this determination on its own, the document must be produced unredacted.

Doc. No. 242 -- This is a letter from a Reeves employee to an attorney for Harris

discussing the licensing agreement between the two companies, with an illegible handwritten note redacted. The entire document must be produced for the reasons stated above.

Doc. No. 246 -- This is a letter from a Harris employee to a Grace employee discussing the production of experimental blanket sleeves, with a redacted handwritten note from a Harris employee to send copies to the attorneys for Harris. The note does not contain privileged communications [*45] and the letter must therefore be produced unredacted.

Doc. No. 253 -- This is a letter from a Harris employee to an employee of Day International with a redacted handwritten note by an unknown author to send a copy of the letter to the attorneys and with attached fax cover sheets from Harris' in-house counsel to outside counsel. None of the redacted information is legal advice or information conveyed to obtain such advice and the entire document must therefore be disclosed.

Doc. Nos. 260, 261 and 278 -- These documents all contain redacted handwritten notes either addressing a copy of the document to a Harris attorney or making general notations on patent related matters. The author of the notes in Doc. No. 278 is unknown. The notes do not contain privileged communications and therefore, the documents must all be produced unredacted.

Doc. No. 283 -- This is a two part document. The first part is a memo from one Harris employee to another discussing the status of the patents with redacted information that appears to be the Harris employee's guess on the odds of obtaining a patent on some of the new inventions. The redacted material is not privileged and must [*46] be disclosed. The second part of the document is a status report conveying legal advice of a Harris attorney and is therefore privileged. The second part of the document need not be produced.

Doc. No. 338 -- This is a memo from one Harris employee to another discussing a meeting with Day International with redacted information on what the attorneys for Day will tell the attorneys for Harris about the subjects discussed at the meeting. The information discussed at the Day meeting is not subject to any attorney client privilege because Day is a third party which does not share any community of interest with Harris. Consequently, any privilege that would have inhered in these discussions is waived and the entire document must be produced.

Doc. No. 412 -- This is a letter from the attorney for Harris to an American Roller employee discussing the jointly developed patents with redacted notations and symbols by an unknown author. Because the author of these notations is unknown, the Court is unable to determine the applicability of any privilege and the documents must therefore be produced in unredacted form.

Doc. No. 518 -- This is a letter from one American Roller [*47] employee to another discussing the joint patent developed with Harris. The paragraph that begins with "(2)" contains legal advice and may be redacted, however, the remainder of the document contains strictly non-privileged information and must therefore be produced.

Doc. No. 528 -- This document is a letter from a Reeves employee to an American Roller employee discussing the patent on microspheres. The communication was revealed to a third party (Reeves) and therefore, the Court finds that any privilege is waived and the entire document must be produced.

Doc. No. 530 -- This communication is a letter from one American Roller employee to another discussing the joint patent developed with Harris. Information under "10/16/90" is not privileged and therefore must be produced. However, information under "10/18/90" reflects a privileged attorney client communication and therefore may be left redacted.

Doc. No. 535 -- This is a letter from one American Roller employee to another discussing the joint American Roller/Harris patent application. The document does not contain any privileged information and must therefore be produced.

Conclusion

Based on [*48] the above reasons, Mitsubishi's motion to compel is granted in part and denied in part. Pursuant to this ruling, the Court orders the production of the documents specified in the individual rulings made in each category and group.

ENTER ORDER:

MARTIN C. ASHMAN

United States Magistrate Judge

Dated: December 9, 1996.

TAB 6

LEXSEE 2002 US DIST LEXIS 15841

OCEAN ATLANTIC DEVELOPMENT CORPORATION, Plaintiff, v. WILLOW TREE FARM, L.L.C., DRH CAMBRIDGE HOMES, INC., ELDA ARNHOLD, and BYZANTIO, L.L.C., Defendants.

NO. 01 C 5014

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

2002 U.S. Dist. LEXIS 15841

August 22, 2002, Decided
August 23, 2002, Docketed

SUBSEQUENT HISTORY: Partial summary judgment denied by, Summary judgment granted by, Judgment entered by *Ocean Atl. Dev. Corp. v. Willow Tree Farm, L.L.C., 2004 U.S. Dist. LEXIS 4152* (N.D. Ill., Mar. 17, 2004)

PRIOR HISTORY: *Ocean Atl. Dev. Corp. v. Willow Tree Farm, L.L.C., 2002 U.S. Dist. LEXIS 6978* (N.D. Ill., Apr. 18, 2002)

DISPOSITION: [*1] Plaintiff's Motion To Compel the Production of Documents, GRANTED in part, and DENIED in part.

LexisNexis(R) Headnotes

COUNSEL: For OCEAN ATLANTIC DEVELOPMENT CORPORATION, plaintiff: William Patrick Farrell, Jr., Andrew Michael Hansell, Gardner, Carton & Douglas, Chicago, IL.

For WILLOW TREE FARM LLC, DHR CAMBRIDGE HOMES, INC., ELDA ARNHOLD, BYZANTIO L.L.C., defendants: Theodore Thomas Poulos, Terence H. Campbell, Cotsirilos, Stephenson, Tighe & Streicker, Chicago, IL.

For WILLOW TREE FARM LLC, counter-claimant: Theodore Thomas Poulos, Terence H. Campbell, Cotsirilos, Stephenson, Tighe & Streicker, Chicago, IL.

For OCEAN ATLANTIC DEVELOPMENT CORPORATION, counter-defendant: William Patrick Farrell, Jr., Andrew Michael Hansell, Gardner, Carton & Douglas, Chicago, IL.

JUDGES: ARLANDER KEYS, United States Magistrate Judge. Judge Joan H. Lefkow.

OPINIONBY: ARLANDER KEYS

OPINION:

MEMORANDUM OPINION AND ORDER

Currently before the Court is Plaintiff Ocean Atlantic Development Corporation's ("Ocean Atlantic") Motion to Compel the production of allegedly privileged documents from Defendant DRH Cambridge Homes ("Cambridge"). For the reasons set forth below, Plaintiff's Motion is granted in part and denied in part. [*2]

BACKGROUND FACTS

Ocean Atlantic's current Motion does not warrant a recitation of the long and tortuous history that led to the filing of this lawsuit; those facts have been fully set forth in this Court's *Ocean Atlantic Development Corp. v. Willow Tree Farm, L.L.C., 2002 U.S. Dist. LEXIS 6978,* No. 01 C 5014, *2002 WL 649043* (N.D.Ill. April 19, 2002), and the Court will not repeat them here. The Court will discuss only those facts that are relevant to this Motion to Compel.

In preparation for a large residential development, Ocean Atlantic negotiated an easement agreement

("Easement") with the owners of Willow Tree Farm. Willow Tree Farm is adjacent to the development site (the "Property"), and the easement was considered to be critical to the ultimate success of the development project. n1 On December 31, 1998, Ocean Atlantic and Willow Tree Farm recorded the Easement, granting Ocean Atlantic the right to construct a storm drainage water pipeline ("pipeline") across Willow Tree Farm to service the proposed residential development. The Easement Agreement called for construction of the pipeline to be completed by June 30, 2001.

n1 Although it was Ocean Atlantic Woodland Corporation that entered into the contract to purchase the Property, it was Ocean Atlantic Development Corp. that negotiated the Easement Grant with Willow Tree.

[*3]

Before construction of that pipeline began, however, Ocean Atlantic became embroiled, yet again, in litigation with the owners of the Property (the "Property Owners"). On February 28, 2001, this Court ruled that Ocean Atlantic had materially breached its contract with the Property Owners, and that, therefore, the Property Owners were under no contractual obligation to sell the Property to Ocean Atlantic. Following this ruling, and perhaps even before it, the Property Owners entered into negotiations with Cambridge to sell the Property. In addition to the Property, however, Cambridge sought to obtain an easement from Willow Tree Farm.

Between May and July of 2001, Cambridge studied the feasibility of obtaining an easement from Willow Tree Farm, and possible alternative sources. In the meantime, Willow Tree Farm informed Ocean Atlantic that, pursuant to the terms of their contract, the Easement would be null and void, unless Ocean Atlantic constructed its pipeline by June 30, 2001. Ocean Atlantic apparently reassured Willow Tree Farm that the pipeline construction would proceed as scheduled, despite all evidence to the contrary, and even though Ocean Atlantic had lost the right to [*4] develop the adjacent Property. After an allegedly stormy relationship with Ocean Atlantic, the owners of Willow Tree Farm were purportedly apprehensive about negotiating a second easement agreement with yet another large development company. As such, Willow Tree Farm refused to negotiate with Cambridge.

Cambridge enlisted the assistance of the Property Owners to secure an Easement from Willow Tree Farm. During the late spring and summer of 2001, the Property Owners contacted Willow Tree Farm in an effort to secure an easement on behalf of Cambridge. Cambridge correctly guessed that Willow Tree Farm's owners would be more receptive to an offer coming from their neighbors - the Property Owners - than from Cambridge.

By July 1, 2001, the Property Owners had secured an easement agreement on behalf of Cambridge. Cambridge and the Property Owners agreed to indemnify Willow Tree Farm in the event that it was sued by Ocean Atlantic.

Ocean Atlantic responded predictably, filing the instant breach of contract suit against Willow Tree Farms on June 29, 2001, (one day before the deadline for construction of the pipeline) for allegedly failing to provide written approval of specifications and [*5] by denying Ocean Atlantic access to its property to begin construction of the pipeline. Ocean Atlantic subsequently amended its Complaint to add Cambridge as a defendant, alleging tortious interference with its contract.

In its present Motion, Ocean Atlantic seeks, mostly to compel communications relating to Cambridge's bid to secure an easement from Willow Tree Farm.

DISCUSSION

Ocean Atlantic contends that Cambridge is improperly withholding documents and communications responsive to its interrogatories and production requests. Cambridge contends that these documents are protected by the attorney-client privilege and/ or the work product doctrine.

Because this is a diversity action, Illinois law, and not federal law, controls the Court's application of the attorney-client privilege in this case. *Urban Outfitters, Inc. v. DPIC Co., Inc., 203 F.R.D. 376, 378 (N.D. Ill. 2001)*(citing *Fed. R. Evid. 501*). While state law applies to the rules governing the attorney-client privilege, "the source of law in work-product terms is federal rather than state." *A.O. Smith Corp. v. Lewis, Overbeck & Furman, 1991 U.S. Dist. LEXIS 13379,* No. 90 C 5160, *1991 WL 192200,* at *4 (N.D. Ill. Sept. 23, 1991). [*6] The party seeking to invoke either the attorney-client privilege or the work product doctrine bears the burden of demonstrating that the privilege should apply. *See FMC Corp. v. Trimac Bulk Trans. Serv., 2000 U.S. Dist. LEXIS 17209,* No. 98 C 5894, *2000 WL 1745179,* at * 1 (N.D. Ill. Nov. 27, 2000).

A. The Attorney-Client Privilege

The attorney-client privilege seeks to encourage full and frank communications between a client and its attorney, by removing the threat that the communications would be exposed in litigation. *See* 134 Ill.2d R. 201(b)(2). Illinois courts interpret the privilege narrowly; it is the privilege itself, and not the duty to disclose such communications, that is the exception to Illinois' policy

of encouraging full disclosure. *Consolidation Coal Co. v. Bucyrus-Erie Co., 89 Ill. 2d 103, 117-19, 432 N.E.2d 250, 59 Ill. Dec. 666 (Ill. 1982).*

The Illinois Supreme Court set forth the elements of the attorney-client privilege in *People v. Adam, 51 Ill. 2d 46, 48, 280 N.E.2d 205 (1972):*

> 1) Where legal advice of any kind is sought 2) from a professional legal advisor in his capacity as such 3) the communications [*7] relating to that purpose 4) made in confidence 5) by the client 6) are at his instance permanently protected 7) from disclosure by himself or the legal advisor 8) except the protections be waived.

In the corporate context, the attorney-client privilege protects only discussions between an attorney and members of the corporation's control group, which typically includes those in top management positions. *See Abbott Labs. v. Airco, Inc., 1985 U.S. Dist. LEXIS 14140,* No. 82 C 3292, *1985 WL 3596,* at *3 (N.D. Ill. Nov. 4, 1985). The Illinois Supreme Court acknowledged that limiting the control group to top management employees was too narrow, and adopted the following test: "if the employee ... is in a position to control or even to take a substantial part in a decision about any action which the corporation may take upon the advice of the attorney, or if he is an authorized member of a body or group which has that authority," he will be considered a part of the control group. *Consolidation Coal, 89 Ill. 2d at 114, 120, 432 N.E.2d 250* (explaining that "an employee whose advisory role to top management in a particular area is such that a decision would not normally be made without [*8] his advice or opinion ... is properly within the control group.")

In this case, Defendant has failed to submit any evidence tending to show that the following individuals should be considered members of its control group: Russ Schlatter, who holds an unidentified position in Cambridge's finance department, Jeff Thompson, who holds an unidentified position in Cambridge's land acquisition department, and Cambridge "assistants" Tammy Coutre, Beverly Rodriguez, Carol Hoskins, Mara Ehrhardt, and Pam Pantle. *See generally, Mlynarski v. Rush Presbyterian-St. Luke's Med. Center, 213 Ill. App. 3d 427, 431-32, 572 N.E.2d 1025, 1028, 157 Ill. Dec. 561 (1st Dist. 1991)* (unrebutted affidavit explaining that an employee's advice and opinions were central to any decision to settle or litigate the matter was sufficient evidence that the employee was a member of the control group.)

With regard to Messrs. Schlatter and Thompson, there is no evidence that these individuals occupied an advisory role, such that a decision would not normally be made without their advice or opinion, or that they otherwise contributed to decision- making on legal (as opposed to business) issues. Similarly, [*9] with regard to Ms. Coutre, Ms. Rodriguez, Ms. Hoskins, Ms. Ehrhardt, and Ms. Pantle, Defendant has failed to establish that these assistants were acting as "ministerial agents" for the purpose of facilitating legal advice, *Abbott Labs, 1985 U.S. Dist. LEXIS 14140, 1985 WL 3596,* at *3 (holding that notes taken by a secretary were privileged because the secretary "was acting as a ministerial agent of either counsel imparting legal advice .. or top management requesting legal advice."), or whose input was otherwise required prior to making decisions on legal issues.

Because Cambridge has not submitted evidence demonstrating that these individuals are in its control group, communications disclosed to these individuals waives any claim of confidentiality. Therefore, the attorney-client privilege does not protect from disclosure the following documents: 1) Steve Goodman's May 3, 2001 E-mail to the "Proposed Projects Team n2"; 2) Steve Goodman's May 8, 2001 Memo to Doug Brown and the Proposed Projects Team; 3) Erik Sandstedt's May 30, 2001 E-mail and Response to Steve Goodman, Tammy Coutre, Beverly Rodriguez, Carol Hoskins, Doug Brown, Jerry Conrad, Mara Ehrhardt, Pam Pantle, and Tom Koenig; 4) Steve [*10] Goodman's July 13, 2001 Memo regarding the Plainfield Storm Sewer Update; and 5) the E-mails exchanged between Doug Brown and Steve Goodman, and "cc'd" to Erik Sandstedt, Jerry Conrad, Mara Ehrardt, and Pam Pantle on July 27, 29, and 30, 2001.

> n2 The Proposed Projects Team apparently included, among others, Russ Schlatter, Jeff Thompson, Tammy Coutre, Beverly Rodriguez, Carol Hoskins, Mara Ehrhardt, and Pam Pantle.

The Court further finds that Cambridge has failed to present any evidence whatsoever as to whether George Seagraves, the Northeast Regional President for DR Horton, Cambridge's parent company, was a member of Cambridge's control group n3. Therefore, Doug Brown's June 5, 2001 letter to Mr. Seagraves and Mr. Goodman's June 11 and 12, 2001 E-mails with Mr. Seagraves and others are not protected by the attorney-client privilege.

n3 Some of the communications with Mr. Seagraves were also distributed to other employees of DR Horton; once again, Cambridge presents no evidence demonstrating that James Peebles (V.P. and legal counsel for the Northeast region of DR Horton), Herb Haertner (DR Horton accounting manager) and Debbie Acree (Sr. accounting assistant to Mr. Haertner) are members of Cambridge's control group.

[*11]

However, the Court finds that the following documents consist of confidential communications, between counsel and members of Cambridge's control group, for the purpose of giving or receiving legal advice: 1) May 17, 2001 Memo from Steve Goodman (Cambridge's General Counsel) to Jerry Conrad, Erik Sandstedt, Doug Brown and Tom Koenig (all top-level Cambridge executives); 2) May 31, 2001 Memo from Tom Koenig to Steve Goodman; 3) May 31, 2001 Memo from Doug Brown to Jerry Conrad; 4) June 15, 2001 E-mail from Steve Goodman to Doug Brown and Jerry Conrad; 5) July 10, 2001 E-mail from Steve Goodman to Doug Brown, Richard Brown, Jerry Conrad, Tom Koenig, and Erik Sandstedt; 6) July 13, 2001 E-mail from Steve Goodman to Doug Brown; 7) January 24, 2002 Memo from Steve Goodman to Doug Brown, Jerry Conrad, and Erik Sandstedt; 8) February 26, 2002 letter from Steve Goodman to current counsel Terrence Campbell, Doug Brown, Jerry Conrad, and Erik Sandstedt; and 9) March 20, 2002 E-mail from Steve Goodman to Terrence Campbell, forwarding a Memo analyzing the risk of litigation with Ocean Atlantic. The attorney-client privilege protects these documents from disclosure.

B. Work Product Doctrine [*12]

The work product doctrine protects from disclosure documents and tangible things otherwise discoverable that were "prepared in anticipation of litigation or for trial by or for another party or by or for that other party's representative." *Fed. R. Civ. P. 26(b)(3)*. "It exists so that one party does not gain an unfair advantage over another party by learning the other party's counsel's strategies and legal theories," *Minnesota School Boards Ass'n Ins. Trust v. Employers Ins. Co. of Wausau, 183 F.R.D. 627, 630 (N.D. Ill. 1999)*(citation omitted).

For documents prepared prior to the filing of a lawsuit, as in the case at bar, the "prospect of litigation" must be identifiable because of specific claims that have already arisen. *Panter v. Marshall Field & Co., 80 F.R.D. 718, 725, fn 6 (N.D. Ill. 1978)*(citation omitted). The test is "whether in light of the factual context the document can fairly be said to have been prepared or obtained because of the prospect of litigation." *Wsol v. Fiduciary Management Associates, Inc., 1999 U.S. Dist. LEXIS 19002*, No. 99 C 1719, *1999 WL 1129100*, at *2 (N.D. Ill. Dec. 7, 1999)(citation omitted). Although the prospect of litigation [*13] need not be imminent, it must, nevertheless, appear that the primary motivating purpose behind the creation of a document must be to aid in possible future litigation. *Dometic Sales Corp. v. Intertherm, Inc., Civ. 1988 U.S. Dist. LEXIS 19362, No. S87-81, 1988 WL 492342*, at * 11 (N.D. Ind. March 28, 1988) (quotation and citation omitted).

Although the work product doctrine is broader than the attorney-client privilege, it is not absolute. The privilege may be overcome if the party seeking the discovery can demonstrate a substantial need for the document and that it cannot otherwise obtain the material absent undue hardship. *E.E.O.C. v. International Profit Assocs., Inc., 206 F.R.D. 215, 221 (N.D. Ill. 2002).*

In addition, there are different standards applied for waiver of work product protected communications as compared to attorney-client communications. Unlike the attorney-client privilege, which is based on protecting the confidentiality of communications between lawyers and clients, the work product doctrine is based on promoting the adversary system, by protecting the confidentiality of materials prepared by an attorney in anticipation of litigation. *Wsol, 1999 U.S. Dist. LEXIS 19002, 1999 WL 1129100*, at * 6 [*14] (citation omitted). Waiver of the work product doctrine only occurs if the disclosure to a third party is "inconsistent with the maintenance of secrecy for the disclosing party's adversary." *Minnesota School Boards, 183 F.R.D. at 631* (citation omitted); *see also Bramlette v. Hyundai Motor Co., 1993 U.S. Dist. LEXIS 12112*, No. 91 C 3635, *1993 WL 338980*, at *3 (N.D. Ill. Sept. 1, 1993) ("While any voluntary disclosure by the holder of the attorney-client privilege is inconsistent with the confidential relationship and thus waives the privilege, it is not inconsistent with work product protection to disclose information in the pursuit of trial preparation, so long as the information is maintained in secrecy against the opponent.")

The Court finds that Cambridge was concerned about Ocean Atlantic filing suit against it since at least 2001. Cambridge's communications frequently reference its fear that Ocean Atlantic would file suit against it for proceeding with its proposed development, and remark on Ocean Atlantic's litigious nature. Therefore, the Court finds that the prospect of litigation was identifiable at the time these documents were created.

In addition, the Court [*15] finds that Cambridge expected that its communications with executive assistants and certain other members of Cambridge's "Projects Team" would remain confidential and protected

from adversaries such as Ocean Atlantic, even though many of the Projects Team Members were not demonstrated to be members of Cambridge's control group. While the disclosure of such communications waives the attorney-client privilege, the disclosure does not waive application of the work product doctrine. Therefore, the Court must determine whether any of the communications with non-control group team members are, nevertheless, protected under the work product doctrine.

Upon review, the Court finds that most of the communications with the non-control group Project Team Members were most likely produced in the ordinary course of business, and not primarily for the purpose of obtaining legal advice. A document is only considered work-product if it is primarily concerned with legal assistance. *In re Stern Walters Partners, Inc., 1996 U.S. Dist. LEXIS 3041,* No. 94 C 5705, *1996 WL 115290,* at * 4 (N.D. Ill. March 13, 1996)(citation omitted). n4 Documents created in the ordinary course of business are not protected work [*16] product. *Allendale Mut. Ins. Co. v. Bull Data Sys., Inc., 145 F.R.D. 84, 86 (N.D. Ill. 1992)* (Documents prepared in the ordinary course of business are not work product even if litigation is pending.) Similarly, "a document prepared for both legal and non-legal review is not privileged." *In re General Instrument Corp., 190 F.R.D. 527, 530 (N.D. Ill. 2000)*

n4 It is important to note that the work product doctrine extends to documents prepared by a party's representative or agent and not just the attorney. *See, e.g., Ventre v. Datronic Rental Corp., 1993 U.S. Dist. LEXIS 17594,* No. 92 C 3289, *1993 WL 524377,* at *3 (N.D. Ill. Dec. 13, 1993).

Cambridge contends that the May 3, 2001 Summary of Plainfield Due Diligence and the May 8, 2001 Farmington Village Executive Summary were created at a time when it reasonably believed that litigation with Ocean Atlantic was unavoidable, if not imminent. But Cambridge fails to explain why such documents would not have been prepared absent the threat of litigation [*17] with *Ocean Atlantic. B.F.G. of Ill. v. Ameritech Corp, 2001 U.S. Dist. LEXIS 18930,* NO. 99 C 4604, *2001 WL 1414468,* at *3 (N.D. Ill. Nov. 13, 2001) ("There is a 'causation' element insofar as production of the material must be caused by the anticipation of litigation.") It seems unlikely that Cambridge would commit to such a large development project without conducting due diligence or preparing its Executive Summary.

Similarly, the E-mails sent on May 30, 2001, regarding the Plainfield conversations with John Argoudelis, concern primarily business issues that would have arisen even absent the threat of litigation, and are, therefore, not work product. However, the E-mails sent on July 13, 2001, regarding the Plainfield Storm Sewer Update, and on July 29 and 30, 2001, regarding Mr. Ferraguto, consist primarily of legal advice, and are, therefore, protected.

The June 5, 2001 letter to Mr. Seagraves, regarding the Financial Projection for Farmington Village, as well as the June 11 and 12, 2001 E-mails to Mr. Seagraves and others from Mr. Goodman, appear to be simply project updates from Cambridge to its parent company. These documents discuss legal as well as business issues that would have arisen [*18] even absent the threat of litigation. Therefore, the Court finds that the documents were more likely than not created in the ordinary course of business and are not protected by the work product doctrine.

Finally, the Court finds that Mr. Goodman's handwritten notes on a July 12, 2001 letter from John Argoudelis n5 are entitled to work product protection. Because Ocean Atlantic makes no argument that undue hardship nevertheless compels the production of these documents, the Court denies Ocean Atlantic's Motion with regard to the July 13, 2001 E-mail regarding the Plainfield Storm Sewer Update, the July 27 and 30, 2001 E-mails regarding Mr. Ferraguto, and Mr. Goodman's notes on the July 12, 2001 letter from Mr. Argoudelis.

n5 Cambridge represents that the underlying letter from Mr. Argoudelis has been produced to Ocean Atlantic.

CONCLUSION

Cambridge bears the burden of establishing that the attorney-client privilege and the work product doctrine permit it to withhold certain relevant information. With [*19] the exception of communications that were limited to presumptive members of its control group or that consisted exclusively of legal advice, Cambridge has failed to shoulder its burden.

IT IS HEREBY ORDERED that Plaintiff's Motion To Compel the Production of Documents be, and the same hereby is, **GRANTED in part,** and **DENIED in part,** as set forth above. The documents for which the Court has not found the existence of a privilege are to be produced within seven days of this decision.

Dated: August 22, 2002

ENTER:

United States Magistrate Judge

ARLANDER KEYS

TAB 7

LEXSEE 2004 US DIST LEXIS 6452

UNITED STATES OF AMERICA, Petitioner, v. SIDLEY AUSTIN BROWN & WOOD LLP, Respondent.

Case No. 03 C 9355

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

2004 U.S. Dist. LEXIS 6452; 93 A.F.T.R.2d (RIA) 1849

April 15, 2004, Decided

April 20, 2004, Docketed

SUBSEQUENT HISTORY: Reconsideration denied by, Petition granted by *United States v. Sidley Austin Brown & Wood LLP, 2004 U.S. Dist. LEXIS 7355 (N.D. Ill., Apr. 28, 2004)*

DISPOSITION: [*1] Motions to intervene granted in part.

LexisNexis(R) Headnotes

COUNSEL: For UNITED STATES OF AMERICA, petitioner: John A. Lindquist, III, United States Department of Justice, Washington, DC.

For SIDLEY AUSTIN BROWN & WOOD LLP, with respect to the matter of the tax liabilities of, respondent: William F. Conlon, Michael James Sweeney, Gerard David Kelly, Julie Kathryn Zeglis, Sidley Austin Brown & Wood LLP, Chicago, IL.

For JOHN DOES, United States taxpayers who, during any part of the period 1/1/96 through 10/15/03, participated in a transaction which was or later became a "listed transaction" or other "potentially abusive tax shelter" organized or sold by the law firm of Sidley Austin Brown & Wood LLP and its predecessor, Brown & Wood LLP, respondent: Gregory S Lynam, Thomas V.M. Linguanti, Baker & McKenzie, Chicago, IL. Robert E. McKenzie, Richard Keith Hellerman, Shekar Adiga, Arnstein & Lehr, Chicago, IL. Ronald S. Safer, Schiff Hardin LLP, Chicago, IL. Harvey M. Silets, Katten Muchin Zavis Rosenman, Chicago, Il. Michael I Saltzman, Kathleen M Pakenham, Danielle M Smith, White & Case, New York, NY. Daniel Thomas [*2] Hartnett, Martin, Brown, Sullivan & Bowman, Chicago, IL. Steven Spencer Brown, Royal B. Martin, Jr., Martin, Brown & Sullivan, Ltd., Chicago, IL.

For ARNSTEIN DOE 2, intervenor: Harvey M. Silets, Katten Muchin Zavis Rosenman, Chicago, Il.

For BAKER BAKER DOE 1, BAKER BAKER DOE 2, intervenors: Gregory S Lynam, Baker & McKenzie, Chicago, IL.

JUDGES: MATTHEW F. KENNELLY, United States District Judge.

OPINIONBY: MATTHEW F. KENNELLY

OPINION:

MEMORANDUM OPINION AND ORDER

MATTHEW F. KENNELLY, District Judge:

This case arises from an Internal Revenue Service investigation into the organization and sale of tax shelters by a former partner of Sidley Austin Brown & Wood (hereinafter "SAB&W") during his tenure at Brown & Wood, one of the predecessor firms to SAB&W. The United States has sought enforcement of a summons served on SAB&W to obtain the names of former clients of the firm. Forty-six of SAB&W's former clients, known collectively as the "Does," have moved to intervene so that they can argue that their identities are

protected from disclosure by the attorney-client privilege. n1 The Court must decide whether to permit the Does to intervene.

n1 Those seeking to intervene are referred to by the firms representing them in this action. The two individuals represented by Arnstein & Lehr LLP are referred to as the "Arnstein Does"; the two individuals and two companies represented by Chamberlain, Hrdlicka, White, Williams & Martin are referred to as the "Chamberlain Does"; the three individuals, two companies and two trusts represented by Fulbright & Jaworski LLP are referred to as the "Fulbright Does"; the twenty-seven individuals represented by Katten Muchin Zavis Rosenman are referred to as the "Katten Does"; the four individuals represented by Martin, Brown & Sullivan, LTD, are referred to as the "Martin Does;" and the two individuals represented by Schiff Hardin LLP are referred to as the "Schiff Does."

[*3]

Procedural Background

On December 29, 2003 the Government sought enforcement of a John Doe summons served October 15, 2003 on SAB&W to obtain the names of taxpayers who "during any part of the period January 1, 1996 through October 15, 2003, participated in a transaction which was or later became a 'listed transaction' or other 'potentially abusive tax shelter' organized or sold by the law firm of Sidley Austin Brown & Wood LLP and its predecessor, Brown & Wood LLP." Summons (dated Oct. 15, 2003). The Court entered an order, after making a modification to meet an objection by the Government, directing SAB&W to provide notice of the summons to former clients "who received opinions from Brown & Wood LLP or respondent with respect to the transactions identified" in an attached appendix. Order of Jan. 12, 2004, P1. The Court gave SAB&W's former clients until January 23, 2004 to advise SAB&W of their intention to assert that their identities were protected by the attorney-client privilege, *id.* P2, and until February 19, 2004 to file a motion to be heard by the Court. *Id.* P7.

The Government and SAB&W petitioned the Court in early February to enter an agreed order that, among [*4] other things, modified the schedule set on January 12. Under this order, which the Court signed on February 6, 2004, SAB&W was to send notice by February 7 to "all persons: . . . (b) who objected to the January 13 Order on the grounds that they did not fall within the scope of Appendix A thereto, but who, during any part of the period January 1, 1996 through October 15, 2003, participated in a transaction which was or later became a 'listed transaction' or other 'potentially abusive tax shelter' with respect to which petitioner or Brown & Wood LLP was paid a fee." Order of Feb. 6, 2004, P1. The agreed order gave SAB&W's former clients until February 13, 2004 to inform SAB&W that they objected to the disclosure of their identities. *Id.* P2. The Government had until February 17, 2004 to move the Court to order SAB&W to produce the names of any objecting clients. *Id.* P6. The Court gave the clients whose identities SAB&W withheld until February 27, 2004 to seek to intervene in the enforcement action. *Id.* P7.

SAB&W disclosed the names of several hundred former clients whose identities SAB&W believes to be responsive to the summons. However, it withheld the names of approximately [*5] 100 former clients who objected to the disclosure of their identities. SAB&W Resp. to Mot. to Enforce P2. Forty-six of those former clients seek to intervene so that they can argue that (1) the attorney-client privilege bars SAB&W from disclosing their names and (2) their names are not responsive to the summons.

Analysis

The Federal Rules of Civil Procedure provide four separate bases for intervention by a nonparty. Two bases for intervention are "of right" and two are "permissive." *Rule 24(a)* gives a nonparty the right to intervene when either (1) "a statute of the United States confers an unconditional right to intervene," or (2) "the applicant claims an interest relating to the property or transaction" at issue and "disposition of the action may as a practical matter impair or impede the applicant's ability to protect that interest, unless the applicant's interest is adequately represented by existing parties." *Rule 24(b)* states that the Court has discretionary authority to permit a nonparty to intervene when either (1) "a statute of the United States confers a conditional right to intervene," or (2) "an applicant's claim or defense and the main action have a question of [*6] law or fact in common." When considering whether to grant a motion for permissive intervention, the Court must "consider whether the intervention will unduly delay or prejudice the adjudication of the rights of the original parties." *Fed. R. Civ. P. 24(b)*. The Does maintain that they have a right to intervene as of right, but they argue in the alternative that if they do not have a right to intervene, the Court should exercise its discretion and allow them to intervene under *Fed. R. Civ. P. 24(b)*.

1. Intervention as of right

a. Intervention under Rule 24(a)(1)

Several of the Does argue that the statute governing third-party summonses gives them an unconditional right to intervene and, therefore, provides the statutory predicate necessary to intervene as of right under *Rule 24(a)(1)*. The Does rely on *26 U.S.C. § 7609(b)(1)*, which states that "not withstanding any other law or rule of law, any person who is entitled to notice of a summons under *subsection (a)* shall have the right to intervene in any proceeding with respect to the enforcement of such summons under [*7] *section 7604*." The Does find support for their reading of *§ 7609(b)(1)* in a Sixth Circuit decision, stating that "once an enforcement action is begun, the Doe may intervene and challenge enforcement of the summons." *United States v. Ritchie, 15 F.3d 592, 597 (6th Cir. 1994)*. But the Sixth Circuit did not support its statement with either citations or analysis -- and it did not refer to *26 U.S.C. § 7609(b)(1)*, although it did refer to other subparts of *§ 7609* for the proposition that John Does do not have the right to either "intervene in the hearing on the summons's issuance" or "file a motion to quash the summons once it has been issued." *Id.* (citing *§ § 7609(h)(2) and (b)(2)(A)*). The Court declines to follow *Ritchie* because we believe it is contrary to the plain language of the statute and, therefore, wrongly decided.

Section 7609(b)(1) gives those entitled to notice under *§ 7609(a)* a right to intervene, thus whether a John Doe has a right to intervene depends on whether or not he is entitled to notice. *Section 7609(a)* states that "any person (other than the person summoned) who is identified in the summons" is entitled to notice [*8] of the third-party summons. The Katten Does argue that although they are not identified by name in the summons, *§ 7609(a)* does not specifically state that the person must be identified by name. However, when the statute is read as a whole, it is clear that the term "identified" in *§ 7609(a)* means "named." A subpart outlining additional requirements for John Doe summonses defines such a summons as "any summons described in *subsection (c)(1)* which *does not identify* the person with respect to whose liability the summons is issued." *26 U.S.C. § 7609(f)* (emphasis added). Inherently, then, a John Doe is not identified in a John Doe summons and, accordingly, he is not entitled to notice of the summons' issuance. The parties agree that the summons at issue is a John Doe summons. Therefore, *§ 7609(b)(1)* does not give SAB&W's former clients a statutory basis for intervention as a matter of right under *Rule 24(a)(1)*.

The Court can perceive a good policy argument for allowing intervention by a John Doe even if he is not entitled to notice under the statute. The purpose of intervention in this context is to ensure that the party who has a real interest at stake can [*9] intervene to raise appropriate challenges to the IRS summons. The recipient of a summons does not always have the incentive to challenge the summons, as this case may well illustrate: there is some indication that SAB&W's desire to distance itself from the practices of a partner of one of its predecessor firms has led the firm to forego potential objections to the summons. But the Court cannot read into *§ 7609* a right that is contrary to the plain language of the statute. Therefore, the Court concludes that the Does do not have a right to intervene under *Rule 24(a)(1)*.

b. Intervention under Rule 24(a)(2)

To intervene as of right under *Rule 24(a)(2)*, the Does must prove that (1) their application was timely; (2) they "have an interest relating to the subject matter of the action"; (3) there is a risk that their interests "will be impaired by the action's disposition"; and (4) their interests are not represented by the Government or SAB&W. *Vollmer v. Publishers Clearing House, 248 F.3d 698, 705 (7th Cir. 2001)*. "The lack of one element requires that the motion to intervene be denied." *Id.* There is no dispute as to the timeliness of the Does' motions [*10] or that any interest they may have will not be adequately represented by the existing parties and may be impaired if the summons is enforced. However, the Government claims the Does have failed to prove that they have a "'direct, significant, legally protectable'" interest as required by the Seventh Circuit to intervene as of right. *See Security Ins. Co. of Hartford v. Schipporeit, 69 F.3d 1377, 1380 (7th Cir. 1995)* (quoting *American Nat'l Bank v. City of Chicago, 865 F.2d 144, 146 (7th Cir. 1989)*).

The Supreme Court has recognized two legally protectable interests that may provide a basis for a taxpayer to intervene under *Rule 24(a)(2)* in an IRS summons enforcement proceeding: a privilege or a claim of abuse of process. *Donaldson v. United States, 400 U.S. 517, 531, 27 L. Ed. 2d 580, 91 S. Ct. 534 (1971)* (citation omitted). The Does contend that *Donaldson* is not good law because it was superseded by the enactment of *§ 7609*. As discussed above, *§ 7609* provides the statutory predicate for those entitled to notice of a third-party summons to intervene as of right under *Rule 24(a)(1)*. By enacting *§ 7609*, Congress gave a group of people who previously [*11] could only attempt to intervene under *Rule 24(a)(2)* grounds for intervening under *Rule 24(a)(1)*. But *§ 7609* did not alter the grounds for intervention as of right under *Rule 24(a)(2)*, which is the section addressed by the Supreme Court in *Donaldson*. Thus, the Court looks to *Donaldson* for guidance on the question of intervention under *Rule 24(a)(2)*. The Court's reliance on *Donaldson* is supported by the Seventh Circuit's recent statement that "[a] colorable claim of privilege could constitute a legally

protectable interest sufficiently significant to warrant intervention as of right, assuming that the three remaining factors are also satisfied." *United States v. BDO Seidman, 337 F.3d 802, 808 (7th Cir. 2003).*

The Does' sole ground for intervention under *Rule 24(a)(2)* is the attorney-client privilege. The Government does not deny that the Does sought legal advice from SAB&W or its predecessor firm. But that does not necessarily mean that the attorney-client privilege gives the Does the right to intervene in these enforcement proceedings. In *BDO Seidman,* the Seventh Circuit held that former clients of an accounting firm could not intervene in an IRS [*12] summons enforcement action under *Rule 24(a)(2)* to assert that their identities were protected by the tax practitioner-taxpayer privilege created by *26 U.S.C. § 7525.* The Does argue that the Court should not follow *BDO Seidman* because the Does are asserting the attorney-client privilege and not a privilege created by statute. The Court is not persuaded that the distinction matters. The Seventh Circuit defined the parameters of the *§ 7525* tax practitioner-taxpayer privilege by equating it with the attorney-client privilege, determining whether the *§ 7525* privilege gave the clients a right to intervene by analyzing whether the attorney-client privilege would protect the clients' identities and reasoning that the same conclusion would apply to those asserting the tax practitioner-taxpayer privilege. *Id. at 810* ("Because the scope of the tax practitioner-client privilege depends on the scope of the common law protections of confidential attorney-client communications, we must look to the body of common law interpreting the attorney-client privilege to interpret the *§ 7525* privilege."). For all practical purposes, the Seventh Circuit's decision [*13] in *BDO Seidman* speaks as much to the scope of the attorney-client privilege as it does to the tax practitioner-taxpayer privilege.

The Seventh Circuit in *BDO Seidman* isolated two essential elements that it said must be present for the attorney-client privilege (and the *§ 7525* privilege) to constitute a protectable interest giving rise to a right to intervene under *Rule 24(a)(2).* The court defined these "essential elements" of the attorney-client privilege as the existence of a communication and the confidential nature of the contents of that communication. *Id. at 811* (citations omitted). The Seventh Circuit found against BDO's clients on both points, concluding that the clients' identities were neither communications *nor* confidential. A close reading of the Seventh Circuit's opinion makes clear that the failure to establish only one element -- *either* a communication *or* confidentiality -- would defeat a motion to intervene under *Rule 24(a)(2).*

(i) An expectation of confidentiality

The Does and the Government vigorously dispute whether the Does had an expectation of confidentiality with regard to their interactions with SAB&W. In *BDO Seidman* [*14] the Seventh Circuit concluded that BDO Seidman's former clients did not have an expectation of confidentiality in their identity vis-a-vis the accounting firm, reasoning:

> the Does' participation in potentially abusive tax shelters is information ordinarily subject to full disclosure under the federal tax law. *See 26 U.S.C. § § 6111, 6112.* Congress has determined that tax shelters are subject to special scrutiny, and anyone who organizes or sells an interest in tax shelters is required, pursuant to *I.R.C. § 6112,* to maintain a list identifying each person to whom such an interest was sold. This list-keeping provision precludes the Does from establishing an *expectation of confidentiality* in their communications with BDO, an essential element of the attorney-client privilege and, by extension, the *§ 7525* privilege. At the time that the Does communicated their interest in participating in tax shelters that BDO organized or sold, the Does should have known that BDO was obligated to disclose the identity of clients engaging in such financial transactions.

Id. at 812 (citation omitted; emphasis in original). [*15] The Government urges us to interpret *BDO Seidman* as holding that a taxpayer never has an expectation of confidentiality in his identity when he seeks legal advice about transactions that the IRS eventually concludes are prohibited tax shelters. That is an overstatement of the holding in *BDO Seidman.* Rather, the court held that a taxpayer does not have an expectation of confidentiality in his identity -- and, accordingly, cannot intervene to assert the privilege -- if the taxpayer should have known at the time he consulted the professional, in this case an attorney, that the person would have had to disclose the taxpayer's identity under *26 U.S.C. § 6112.*

Section 6112 requires "any person who -- (1) organizes any potentially abusive tax shelter, or (2) sells any interest in such a shelter" to "maintain . . . a list identifying each person who was sold an interest in such shelter . . . ." *26 U.S.C. § 6112(a).* Under Treasury regulations adopted in 2003, a person who provides certain types of advice with respect to a tax shelter transaction is considered an organizer or seller of the shelter for purposes of the *§ 6112* reporting [*16]

requirements. *26 C.F.R. § 301.6112-1(c) (2004)*. But at the time the Does sought advice from SAB&W, an organizer was defined as "any person who discovers, creates, investigates, or initiates the tax shelter investment, devises the business or financial plans for the tax shelter, or carries out those plans through negotiations or transactions with others." 26 C.F.R. § 301.6112-1T PA-5 (temporary). Similarly, a seller was defined as:

> (a) Any organizer, underwriter, broker, or dealer (or other similar person) who transfers any interest in a tax shelter;
> (b) Any agent who negotiates the transfer of any interest in a tax shelter for the tax shelter, an organizer, or other person described in paragraph (a) of this A-6; and
> (c) Any investor (i.e., a person not described in paragraph (a) of this A-6) who transfers any interest in a tax shelter.

§ 301.6112-1T PA-6.

Several of the Does argue that under the regulations in effect when they sought advice from SAB&W, the firm would not have had to report their identities because the Does did not participate in tax shelters organized or sold by SAB&W. Other Does raise [*17] the subtly distinct argument that at the time they sought advice from SAB&W, they did not know that the firm organized or sold tax shelters, implying that it cannot be assumed that they should have known that SAB&W would have had to report their names under *§ 6112*. And SAB&W has maintained throughout these proceedings that it was not an organizer or seller of listed transactions or potentially abusive tax shelters. For example, the agreed order dated February 6, 2004 specifically stated that:

> The disclosure of identities and production of documents by respondent pursuant to this Order or the January 13 Order do not constitute a concession by respondent that it is an "organizer" or "seller" of tax shelters under *§ § 6111-6112 of the Internal Revenue Code*. Neither this Order nor the Court's January 13, 2004 [sic] shall be construed as making any finding as to whether respondent is an "organizer" or "seller" of tax shelters under *§ § 6111-6112 of the Internal Revenue Code*.

Order of Feb. 6, 2004, P8.

The issue of whether SAB&W organized or sold tax shelters within the meaning of *§ 6112* is a complicated question. Determining [*18] what each of the Does should have known at the time he sought advice from SAB&W would prove time-consuming, to say the least. Fortunately, the Court need not wade further into this factual dispute to determine whether the Does have a right to intervene under *Rule 24(a)(2)*. The Does cannot establish a right to intervene to assert the attorney-client privilege unless they can establish both the existence of a communication and an expectation of confidentiality in that communication. For the reasons discussed below, we find that the Does have failed to show that their identities constitute communications. Therefore we need not determine whether the Does had an expectation of confidentiality regarding their identities.

(ii) A communication

As the Seventh Circuit recognized in *BDO Seidman*, because "the attorney-client privilege protects confidential *communications* made by a client to his lawyer, and so ordinarily the identity of a client does not come within the scope of the privilege." *BDO Seidman, 337 F.3d at 811* (emphasis in original; citing *Tillotson v. Boughner, 350 F.2d 663, 666 (7th Cir. 1965))*. In other words, a client's identity usually [*19] does not constitute a protectable communication. "However, over the years, a limited exception to this general rule has developed; 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." *Id.* (citations omitted). The Does argue that the Court should apply the exception rather than the general rule and hold that so much is already known of the Does interactions with SAB&W that disclosing their identities will be tantamount to revealing their communications with the firm.

BDO Seidman's clients took the same position that the Does articulate today. They argued that the IRS knew so many details about the firm's organization and sale of tax shelters that forcing BDO to reveal a client's identity would "inevitably reveal that client's *motivation* for seeking tax advice from BDO." *Id. at 812* (emphasis in original). The Seventh Circuit rejected that argument, stating:

> The Does have not established that a confidential communication will be disclosed if their identities are revealed in response to the [*20] summonses. Disclosure of the identities of the Does will disclose to the IRS that the Does participated in one of the 20 types of tax shelters described in its summonses. It is

> less than clear, however, as to what motive, or other confidential communication of tax advice, can be inferred from the information alone.

Id.

The Court likewise finds that the government does not know "so much of an actual confidential communication" between the Does and SAB&W that disclosing the Does' identities "will effectively disclose that communication." *Id. at 811*. The Does contend that the government generally knows more about the advice given to the Does in this case than it knew about the advice given to BDO Seidman's clients. To assess the Does' claims, the Court reviewed the record of *BDO Seidman*, which is part of the records of this court (Case No. 02 C 4822). If and when the summons is enforced and the Does' names are revealed by SAB&W, it does not appear that the government will know any more in this case than it did in *BDO Seidman* -- that is, the government will know the named individuals received tax advice from SAB&W but will not know the substance of the advice. [*21] If the government did not know enough about the communications between *BDO Seidman* and its clients for disclosure of the clients' identities to constitute a communication, the exception cannot apply in this case either.

The Does argue that the government will know the substance of the advice SAB&W rendered because it has form opinion letters the firm provided to purchasers of the tax shelters allegedly organized or sold by SAB&W. The Court disagrees; awareness of the terms of form opinion letters does not translate to knowledge of the substance of the specific advice given to specific clients. In this regard, the case is not like those cited by the Does and those cited in *BDO Seidman* in which disclosure of the client's identity actually disclosed the advice the attorney gave. In particular, in *United States v. Liebman, 742 F.2d 807 (3d Cir. 1984)*, the case cited by the Does as being the most like this one, a lawyer had admitted to the IRS that he had advised his clients that the fees they paid him for investigating real estate partnerships for them were deductible as a legal expense. *Id. at 808*. The IRS believed the fees were properly characterized [*22] as non-deductible brokerage fees. *Id.* The government sought enforcement of a John Doe summons to the lawyer seeking the names of the clients whom he advised that his fees were deductible. *Id.* The lawyer objected, arguing "that enforcement of the summons would violate the attorney-client privilege." *Id.* The court agreed because the affidavit filed in support of the summons revealed the entire content of the communications between the lawyer and the clients whose names were sought. *Id. at 809*. The Third Circuit explained:

> The affidavit of the IRS agent supporting the request for the summons not only identifies the subject matter of the attorney-client communication, but also describes its substance. That is, the affidavit does *more* than identify the communications as relating to the deductibility of legal fees paid to [the firm] in connection with the acquisition of a real estate partnership interest.

Id. (citation omitted; emphasis added). But in the case presently before the Court, the declaration offered in support of the summons states only that SAB&W issued hundreds of opinion letters to clients. At most the government knows [*23] the subject matter of various opinions that SAB&W broadly dispensed; it does not know what SAB&W told any particular client. The Court finds the facts in this case much more closely resemble the facts in *BDO Seidman* than the facts in *Liebman*.

Because the Does have failed to show that their identities constitute a communication, they cannot assert that the attorney-client privilege protects their identities. Accordingly, the Does do not have a protectable interest at stake in this enforcement action, and thus they do not have a right to intervene under *Rule 24(a)(2)*.

2. Permissive Intervention

The Court may permit a party to intervene under *Rule 24(b)(1)* if a statute provides a conditional right to intervene. The Does have not offered a statutory basis for intervention under *Rule 24(b)(1)*, and thus the Court will only consider whether to allow the Does to intervene under *Rule 24(b)(2)*. The government argues that *Donaldson* bars permissive intervention under *Rule 24(b)* as a matter of law in IRS summons enforcement proceedings. It insists that a party who cannot intervene as of right is not entitled to intervene under *Rule 24(b)*. That certainly is not the general [*24] rule. *See, e.g., Security Ins. Co. of Hartford v. Schipporeit, Inc., 69 F.3d 1377, 1381 (7th Cir. 1995)* (finding intervention in a contract dispute under *Rule 24(b)(2)* would be appropriate even if party did not have right to intervene under *Rule 24(a)*). And the Court reads nothing in *Donaldson* suggesting that *Rule 24(b)* becomes a nullity in an IRS summons enforcement proceeding once a court determines that a party does not have the right to intervene under *Rule 24(a)*. Because the Court is unconvinced that *Rule 24(b)* does not apply in IRS summons enforcement proceedings, we will apply the general standard for intervention under *Rule 24(b)*.

The Seventh Circuit has identified two requirements which "must be met before a court may exercise its discretionary power to grant intervention under *24(b)(2)*. The proposed intervenor must demonstrate that there is (1) a common question of law or fact, and (2) independent jurisdiction." *Id.* (citing *Reedsburg Bank v. Apollo, 508 F.2d 995, 1000 (7th Cir. 1975)).* Once these requirements are met, "intervention under *24(b)(2)* is entirely discretionary." *Id.* (citing *Keith v. Daley, 764 F.2d 1265, 1272 (7th Cir. 1985)).* [*25] However, the Court's exercise of its discretion is not unguided. The text of *Rule 24(b)* advises that "in exercising its discretion the court shall consider whether the intervention will unduly delay or prejudice the adjudication of the rights of the original parties."

In a summons enforcement proceeding, the IRS "must show that the investigation will be conducted pursuant to a legitimate purpose, that the inquiry may be relevant to the purpose, that the information sought is not already within the Commissioner's possession, and that the administrative steps required by the Code have been followed." *United States v. Powell, 379 U.S. 48, 57-58, 13 L. Ed. 2d 112, 85 S. Ct. 248 (1964).* Once the government has met its "slight" burden, the burdens of production and proof shifts to the party opposing the summons to "'establish any defenses or . . . prove that enforcement would constitute an abuse of the court's process.'" *United States v. Kis, 658 F.2d 526, 536, 538 (7th Cir. 1981)* (quoting *United States v. Genser, 582 F.2d 292, 302 (3d Cir. 1979)).* This burden is "'a heavy one.'" *Id.* (quoting *United States v. LaSalle National Bank, 437 U.S. 298, 316, 57 L. Ed. 2d 221, 98 S. Ct. 2357 (1978)).* [*26] The party can challenge the summons "'on any appropriate ground.'" *Powell, 379 U.S. at 58* (quoting *Reisman v. Caplin, 375 U.S. 440, 449, 11 L. Ed. 2d 459, 84 S. Ct. 508 (1964)).* Defenses to enforcement include "disproving the existence of one of the *Powell* factors," *2121 Arlington Heights Corp. v. IRS, 109 F.3d 1221, 1224 (7th Cir. 1997),* showing "the IRS issued the summons in bad faith," *id.,* or "asserting that the summons is ambiguous, vague, or otherwise deficient in describing the material requested." *United States v. Beacon Federal Savings & Loan, 718 F.2d 49, 54 (2d Cir. 1983)* (quoting S. Rep. No. 938, 94th Cong., 2d Sess. 370 (1976), *reprinted in* 1976 U.S. Code Cong. & Ad. News 2897, 3799-800).

The Does want to intervene so that they can argue that: (1) the summons is unduly ambiguous; (2) the summons' use of regulations established in 2003 to define producible information from earlier dates constitutes an improper retrospective application of those regulations; (3) the agreed orders of January 12 and February 6 improperly broadened the summons; and (4) that the identities of at least some of the Does are not [*27] responsive to the summons because SAB&W was either not an organizer or seller of the tax shelters they purchased, or because the particular transactions in which they participated were not "listed transactions" or "abusive tax shelters."

The Court can dispose quickly of two of these contentions. First of all, as the Government correctly points out in its supplemental memorandum, the January 12 and February 6 orders did not alter the scope of the summons but rather simply defined the universe of persons to whom SAB&W would provide notice of its receipt of the summons. If and when SAB&W is called upon to comply with the summons, the scope of its obligation to produce information will be defined by the summons itself, not the January 12 and February 6 orders. Second, the Does cite no authority, and the Court is aware of none, supporting the proposition that their quarrel with the summons' reference to the 2003 regulations is a proper ground for contesting the summons' enforcement. In any event, we see no basis to bar the IRS from using in a summons a definition promulgated in 2003 to describe information that must be produced regarding earlier periods; a challenge to retrospective application [*28] of regulations is appropriately raised in the context of an actual assessment of taxes, not in a summons enforcement proceeding. Because these two issues are not appropriate defenses, they are not "common questions" within the meaning of *Rule 24(b)(2).*

The Court does not believe that various Does' contentions that their identities are not covered by the summons because SAB&W did not organize or sell the particular transaction in which they participated, or because the particular transaction was not of the type described by the summons, constitute an appropriate basis to challenge enforcement. This is not a challenge to the summons itself; put another way, it is not a contention that "enforcement would constitute an abuse of the court's process." *Kis, 658 F.2d at 538* (internal quotation marks omitted). In any event, allowing intervention to permit the Does to litigate the particulars of their transactions or the details of SAB&W's involvement in those transactions would run afoul of *Rule 24(b)*'s admonition that permissive intervention is inappropriate when it would unduly delay the adjudication of the original parties' rights. The Does say that if permitted to intervene [*29] to litigate these issues, they would seek discovery from SAB&W on these points and an evidentiary hearing at which they would contest, Doe by Doe, whether their identities are covered by the summons. The Court could permit such a challenege only if we ignored the Seventh Circuit's "emphatic[]" warning that summons enforcement

proceedings "are intended to be summary in nature." *Id. at 535*.

The Does' last remaining contention is that they should be permitted to intervene to argue that the summons is unenforceable as unduly ambiguous, because it leaves it to SAB&W to determine the questions of whether it was an organizer or seller of transactions in which the Does participated and whether those transactions were "listed transactions" or "abusive tax shelters." We make no comment regarding the merits of this argument; whether the summons is ambiguous is an issue to be determined when the Court decides whether to enforce the summons, not in the context of a motion to intervene. But a dispute regarding the sufficiency of the description of the material to be produced is an appropriate basis for a challenge to a summons in an enforcement proceeding. *See Beacon Federal Savings & Loan, 718 F.2d at 54* [*30] (citing legislative history of *I.R.C. § 7609*). SAB&W has made it clear that it has no intention of pursuing such a challenge. *See* SAB&W's Resp. to U.S.'s Pet. to Enforce P4. Resolution of the issue of ambiguity will require no discovery, no evidentiary hearing, and no complicated factual determinations, and thus it can be accomplished promptly and without undue delay. For these reasons, the requirements of *Rule 24(b)(2)* are met as to this potential defense, and thus the Court will permit the Does to intervene to raise this single challenge to the enforcement of the summons.

Conclusion

For the reasons stated above, the Court grants the Does' motions to intervene in part [docket # 16-1, 23-1, 24-1, 26-1, 27-1, 28-1, 30-1, 31-1, 32-1, 33-1, 34-1 and 48-1]. The Does are directed to file, on or before April 20, 2004, a response to the Government's petition to enforce the summons addressing the issue on which the Court has permitted intervention. The Government is directed to reply on or before April 23, 2004. The Court will rule on April 29, 2004 at 9:30 a.m.

MATTHEW F. KENNELLY

United States District Judge

Date: [*31] April 15, 2004

TAB 8

LEXSEE 1995 US DIST LEXIS 6942

JANET ZIEMACK, KENNETH Z. SLATER, and ELLEN Z. SLATER, HERBERT EISENSTADT, JOSEPH MEYER, HARVEY MEYER, and BRENDA DRUCKER, Plaintiffs, v. CENTEL CORPORATION, JOHN P. FRAZEE, JR., and J. STEPHEN VANDERWOUDE, Defendants.

No. 92 C 3551

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

1995 U.S. Dist. LEXIS 6942

May 18, 1995, Decided
May 19, 1995, DOCKETED

LexisNexis(R) Headnotes

COUNSEL: [*1] Michael David Craig, SCHIFFRIN & CRAIG, LTD., Buffalo Grove, IL, Representing Plaintiffs.

Susan Getzendanner, SKADDEN, ARPS, SLATE, MEAGHER & FLOM, Chicago, IL, Representing Defendants.

JUDGES: ARLANDER KEYS, United States Magistrate Judge. Judge Brian Barnett Duff

OPINIONBY: ARLANDER KEYS

OPINION:

MEMORANDUM OPINION AND ORDER

This matter comes before the Court on Plaintiffs' Motion to Compel Production of Documents Withheld on Privilege and Work Product Grounds, n1 pursuant to *Federal Rule of Civil Procedure 37(a)*. For the following reasons, this Court orders that Plaintiffs' motion be granted in part and denied in part. n2

n1 This motion concerns documents requested in Plaintiffs' First Request for Production of Documents.

n2 Defendants' Motion to Strike Plaintiffs' Motion to Compel is hereby denied.

BACKGROUND

The events upon which Plaintiffs premise this securities fraud class action began at least as early as January 23, 1992. On that date, Centel Corporation ("Centel") announced its [*2] consideration of alternatives to enhance its shareholders' value. The alternatives that Centel considered included selling the company. These considerations apparently comprised a formal program known as the Strategic Alternatives Process ("SAP"). n3 The SAP culminated in Centel's merger with Sprint Corporation ("Sprint"). That merger was publicly announced on May 27, 1992 and finalized by shareholder vote on March 8, 1993.

n3 Plaintiffs allege that the SAP period began in August of 1991, or earlier, which was well before Centel's January 23, 1992 public announcement. *See infra* at 6-7.

Plaintiffs are individuals who purchased Centel common stock between January 23, 1992 and May 27, 1992. Plaintiffs filed suit on May 29, 1992, after the merger with Sprint was announced. Individual Defendants were the principal senior officers of Centel Corporation when Plaintiffs bought Centel's stock. The common law fraud and federal securities law violations alleged in the Complaint are premised on the theory of "fraud [*3] on the market" and are based upon statements, by Centel's officers, relating to the decision

to sell the corporation. Plaintiffs maintain that Centel's officers made public statements which misled them into believing that Centel's stock was undervalued. Plaintiffs claim that they relied on the alleged misrepresentations and purchased Centel's stock at prices which they now claim were over-inflated.

The matter immediately before this Court involves the applicability of the attorney-client privilege, the work-product doctrine, and the joint defense doctrine to Defendants' documents relating to the merger and the SAP. On August 12, 1992, Plaintiffs served their First Request for Production of Documents. Defendants initially refused production of 1,017 documents, asserting the attorney-client privilege, as well as the work-product and joint defense doctrines. However, on January 11, 1995, Defendants informed Plaintiffs of their waiver of the attorney-client privilege with respect to the SAP, and their intention to produce those documents for the dates between January 23, 1992 and May 27, 1992 (the class period). During the week of January 17, 1995, Defendants produced more than 24 boxes [*4] of purportedly privileged documents. Additionally, Defendants produced to Plaintiffs a number of documents dated before and after the class period. Defendants claim that the production of these documents was inadvertent.

Plaintiffs' motion now seeks to compel production of the following remaining documents: n4 8, 17, 18, 52, 53, 66, 68, 101, 102, 103, 105, 107, 133, 136, 141, 146, 156, 157, 158, 161, 162, 166, 171, 177, 178, 179, 180, 192, 193, 195, 197, 200, 254, 256, 257, 263, 267, 296, 297, 300, 321, 328, 346, 348, 390, 427, 428, 432, 442, 455, 506, 570, 585, 589, 591, 592, 599, 677, 679, 685, 686, 702, 703, 705, 711, 712, 763, 779, 780, 803, 804, 805, 807, 812, 816, 822, 825, 827, 833, 834, 872, 873, 875, 876, 879, 881, 882, 886, 892, 894, 901, 904, 905, 906, 907, 920, 932, 933, 955, 956, 984, and 991. n5

n4 The documents, identified by their corresponding privilege-log numbers, are described in Plaintiffs' summaries of Defendants' privilege-log. (Reply Memorandum of Law in Support of Plaintiffs' Motion to Compel Production of Documents Withheld on Privilege and Work Product Grounds, attachments A-G [hereinafter Plaintiffs' Reply].) [*5]

n5 Plaintiffs additionally seek to discover a document which they admit is unrelated to the merger or the SAP. Document 359, according to Plaintiffs, is a single page memorandum dated July 10, 1992. (Memorandum of Law in Support of Plaintiffs' Motion to Compel Production of Documents Withheld on Privilege and Work Product Grounds at 6, n.7 [hereinafter Plaintiffs' Mem. Supp.]) The memorandum was sent by Centel's general counsel, Karl Berolzheimer, to Centel's officers and directors, representatives of Goldman Sachs & Co. (investment bankers), representatives of Morgan Stanley & Co. (investment bankers), and Skadden Arps Slate Meagher & Flom (Centel's attorneys). (Id.) The memorandum concerns Centel's document retention policy. (Id.)

Plaintiffs cite In re *Air Crash Disaster at Sioux City, Iowa, 133 F.R.D. 515, 521 (N.D. Ill. 1990)* in support of their position that document 359 is "clearly discoverable." In *Sioux City*, a party's in-house memorandum regarding the destruction of documents was ordered to be produced. *Id. at 521.* The memorandum in *Sioux City* had been sent to 500 employees, thus the court reasoned that there could be no expectation of confidentiality. *Id.*

It is unclear, from the description provided by Plaintiffs, exactly how many people received document 359. Thus to the extent that Plaintiffs rely on the plethora of recipients in *Sioux City*, that reliance is misplaced.

Neither party, in briefing this motion, has informed the court as to the basis of the privilege asserted by Defendants for document 359. However, it is clear that the attorney-client privilege does not apply to this document because it was sent to third persons. *Sioux City, 133 F.R.D. at 518.* Therefore, this Court will grant Plaintiffs' motion as to document 359 only if Defendants claimed protection under the attorney-client privilege. Otherwise, if Defendants claimed protection under the work-product doctrine, this Court will deny Plaintiffs' motion as to document 359.

[*6]

DISCUSSION

The scope of discovery should be broad in order to aid the search for the truth. *United States v. White, 950 F.2d 426,* (7th Cir. 1991); *Radiant Burners, Inc. v. American Gas Ass'n, 320 F.2d 314,* (7th Cir. 1963), *cert. denied, 375 U.S. 929, 11 L. Ed. 2d 262, 84 S. Ct. 330 (1963); Allendale Mut. Ins. Co. v. Bull Data Sys. Inc., 152 F.R.D. 132, 135 (N.D. Ill. 1993).* Therefore, courts commonly look unfavorably upon anything that significantly restricts this scope. *Allendale, 152 F.R.D.*

at 135. Because the attorney-client privilege and work-product doctrine obscure the search for the truth, both should be confined to their narrowest possible limits to minimize the impact upon the discovery process. *White, 950 F.2d at 430; Radiant Burners, 320 F.2d at 319, 323; Allendale, 152 F.R.D. at 135.*

A. Attorney-Client Privilege

There are two reasons that Defendants should produce certain of the documents they withheld on the basis of the attorney-client privilege. First, Defendants waived the attorney-client privilege as to all SAP related documents by voluntarily disclosing some of those documents. Second, many of the documents [*7] are not within the scope of the attorney-client privilege.

1. Voluntary waiver of the attorney-client privilege

Generally, the "disclosure of a document or an otherwise confidential communication to third persons waives the privilege." *In re Air Crash Disaster at Sioux City, Iowa, 133 F.R.D. 515, 518 (N.D. Ill. 1990).* Moreover, "production of some privileged documents waives the privilege as to all documents of the same subject matter." *Nye v. Sage Products, Inc., 98 F.R.D. 452 (N.D. Ill. 1982).* n6 Plaintiffs persuasively argue that Defendants voluntarily waived n7 the attorney-client privilege, with respect to all communications on the subject of the SAP, when they provided Plaintiffs with selected, previously withheld, "attorney-client privileged" documents about the SAP. n8 Defendants attempt to both limit the scope of their voluntary waiver and comply with *Nye* by arguing that they previously provided Plaintiffs with all documents "of the same subject matter" (the SAP). Defendants insist that there are no documents concerning the SAP prior to January 23, 1992 (when the SAP was announced) or after May 27, 1992 (when the proposed merger was announced).

n6 The attorney-client privilege is sometimes deemed waived up until the date of the waiver. *Nye, 98 F.R.D. at 454.* Moreover, the attorney-client privilege can be deemed prospectively waived, beyond the date of the waiver. *Id.* However this court declines to find either such extensive waiver applicable here. [*8]

n7 Defendants acknowledged the extension of the waiver to communications between all counsel and Centel regarding the SAP. (Defendants' Memorandum in Opposition to Plaintiffs' Motion to Compel Production of Documents at 6, n.4.)

n8 Plaintiffs additionally argue that Defendants voluntarily waived the attorney-client privilege for all pre- and post-class period SAP documents, because Defendants "inadvertently" produced a variety of these documents. Plaintiffs maintain that this production, even if inadvertent, vitiates the privilege.

This court finds Plaintiffs' claim of inadvertent waiver to be without merit under either the subjective approach or the balancing test. *Central Die Casting and Mfg. Co., Inc., v. Tokheim Corp.,* No. 93 C 7692, *1994 U.S. Dist. LEXIS 11411,* at *12 (N.D. Ill. Aug. 12, 1994) (citing *Mendenhall v. Barber-Greene Co., 531 F. Supp. 951, 954 (N.D. Ill. 1988).* Under *Mendenhall's* subjective approach, inadvertent disclosure never results in a waiver; waiver is an intentional relinquishment, and, thus, an inadvertent act lacks the requisite intent. *Id.* Under *Central Die's* balancing test, the court weighs the reasonableness of precautions taken to prevent disclosure, time taken to rectify error, scope of discovery, extent of disclosure, and overriding fairness. *Id.* In applying the *Central Die* test, especially in light of the number of documents involved in the production, this court finds that the inadvertent production of privileged documents did not result in waiver.

[*9]

Defendants' unduly limited definition of, and time frame for, the SAP are untenable. The class period dates dictate neither the duration of the SAP nor the permissible dates of discovery. It seems extremely unlikely that there was absolutely no discussion of the SAP before or after the class period. Defendants would apparently have this Court believe that Centel announced its intention to explore strategic alternatives which would maximize shareholder value, including the possible sale of the company, without previously analyzing or discussing the consequences of that announcement. To accept such an assertion would strain credulity. In fact, Plaintiffs refer to several documents, including documents from August 1991, which illustrate that the SAP occurred much earlier than the beginning of the class period. (Plaintiffs' Reply at 5-8.) Moreover, the merger was not "finalized" by shareholder vote and "closed" under the merger agreement until March 8, 1993. Although it seems unlikely that copious discussion about alternatives ensued once the merger was announced, there may have been discussions concerning contingency plans, in the event that the merger failed.

Defendants observe that [*10] "[a] clear cut-off date for [Defendants'] waiver is desirable." *Nye, 98 F.R.D. at*

454. This court agrees and finds that the end of the (SAP related) waiver is the finalization date of the merger, March 8, 1993. Thus, the attorney-client privilege is waived for the following documents relating to the SAP: 17, 52, 53, 103, 105, 180, 195, 197, 200, 442, 455, 591, 679, 702, 703, 712, 763, 804, 822, and 825. The attorney-client privilege is also waived for the following documents dated after announcement of the merger (May 27, 1992), but prior to the finalization by shareholder vote (March 8, 1993): 18, 141, 156, 267, 300, 346, 428, 599, 905, and 906. Although, it is unlikely that there are many documents after May 27, 1992 which qualify for the SAP waiver, there may be some. Post-announcement documents (dated after May 27, 1992) relating only to the merger, however, are not considered SAP documents. The parties should be able to determine, based on these instructions, which post-announcement documents are to be produced. This task is left to the parties, since the Court cannot discern the documents' contents from the privilege-log descriptions.

2. Other documents for which Defendants [*11] claim attorney-client privilege

Defendants claim the attorney-client privilege for a number of documents which do not concern the SAP. Although these documents fall outside the scope of the waiver, many are unprotected by the privilege.

The attorney-client privilege is designed to protect, from discovery, documents which reflect communications made in confidence by the client. *United States v. Lawless, 709 F.2d 485*, (7th Cir. 1983); *United States v. Weger, 709 F.2d 1151, 1153 (7th Cir. 1983)*. The attorney-client privilege ". . . ought to be strictly confined within the narrowest possible limits consistent with the logic of its principle." *Radiant Burners, 320 F.2d at 323; see also White, 950 F.2d at 430* (stating that the scope of the privilege is narrow, because it is in 'derogation of the search for truth').

The Seventh Circuit has adopted Professor Wigmore's formulation of the essential elements of the attorney-client privilege:

> (1) Where legal advice of any kind is sought (2) from a professional legal adviser in his capacity as such, (3) the communications relating to that purpose, (4) made in confidence (5) by the client, (6) are at his instance permanently [*12] protected (7) from disclosure by himself or by the legal adviser, (8) except the protection be waived. 8 WIGMORE § 2292.

White, 950 F.2d at 430; Lawless, 709 F.2d at 487; Radiant Burners, 320 F.2d at 319. The party seeking to invoke the attorney-client privilege bears the burden of establishing all of the privilege's elements. *White, 950 F.2d at 430*. Additionally, the claim of privilege cannot be a blanket claim; it must be established on a document-by-document basis. *Id.*

Not every disclosure from client to attorney is entitled to protection from discovery. *Sioux City, 133 F.R.D. at 518*. The attorney-client privilege ". . . protects only those disclosures - necessary to obtain informed legal advice - which might not have been made absent the privilege." *Fisher v. United States, 425 U.S. 391, 403, 48 L. Ed. 2d 39, 96 S. Ct. 1569 (1976)*.

Furthermore, communications from attorney to client fall under the privilege only to the extent that they reveal confidential information provided by the client. *Sioux City, 133 F.R.D. at 518*. "A rule conferring privileged status upon a broad[er] range of communications from the attorney to the client would [*13] ignore Radiant Burners' caveat." *Ohio Sealy Mattress Mfg. Co. v. Kaplan, 90 F.R.D. 21, 28 (N.D. Ill. 1980)*. Thus, communications from the attorney to the client should be privileged only if the statements do in fact reveal, directly or indirectly, the substance of a confidential communication by the client. *Id.* Legal advice or communications, standing alone, should not automatically receive protection. Instead, the party asserting the privilege must show that such advice relates to prior confidential client communications. n9

> n9 This view is consistent with the Seventh Circuit's admonition to protect attorney-client communications as narrowly as possible, yet offer protection that is consistent with the privilege's purpose. *Radiant Burners, 320 F.2d at 323*.

Documents 321, 328, 506, 711, 894, and 920 are protected under the attorney-client privilege. Additionally, the following documents, which are drafts of the joint-proxy statement, for which the attorney-client privilege is claimed, are protected: [*14] n10 8, 68, 107, 133, 177, 179, 296, 348, 390, 427, 432, 589, 780, 805, 827, 833, 834, 875, 876, 881, and 882. However, documents 66, 101, 102, 136, 146, 157, 158, 161, 162, 166, 171, 178, 192, 193, 254, 256, 257, 263, 297, 570, 585, 592, 677, 685, 686, 705, 779, 803, 807, 812, 816, 872, 873, 879, 886, 892, 901, 904, 907, 932, 933, 955, 956, 984, and 991, do not fall under the protective cloak of the attorney-client privilege. As to these documents, Defendants have not sustained their

burden to show that the privilege applies, and the documents fail to qualify for protection under the attorney-client privilege, either because: (a) the privilege-log descriptions clearly show that the documents are not privileged; (b) the privilege-log descriptions show that the documents are not privileged because they do not contain confidential client communications; or (c) the privilege-log descriptions are insufficient to show that the documents are privileged.

n10 This Court assumes that all the recipients and senders were either attorneys for, or employees of, Centel. Although the privilege-log does not make clear whether the original draft joint-proxy statement was sent from client to attorney, this Court makes that assumption. If the Court's assumption is incorrect, then Defendants are obligated to produce these documents. Otherwise, all drafts which were exchanged back and forth, between client and attorney, are privileged.

[*15]

(a) Privilege-log descriptions clearly show documents are not privileged

The privilege-log descriptions of documents 166, 171, 570, 592, 816, 872, 879, 886, and 907 show that they primarily concern business advice, or do not contain confidential client information.

The attorney-client privilege does not protect communications primarily regarding business advice. n11 It is well settled that the ". . . requisite professional relationship is not established when the client seeks business . . . advice, as opposed to legal assistance." *Radiant Burners, 320 F.2d at 324.* Documents or conversations created pursuant to business matters must be disclosed. *Allendale, 152 F.R.D. at 137.* Thus, for the privilege to apply, counsel must be involved in a legal, not business, capacity, and the confidential communications must be primarily legal in nature. *Sneider v. Kimberly-Clark Corp., 91 F.R.D. 1, 4 (N.D. Ill. 1980).* Further, as previously discussed, the privilege does not attach to purely legal advice unless the advice relates to a prior confidential communication from the client to the attorney.

n11 WIGMORE'S formulation of the attorney-client privilege prescribes the presence of eight elements, the first of which requires that the communication seek legal advice. *See supra* at 8-9.

[*16]

(b) Privilege-log descriptions show documents are not privileged because they do not contain confidential client communications

The following documents are not privileged: 66, 101, 102, 162, 192, 193, 254, 256, 257, 263, 585, 677, 779, 803, 807, 812, and 984. The attorney-client privilege applies only to documents which contain confidential information from the client. Although these documents are alleged to contain legal advice, there is no indication in the privilege-log that this advice relates to any confidential client communication. Documents in this category include attorneys' notes, which are discoverable unless they pertain to confidential client communication (or have work-product immunity).

Additionally, numerous documents as to which Defendants have claimed the attorney-client privilege appear to be, at best, purely legal documents containing advice unrelated to any client communication. These documents concern Centel's Board of Directors' meetings and are discoverable: 146, 157, 161, 178, 932, 933, 955, 956, and 991. Defendants did not meet their burden of proving that these documents primarily contain legal advice concerning confidential communications, which would [*17] be protected by the attorney-client privilege. The mere fact that an attorney was present, or even participated in the meeting, does not make the meeting's minutes privileged.

Notwithstanding the above discussion, Defendants may redact any confidential client communications which were made for the purpose of receiving legal advice (and the legal advice given, if any) for the documents in this subsection.

(c) Privilege-log descriptions are insufficient to show documents are privileged

The following documents are not privileged because the privilege-log descriptions lack the sufficient detail which is necessary to show that the documents involved primarily legal advice which contained confidential client information: 136, 158, 297, 685, 686, 705, 873, 892, 901, 904.

4. Findings

In sum, this Court finds that Defendants waived the attorney-client privilege with respect to documents 17, 52, 53, 103, 105, 180, 195, 197, 200, 442, 455, 591, 679, 702, 703, 712, 763, 804, 822, and 825. Additionally, the Court finds that the attorney-client privilege is waived for documents 18, 141, 156, 267, 300, 346, 428, 599, 905, and 906.

Similarly, the Court finds that the attorney-client privilege [*18] does not apply to documents 66, 101,

102, 136, 146, 157, 158, 161, 162, 166, 171, 178, 192, 193, 254, 256, 257, 263, 297, 570, 585, 592, 677, 685, 686, 705, 779, 803, 807, 812, 816, 872, 873, 879, 886, 892, 901, 904, 907, 932, 933, 955, 956, 984, and 991.

This Court finds that attorney-client privilege attaches to documents, 321, 328, 506, 711, 894, and 920, as well as to drafts of the joint-proxy statement 8, 68, 107, 133, 177, 179, 296, 348, 390, 427, 432, 589, 780, 805, 827, 833, 834, 875, 876, 881, and 882.

B. Work-Product Doctrine

1. The standard

The work-product doctrine is "distinct from and broader than the attorney-client privilege." *United States v. Nobles, 422 U.S. 225, 238, n.11, 45 L. Ed. 2d 141, 95 S. Ct. 2160 (1975)* (citing *Hickman v. Taylor, 329 U.S. 495, 91 L. Ed. 451, 67 S. Ct. 385 (1947)); see also Radiant Burners, 320 F.2d at 323.* Although different from the attorney-client privilege, the work-product doctrine is another significant limitation on the scope of discovery. The work-product doctrine prevents either party from gaining an unfair advantage by learning the other party's, or their counsel's, legal strategies and theories. [*19] *Allendale, 152 F.R.D. at 135; see also Binks Mfg. Co. v. National Presto Indus. Inc., 709 F.2d 1109, 1118-19 (7th Cir. 1983)* (work-product doctrine applies to documents prepared by client as well as attorney).

Unlike the attorney-client privilege, a party may obtain discovery of documents protected by the work-product privilege upon a showing of substantial need. Under the work-product doctrine a party may

> . . . obtain discovery of documents . . . prepared in anticipation of litigation or for trial . . . only upon a showing that the party seeking discovery has a 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.

FED R. CIV. P. 26(b)(3).

Although Rule 26 makes "ordinary" work-product accessible where there is a substantial need, the Rule specifically protects [*20] "opinion" work-product from disclosure, even in the face of undue hardship. *Nye, 98 F.R.D. at 454* (courts must take precautions to prevent disclosure of "opinion" work-product when ordering production of "ordinary" work-product). "Opinion" work-product includes documents revealing mental impressions, conclusions, opinions, or legal theories. *FED R. CIV. P. 26(b)(3); Sioux City, 133 F.R.D. at 519,* citing MOORE'S FEDERAL PRACTICE, para. 26, 64[1] at 26-349-3350 (1989) (opinion work-product involves preparation, strategy, and appraisal of strengths and weaknesses of an action, or activities of the attorneys involved, rather than the underlying evidence); *see generally Hickman, 329 U.S. at 511.*

Initially, the Court must determine whether the documents were in fact prepared in anticipation of litigation; the mere fact that litigation eventually ensues does not, alone, protect all documents related to the subject matter of the litigation. *Binks, 709 F.2d at 1118-19.* The "test" for work-product protection is ". . . whether, in light of the nature of the document and the factual situation in the particular case, the document can fairly be said to have been prepared or obtained [*21] because of the prospect of litigation." *Id. at 1119.* Additionally, a document is only considered work-product if it is primarily concerned with legal assistance. *Loctite Corp. v. Fel-Pro, Inc., 667 F.2d 577, 582 (7th Cir. 1981).* The burden is on the party opposing discovery, to show that the work-product doctrine applies. *Allendale, 152 F.R.D. at 137.*

2. Application of the work-product doctrine

This case presents special difficulties in applying the work-product doctrine. Plaintiffs filed their suit shortly after Defendants' merger announcement. Thus, throughout the merger process and finalization, this litigation was pending. The mere fact that litigation was already in progress does not provide work-product immunity for documents which were prepared in the regular course of business rather than for purposes of litigation. CHARLES A. WRIGHT, ARTHUR R. MILLER, & RICHARD L. MARCUS, FEDERAL PRACTICE AND PROCEDURE: CIVIL 2d § 2024 (1983) at 346. However, documents which serve dual purposes may still be protected. *In re Special September 1978 Grand Jury (II), 640 F.2d 49, 61 (7th Cir. 1980)* (protecting materials prepared in anticipation of litigation as well [*22] as for state required report). Thus, the work-product doctrine protects drafts of the joint-proxy statement. n12 The following documents are protected work-product: 68, 146, 158, 177, 296, 427, 432, 442, 589, 677, 679, 711, 780, 805, 812, 827, 833, 834, 873, 875, 876, 881, 882, 886, and 905. n13 The work-product doctrine, however, does not apply to 455, 763, 804, and 907 because they were not created in anticipation of litigation or trial. Additionally, the work-product

doctrine does not apply to 506 because the privilege-log contains insufficient information to satisfy Defendants' burden of establishing work-product protection.

n12 Although the final, publicly presented joint-proxy statement was not created primarily in anticipation of litigation or trial, the drafts and revisions were so created. This action had already been filed when the drafts were created. A public proxy statement contains representations of the corporation and is, therefore, a likely target for scrutiny in a securities fraud lawsuit. Therefore, modifications to the drafts were influenced substantially by the fact that this litigation was pending. [*23]

n13 The majority of these documents are, or concern, drafts of the joint-proxy statement.

3. Findings

In sum, this Court finds that documents 68, 146, 158, 177, 296, 427, 432, 442, 589, 677, 679, 711, 780, 805, 812, 827, 833, 834, 873, 875, 876, 881, 882, 886, and 905 are protected by work-product doctrine. However, this Court finds that 455, 506, 763, 804, and 907, are not protected.

C. The Joint Defense Doctrine

1. The standard

Material which would otherwise be privileged is customarily discoverable if it has been disclosed to a third-party. *Lawless, 709 F.2d at 487; Allendale, 152 F.R.D. at 139; Sioux City, 133 F.R.D. at 518.* However, where the third-party shares a common interest with the disclosing party, and such interest is adverse to that of the party seeking discovery, then any existing n14 privilege is not waived. *United States v. McPartlin, 595 F.2d 1321, 1336-37 (7th Cir. 1979); see also Allendale, 152 F.R.D. at 140.* This exception is known as the joint defense doctrine.

n14 The joint defense doctrine can only apply where the document is already protected by a privilege. *Allendale, 152 F.R.D. at 140.*

[*24]

2. Findings

This Court finds that the joint defense doctrine is applicable to documents 177, 179, 427 and 589 because each of these documents is already protected by both the attorney-client privilege and the work-product doctrine. Therefore, each of these documents has the requisite privilege(s) upon which to premise the joint defense doctrine.

SUMMARY OF FINDINGS

Various documents as to which the attorney-client privilege is inappplicable are nonetheless protected by the work-product doctrine; the converse is true as well. Thus, the following documents are not protected, by either the attorney-client privilege or the work-product doctrine, and must be produced to Plaintiffs: 17, 52, 53, 66, 101, 102, 103, 105, 136, 157, 161, 162, 166, 171, 178, 180, 192, 193, 195, 197, 200, 254, 256, 257, 263, 297, 455, 570, 585, 591, 592, 685, 686, 702, 703, 705, 712, 763, 779, 803, 804, 807, 816, 822, 825, 872, 879, 892, 901, 904, 907, 932, 933, 955, 956, 984, and 991.

Documents 18, 141, 156, 267, 300, 346, 428, 599, and 906 must be produced to Plaintiffs if they contain any SAP discussion, including discussion of contingency plans. Additionally, document 359 must be produced if Defendants [*25] claimed attorney-client privilege protection for this document.

The following documents are protected by one or both privileges and need not be produced by Defendants: 8, 68, 107, 133, 146, 158, 177, 179, 296, 321, 328, 348, 390, 427, 432, 442, 506, 589, 677, 679, 711, 780, 805, 812, 827, 833, 834, 873, 875, 876, 881, 882, 886, 894, 905, and 920.

CONCLUSION

Based upon the above findings;

IT IS HEREBY ORDERED that Plaintiffs' Motion to Compel Production of Documents Withheld on Privilege and Work-product Grounds be granted in part and denied in part consistent with this Opinion.

Dated: May 18, 1995

ENTER:

ARLANDER KEYS

United States Magistrate Judge