

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

**APPENDIX OF UNREPORTED CASES IN CONNECTION WITH  
THE HOUSEHOLD DEFENDANTS' MEMORANDUM IN  
OPPOSITION TO PLAINTIFFS' OBJECTIONS TO THE  
MAGISTRATE JUDGE'S JULY 6, 2006 ORDER**

**APPENDIX OF UNREPORTED CASES**

1. *For Your Ease Only, Inc. v. Calgon Carbon Corp.*, No. 02 C 7345, 2003 WL 21475905 (N.D. Ill. June 20, 2003)
2. *Gramm v. Horsehead Industries, Inc.*, No. 87 Civ. 5122, 1990 WL 142404 (S.D.N.Y Jan. 25, 1990)
3. *Gutter v. E.I. Dupont de Nemours and Co.*, No. 95-CV-2152, 1998 WL 2017926 (S.D. Fla. May 18, 1998)
4. *Horizon Federal Savings Bank v. Seldon Fox & Assocs.*, No. 85 C 9506, 1988 U.S. Dist. LEXIS 7498 (N.D. Ill. July 19, 1988)
5. *Ocean Atlantic Woodland Corp. v. DRH Cambridge Homes, Inc.*, No. 02C2523, 2004 WL 609326 (N.D. Ill. Mar. 23, 2004)
6. *In re Pfizer Inc. Securities Litigation*, No. 90 Civ. 1260, 1993 WL 561125 (S.D.N.Y Dec. 23, 1993)
7. *Smithkline Beecham Corp. v. Pentech Pharmaceuticals, Inc.*, No. 00 C 2855, 2001 WL 1397876 (N.D. Ill. Nov. 6, 2001)
8. *Southern Scrap Material Co. v. Fleming*, No. Civ. A. 01-2554, 2003 WL 21474516 (E.D. La. June 18, 2003)
9. *Whittaker v. NIU Board of Trustees*, No. 00C 50447, 2004 WL 524949 (N.D. Ill. Mar. 12, 2004)

## **Tab 1**

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### Motions, Pleadings and Filings

Only the Westlaw citation is currently available.

United States District Court,  
N.D. Illinois, Eastern Division.  
FOR YOUR EASE ONLY, INC., Plaintiff,  
v.  
CALGON CARBON CORPORATION, a Delaware  
corporation, Product Concepts Company, a  
corporation, and Mark Scheider, an individual,  
Defendants.  
CALGON CARBON CORPORATION, a Delaware  
corporation, Counterclaim Plaintiff,  
v.  
FOR YOUR EASE ONLY, INC., an Illinois  
corporation, and Lori Greiner, an  
individual, Counterclaim Defendants.  
**No. 02 C 7345.**

June 20, 2003.

### *MEMORANDUM, OPINION AND ORDER*

ANDERSEN, J.

\*1 This case is before the Court on the motion of Counterclaim Defendant Lori Greiner to dismiss the Counterclaims asserted against her. This case is also before the Court on defendant/counter-plaintiff Calgon Carbon Corporation's ("CCC") limited objections to Magistrate Judge Nolan's ruling on plaintiff's motion to compel documents. For the following reasons, we deny Greiner's motion to dismiss. We deny in part CCC's limited objections to Magistrate Judge Nolan's ruling on the issues of "prior art" and "materiality," and remand the case back to Magistrate Judge Nolan for reconsideration of the waiver of the attorney-client privilege issue in light of new evidence.

### *BACKGROUND*

This is an action relating to U.S. Patent No. 6,412,628 ("the '628 patent") owned by defendant/counter-plaintiff Calgon Carbon Corporation ("CCC"). The '628 patent claims an "Apparatus For Preventing The Formation Of Metal Tarnish," and employs a carbon-based technology to

prevent tarnish from forming on items such as jewelry. A variety of consumer products are sold by CCC employing the technology claimed in the '628 patent, in particular jewelry boxes marketed under the "PreZerve" trademark.

Plaintiff/counter-defendant, For Your Ease Only, Inc. ("FYEO") markets and sells a product known as the "Silver SafeKeeper," an anti-tarnish jewelry box which is currently at issue in this litigation. Both CCC and FYEO have marketed their products using the services of the QVC Shopping Network ("QVC"), which is carried by numerous cable outlets throughout the country, and which maintains a website on which the products it markets can be purchased. FYEO's co-founder and President, Lori Greiner, has personally appeared on QVC television to promote the sale of FYEO's Silver Safekeeper products, and FYEO's Silver Safekeeper products are all advertised on the QVC website as the "Silver Safekeeper by Lori Greiner."

After becoming aware of the Silver Safekeeper product, CCC launched an investigation and became concerned that the product would infringe the technology claimed in the '628 patent. CCC informed both FYEO and QVC of its concerns. FYEO later filed suit in this Court seeking a declaratory judgment of noninfringement and invalidity of the '628 patent, along with a claim for tortious interference with contractual relations based on CCC's discussions with QVC. CCC then filed a counterclaim for infringement of the '628 patent against FYEO and Lori Greiner individually.

### *DISCUSSION*

#### *I. Greiner's Motion To Dismiss*

When considering a motion to dismiss, all well-pleaded allegations in the complaint or counterclaim are accepted as true. Turner/Ozane v. Hyman/Power, 111 F.3d 1312, 1319 (7<sup>th</sup> Cir.1997). Any ambiguities in the complaint are construed in favor of the plaintiff. Kelley v. Crosfield Catalysts, 135 F.3d 1202, 1205 (7<sup>th</sup> Cir.1998). Dismissal is proper only when it appears beyond doubt that plaintiff can prove no set of facts to support the allegations in his or her claim. Strasburger v. Bd. of Educ., 143 F.3d 351, 359 (7<sup>th</sup> Cir.1998).

\*2 Ms. Greiner has moved, pursuant to Fed.R.Civ.P.

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12(b)(6) to dismiss the counterclaim against her, arguing that CCC has not set forth allegations sufficient to implicate her individually. Specifically, Greiner argues that CCC has failed to plead the "special showing" required to pursue an infringement claim against an individual based on the acts of a corporation. We disagree.

The Seventh Circuit, in the seminal case of *Dangler v. Imperial Machine Co.*, 11 F.2d 945, 947 (1926), discussed whether corporate officers could be held personally liable for infringement by their corporations. The Seventh Circuit held that, absent some "special showing", the officers of a corporation are not liable for the infringements of the corporation, even though such infringements were committed under their direction, if they acted within the scope of their duties. The "special showing" required to pursue an infringement claim against an individual based on the acts of a corporation is the following:

It is when the officer acts willfully and knowingly—that is, when he personally participates in the manufacture or sale of the infringing article (acts other than as an officer), or when he uses the corporation as an instrument to carry out his own willful and deliberate infringements, or when he knowingly uses an irresponsible corporation with the purpose of avoiding personal liability—that officers are held jointly with the company. The foregoing are by no means cited as the only instances when the officers may be held liable, but they are sufficient for the present case.

*Dangler*, 11 F.2d at 947.

*Dangler* is still the law of the Seventh Circuit and has been applied to trademark and patent cases. See, e.g., *Panther Pumps & Equip. Co., Inc. v. Hydrocraft, Inc.*, 468 F.2d 225 (7th Cir.1972); *Drink Group, Inc. v. Gulfstream Communications, Inc.*, 7 F.Supp.2d 1009 (N.D.Ill.1998); *Cooper Indus. Inc. v. Juno Lighting Inc.*, 1 U.S.P.Q.2d 1313 (N.D.Ill.1986).

In addition to the factors in *Dangler*, a plaintiff can meet the "special showing" requirement by pleading that the defendant was "the founder, president, and majority shareholder of [the defendant corporation] and the 'moving force' behind [the defendant corporation's] alleged infringing activities" and had "'willfully and deliberately induced, aided and abetted the past and continuing infringement.' ' *Cooper Indus.*, 1 U.S.P.Q.2d at 1314. The "special showing" is also made in situations where the defendant "paid for nearly all the outstanding stock, ... [and] lent [the defendant corporation] substantial sums when it was

in need of money ." *Adventures in Good Eating v. Best Places to Eat*, 131 F.2d 809, 813 (7th Cir.1942).

Courts have held that plaintiffs have failed to meet the "special showing" requirement when the individual defendant has done nothing beyond the scope of his duties as officer and the corporation "was not organized to permit [the individual defendant] to profit from infringement or hide his personal liability under a corporate shell" so that the alleged infringement was not willful. *Powder Power Tool*, 230 F.2d at 414.

\*3 Contrary to Greiner's assertions, we find that CCC has alleged the "special showing" required to pursue an infringement claim against Greiner based on the allegedly infringing acts of FYEO. The Counterclaim alleges that Greiner is the co-founder and President of FYEO who "may be doing business with respect to infringing products ... either directly or through the control of FYEO." It is further alleged that Ms. Greiner personally imported, manufactured, and offered the allegedly infringing product for sale. Moreover, it is claimed that Ms. Greiner personally appeared on the QVC promoting the allegedly infringing product and the QVC website advertises the product as the "Silver Safekeeper by Lori Greiner."

These allegations could support the inference that Greiner "personally participates in the manufacture or sale of the infringing article (acts other than as an officer), ... uses the corporation as an instrument to carry out his own willful and deliberate infringements, or ... knowingly uses an irresponsible corporation with the purpose of avoiding personal liability." See *Dangler*, 11 F.2d at 947.

Thus, at this juncture, assuming all well-pleaded facts to be true and drawing all inferences in favor of CCC, we find that the allegations in the Counterclaim are sufficient to state a claim for personal liability against Ms. Greiner for the alleged infringement. See *Peaceable Planet, Inc. v. Ty, Inc.*, 185 F.Supp.2d 893 (N.D.Ill.2002) (corporate officer can be personally liable when he personally participates in the manufacture or sale of the allegedly infringing article); *Sethness-Greenleaf, Inc. v. Green River Corp.*, 1994 WL 67830, at \*7 (N.D.Ill. Feb. 11, 1994) (noting that a corporate officer who personally participates in the infringing activity is personally liable for the infringement); *Sparks Tune-Up Ctrs., Inc. v. Panchevre*, 1992 WL 211029, at \*6 (N.D.Ill. Aug. 21, 1992) (recognizing that a corporate officer is individually liable for trademark infringement

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when he "performs the act or does the things that the patent or trademark law protects against"); *Cooper Indus., Inc. v. Juno Lighting, Inc.*, 1 U.S.P.Q.2d 1313 (N.D.Ill.1986), aff'd, 1987 WL 38103 (Fed.Cir.1987) (complaint sufficiently alleged personal liability where it alleged that the individual defendant was the founder, president, and majority shareholder of the company and the moving force behind the infringing activities and that his part in the infringing actions was willful).

For these reasons, Ms. Greiner's motion to dismiss is denied.

## *II. CCC's Objections To Magistrate Judge Nolan's Ruling*

Defendant/Counter-plaintiff CCC has filed limited objections to Magistrate Judge Nolan's April 24, 2003 ruling. Magistrate Judge Nolan's order is reviewed by this Court under the "clearly erroneous" or "contrary to law" standard. [Fed.R.Civ.P. 72\(a\); 28 U.S.C. § 636\(b\)\(1\)\(A\)](#). The Seventh Circuit has explained the standard as follows:

\*4 The district court's view of any discovery-related decisions made by the magistrate judge is governed by [Rule 72\(a\) of the Federal Rules of Civil Procedure](#), which provides: 'The district court to whom the case is assigned shall consider such objections and shall modify or set aside any portion of the magistrate judge's order found to be clearly erroneous or contrary to law.'

[Fed.R.Civ.P. 72\(a\); see also 28 U.S.C. § 636\(b\)\(1\).](#) The clear error standard means that the district court can overturn the magistrate judge's ruling only if the district court is left with the definite and firm conviction that a mistake has been made.

In its objections, CCC first seeks a vacation of Magistrate Judge Nolan's findings that the sales of activated carbon cloth by CCC qualify as prior art under the Patent Act and that these sales, along with the inventor's prior knowledge of a product known as the 3M Silver Protector Strips, would have been material to the decision of the PTO to grant [the '628 patent](#). CCC allegedly withheld certain prior art documents from the Patent and Trademark Office ("PTO") during the prosecution of its patent-in-suit. Magistrate Judge Nolan found that certain documents in CCC's possession prior to filing the patent application were material to the patentability of the claims. However, Magistrate Judge Nolan found that there was conflicting evidence of CCC's intent to conceal this art from the PTO and, therefore, the Magistrate Judge reserved a final ruling on the issue

of fraud.

Despite the Magistrate Judge's clear indication that "its findings on these issues are not final," CCC objects to certain aspects of Magistrate Judge Nolan's non-final findings on the issue of fraud. During a May 15, 2003 appearance before this Court, we ruled that the Magistrate Judge's findings on "prior art" and "materiality" are non-final and non-binding for the purposes of future litigation of these issues. Therefore, this objection to the Magistrate Judge's ruling is denied as moot.

Next, CCC seeks a reversal of the Magistrate Judge's finding that the attorney-client and work-product privileges have been waived by the disclosure of certain information to the other co-defendants in the case, Product Concepts Company ("PCC") and its President, Mark Schneider prior to the filing of this lawsuit. CCC disclosed these documents to Mark Schneider, the President of PCC. Magistrate Judge Nolan found that the documents which CCC disclosed to Mr. Schneider prior to the initiation of this lawsuit were not privileged. CCC objects to this ruling.

In its objections, CCC attempts to introduce new evidence in support of its position. This new evidence is the deposition testimony of Mark Schneider. In reviewing a magistrate judge's nondispositive order for clear error, a district court may only properly consider the evidence that was before the magistrate judge at the time of the order. *See SmithKline Beecham Corp. v. Apotex Corp.*, 2000 U.S. Dist. LEXIS 13607 at \*7 (N.D.Ill., Sept. 12, 2000). "If we were to permit the introduction of new evidence at this stage, we would essentially be conducting an impermissible de novo review of the order." *Id.* In this case, since there is no evidence that this new evidence was ever submitted to Magistrate Judge Nolan, it is not properly before us on the appeal of Magistrate Judge Nolan's order. However, because this new evidence could be relevant to deciding this important issue, we remand this case to Magistrate Judge Nolan for reconsideration of this issue in light of Mr. Schneider's deposition testimony.

\*5 For these reasons, we deny CCC's objection to Magistrate Judge Nolan's April 24, 2003 order on the issue of "prior art" and "materiality." We remand this case to Magistrate Judge Nolan for reconsideration of the issue of the attorney client privilege waiver due to disclosure of documents to a third party, in light of Mr. Schneider's deposition testimony.

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***CONCLUSION***

For the reasons stated above, Counterclaim Defendant Lori Greiner's Motion to Dismiss the Counterclaim (# 29) is denied. Defendant/Counterclaim plaintiff Calgon Carbon Corporation's limited objection to Magistrate Judge Nolan's order regarding plaintiff's motion to compel documents (# 90) is denied as moot on the issue of prior art and materiality, and the case is remanded to Magistrate Judge Nolan for reconsideration of the issue of waiver of the attorney-client privilege due to disclosure to a third party.

It is so ordered.

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END OF DOCUMENT

## **Tab 2**

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### Motions, Pleadings and Filings

Only the Westlaw citation is currently available.

United States District Court, S.D. New York.  
Robert GRAMM, Susan Skakel Rand and Mark  
Skakel, on behalf of themselves and  
all other former shareholders of Great Lakes Carbon  
Corporation similarly  
situated, Plaintiffs,  
v.  
HORSEHEAD INDUSTRIES, INC. and Mellon  
Bank, N.A., Defendants.  
**No. 87 CIV. 5122 (MJL).**

Jan. 25, 1990.

Robert L. Sills, Reboul, MacMurray, Hewitt,  
Maynard & Kristol, New York City, for plaintiffs.

Helene M. Freeman, Shea & Gould, New York City,  
for defendants.

### MEMORANDUM AND ORDER

MICHAEL H. DOLINGER, United States  
Magistrate:

\*1 Defendant Horsehead Industries has moved for an order requiring plaintiffs' counsel to return three documents that are assertedly protected by the attorney-client privilege or work-product rule and that were supposedly inadvertently disclosed by a non-party witness when he produced them at his deposition in September 1987. The motion is granted in part and denied in part.

The first of the three documents is a memorandum that was prepared by Jane Kober, Esq., an attorney for Horsehead. The other two documents consist of sets of notes prepared by a Michael Stanton, when he was employed either by Horsehead or by an affiliated company. The two sets of notes are dated May 6 and July 21, 1987 respectively and were prepared at the request of Ms. Kober to assist her in connection with the current litigation.

All of these documents were contained in a file of papers that were in the possession of Mr. Stanton at

the time of his deposition in September 1988. Although Mr. Stanton had left the employ of Horsehead or its affiliated company at some earlier time, he had retained these documents, and the record reflects no information suggesting that Horsehead had made any attempt to retrieve them or that its counsel sought to screen Mr. Stanton's documents prior to or at the deposition.

When deposed, Mr. Stanton produced the folder of documents, but volunteered that one--the so-called Kober memorandum--was privileged. When Horsehead's counsel reviewed the memorandum, she agreed, and Stanton withheld that item while turning over the rest of his documents. The folder was marked as an exhibit at the deposition, and handed over to plaintiff's counsel. At the conclusion of the deposition, Horsehead's counsel reviewed what had been produced and then stated that the folder contained a second copy of the Kober memorandum and requested its removal from the exhibit. Plaintiffs' counsel declined, but ultimately agreed not to copy or review it until the issue was resolved.

Defendant's counsel never mentioned the Stanton notes at the deposition. Finally, in January 1989, when she wrote to plaintiffs' counsel about the dispute, she advised that Horsehead believed that those notes, which were also part of the Stanton folder, were work-product and should also be returned. [FN1]

The parties attempted without success to resolve their dispute. Horsehead finally filed a motion for a protective order on June 2, 1989.

### ANALYSIS

At the outset I note that the events leading to this dispute, as well as Horsehead's presentation of the facts in its motion papers, are characterized by continuing confusion and reflect an extraordinary degree of sloppiness on the part of defendants' counsel. Indeed, upon *in camera* review of each side's copies of the documents assertedly at issue, the Court discovered that two of the disputed documents in plaintiffs' possession--the Kober memorandum and the July 21 Stanton notes--are in whole or in part different from the versions that Horsehead had presented to the Court, although they bear some similarities. Since Horsehead's motion seeks the

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return of documents held by plaintiffs, necessarily the following discussion addresses the documents that plaintiffs have proffered.[\[FN2\]](#)

\*2 I address the Stanton notes first, and then turn to the Kober memorandum.

#### A. The Stanton Notes

Defendants claim that the Stanton notes are work-product and also protected by the attorney-client privilege.[\[FN3\]](#) They further argue that production of these documents by Stanton at his deposition was inadvertent and should therefore not be viewed as a waiver of protection.

We start by noting that it is the burden of Horsehead to establish the facts that would demonstrate the existence of a privilege or the applicability of the work-product rule. *See, e.g., von Bulow v. von Bulow*, 811 F.2d 136, 144 (2d Cir.), cert. denied, 481 U.S. 1015 (1987) (quoting *In re Grand Jury Subpoena Dated Jan. 4, 1984*, 750 F.2d 223, 224 (2d Cir.1984)). Accord, e.g., *United States v. Stern*, 511 F.2d 1364, 1367 (2d Cir.), cert. denied, 423 U.S. 829 (1975); *In re Horowitz*, 482 F.2d 72, 82 (2d Cir.), cert. denied, 414 U.S. 867 (1973). This burden requires an evidentiary showing by competent evidence, *see, e.g., von Bulow v. von Bulow, supra*, 811 F.2d at 144, and cannot be "discharged by mere conclusory or ipse dixit assertions." *In re Grand Jury Subpoena Dated Jan. 4, 1984, supra*, 750 F.2d at 225 (quoting *In re Bonanno*, 344 F.2d 830, 833 (2d Cir.1965)). Accord, *von Bulow v. von Bulow, supra*, 811 F.2d at 146. If such a privilege is established, it then becomes the burden of plaintiffs to demonstrate the facts establishing a waiver. *See, e.g., In re Horowitz, supra*, 482 F.2d at 80.

Insofar as the Stanton notes are concerned, we may assume for present purposes that Horsehead has established that they constitute work-product. Although the affidavit of Ms. Kober in support of that claim is skeletal, to say the least, she does represent without contradiction by plaintiffs that Mr. Stanton "prepared the notes ... at my request and for my use in connection with settlement discussions and anticipated litigation." (See Affidavit of Jane Kober, Esq., sworn to Oct. 11, 1988.) She further states that the notes "were intended by me and by Horsehead Industries, Inc. to be privileged," a statement apparently intended to suggest that the documents were maintained with the requisite degree of confidentiality. Liberally construed, these statements suffice to justify the conclusion that the

notes meet the basic requirements of [Fed.R.Civ.P. 26\(b\)\(3\)](#), which provides presumptive protection for documents "prepared in anticipation of litigation or for trial...." [\[FN4\]](#) Although the most stringent protection of the rule governs the attorney's own mental impressions, *see, e.g., Horn & Hardart Co. v. Pillsbury Co.*, 888 F.2d 8, 12 (2d Cir.1989), the rule plainly offers some protection as well to documents authored by others, whether or not, as in this case, at the request of the attorney.

Nonetheless, wholly apart from the assertedly inadvertent production by Mr. Stanton, defendants have obviously waived any protection for the Stanton notes. Waiver of work-product immunity is found whenever a party has disclosed the work-product in such a manner that it is likely to be revealed to his adversary. *See generally Shields v. Sturm Ruger & Co.*, 864 F.2d 379, 381-82 (5th Cir.1989); *In re Grand Jury Subpoenas Dated Dec. 18, 1981 and Jan. 4, 1982*, 561 F.Supp. 1247, 1257 (E.D.N.Y.1982); *GAF Corp. v. Eastman Kodak Co.*, 85 F.R.D. 46, 52 (S.D.N.Y.1979); *Stix Products v. United Merchants & Mfrs.*, 47 F.R.D. 334, 338 (S.D.N.Y.1969). In this case, Horsehead itself provided to plaintiffs a copy of the March 6, 1987 notes and the relevant pages of the July 21, 1987 notes, and furthermore permitted plaintiffs' counsel to question witnesses at several depositions concerning the contents of these documents. Necessarily, then, Horsehead cannot belatedly invoke a claim of work-product protection for these documents and seek to compel their return.

\*3 Horsehead alternatively argues that the Stanton notes are protected by the attorney-client privilege. The relevant privilege is defined by [C.P.L.R. § 4503](#), which protects any "confidential communication made between the attorney ... and the client in the course of professional employment...." Again, however, even if we assume that Ms. Kober's affidavit sufficiently establishes the basis for a claim of privilege,[\[FN5\]](#) that protection has obviously been waived by Horsehead's disclosure of most or all of the documents in question and their acquiescence in deposition testimony concerning the substance of those documents. *See, e.g., Jakobleff v. Cerrato, Sweeney & Cohn*, 97 A.D.2d 834, 835, 468 N.Y.S.2d 895, 897 (2d Dept.1983); *Matter of Estate of Baker*, 139 Misc.2d 573, 576, 528 N.Y.S.2d 470, 473 (Surr.Ct.1988); cf. *People v. O'Connor*, 85 A.D.2d 92, 96-97, 447 N.Y.S.2d 553, 557 (4th Dept.1982).

In sum, even if the disclosure by Stanton at his deposition is ignored, the Stanton notes are discoverable. Accordingly, there is no basis for

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ordering plaintiffs to return them.

### B. The Kober Memorandum

There is some confusion in the record concerning the dating and provenance of the memorandum prepared by Ms. Kober, but it appears that it was prepared in March 1987. (See Stanton Deposition at 5-6). [FN6] The memorandum refers to a meeting with several Horsehead employees and discusses each of the claims asserted by Horsehead with respect to the escrow fund that is at issue in this lawsuit. (See *id.* at 6.)

Horsehead argues that the memorandum is subject to both the attorney-client privilege and the work-product rule. Fairly construed, the record reflects that the attorney-client privilege if it ever applied, has been waived. As for the work-product rule, despite the deficiencies in defendants' motion, I conclude that it does apply to protect the document.

Defendants' initial hurdle is to establish that the attorney-client privilege applies to the Kober memorandum. The record is singularly sparse on this matter despite ample opportunity for Horsehead to establish the necessary facts. Indeed, defendants do not appear to have met their burden of showing that the document ever was privileged.

It is not disputed that Ms. Kober served as counsel to Horsehead in connection with litigation. Indeed, this is implicit in her affidavit. See also Plaintiffs' Memorandum dated June 22, 1989 at pp. 2, 16; Stanton Dep. at 5-6. An *in camera* review of the document also suffices to demonstrate that it contains what is unmistakably an analysis of the claims at issue in this lawsuit and that it was communicated to the client. Horsehead fails, however, to demonstrate that the communication was made in confidence, as is its burden under New York law. See, e.g., *People v. Mitchell*, 58 N.Y.2d 368, 373, 461 N.Y.S.2d 267, 269-70 (1983); *Poteralski v. Colombe*, 84 A.D.2d 887, 888, 444 N.Y.S.2d 765, 766 (3d Dept' 1981). Since copies of this document ended up in the possession not only of Mr. Stanton--who was not an addressee of the cover sheet--but also of Horsehead's accountants, Ernst & Whinney, the absence of any evidence on this point can be viewed fatal to Horsehead's privilege claim. In any event, even if subsequent distribution of the memorandum were viewed simply as a matter of waiver, and therefore subject to proof by plaintiffs as part of their burden, the result would not differ.

\*4 The attorney-client privilege does not ordinarily extend to attorney-client communications that are disclosed to others. See, e.g., *People v. Osorio*, 75 N.Y.2d 80, 84, 550 N.Y.S.2d 612, 614, 549 N.E.2d 1183, 1185 (1989); *People v. O'Connor*, *supra*, 85 A.D.2d at 96-97, 447 N.Y.S.2d at 557; *Reisch v. J & L Holding Corp.*, 111 Misc.2d 72, 74, 443 N.Y.S.2d 638 (Sup.Ct.1981); *Nelson v. Greenspoon*, 103 F.R.D. 118, 123-24 (S.D.N.Y.1984). There are, of course, limited exceptions to this principle. For example, if the communication is made through a third party, the privilege will be honored if "the client had a reasonable expectation of confidentiality under the circumstances." *People v. Osorio*, *supra*, 75 N.Y.2d 80, 84, 550 N.Y.S.2d 612, 615, 549 N.E.2d 1183, 1186. Furthermore, there may be circumstances in which a communication is disclosed or made to a non-attorney third-party in order to facilitate the rendition of legal services by the attorney; in such a case, the privilege will not be vitiated. See, e.g., *People v. Osorio*, *supra*, 75 N.Y.2d 80, 84, 550 N.Y.S.2d 612, 614-615, 549 N.E.2d 1183, 1185-1186; *In re Grand Jury Subpoena*, 599 F.2d 504, 513 (2d Cir.1979); *United States v. Kovel*, 296 F.2d 918, 921-22 (2d Cir.1961). If, however, the communication is disclosed or made for purposes other than to facilitate the rendition of legal services by an attorney, the communication is not privileged. See, e.g., *In re John Doe Corp.*, 675 F.2d 482, 488 (2d Cir.1982); *In re Horowitz*, *supra*, 482 F.2d at 81.

In this case the record reflects that the Kober memorandum, although addressed to the president of Horsehead, was also sent by unknown channels and for unstated purposes to Mr. Stanton and to Ernst & Whinney. Since the current record contains no specific indication why the memorandum was sent to Stanton, plaintiffs cannot meet their burden to demonstrate waiver based on this fact. Indeed, since Stanton was apparently providing information to the attorney to facilitate her rendering of legal services, we may at least speculate that he was sent the memorandum as part of a process by which he was kept abreast of pertinent developments so that he could assist Ms. Kober in performing her function as counsel on this matter.

The disclosure to Ernst & Whinney is a different matter. The courts recognize a waiver of the attorney-client privilege if the privileged communication is disclosed to accountants of the client, unless the transmission was for the purpose of enabling the accountants to assist the attorney in rendering legal services. See, e.g., *In re Horowitz*,

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*supra*, 482 F.2d at 81. See also *In re John Doe Corp.*, *supra*, 675 F.2d at 488; *In re Grand Jury Subpoena*, *supra*, 599 F.2d at 513; *United States v. Kovel*, *supra*, 296 F.2d at 922. [FN7] In this case plaintiffs contend that the firm was merely performing accounting services directly for Horsehead, and could not be viewed as the attorney's agent for purposes of sustaining the privilege. Although the record is not crystal-clear, the principal relevant evidence on this point--the deposition testimony of Mr. Jerry Lee of Ernst & Whinney--indicates that the firm was not working on matters related to the case. See Lee Dep. at 246-47.

\*5 In arguing to the contrary, Horsehead relies principally on a footnote in a letter sent by trial counsel to the Court in which she states that the accountants "were providing advice at that time to Horsehead regarding the escrow issues and possible settlement of those issues and as such were agents of Horsehead." (June 27, 1989 Letter from Laurel A. Bedig, Esq. to the Court.) This statement is not competent evidence and is inconsistent with the testimony of Mr. Lee. The argument is also partly unresponsive to plaintiffs' argument, which is that the accountants were not acting as an agent of Horsehead's attorneys.

An alternative argument could be made on behalf of Horsehead, to the effect that New York state law, as reflected in the recent decision by the New York Court of Appeals in *People v. Osorio*, differs from *Horowitz et al.* by requiring the Court to look solely to the client's reasonable expectations of confidentiality. Thus, in *Osorio*, after noting that communications by the client to his counsel are protected even if made through an agent of either the attorney or the client, the Court went on to observe:

The scope of the privilege is not defined by the third parties' employment or function, however; it depends on whether the client had a reasonable expectation of confidentiality under the circumstances.

*People v. Osorio*, *supra*, 75 N.Y.2d 80, 84, 550 N.Y.S.2d 612, 615, 549 N.E.2d 1183, 1186. Since Ernst & Whinney was acting as Horsehead's accountants, there was no reason for Horsehead to suspect that the firm would not respect the confidentiality of the Kober memorandum. See, e.g., AICPA, Code of Professional Conduct Rule 301 (1988) (prohibiting disclosure of "confidential client information" without client consent).

The difficulty with this argument, however, is that

*Osorio* involved the use of a third party as a conduit for a communication between client and counsel-- in that case a fellow inmate of defendant served as his English-language interpreter--and the quoted passage is fairly read as being limited to communications made through a third party, not to privileged communications that are subsequently disclosed to a third party. Moreover, the Court's citation in *Osorio* of *United States v. Kovel* indicates its agreement with the reasoning of that decision, which makes the same distinction as later found in *Horowitz* and its progeny. Finally, I note that prior relevant caselaw in New York is also premised on the principle that a privileged attorney-client communication is vitiated if subsequently disclosed for any purpose other than to facilitate the attorney's performance of legal services, and the Court in *Ocasio* offers no indication that it intended to overrule that body of law.

Horsehead's alternative basis for seeking return of the Kober memorandum is that it is protected as attorney work-product. If so, the document would presumably be protected notwithstanding its transmittal to Ernst & Whinney, since waiver of work-product protection will be implied only if the document is disclosed in circumstances that make it substantially more likely that the document will be revealed to the party's adversary. Thus, disclosure to another person who has an interest in the information but who is not reasonably viewed as a conduit to a potential adversary will not be deemed a waiver of protection of the rule. See, e.g., *GAF Corp. v. Eastman Kodak Co.*, *supra*, 85 F.R.D. at 52; *Stix Products v. United Merchants & Mfrs.*, *supra*, 47 F.R.D. at 338. Disclosure by Horsehead to Stanton or to its own accountants cannot be said to have posed a substantial danger at the time that the document would be disclosed to plaintiffs. [FN8]

\*6 It remains to be seen, however, whether Horsehead has adequately demonstrated that the document held by plaintiffs is covered by the work-product rule, and, if so, whether its disclosure to plaintiffs at the Stanton deposition amounts to a waiver. I conclude, despite the deficiency of the record, that the document is work product. Moreover, under all of the circumstances here, I conclude that defendants' handling, or mishandling, of this document in connection with the deposition is not tantamount to a waiver of the work-product protection.

The work-product rule covers documents "prepared in anticipation of litigation or for trial...." Accordingly, "[i]f the primary motivating purpose

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behind the creation of the document is not to assist in pending or impending litigation, then a finding that the document enjoys work product immunity is not mandated." [United States v. Gulf Oil Corp., 760 F.2d 292, 296 \(T.E.C.A.1985\)](#).

In this case the submitted affidavits do not disclose why the memorandum was prepared. Some guidance is found, however, from an *in camera* review of the memorandum and its cover sheet. It appears that counsel for Horsehead was holding meetings with a "shareholder committee"--presumably former shareholders of Great Lakes Carbon Corporation--and that the meetings involved, either in whole or in part, a discussion of the claims that Horsehead was asserting against the escrow fund. Based on the conceded chronology of events, [FN91] it becomes apparent that the discussions referred to in the memorandum and covering note were in fact settlement discussions between Horsehead and plaintiffs which were designed to resolve Horsehead's claim against the escrow fund and thus obviate the need for this lawsuit.

It is apparent from the cover sheet that the enclosed memorandum was in the nature of a draft or working paper and not a final product. Indeed, the memorandum itself notes in various places the need for further analysis, investigation or consultation on specific issues. Thus, although it is unclear whether the final product was intended for disclosure to the shareholder committee, it is evident that this version was not, and in fact it is labelled as "PRIVILEGED AND CONFIDENTIAL, ATTORNEY WORK PRODUCT." Under these circumstances, the document was certainly intended to be confidential.

Given the known facts, it is reasonable to infer that the document was prepared principally to assist in either anticipated future litigation or the avoidance of such litigation through settlement. This suffices to establish the applicability of [Rule 26\(b\)\(3\)](#) absent some form of waiver. See, e.g., [Reavis v. Metropolitan Property & Liability Ins. Co., 117 F.R.D. 160, 163 \(S.D.Cal.1987\)](#).

As noted, the distribution of the document to Stanton and Ernst & Whinney does not constitute a waiver of the work-product rule. The final question, therefore, is whether the disclosure of the memorandum at the Stanton deposition constitutes such a waiver. I conclude that it does not.

\*7 The so-called "inadvertent disclosure" question has received little attention by the New York courts,

but the one recent reported decision suggests general adherence to the developing caselaw in the federal courts. See [Manufacturers & Traders Trust Co. v. Servotronics, Inc., 132 A.D.2d 392, 398-401, 522 N.Y.S.2d 999, 1003-05 \(4th Dep't 1987\)](#) (citing cases). Accordingly I rely upon that body of law.

Although the courts are not unanimous in their formulation of the governing standards for addressing claims of "inadvertent disclosure," compare, e.g., [Hartford Fire Ins. Co. v. Garvey, 109 F.R.D. 323, 328-32 \(N.D.Cal.1985\)](#), with [Mendenhall v. Barber-Greene Co., 531 F.Supp. 951, 954-55 \(N.D.Ill.1983\)](#), it is generally accepted that the unintended and erroneous disclosure of a document containing a privileged communication does not constitute a waiver of the privilege if the attorney and client have taken "reasonable precautions to ensure confidentiality." [In re Grand Jury Proceedings Involving Berkley & Co., 466 F.Supp. 863, 869 \(D.Minn.1979\)](#), aff'd as qualified, 629 F.3d 548 (8th Cir.1980). See, e.g., [Standard Chartered Bank v. Ayala Int'l Holdings, 111 F.R.D. 76, 85-86 \(S.D.N.Y.1986\)](#); [Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co., 104 F.R.D. 103, 105-06 \(S.D.N.Y.1985\)](#) (citing cases); [Dunn Chemical Co. v. Sybron Corp., 1975-2 Trade Cases \(CCH\) ¶ 60, 561 at p. 67, 463 \(S.D.N.Y.1975\)](#). See also [Hartford Fire Ins. Co. v. Garvey, supra, 109 F.R.D. at 331](#) ("complete failure to take reasonable precautions").

In this case the question is whether the procedures utilized by Horsehead were "so lax, careless, inadequate or indifferent to consequences" as to constitute a waiver." [Data Systems of New Jersey v. Philips Business Systems, 78 Civ. 6015 \(CSH\), Memorandum Opinion and Order at 15 \(S.D.N.Y. Jan. 8, 1981\)](#) (available on LEXIS) (quoting [National Helium Corp. v. United States, No. 158-75, slip op. at 3-4 \(U.S.Ct.Cl. Feb. 2, 1979\)](#).) I conclude that they were not.

The initial failing by Horsehead was its failure to retrieve from Stanton all confidential documents when he left the company. This error was compounded when counsel for Horsehead did not seek to review with Stanton prior to his deposition whether he had any privileged documents in his possession. Nonetheless, these errors were not the direct cause of the erroneous disclosure of the Kober memorandum.

As noted at the deposition, Stanton himself noted the confidential status of a memorandum from Ms. Kober and declined to produce it to plaintiffs. The

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production to plaintiffs' counsel occurred only because, unknown to Stanton or counsel, there was a second such draft memorandum in the folder that he turned over at the deposition.

This set of circumstances reflects obvious carelessness both by Horsehead and by its counsel. Nonetheless, in context it does not reflect so egregious a pattern of nonfeasance as to suggest an intent or willingness to waive the protections of the work-product rule, which is the central concern. See, e.g., *Manufacturers & Traders Trust Co. v. Servotronics, supra*, 132 A.D.2d at 399-400, 522 N.Y.S.2d at 1004-1005; *Lois Sportswear U.S.A., Inc. v. Levi Strauss & Co., supra*, 104 F.R.D. at 105-06 (citing cases).

\*8 First, the fact that Horsehead did not retrieve the document from Stanton when he left the company is not tantamount to waiver. See, e.g., *Dunn Chemical Co. v. Sybron Corp., supra*, 1975-2 Trade cases at p. 67,463. Indeed, in *Dunn* Judge Lasker so held despite the fact that the former employee in that case had offered to return the privileged document to the client and it had failed to accept his proffer. *Id.* at p. 67,462. Second, in any event Stanton himself was sufficiently aware of the need for confidentiality that he declined to produce at his deposition what he obviously believed was the only such document in his possession. Third, prior to the deposition Horsehead's counsel had conducted an adequate review of the company's files, and, after locating the company's copy of the document, withheld it from production by the company. Compare, e.g., *Eigenhein Bank v. Halpern*, 598 F.Supp. 988, 991 (S.D.N.Y.1984) (company twice produced privileged document as part of small volume of documents produced to its adversary, the second time after having belatedly invoked a claim of privilege).

In short, the only reason that the memorandum was turned over was the fortuity that Stanton unknowingly had copies of two somewhat similar attorney memoranda in his folder. Under all the circumstances, I conclude that this was a truly inadvertent disclosure and not a waiver of work-product protection.

#### *CONCLUSION*

For the reasons stated, Horsehead's motion is denied with respect to the Stanton notes and granted with respect to the Kober memorandum.

SO ORDERED.

FN1. These documents and the Kober memorandum had been listed on a previously supplied privilege list prepared for Horsehead during the litigation.

FN2. Upon discovery of this anomaly, the Court held a conference with counsel, at which Horsehead's counsel agreed that the motion should be deemed to be directed at plaintiffs' version of the disputed documents. Strangely, counsel for defendants apparently never bothered to examine the documents held by plaintiffs' counsel before filing the motion, and obviously never compared their versions with plaintiffs', despite the fact that plaintiffs' answering papers annexed copies of two of the documents.

FN3. The differences between the parties' respective versions of this document are immaterial since, according to its counsel, Horsehead seeks to protect only the first two pages, which are identical in both versions. This limitation is not revealed in Horsehead's motion papers.

FN4. Federal law governs the applicability of the work-product rule, even in diversity suits such as the present case. See, e.g., *United Coal Companies v. Powell Const. Co.*, 839 F.2d 958, 966 (3d Cir.1988); *Railroad Salvage of Conn. v. Japan Freight Consolidators*, 97 F.R.D. 37, 39-41 (E.D.N.Y.1983), aff'd mem., 779 F.2d 38 (2d Cir.1985); *Merrin Jewelry Co. v. St. Paul Fire & Marine Ins. Co.*, 49 F.R.D. 54, 56 (S.D.N.Y.1970).

FN5. That affidavit does not even specify that Ms. Kober was serving as counsel for Horsehead, although this fact is not contested.

FN6. The defendants' version of the memorandum is dated April 3, 1987. However, the lengthier version proffered by plaintiffs, although undated, is annexed to a covering note dated March 5, 1987.

FN7. The New York courts appear to follow this rule. See, e.g., *People v. Osorio, supra*, 550 N.Y.S.2d 612, 615, 549 N.E.2d 1183, 1186 (citing, *inter alia*, *United States v. Kovel, supra* ).

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**FN8.** As previously noted, accountants are normally required to maintain the confidentiality of their clients' confidential communications.

**FN9.** Horsehead purchased Great Lakes' stock on February 28, 1985, asserted its claim against the escrow fund by letter dated February 21, 1986, and then attempted to negotiate a settlement with plaintiffs, who ultimately filed suit on July 17, 1987. (*See* Plaintiffs' Memorandum at 1- 2.)

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**Motions, Pleadings and Filings** ([Back to top](#))

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END OF DOCUMENT

## **Tab 3**

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## H

### Motions, Pleadings and Filings

Only the Westlaw citation is currently available.

United States District Court, S.D. Florida.  
Steven J. GUTTER, on behalf of himself and all  
others similarly situated,  
Plaintiff,  
v.  
E.I. DUPONT DE NEMOURS AND COMPANY  
and Edgar S. Woolard, Jr., Defendants.  
**No. 95-CV-2152.**

May 18, 1998.

### REPORT AND RECOMMENDATION OF SPECIAL MASTER RE; PLAINTIFF'S MOTION TO COMPEL

### DOCUMENTS REQUESTED IN PLAINTIFF'S SECOND SET OF DOCUMENT REQUESTS

\*1 The issues before the Special Master are the applicability of the attorney-client and work product privileges to certain documents which Plaintiff seeks to discover and which DuPont has withheld.

At the outset, it should be noted that the mere fact that an attorney is present at a meeting or is copied on a document does not in and of itself afford privilege protection to such a meeting or document. Burton v. R.J. Reynolds Tobacco Co., Inc., 170 F.R.D. 481 (D.Kan.1997). The mere fact that one is an attorney does not render everything he does for or with the client privileged. Burton, supra; United States v. Bartone, 400 F.2d 459 (6th Cir.1968). The attorney-client privilege protects only communications between attorney and client where legal advice is sought.

The work product privilege only applies to materials prepared to aid in anticipated or pending litigation. It protects the ideas, legal theories, opinions and mental impressions of attorneys formulated in connection with preparation for trial. Hickman v. Taylor, 67 S.Ct. 385 (1947); Rule 2683 F.R.Civ.P. Corporate house counsel are often called upon to perform tasks that go beyond the traditional tasks performed by lawyers. United States Postal Service v. Phelps Dodge Refining Corp., 852 F.Supp. 158 (E.D.N.Y.1994).

Thus each document must be perused to see whether the attorney was involved in rendering legal advice or if the document contains work product information. If the attorney was performing other tasks, then the communications receive no protection from discovery.

The documents will be dealt with here by category. Although Plaintiff has attempted to fit the documents into various categories, he is at a disadvantage because he has not seen them. DuPont's categorization is more useful in dealing with the privilege issues for the obverse reason. No greater deference is given to its arguments because of this advantage; its breakdown is merely more convenient.

### I RESERVE DOCUMENTS

Some of the documents contain information about liability reserves set aside to respond to a possible adverse judgment or settlement. Both parties agree that aggregate reserves are not protected from discovery since they serve mainly business purposes. Such information is considered to be too generalized to be useful for planning litigation strategy in any specific case, and therefore such aggregate reserve figures do not constitute work product. In Re Pfizer Inc. Sec. Lit., 1993 WL 561125 (S.D.N.Y.1993); Hatco Corp. v. W.R. Grace & Co., 1991 WL 83126 (D.N.J.1991); Simon v. G.D.Searle, 816 F.2d 397 (8th Cir.1987). Nor are such aggregate figures protected by the attorney-client privilege. Pfizer, supra; Simon, supra.

On the other hand, documents which contain individual reserve figures are protected work product because they reflect an attorney's professional opinion about the value of a particular lawsuit. Pfizer, supra; Simon, supra.

\*2 The Special Master has inspected the documents which contain reserve figures. To the extent that these documents contain other information, the Special Master has reviewed the documents and is of the opinion that such other information is, for the most part, not protected under the attorney-client or work product privileges for the following reasons:

Except for certain redactions, none of the other information in these documents purport to solicit or give legal advice, nor do they contain opinions,

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mental impressions, strategies or ideas relating to the individual cases or even the cases in their aggregate. The factual information in these documents is in the nature of business advice and business decisions related to the cases, and is therefore not protected from discovery. *Baimco, supra*.

The following documents contain aggregate reserve figures and should be produced with redactions as noted: [FN1]

[FN1] The reasons for redactions or non-production recommendations are noted to assist Plaintiff in case he wishes to appeal the recommendations of the Special Master.

No. 1A. Redact last two lines of p. 3--individual liability estimate for Terra.

Nos. 7, 14B, 16A, 17, 17A, 18, 27.

No. 28. Redact references to Benlate I and II which deal with liability issues.

No. 30. Redact second and third sentence beginning with "counsel" and ending with "outcome". These sentences contain opinions on liability theories.

Nos. 31, 37B, 45D, 45E.

No. 46A. Redact references to Puerto Rico and Hawaii individual reserve figures.

No. 51A. Redact reference to Terra offer.

Nos. 57E, 61, 61B, 63, 63C, 64, 66B, 66C, 67H, 67I, 67K, 67L.

No. 107. Redact references to litigation matters other than Benlate.

No. 235. Redact first page which details litigation objectives, and page entitled "Summary of Gutter v. DuPont Complaint".

No. 262. Redact references to individual settlements. The discoverability of settlement information shall be decided separately.

The following documents contain privileged materials protected from discovery and should not be produced. [FN2] The reason for non-production is set forth as to each document:

[FN2] Nor is there a sufficient basis to

maintain that DuPont has waived its privileges as to these documents. First, the content of these documents are sufficiently different from those already produced so as to preclude any claim of subject matter waiver. Second, there is no showing that limiting any waiver to the documents actually disclosed would be unfair to the Plaintiff or that he would be prejudiced by such a limitation. *United States v. Aranoff*, 466 F.Supp. 855 (S.D.N.Y.1979); *Sedco Int'l. S.A. v. Cory*, 683 F.2d 1201 (8th Cir.1982). Third, the concept of subject matter waiver does not apply to the work product privilege. *Cox v. Administrator*, 17 F.3d 1386 (11th Cir.1994); *In Re Martin Mariette Corp.*, 856 F.2d 619 (4th Cir.1988).

No. 45. Discussion of legal strategy.

No. 49. Discussion of legal strategy.

No. 63B. Requests to lawyers for evaluation of individual cases.

Nos. 65A, 66A, 66E, 66I, 66J, 66K, 66L, 66M, 66N, 66O, 66P, 66Q, 66R, 66S, 66T, 66U, 66V, 65W, 66X, 66Y, 66Z, 66AA, 66AB, 66AC, 66AD, 66AF, 66AG, 66AH, 67A, 67B, 67C, 67D, 67F. All of these documents consist of responses and evaluations by lawyers on individual cases.

Nos. 66H, 66I, 67E, 67M. These documents are summaries of individual cases referencing liability exposure and individual reserves.

Ruling on the following two documents is deferred for the reasons set forth:

No. 62. This document contains references to settlement. The discoverability of settlement information shall be decided separately.

No. 157. The first page of this document should be redacted since it contains a legal evaluation of a case. The remainder deals with proposed answers to questions for press release. The discoverability of this information will turn on whether a press release was issued and what was ultimately disclosed, in accordance with the principles enunciated in Part V.

## II. STATUS REPORTS

\*3 The Plaintiff here seeks production of certain

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documents referred to as status reports. Each of the parties has a different list of what they believe are included in this category. Once more, Gutter is at a disadvantage, and again for convenience sake, DuPont's list will be utilized. The documents still remaining on Plaintiff's list are considered in other categories which more closely describe their content.

Documents created for business reasons which contain neither a request for legal advice nor rendition of legal advice, or were not intended to assist in prosecution or defense of a lawsuit, are not protected from discovery by the attorney-client or the work product privileges. *In Re Baimco Sec. Litig.*, 148 F.R.D. 91 (S.D.N.Y.1993). On the other hand, if the document in question clearly requests or gives legal advice, or contains traditional work product information, it is protected from disclosure. *Baimco, supra*; *Great Plains Mut.Ins.Co., Inc. v. Mutual Reinsurance Bureau*, 150 F.R.D. 193 (U.S.D.C.Kan.1993). The mere fact that such protected information is furnished to a corporate board or audit committee which then makes business use of such advice, does not convert legal advice into discoverable business advice. *Great Plains Mut.Ins.Co., Inc., supra* at 197; *In Re LTV Sec.Litig.*, 89 F.R.D. 595, 600 (U.S.D.C.N.D.Tex.1981). Of course, if the document itself or information from the document is disclosed to a third party, then any privileges as to such information are waived. *In Re Hillsborough Holdings v. Celotex Corp.*, 118 B.R. 866 (U.S.Bk.Ct.M.D.Fla.1990). While disclosure to outside auditors may waive the attorney-client privilege, it does not waive the work product privilege, since there is an expectation that confidentiality of such information will be maintained by the recipient. *Pfizer, supra*; *Gramm v. Horsehead Ind., Inc.*, 1990 U.S. Dist. Lexis 773 (S.D.N.Y.1990). Conversely, if it is clear that the information contained in the document was intended to be disseminated to those outside the cloister of confidentiality, then the privilege is waived.

Within those parameters, the documents in the status report category will be dealt with below. DuPont has noted its redactions of many of these documents based on assertions of privilege. These documents, too, have been inspected *in camera*. The following documents should be produced with redactions where noted:

Nos. 56D, 56E, 56F, 66G.

No. 92. Redacted payment items relating to undisclosed experts and consultants need not be

produced. DuPont shall file a separate declaration listing such items in all documents in this category and affirming that the items in fact relate to undisclosed experts. However, payments noted on page 20439 to Alta shall be produced, since Alta is now clearly disclosed.

No. 95. Redacted items on page 20443 need not be produced since they relate to legal advice and strategy. Remaining cost redactions other than Alta ostensibly relating to undisclosed experts need not be produced.

\*4 No. 103. Redacted items on pages 20450 and 20453 relate to legal advice and strategy and need not be produced. Remaining redacted cost items ostensibly relate to undisclosed experts.

No. 105. Redacted cost items ostensibly relating to undisclosed experts need not be produced.

No. 109. Redacted cost items other than Alta ostensibly relating to undisclosed experts, need not be produced.

No. 118. Redacted cost items other than Alta ostensibly relating to undisclosed experts need not be produced.

No. 119. Redacted cost items ostensibly relating to undisclosed experts need not be produced.

No. 127. Redacted cost items ostensibly relating to undisclosed experts need not be produced.

No. 162. Redacted cost items ostensibly relating to undisclosed experts need not be produced.

No. 166. Redacted cost items ostensibly relating to undisclosed experts need not be produced.

The following documents should be produced except for redactions which contain information about individual settlements. As noted earlier, the discoverability of individual settlements will be dealt with separately. This group consists of: Documents Nos. 136, 147, 148, 150, 171, 186, 188, 190, 192, 194, 201, 203, 207, 208, 212, 213, 216, 217, 218, 219, 222, 223, 224, 225, 226, 230, 2313, 234, 237, 250, 251, 252, 253, 254. In addition, of the foregoing documents, several contain cost items ostensibly relating to undisclosed experts other than Alta, and such items other than Alts within these documents need not be produced: 147, 188, 190 and 226.

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Document No. 126 is a chart of all individual settlements and need not be produced until resolution of the settlement discovery issue.

### III. LITIGATION REPORTS TO THE BOARD OF DIRECTORS

Again, DuPont's categorization of this group of documents is more convenient for deciding discoverability. No greater deference is given to its arguments by virtue of using its grouping.

The seven documents in this category are identical in format. They are from DuPont Legal addressed to the Audit Committee of the DuPont Board, and each is entitled *Litigation Report*. Each document contains tables summarizing costs for all corporation litigation followed by individual summaries of the most significant cases. The only relevant portions of the reports would be those which deal with the Benlate cases. There is no statistical grouping of Benlate cases alone. The Benlate description page in each litigation report presents a summary of the problem, the extent of the claims and suits, DuPont's legal position on liability, results of some trials, settlements, and references to legal theories.

The summaries are communications between an attorney and a client that relate to ongoing litigation. Even though they do not give legal advice per se, they constitute an exchange of information necessary to formulate or evaluate legal advice and are therefore protected. *LTV, supra*. Moreover, they contain some indicia of legal strategy and mental impressions of counsel and are therefore protected by the work product privilege.

\*5 There is no indication of what use the audit committee made of these reports, but even if it used them for subsequent business purposes, that alone does not abrogate the privilege. *LTV, supra*. However, if the committee disclosed the reports to a third person, the privilege is waived. *In Re the Leslie Fay Companies, Inc. Sec. Litig.*, 161 F.R.D. 274 (S.D.N.Y.1995).

Disclosure to outside accountants waives the attorney-client privilege, but not the work product privilege, since the accountants are not considered a conduit to a potential adversary. *Pfizer, supra*. Waiver of work product only occurs if the disclosure "substantially increases the opportunity for potential adversaries to obtain the information." *In Re Grand Jury*, 581 F.Supp. 1247 (E.D.N.Y.1982); *United States v. AT & T*, 642 F.2d 1285 (D.C.Cir.1980).

Transmittal of documents to a company's outside auditors does not waive the work product privilege because such a disclosure "cannot be said to have posed a substantial danger at the time that the document would be disclosed to plaintiffs." *Gramm v. Horsehead Indus., Inc., supra*.

Based on the foregoing, the following documents need not be produced: Nos. 25, 66, 164, 145, 197, 236 and 239.

### IV LEGAL OPINION LETTERS

This category consists of letters written by DuPont Legal or the law firm of Crowell & Moring to the accounting firm of Price Waterhouse and letters from DuPont Legal to Crowell & Moring with copies to Price Waterhouse. There is no attorney-client privilege with regard to these documents, since they have been disclosed. However, the work product privilege would still apply for the reasons set forth above.

Except for a few instances where noted, the majority of the documents in this category do not contain attorneys' mental impressions, opinions, or legal strategy. Hence, they receive no work product protection from discovery. Some of the documents contain reports of litigation unrelated to Benlate, and are therefore irrelevant. In a few instances, references to individual settlements appear, and should not be disclosed until discoverability of settlements is otherwise decided.

The following documents should be produced with redactions as noted:

Nos. 1, 5, 9.

No. 23. Redact reference to Connecticut Coastal case.

No. 34. Redact reference to Savannah River case.

No. 40. Redact references to other cases from the middle of p. 3 to the middle of p. 11.

No. 46. Redact reference to Hurlbutt case.

No. 51. Redact reference to EGSI case.

Nos. 58, 62, 69.

No. 74. Redact reference to other cases from the top of p. 3 to the bottom of p. 10).

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Nos. 93, 94.

No. 96. Redact legal opinions, strategy and settlement information--first full paragraph on page one through paragraph 5 on p. 2.

No. 97. Redact legal opinions, strategy and settlement information--first full paragraph on page one through paragraph 5 on p. 2.

Nos. 98, 102.

No. 110. Redact references to opinions and settlement pp. 2 and 3 except for last three paragraphs.

\*6 No. 111. Redact references to opinions and settlement pp. 2 and 3 except for last three paragraphs.

No. 113.

No. 116. Redact references to all other litigation from page 2 through second paragraph of p. 6.

No. 122. Redact settlement information in second full paragraph on p. 2.

No. 123. Redact settlement information in second full paragraph on p. 2.

Nos. 124, 132, 133, 141.

No. 158. Redact first full paragraph and last paragraph on page 2 which contain legal opinions and evaluations.

No. 159. Redact first full paragraph and last paragraph on page 2 which contain legal opinions and evaluations.

No. 165. Redact all references to other litigation except Benlate.

Nos. 167, 169, 173, 180, 190A.

No. 191. Redact pp. 2 and 3 dealing with other litigation.

Nos. 195, 199, 210.

No. 215. Redact all references to other litigation except Benlate.

Nos. 220, 228, 229, 231A, and 232.

## V. DRAFTS OF DOCUMENTS

Documents prepared for dissemination to third parties are not protected from discovery by either the attorney-client or the work product privilege. *United States v. (Under Seal)*, 748 F.2d 871 (4th Cir.1984). Nor are the details, including drafts of the document to be published, protected. *United States v. (Under Seal)*, *supra*; *In Re Grand Jury Proceedings*, 727 F.2d 1352 (4th Cir.1983).

If the ultimate document is purely a business document which would not have received any protection based upon privilege in any event, draft language also receives no protection. But if there is attorney input on the draft, then the attorney-client or work product privileges may be implicated.

Drafts may be considered privileged if they were prepared with the assistance of an attorney for the purpose of obtaining legal advice or, after an attorney's advice, contain information a client considered but decided not to include in the final version. *United States Postal Serv. V. Phelps Dodge Refining Corp.*, *supra*. In other words, if the draft is prepared with attorney assistance, and contains words or language that do not appear in the final version, those words may be protected: if they are articulated in the context of legal advice to and from a client as to what should ultimately be disclosed, then the attorney-client privilege protects such documents. But if the final version sent to a third person contains the revisions made on the draft, those revisions are not privileged.

The draft may also contain work product. Information considered but excluded from the final draft by the client and the attorney represents a thought sequence which reflects the mental processes of the attorney. If the thoughts reflect ideas and opinions formulated as part of the trial preparation process, then this is work product and should be protected from disclosure. The selection process of grouping documents has been held to be work product, so if the excluded language consists of trial preparation materials, the process of selecting final language for a document should receive at least as much protection. See *Sporck v. Peil*, 759 F.2d 312 (3d Cir.1985); *James Julian, Inc. v. Raytheon Co.*, 93 F.R.D. 138 (D.Del.1982).

\*7 The foregoing principles are the most logical in dealing with this area. If an attorney has given advice

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as to what should be disclosed and what should not, then only as much of the information which is ultimately revealed to third persons is what the client intended, and what the attorney advised should in fact be disclosed. It is their ultimate concurrence which comprises the content of the waiver. "In short, whatever is finally sent to the [third party] is what matches the client's intent." [United States v. Schlegel, 313 F.Supp. 177 \(D.Neb.1970\)](#).

Applying the foregoing, the following documents should be produced with redactions as noted:

No. 4. Redact references to all other cases except Benlate.

Nos. 14C, 19.

No. 20. Redact references to Connecticut Coastal case.

Nos. 22A, 22B.

No. 22C. Redact reference to Connecticut Coastal case.

Nos. 31A, 37G, 38, 39, 41A.

No. 58A. Redact paragraphs 1 and 4 which contain legal opinions.

No. 57C.

Nos. 71, 72, 73, 75, 76. Redact references in these documents to litigation other than Benlate.

Nos. 78, 84, 87, 88, 100, 108, 115.

No. 117. Redact references to litigation other than Benlate.

Nos. 125, 128.

No. 140. Redact cost references other than Benlate.

No. 144.

No. 151, 153, 154. Redact the same paragraphs of these documents as in Document No. 159.

No. 155. Redact the last two paragraphs on p. 2 and the fourth paragraph of p. 3 which contain legal opinions and evaluations.

No. 163. Redact references to litigation other than

Benlate.

Nos. 242, 244, 245, 246, 247.

No. 256. Redact references to asbestos and Remington.

No. 259, 263.

The following documents need not be produced either because they contain no information relevant to the issues here, or because they contain privileged information that has not otherwise been disclosed:

Nos. 11, 22, 57D, 67G, 70, 77, 85, 101, 182, 183, 185, 193, 209, 248.

The following documents are drafts regarding Benlate that were ostensibly prepared for public filings or were disclosed to outside auditors. It is impossible to determine if these were ultimately disclosed in such filings. The burden is on the party asserting the privilege to show that the privilege applies. Production is deferred pending a showing by DuPont that such information in the following documents has not in fact been disclosed in public filings or to outside auditors.

Those documents are:

Nos. 14A, 32, 33, 37A, 37C, 37D, 45A, 45C, 56C, 57, 57B, 57D, 67G, 99, 134, 146, 179, 200, 205, 210, 238, 249.

#### FINAL NOTES

At this juncture, the Plaintiff has not made a sufficient showing under Rule 26(b)(3) to obtain trial preparation materials. Therefore, the motion should be *DENIED* without prejudice on this specific ground.

The Special Master defers consideration of the applicability of *Gamer v. Wolfenbarger, 430 F.2d 1093 (5th Cir.1970)* to all documents until after a status conference with the parties.

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**Motions, Pleadings and Filings ([Back to top](#))**

• [1:95CV02152](#) (Docket) (Sep. 29, 1995)

END OF DOCUMENT

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## **Tab 4**

LEXSEE 1988 U.S. DIST. LEXIS 7498

**HORIZON FEDERAL SAVINGS BANK, Plaintiff, v. SELDEN FOX & ASSOCIATES, ROBERT J. MOODY, CONSTRUCTION LENDERS SERVICE CORPORATION and JAMES MATASSO, Defendants**

**No. 85 C 9506**

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

**1988 U.S. Dist. LEXIS 7498**

**July 19, 1988, Decided and Filed**

**CASE SUMMARY:**

**PROCEDURAL POSTURE:** Before the court was defendant officer's motion to compel production of pre-merger due diligence examination notes and documents and the motion of plaintiff bank for a protective order in an underlying action whereby the bank charged the officer with fraud, and defendant accounting firm with fraud and conspiracy.

**OVERVIEW:** The officer represented a company that was merged into the bank. Thereafter, the bank filed an action against the officer alleging that he had fraudulently misrepresented the company's solvency, and against the accounting firm for conspiracy. The bank's law firm, in anticipation of the merger, performed a due diligence examination of the company. The officer filed a motion to compel production of the pre-merger due diligence examination notes and documents compiled by the law firm. The officer argued that the documents were essential to his defense. The bank objected to the production by filing a motion for a protective order on the ground that the documents were shielded in part by the attorney/client privilege and in part by the work product doctrine. The court held that the work product doctrine, as outlined in *Fed. R. Civ. P. 26(b)(3)* was inapplicable because, as the bank admitted, the documents were not prepared in anticipation of the present litigation. In addition, the court held that the actions taken by the bank in filing the suit and putting at issue the question of what it knew about the company's solvency waived the attorney/client privilege.

**OUTCOME:** The officer's motion to compel production of pre-merger due diligence examination notes and

documents was granted, and the bank's motion for a protective order was denied.

**LexisNexis(R) Headnotes**

*Civil Procedure > Discovery > Methods > General Overview*

*Civil Procedure > Discovery > Privileged Matters > Work Product > General Overview*

[HN1] The work product doctrine, as outlined in *Fed. R. Civ. P. 26(b)(3)*, shields from discovery documents and tangible items which are prepared in anticipation of litigation or for trial. Such items are discoverable only upon a showing that the party seeking discovery has substantial need of the materials and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means.

*Civil Procedure > Discovery > Privileged Matters > General Overview*

*Evidence > Privileges > Attorney-Client Privilege > Waiver*

*Legal Ethics > Client Relations > Confidentiality of Information*

[HN2] The formula of the attorney/client privilege requires consideration of the following: (1) Where the legal advice of any kind is sought, (2) from a professional legal advisor in his capacity as such, (3) the communication 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.

**Civil Procedure > Discovery > Privileged Matters > General Overview**

**Evidence > Privileges > Attorney-Client Privilege > Waiver**

**Legal Ethics > Client Relations > Confidentiality of Information**

[HN3] A party waives the attorney/client privilege when the contents of the privileged communication are put in issue by the party asserting the privilege.

**Civil Procedure > Discovery > Privileged Matters > General Overview**

**Evidence > Privileges > Attorney-Client Privilege > General Overview**

**Legal Ethics > Client Relations > Confidentiality of Information**

[HN4] The attorney/client privilege protects communication between a client and his or her attorney and is based on the desirability of encouraging these confidential communications. The purposes of the privilege are no longer served where the plaintiff invites the inquiry which the privilege is designed to protect.

#### **OPINION BY: [\*1]**

LEINENWEBER

#### **OPINION:**

##### **MEMORANDUM OPINION AND ORDER**

**HARRY D. LEINENWEBER, Judge United States District Court**

*This cause is before the court on the motion of defendant, James Matasso ("Matasso"), to compel the production of pre-merger due diligence examination notes and documents and on the motion of plaintiff, Horizon Federal Savings Bank ("Horizon"), for a protective order. For the reasons stated herein, the motion to compel is granted and the motion for a protective order is denied. n1*

n1 By letter dated April 11, 1988 Horizon submitted a copy of an order and transcript entered by Judge Gomberg in a related state proceeding involving a similar motion to compel. The court did not find it helpful to refer to Judge Gomberg's ruling as it was in a case involving different parties and were requesting different documents from those requested in this motion.

#### **FACTS**

The court will briefly review the facts. Matasso was an officer of Glenview Guaranty Savings & Loan Association ("Glenview"), a savings and loan association ultimately acquired by Horizon. Horizon's complaint alleges that Matasso defrauded it by hiding information about certain real estate and commercial loan transactions, thus [\*2] overstating the net worth of Glenview. Defendant Selden Fox & Associates ("Fox") performed accounting work for Glenview previous to its acquisition by Horizon. The complaint charges Fox with fraud and conspiracy arising out of the performance of those accounting services.

The law firm of Sonnenschein, Carlin, Nath & Rosenthal ("Sonnenschein") has served as the general counsel for Horizon since February 1, 1980. In the course of its relationship with Horizon, Sonnenschein performed a due diligence examination of Glenview, the savings and loan association which Horizon was then contemplating acquiring. The documents relating to this due diligence examination are the subject of this motion.

#### **DISCUSSION**

Matasso and Fox maintain that the documents will show that Sonnenschein was aware before the merger of Glenview's true financial condition and that Horizon did not rely upon the alleged misrepresentations of either Matasso or Fox in making its decision to purchase Glenview.

Matasso seeks only twenty of the over four hundred documents Horizon claims are protected by the work product doctrine and the attorney/client privilege. Fox seeks essentially the same documents but requests an additional [\*3] seven. n2 These documents fall into three general categories: 1) Sonnenschein's correspondence with third parties, including document Nos. 140, 308 and possibly 14 and 26; 2) Sonnenschein's internal notes and memoranda, including document Nos. 4, 8, 38-39, 42, 58, 62, 93, 143-145, 147-149, 319, 325, 326 and 398; and 3) correspondence between Horizon and Sonnenschein, including document Nos. 16-17, 44, 53-54 56 and 308.

n2 Document Nos. 140, 146 and 186 have already been produced. Matasso seeks document Nos. 53 and 56 which Fox does not seek.

Horizon asserts that these documents are shielded from discovery by Fox and Matasso in part by the work product doctrine of Fed.R.Civ.P. 26(b)(3) and in part by the attorney/client privilege. [HN1] The work product doctrine shields from discovery documents and tangible items which are prepared in anticipation of litigation or for trial. Such items are discoverable only upon a showing that the party seeking discovery has substantial need

of the materials 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 work product doctrine does not apply here because, [\*4] as Horizon admits, these documents were not prepared in anticipation of the present litigation. Horizon maintains that many of these documents were prepared in anticipation of a separate litigation that Horizon inherited through the merger. Rule 26 is concerned with the discovery of materials created for use in the litigation at issue.

The Seventh Circuit has accepted the Wigmore [HN2] formula of the attorney/client privilege:

"(1) Where the legal advice of any kind is sought, (2) from a professional legal advisor in his capacity as such, (3) the communication 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."

*Radiant Burners, Inc. v. American Gas Assn.*, 320 F.2d 314, 319 (7th Cir. 1963) quoting 8 Wigmore Evidence § 2292 at 554 (McNaughton rev. 1981).

Matasso and Fox contend that Horizon waived the attorney/client privilege when it filed this suit, putting the question of what it knew about Glenview's financial status at issue. Although the Seventh Circuit has not dealt directly with this issue it did refer with approval [\*5] in a footnote that [HN3] a party waives the attorney/client privilege when the contents of the privileged

communication are put in issue by the party asserting the privilege. *Matter of Continental Ill. Securities Litigation*, 732 F.2d 1302, 1315 n.20 (7th Cir. 1984). The majority of cases on this issue hold that actions such as those taken by Horizon here do waive the attorney/client privilege. *Sedco Intl. S.A. v. Cory*, 683 F.2d 1201, 1206 (8th Cir. 1982); *Byers v. Burleson*, 100 F.R.D. 436, 440 (D.C. 1983); *Hearn v. Rhay*, 68 F.R.D. 574, 581 (E.D. Wash. 1975).

[HN4] The attorney/client privilege protects communication between a client and his or her attorney and is based on the desirability of encouraging these confidential communications. *Byers v. Burleson*, 100 F.R.D. at 440. The purposes of the privilege are no longer served where the plaintiff has invited the inquiry which the privilege is designed to protect. *Id.* at 440. Here Horizon brought this suit alleging that it relied upon the alleged misrepresentations of Matasso and Fox in deciding to acquire Glenview. Fox and Matasso contend that Horizon did not rely upon their alleged misrepresentations because Horizon's attorneys [\*6] were fully informed of Glenview's true financial situation. Horizon has thus put into issue the content of what Sonnenschein knew about the financial condition of Glenview. This information is crucial to Matasso and Fox's defense. It would be unfair to Matasso and Fox to deny them access to the materials they need for their defense.

Accordingly, the motion to compel is granted and the motion for a protective order is denied.

IT IS SO ORDERED.

## **Tab 5**

Westlaw

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(Cite as: 2004 WL 609326 (N.D.Ill.))

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## H

### Motions, Pleadings and Filings

United States District Court,  
N.D. Illinois, Eastern Division.  
OCEAN ATLANTIC WOODLAND  
CORPORATION, a Virginia Corporation, Plaintiff,  
v.  
DRH CAMBRIDGE HOMES, INC., a California  
Corporation, Cowhey, Gundmundson,  
Leder, Ltd., an Illinois Corporation, and Pugsley &  
Lahaie, Ltd., an Illinois  
Corporation, Defendants.  
**No. 02 C 2523.**

March 23, 2004.

Andrew Michael Hansell, Lindquist and Vennum,  
Minneapolis, MN, William Patrick Farrell, Jr., Philip J. Havers, Jake P. DeBoever, Gardner Carton & Douglas LLP, Patrick Joseph Hughes, Law Office of Patrick J. Hughes, Chicago, IL, for Plaintiff.

Theodore Thomas Poulos, Terence H. Campbell, Cotsirilos, Stephenson, Tighe & Streicker, Keith William Medansky, Alan S. Dalinka, Piper Rudnick LLP, Nathan E. Ferguson, Wildman, Harrold, Allen & Dixon, Devlin Joseph Schoop, Laner, Muchin, Dombrow, Becker, Levin & Tominberg, Ltd., Chicago, IL, Eric Louis Singer, Jene'e Marie Szczap, Wildman, Harrold, Allen & Dixon, Lisle, IL, for Defendants.

### *MEMORANDUM OPINION AND ORDER*

GUZMAN, J.

\*1 Ocean Atlantic Woodland Corporation ("Ocean Atlantic") has sued DRH Cambridge Homes, Inc. ("Cambridge"), Cowhey, Gundmundson, Leder, Ltd. ("Cowhey"), and Pugsley & LaHaie, Ltd ("Pugsley") (collectively "defendants") alleging copyright infringement, unfair competition and deceptive trade practices, false designation of origin, conversion and unjust enrichment. This Court referred all discovery matters to Magistrate Judge Bobrick. Defendants filed a joint motion for protective order, bifurcation of discovery, and for other relief. Magistrate Judge Bobrick denied the motion to bifurcate and granted in

part and denied in part defendants' joint motion for protective order and Ocean Atlantic's motions to compel. Ocean Atlantic timely filed objections to Magistrate Judge Bobrick's Memorandum Order. Presently pending before this Court are Ocean Atlantic's objections to Magistrate Judge Bobrick's order, which include: (1) objections to the discovery rulings limiting the scope of potential damages; (2) objections to the denial of production of all documents used by defendants in responding to Ocean Atlantic's interrogatories; (3) objections to the denial of production of documents relating to the existence of other possible design plans considered by Cambridge for the development site; (4) objections to the denial of the identities and communications concerning Cambridge's customers and potential customers for the developments site. For the reasons provided in this Memorandum Opinion and Order the Court stays Ocean Atlantic's objections to Magistrate Judge Bobrick's Memorandum Order relating to damages until after resolution of the issue of liability, rejects Ocean Atlantic's remaining objections to the Memorandum Order, and *sua sponte* orders bifurcation of discovery.

### *FACTS*

The factual background of this case has been described by this Court in detail in *Ocean Atl. Woodland Corp. v. DRH Cambridge Homes, Inc.*, No. 02 C 2523, 2003 WL 1720073, at \*1 (N.D.Ill. Mar.31, 2003). Therefore, the facts here will be limited to those necessary to understand the basis of this ruling.

On April 9, 2002 Ocean Atlantic acquired copyright ownership in two development plans for the Liberty Grove development in the Village of Plainfield. These development plans were previously incorporated into the annexation agreement for the Liberty Grove development by the Village of Plainfield. Ocean Atlantic lost its right to develop the land under the development plans when it attempted to close on the sale of the land late. See *Elda Arnhold & Byzantio, L.L.C. v. Ocean Atl. Woodland Corp.*, 284 F.3d 693, 710 (7th Cir.2002). Ocean Atlantic now asserts copyright infringement of the development plans by the defendants in their development of Liberty Grove.

Before Magistrate Judge Bobrick were defendants'

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motion for a protective order and Ocean Atlantic's motion to compel answers to interrogatories and production of documents. At issue here are Ocean Atlantic's objections to Magistrate Judge Bobrick's Memorandum Order granting in part and denying in part the motion for protective order and the motion to compel answers.

### DISCUSSION

#### I. Bifurcation of Discovery

\*2 On November 26, 2002, the defendants filed a motion pursuant to Rule 42(b) requesting the court to bifurcate liability and damages discovery. The defendants requested that the Court decline to allow the parties to enter into damages discovery until liability issues were determined. (Defs.' Joint Mot. Protective Order, Bifurcation Disc. Other Relief ("Defs.' Joint Mot.") at 6.) On December 20, 2002 the defendants' motion relating to bifurcation of discovery was denied. This Court now reconsiders *sua sponte* the December 20, 2002 ruling denying bifurcation of discovery and grants bifurcation of discovery.

Whether to bifurcate discovery is a matter committed to the discretion of the trial court. *Moriarty v. LSC Ill. Corp.*, No. 98 C 7997, 1999 WL 1270711, at \*7 (N.D.Ill.Dec.29, 1999); see generally *Satar v. Motorola, Inc.*, 138 F.3d 1164, 1171 (7th Cir.1998) ("district courts have broad discretion in matters related to discovery"); *Priority Records, Inc. v. Bridgeport Music, Inc.*, 907 F.Supp. 725, 734 (S.D.N.Y.1995) (recognizing that district judge has discretion to bifurcate discovery); *Am. Nurses Ass'n. v. State of Ill.*, No. 84 C 4451, 1986 WL 10382, at \*2 (N.D.Ill. Sept.12, 1986) ("the decision to bifurcate discovery is within the discretion of the district court and depends on the circumstances of the individual case"). In accordance with the broad language of Rule 42(b), the district court is vested with discretion in determining whether to try issues separately, *Keyes Fibre Co. v. Packaging Corp. of Am.*, 763 F.Supp. 374, 375 (N.D.Ill.1991) (internal citations omitted). Rule 42 specifies the factors to be weighed when considering whether or not to bifurcate: convenience, the avoidance of prejudice, expedition and economy. Fed.R.Civ.P. 42(b).

The Court has the inherent power to control its docket. Separating the issues of liability and damages for the purposes of discovery will avoid unnecessary time and expense and further the interest of expedition by expediting the decision on liability. A verdict of no liability for infringement would render

discovery on the damages issue unnecessary. In the instant case, this Court has already found, with regard to the preliminary injunction, that, "[t]he record in this case ... presents substantial issues which bear on Ocean Atlantic's likelihood of proving infringement...." *Ocean Atl. Woodland Corp. v. DRH Cambridge Homes, Inc.*, No. 02 C 2523, 2003 WL 22225594, at \*2 (N.D.Ill. Sept.24, 2003). Thus, should plaintiff fail to establish liability in this case, the savings in time and costs with regard to discovery and discovery management would benefit both the parties and the Court.

It is clear, based on the breadth of the discovery requests, that the defendants would expend substantial amounts of time and resources responding to the discovery requests on damages. Continuation of discovery on the issue of damages would necessitate considerable operating costs in hiring accountants, researching, and calculating at a time when the development site is not even complete. Because, as noted above, the distinct possibility exists that the issue of damages will never be reached, bifurcating discovery as to liability from that of damages will serve the goals of convenience, expedition and economy. Moreover, evidence necessary to establish liability will nominally, if at all, overlap with evidence relating to damages and therefore the risk of duplication and delay is minimal.

\*3 Accordingly, the discovery of this case will be bifurcated into two phases. In the first, all discovery on liability will be completed. The defendants have already notified this Court that they will seek summary judgment as soon as discovery is complete. Therefore, discovery on damages is stayed pending resolution of the issue of liability.

#### II. Objections to Magistrate Judge Bobrick's Discovery Order

Under Federal Rule of Civil Procedure 72(a) a magistrate judge "to whom a pretrial matter not dispositive of a claim of defense of a party is referred to hear and determine shall promptly conduct such proceedings as are required and when appropriate enter into the record a written Order setting forth the disposition of the matter." Fed.R.Civ.P. 72(a). Section 636(b) authorizes a magistrate judge to make independent decisions on "any pretrial matter" with the exception of eight specified matters. [FN1] Although the list of eight dispositive motions under section 636(b) is not exclusive, in "[r]eading section 636(b) and Federal Rule 72 together, the term 'dispositive' in Rule 72(b) generally refers to those

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orders resolving these eight listed matters." See [Adkins v. Mid-American Growers, Inc., 143 F.R.D. 171, 175 n. 3 \(N.D.Ill.1992\)](#).

FN1. Section 636(b)(1)(A) provides:

[A] judge may designate a magistrate [magistrate judge] to hear and determine any pretrial matter pending before the court, except a motion for injunctive relief, for judgment on the pleadings, for summary judgment, to dismiss or quash an indictment or information made by the defendant, to suppress evidence in a criminal case, to dismiss or permit maintenance of a class action, to dismiss for failure to state a claim upon which relief can be granted, and to involuntarily dismiss an action. A judge of the court may reconsider any pretrial matter under this subparagraph (A) where it has been shown that the magistrate's [magistrate judge's] order is clearly erroneous or contrary to law.

Routine discovery motions are considered to be "nondispositive" within the meaning of Rule 72(a). *Id.*; see also, e.g., [Thomas E. Hoar, Inc. v. Sara Lee Corp., 900 F.2d 522, 525 \(2d Cir.1990\)](#); [Johnson v. Old World Craftsmen, Ltd., 638 F.Supp. 289, 291 \(N.D.Ill.1986\)](#). The Federal Rules of Civil Procedure grant magistrate judges broad discretion in resolving discovery disputes. [Heyman v. Beatrice Co., No. 89 C 7381, 1992 WL 245682, at \\*2 \(N.D.Ill. Sept.23, 1992\)](#). A magistrate judge's ruling on a nondispositive matter may only be reversed on a finding that the ruling is "clearly erroneous or contrary to law." [Fed.R.Civ.P. 72\(a\)](#); see also [28 U.S.C. § 636\(b\)\(1\)](#). Magistrate Judge Bobrick's May 22, 2003 Memorandum Order pertained to pretrial motions which were not "dispositive of a claim or defense" within the meaning of [Rule 72\(b\)](#). Accordingly it was within Magistrate Judge Bobrick's mandate to rule upon the said motions which will only be reversed if the ruling is "clearly erroneous or contrary to law." [FN2] The Seventh Circuit has interpreted the clear error standard to mean that, "the district court can overturn the magistrate judge's ruling only if the district court is left with the definite and firm conviction that a mistake has been made." [Weeks v. Samsung Heavy Indus. Co., Ltd., 126 F.3d 926, 943 \(7th Cir.1997\)](#); see also [Anderson v. City of Bessemer City, 470 U.S. 564, 573, 105 S.Ct. 1504, 84 L.Ed.2d 518 \(1985\)](#).

FN2. Ocean Atlantic has mistakenly asserted that "it is impermissible for Judge Bobrick

to rule on the scope or type of available damages." (Pl.'s Objections Magistrate Bobrick's Discovery Order (hereinafter "Pl.'s Objections") at 2 n. 3.) In support of this assertion, Ocean Atlantic cites to [Alpern v. Lieb, 38 F.3d 933, 935 \(7th Cir.1994\)](#), which states, "[t]he power to award sanctions, like the power to award damages, belongs in the hands of the district judge." *Id. at 935*. However, in contrast to the instant case, in *Alpern* the magistrate judge entered an order requiring Alpern to pay Rule 11 monetary sanctions after the case had been dismissed on the merits. *Id.* at 934-35. Furthermore, unlike *Alpern*, the matters at issue here do not involve the actual award of damages. Accordingly, *Alpern* is distinguishable from the discovery motions at issue here.

#### A. Documents Used by Defendants in Responding to Ocean Atlantic's Interrogatories

Ocean Atlantic requested defendants produce all documents used in responding to Ocean Atlantic's interrogatories. (Pl.'s Objections at 9.) Ocean Atlantic asserts that "[b]ased on Defendants' responses to those interrogatories, such documents obviously included Defendants' plans related to the Liberty Grove development." *Id.* It is Ocean Atlantic's contention that Magistrate Judge Bobrick has mistakenly ruled that some of defendants' plans relating to the development need not be produced because they conform to the plans in the annexation agreement, and are not copies of them. *Id.* Magistrate Judge Bobrick found that the two documents attached to the Annexation Agreement need be produced. *Ocean Atl.*, 262 F.Supp.2d at 931.

\*4 To establish a *prima facie* case of copyright infringement, "two elements must be proven: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original." [Feist Publ'n's, Inc. v. Rural Tel. Serv. Co., Inc., 499 U.S. 340, 361, 111 S.Ct. 1282, 113 L.Ed.2d 358 \(1991\)](#); [Susan Wakeen Doll Co., Inc. v. Ashton-Drake Galleries, 272 F.3d 441, 450 \(7th Cir.2001\)](#). Direct evidence of copying is usually unavailable and therefore, "copying may be inferred where the defendant had access to the copyrighted work and the accused work is substantially similar to the copyrighted work. [Susan Wakeen Doll Co., 272 F.3d at 450](#) (quoting [Atari, Inc. v. N. Am. Philips Consumer Elecs. Corp., 672 F.2d 607, 614 \(7th Cir.1982\)](#)). The test in the Seventh Circuit for determining whether there is "substantial similarity"

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is that of an ordinary observer: "whether the accused work is so similar to the plaintiff's work that an ordinary reasonable person would conclude that the defendant unlawfully appropriated the plaintiff's protectable expression by taking material of substance and value." *Wildlife Express Corp. v. Carol Wright Sales, Inc.*, 18 F.3d 502, 509 (7th Cir.1994).

It is undisputed that Ocean Atlantic owns a copyright in the development plans and that the defendants had access to the development plans. Therefore the relevant evidence would pertain to whether the accused work is substantially similar to the copyrighted work. Ocean Atlantic maintains that the defendants allegedly infringed upon their copyrighted development plans attached to the annexation agreement for Liberty Grove.

The exact nature of the documents Ocean Atlantic is seeking, and objecting to, is vague and therefore this Court will set the general parameters of relevance in which the documents requested must conform. To the extent that Ocean Atlantic seeks documents detailing alternative designs considered by the defendants, this is denied as discussed below. To the extent that Ocean Atlantic seeks documents regarding the defendants' customers, this is denied as discussed below with the exception of the documents attached to the Annexation Agreement. It is logical that the appropriate request would be for the development plans the defendants have used/are using in their development of Liberty Grove. To this extent we find Magistrate Judge Bobrick's ruling is not clearly erroneous.

#### B. Other Objections

The remaining objections to Magistrate Judge Bobrick's rulings generally lack merit and will only briefly be addressed here.

##### 1. Alternative Designs

Ocean Atlantic further contends, contrary to Magistrate Judge Bobrick's ruling, that information regarding alternative designs for the Liberty Grove development is relevant to the following issues: (1) Cambridge's motive for copying; (2) Cambridge's current position that, at all relevant times, it believed it had the right to use Ocean Atlantic's plans and always intended to do so; and (3) damages, given that alternative designs would help demonstrate the exact amount of money Cambridge saved by copying and using Ocean Atlantic's designs. (Pl.'s Objections at 11.)

\*5 The elements of copyright infringement have been discussed above. Ocean Atlantic urges this Court to believe that Cambridge's motive or belief is relevant to Ocean Atlantic's claim of copyright infringement. It is well-accepted that innocent infringement, as well as willful infringement, is actionable. See generally *Columbia Pictures Indus., Inc. v. Zakarian*, No. 90 C 4057, 1991 WL 93889, at \*13 (N.D.Ill. May 28, 1991). Thus Cambridge's motive or belief is not relevant. Moreover, the issue of the production of alternative designs as relevant to the issues of damages is stayed pending the resolution of liability as discussed *supra*. Therefore, Magistrate Judge Bobrick's ruling regarding alternative designs is neither clearly erroneous nor contrary to law and accordingly will not be disturbed.

##### 2. Illinois Uniform Deceptive Trade Practices Act, *815 ILCS 510/1*, et seq.; Illinois Consumer Fraud and Deceptive Business Practices Act, *815 ILCS 505/1*, et seq.

Additionally, Ocean Atlantic claims that Magistrate Judge Bobrick's denial of information regarding Cambridge's customer identities and communications ignores the fact that Ocean Atlantic has also alleged violations of the Illinois Uniform Deceptive Trade Practices Act and the Illinois Consumer Fraud and Deceptive Business Practices Act. (Pl.'s Objections at 14.) Magistrate Judge Bobrick found that the interrogatories seeking information regarding the customers and potential customers of the Liberty Grove development were burdensome, unproductive, and of no useful purpose. *Ocean Atl.*., 262 F.Supp.2d at 930.

In support of its assertion, Ocean Atlantic cites *Sullivan's Wholesale Drug Co., Inc., v. Faryl's Pharmacy, Inc.*, 214 Ill.App.3d 1073, 158 Ill.Dec. 185, 573 N.E.2d 1370, 1376 (Ill.App.Ct.1991). In *Sullivan*, the court found that the protections of the Illinois Consumer Fraud and Deceptive Business Practices Act are afforded "to include any corporation, company or business entity." *Id.* (citing *Ill.Rev.Stat. 1983, ch. 121 1/2 , par. 261(c)*).

The *Sullivan* court also explained that "[n]o allegation of public injury is required to recover money damages under the Consumer Fraud Act." *Id.* at 1378 (citing *Duncavage v. Allen*, 147 Ill.App.3d 88, 102, 100 Ill.Dec. 455, 497 N.E.2d 433 (1986)); see *Warren v. LeMay*, 142 Ill.App.3d 550, 96 Ill.Dec. 418, 491 N.E.2d 464, 475 (Ill.App.Ct.1986) (single transaction sufficient); *Tague v. Molitor Motor Co.*,

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139 Ill.App.3d 313, 93 Ill.Dec. 769, 487 N.E.2d 436, 438 (Ill.App.Ct.1985) (action not defeated on grounds it constituted only private wrong); *see also* Ill.Rev.Stat. 1989, ch. 121 1/2 , par. 270a(a) ("Proof of a public injury, a pattern, or an effect on consumers generally shall not be required."). Therefore the information sought is unnecessary and Magistrate Judge Bobrick's finding is not clearly erroneous.

The same reasoning applies with respect to the Illinois Uniform Deceptive Trade Practices Act. Under the Illinois Uniform Deceptive Trade Practices Act:

A person is engaged or engages in a deceptive trade practices when, the in the course of his business vocation or occupation, he:

- \*6 (1) passes off goods or services as those of another;
- (2) causes likelihood of confusion or of the misunderstanding as to the source, sponsorship, approval or certification of good or services;
- (3) causes likelihood of confusion or of misunderstanding as to affiliation, connection or association with or certification by another.

In order to prevail in an action under this Act, a plaintiff need not prove competition between the parties or actual confusion or misunderstanding.

815 ILL. COMP. STAT. 510/2 (West 1992).

It is clear from the plain language of both Acts that proof of actual confusion or public injury is not essential to the causes of action. Magistrate Judge Bobrick's determination was not clearly erroneous. This Court agrees with Magistrate Judge Bobrick that such discovery into the communications the defendants shared with their potential consumers is unnecessary and burdensome.

### 3. Preliminary Injunction

Finally, Ocean Atlantic attempts to bring several issues to the table that are outside of the current discovery order. First, Ocean Atlantic argues that the authors of the development plans hired by Ocean Atlantic expressly prohibited the defendants from using the plans and therefore a *former* motion for a preliminary injunction should have been granted. (Pl.'s Objections at 11-12.) This issue is irrelevant with regard to the instant discovery dispute. The same applies to the issue of laches which Ocean Atlantic inappropriately details in its objections relating to the *former* motion for a preliminary injunction. Ocean Atlantic goes even further by arguing the issue of public interest with regard to the

denial of the preliminary injunction. These issues were addressed by this Court in its September 24, 2003 Memorandum Opinion and Order adopting Magistrate Judge Bobrick's Report and Recommendation dated September 25, 2002 and will not be discussed again here.

### C. Specific Rulings on Ocean Atlantic's Objections

Ocean Atlantic's objections relating to damages are stayed until after the resolution of the issue of liability and the remaining objections are denied. Discovery on the issues of damages will be addressed in full, if necessary, at a later date. Essentially, although under different reasoning due to the bifurcation of discovery as set forth above, Judge Bobrick's rulings will stand in full with the exception of the following:

#### *1. Ocean Atlantic's Second Set of Interrogatories to Cambridge*

- a. Interrogatory Nos. 6, 8 are stayed pending resolution of the issue of liability.
- b. Interrogatory No. 20 is stayed with regard to documents that might identify the documents' [attached to the annexation agreement] cash value pending resolution of the issue of liability.

#### *2. Ocean Atlantic's Second Set of Interrogatories to Cowhey*

- a. Interrogatory Nos. 2, 5, 7 are stayed pending resolution of the issue of liability.

#### *3. Ocean Atlantic's Second Set of Requests for Production to Cowhey*

- \*7 a. Interrogatory No. 9 is stayed with regard to the production of documents that identify any saved costs in the use the development plans.
- b. Interrogatory No. 12 is stayed with regard to documents that might identify the documents' [attached to the annexation agreement] cash value pending resolution of the issue of liability.

#### *4. Ocean Atlantic's Second Set of Interrogatories to Pugsley*

- a. Interrogatory Nos. 5, 7 are stayed pending resolution of the issue of liability.
- b. Interrogatory No. 12 is stayed with regard to the production of documents that identify any saved costs in the use the development plans.

### **CONCLUSION**

For the foregoing reasons, this Court stays Ocean Atlantic's objections relating to damages until after resolution of the issue of liability and rejects Ocean Atlantic's remaining objections [doc. no. 116]. The Court hereby orders bifurcation of discovery.

SO ORDERED

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## **Tab 6**

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### Motions, Pleadings and Filings

Only the Westlaw citation is currently available.

United States District Court, S.D. New York.  
In re PFIZER INC. SECURITIES LITIGATION  
**No. 90 Civ. 1260 (SS).**

Dec. 23, 1993.

### MEMORANDUM AND ORDER

BUCHWALD, United States Magistrate Judge.

\*1 This discovery dispute arises in the context of a class action suit brought by purchasers of Pfizer Inc. ("Pfizer") common stock during the period from March 24, 1989 through February 26, 1990 (the "class period"). Plaintiffs' Consolidated Amended Complaint, filed July 13, 1990, alleges that Pfizer and seven of its officers violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder, by failing to disclose the true extent of the company's financial exposure from tort claims involving a mechanical heart valve manufactured by Shiley, Inc. ("Shiley"), a wholly-owned subsidiary. Plaintiffs further allege that defendants, in their public disclosures to the Securities and Exchange Commission ("SEC") and the investing public during the class period, falsely asserted that Pfizer's existing reserves and insurance were adequate to cover any loss incurred from heart valve litigations.

Presently before this Court is plaintiffs' motion to compel production of 1219 documents believed to demonstrate Pfizer's awareness of its potential losses. Defendants have withheld or redacted the documents on either attorney-client or work product privilege grounds, or a combination thereof. [FN1]

### BACKGROUND

Pfizer, a Delaware corporation, is a research-based company operating worldwide in a number of business areas, including pharmaceuticals, medical devices, and surgical equipment. Pfizer sold approximately 86,000 mechanical heart valves (formally known as the "Bjork-Shiley Covexo-

Concavo heart valve" or the "C/C heart valve") worldwide between 1979 and 1986 before removing them from the market because of product defects. In their Consolidated Amended Complaint, plaintiffs estimate that the valve remains implanted in nearly 60,000 people. It is also alleged that hundreds of lawsuits have been filed against Pfizer to recover for the mental anguish of living in fear of valve fractures ("prefracture cases") and for the actual deaths caused by valve fractures ("postfracture cases"). Plaintiffs assert that defendants recognized, but failed to disclose to investors or shareholders at any time during the class period, the material exposure to Pfizer associated with the prefracture and postfracture heart valve cases. In particular, plaintiffs claim that Pfizer's Forms 10-K for the years ended December 31, 1986, December 31, 1987, December 31, 1988; its Form 10-Q for the third quarter of 1987 and for the quarters ended April 2, 1989, July 2, 1989, and October 1, 1989; and its Annual Reports to Shareholders on Form SE for the years ended December 31, 1987 and December 31, 1988 contained a combination of material misstatements, omissions, and misleading disclosures with respect to the true nature and severity of the heart valve defects and the financial exposure therefrom.

In the instant dispute, plaintiffs ask that this Court direct Pfizer to produce over twelve hundred documents, which the parties have together grouped into the following four categories:

- \*2 (1) Documents relating to reserves for the individual heart valve litigations. This category, containing 1114 documents, is by far the largest of the four.
- (2) Correspondence between Pfizer and its insurers relating to insurance coverage for the heart valve litigations and claims. This category includes 197 documents.
- (3) Documents constituting communications from Pfizer or Shiley employees who are not attorneys to attorneys employed by or retained by Pfizer or Shiley for their review relating to regulatory issues or mailings to the medical community concerning the heart valve.
- (4) Documents that reflect the view of Pfizer as to the adequacy of insurance coverage for the heart valve litigations and claims.

In the course of deciding this dispute, we have reviewed *in camera* a large sample of documents

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from categories (1) and (2), and all the documents from categories (3) and (4).

This dispute involves some of the more difficult and debated issues in the law of attorney-client and work product privilege.[\[FN2\]](#) We will undertake our analysis of this discovery dispute in two steps. Taking each of the four categories separately, we begin with the question of whether the documents meet the narrow requirements of either the attorney-client or work product privileges. Assuming they do, we will then examine whether plaintiffs are nonetheless entitled to their production on the basis of the "good cause" doctrine of *Garner v. Wolfinbarger*, 430 F.2d 1093 (5th Cir.1970), cert. denied, 401 U.S. 974 (1971), or the "substantial need and undue hardship" exception to ordinary work product, [Fed.R.Civ.P. 26\(b\)\(3\)](#).

As an initial matter, we note that Pfizer bears the burden of establishing the facts that demonstrate the existence of the attorney-client or work product privileges. See *von Bulow v. von Bulow*, 811 F.2d 136, 144 (2d Cir.) (quoting *In re Grand Jury Subpoena Dated Jan. 4, 1984*, 750 F.2d 223, 224 (2d Cir.1984)), cert. denied, 481 U.S. 1015 (1987); *In re Horowitz*, 482 F.2d 72, 82 (2d Cir.), cert. denied, 414 U.S. 867 (1973). "That burden is not, of course, discharged by mere conclusory or *ipse dixit* assertions, for any such rule would foreclose meaningful inquiry into the existence of the relationship, and any spurious claims could never be exposed." *In re Bonanno*, 344 F.2d 830, 833 (2d Cir.1965). Furthermore, Pfizer also has the burden of establishing non-waiver of the privilege. See *Nikkal Indus., Ltd. v. Salton, Inc.*, 689 F.Supp. 187, 191 (S.D.N.Y.1988).

## DISCUSSION

### I. Applicability of the Attorney-Client and Work Product Privileges to the Four Categories of Documents

#### (1) Category One: Documents Related to Reserves for the Individual Heart Valve Litigations

Defendants argue that all the documents within category one are protected as work product because they reflect the impressions, thoughts, conclusions, or evaluations of Pfizer's attorneys with respect to reserves for individual heart valve litigations and claims. In addition, defendants believe that many of the same documents also qualify for protection under the attorney-client privilege.

\*3 According to defendants, the documents were created pursuant to the controller division's on-going responsibility to monitor Pfizer's reserves for heart valve litigations. It is alleged that this information was then used by Pfizer's legal department to develop litigation strategies, to advise the Board of Directors and management about the company's financial exposure, and to satisfy disclosure obligations pursuant to the federal securities laws.

In contrast, plaintiffs contend that *all* the documents in this category were created "for the business purpose of public reporting" and were provided to Pfizer's outside auditor, KPMG Peat Marwick ("Peat Marwick"), and/or to Pfizer's shareholders. (Pls.'s Suppl.Br. at 7.) Defendants concede that while this "indisputably" was one of the purposes for preparing the documents, "that was the case only in the broadest sense that the federal securities laws require that *all* public corporations must report material pending legal proceedings (and thus consider the effect of reserves that have been taken for these legal proceedings) in public filings." (Defs.'s Answering Post-Privilege Disc.Mem. at 12.) In the view of defendants, because documents related to individual reserves inevitably reflect the mental impressions of Pfizer's attorneys, it is immaterial that the legal advice may also have been used to comply with public disclosure obligations. Furthermore, defendants assert that Pfizer's shareholders never had access to *any* of the documents in dispute and that Peat Marwick received many of them, but certainly not all.

The vigorous debate between the parties over the intended use of the documents reflects the centrality of this characterization to the applicability of the claimed privileges. The determination of whether a given document constitutes legal or business advice does not lend itself to a bright-line test for the two are often "inextricably interwoven." *Hercules v. Exxon*, 434 F.Supp. 136, 147 (D.Del.1977). Accord *United States v. Willis*, 565 F.Supp. 1186, 1190 (S.D.Iowa 1983); *In re Grand Jury*, 561 F.Supp. 1247, 1258 (E.D.N.Y.1982). Nonetheless, the applicability of the attorney-client privilege may rest on this sometimes subtle distinction. Likewise, while a fundamental condition for work product privilege to apply is that the documents were created "in anticipation of litigation," *Hickman v. Taylor*, 329 U.S. 495, 511-12 (1947); [Fed.R.Civ.P. 26\(b\)\(3\)](#), there are few definite standards for courts to follow.

Recognizing that documents may be created for more than one purpose, the threshold issue as to the

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applicability of work product protection has been described as requiring an inquiry into "the primary motivational purpose behind the creation of the document." *United States v. Davis*, 636 F.2d 1028, 1040 (5th Cir.), cert. denied, 454 U.S. 862 (1981). Accord *Binks Mfg. Co. v. National Presto Indus., Inc.*, 709 F.2d 1109, 1119 (7th Cir.1983) (quoting *Janicker v. George Washington Univ.*, 94 F.R.D. 648, 650 (D.D.C.1982)); *Barrett v. United States Banknote Corp.*, No. 91 Civ. 7420, 1992 U.S. Dist. LEXIS 9980, at \*3 (S.D.N.Y. July 6, 1992); *Hardy v. New York News, Inc.*, 114 F.R.D. 633, 644 (S.D.N.Y.1987). If the primary motivating purpose is other than to assist in pending or impending litigation, then the document does not receive work product protection. See *United States v. Gulf Oil Corp.*, 760 F.2d 292, 296 (Temp.Emer.Ct.App.1985).

\*4 On the basis of our review of the relevant caselaw and our *in camera* examination of certain documents, we conclude that the primary motivating purpose behind the communications concerning individual case reserves was preparation for litigation. The reserve figure set for an individual case reflects an attorney's professional opinion as to the value of the tort claimant's suit. In this specific context of litigation over defects in a mechanical heart valve, a reserve figure could reveal Pfizer's view about, *inter alia* (1) the strength of a plaintiff's case, (2) the extent of the design defect, (3) the applicability of an affirmative defense, (4) the potential settlement value, and (5) in a prefractionate case, the likelihood of valve rupture. These are typical examples of opinion work product. Unlike ordinary work product, which is discoverable upon a showing of "substantial need" and "undue hardship," Fed.R.Civ.P. 26(b)(3), opinion work product "is accorded almost absolute protection from discovery because any slight factual content that such items may have is generally outweighed by the adversary system's interest in maintaining the privacy of an attorney's thought processes and in ensuring that each side relies on its own wit in preparing their respective cases." *Sporck v. Peil*, 759 F.2d 312, 316 (3d Cir.), cert. denied, 474 U.S. 903 (1985). See also *In re Sealed Case*, 676 F.2d 793, 809-10 (D.C.Cir.1982) (asserting that discovery of opinion work product requires "extraordinary justification"); *In re John Doe Corp.*, 675 F.2d 482, 492-93 (2d Cir.1982) (indicating that mental processes and legal theories are "entitled to the greatest protection available under the work-product immunity"). [FN3]

Although plaintiffs insist that all the documents in this category were created for the business purpose of public reporting rather than in anticipation of trial, we

do not believe that, as a practical matter, a document describing individual case reserves provides meaningful information for preparing such a disclosure. An estimate of financial exposure in any individual case does not furnish a board of directors or management with a sufficiently comprehensive picture to make a business forecast or public disclosure. In order for an estimate about an individual case to form the basis of a forecast or disclosure in the context of mass tort litigation, the board of directors and management would likely also need to know such factors as (1) how many similar cases the company faces; (2) the extent and coverage of the company's insurance; (3) over what period of time, and at what rate, the company should expect suits; (4) the predicted rate of inflation; and (5) the impact of early settlements on the company's ability to afford paying equivalent sums at a later point in time.

By contrast, a document containing aggregate information compiled from individual case reserve figures would serve mainly business purposes--namely, to apprise the board of directors and management of Pfizer's current financial exposure from pending and impending tort claims and to prepare public filings to the SEC. The information embedded in an aggregate reserve figure is too generalized to be useful for planning litigation strategy in any specific case. Consequently, aggregate reserve figures do not constitute work product. [FN4]

\*5 In *Simon v. G.D. Searle*, 816 F.2d 397 (8th Cir.), cert. denied, 484 U.S. 917 (1987), the Eighth Circuit confronted the question presented, namely how to classify documents describing individual and aggregate case reserves for work product purposes. That court held that documents describing individual case reserves were privileged under the work product doctrine, but that documents containing calculations of aggregate case reserves were not. The Eighth Circuit reasoned that individual case reserve figures reflect an attorney's estimate of anticipated legal expenses, settlement value, length of time to resolve the litigation, geographic inconveniences, and other factors-- in short, classic considerations in deciding upon a litigation strategy. "The individual case reserve figures reveal the mental impressions, thoughts, and conclusions of an attorney in evaluating a legal claim. By their very nature they are prepared in anticipation of litigation and, consequently, they are protected from discovery as opinion work product." *Id.* at 401. On the other hand, an aggregate reserve figure, which incorporates

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numerous additional factors, disguises individual figures so as to protect against disclosure of work product. In the words of the Eighth Circuit:

The individual figures lose their identity when combined to create the aggregate information. Furthermore, the aggregates are not even direct compilations of the individual figures; the aggregate information is the product of a formula that factors in variables such as inflation, further diluting the individual reserve figures. Certainly it would be impossible to trace back and uncover the reserve for any individual case, and it would be a dubious undertaking to attempt to derive meaningful averages from the aggregates, given the possibility of large variations in case estimates for everything from frivolous suits to those with the most serious injuries. The purpose of the work product doctrine--that of preventing discovery of a lawyer's mental impressions--is not violated by allowing discovery of documents that incorporate a lawyer's thoughts in, at best, such an indirect and diluted manner.

*Id.* at 402.

Apparently conceding the merit of this argument, defendants assert that plaintiffs have already been provided with all documents revealing aggregate information. However, having reviewed a sample of these documents *in camera*, we do not accept the extremely narrow criteria that defendants appear to have adopted for defining what constitutes an aggregate reserve figure. We believe that many of the documents that defendants identify as related to individual case reserves are not properly so characterized. Rather, they belong in the category of aggregate information and should *not* be withheld.

For example, defendants have refused to provide a year-by-year breakdown of product liability claims, apparently on the grounds that this would reveal information about individual case reserves. In fact, the total dollar value of claims in any given year suggests no meaningful information at all about legal strategy in an individual litigation. Therefore, a document that details the total cost to Pfizer of tort claims by year, or even by month, belongs in the non-privileged category of aggregate information. In contrast, a document that lists *by name* the cost to Pfizer of particular litigations within a given year *does* reveal individual information and, as such, is privileged. [\[FN5\]](#)

\*6 Turning to the attorney-client communications, once again the applicability of the privilege to correspondence from attorney to corporate client

depends on whether the subject matter was individual or aggregate case reserves. For the reasons stated above with respect to the work product doctrine, we believe that documents containing aggregate information are not "predominantly concerned" with conveying legal advice, [\*Status Time Corp. v. Sharp Electronics Corp.\*](#), 95 F.R.D. 27, 31 (S.D.N.Y.1982), and are not therefore entitled to attorney-client privilege protection. See also [\*SCM v. Xerox Corp.\*](#), 70 F.R.D. 508, 518 (D.Conn.1976) ("When the ultimate corporate decision is based on both a business policy and a legal evaluation, the business aspects of the decision are not protected because legal considerations are also involved."). On the other hand, documents containing individual case reserve figures are predominantly legal in nature. Therefore, those are privileged assuming the information on which the documents were based was kept confidential by Pfizer. See [\*Mead Data Central, Inc. v. United States Dept. of the Air Force\*](#), 566 F.2d 242, 254 (D.C.Cir.1977).

Because none of the memoranda from corporate client to counsel appears to contain explicit legal questions, the only apparent ground for privilege is that the communications embodied "an implied request for legal advice based thereon." An implied request exists when an employee sends information to corporate counsel in order to keep them apprised of ongoing business developments, with the expectation that the attorney will respond in the event that the matter raises important legal issues. An implied request is privileged to the same extent as an explicit request. See [\*Amcast Indus. Corp. v. Detrex Corp.\*](#), No. 588-620, 1991 U.S.Dist. LEXIS 20885, at \*5 (N.D.In. July 26, 1991); [\*Pizza Management, Inc. v. Pizza Hut, Inc.\*](#), No. 86-1664-C, 1989 U.S.Dist. LEXIS 1106, at \*12 (D.Kan. Jan. 9, 1989); [\*Hercules Inc. v. Exxon Corp.\*](#), 434 F.Supp. 136, 144 (D.Del.1977); [\*Jack Winter, Inc. v. Koratron Co.\*](#), 54 F.R.D. 44, 46 (N.D.Cal.1971). Because data about specific litigations in the past could be valuable in rendering legal advice as to appropriate strategy for similar suits in the future, we hold that documents describing individual cases are protected by attorney-client privilege, but that, once again, documents containing aggregate information are not.

We now turn to the issue of waiver. Plaintiffs assert that Pfizer waived any otherwise applicable privilege by disclosing the documents to its independent auditor, Peat Marwick, and/or to its shareholders. Preliminarily, we note that no evidence has been submitted to us to support plaintiffs' allegation that Pfizer disclosed some of the documents in question to

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shareholders. Thus, we will only consider the possibility of waiver as a consequence of deliberate disclosure to the independent auditor.

The work product privilege is not automatically waived by any disclosure to third persons. *In re Sealed Case*, 676 F.2d at 809. Rather, the courts generally find a waiver of the work product privilege only if the disclosure "substantially increases the opportunity for potential adversaries to obtain the information." *In re Grand Jury*, 561 F.Supp. 1247, 1257 (E.D.N.Y.1982). Accord *In re Steinhardt Partners*, No. 93-3079, 1993 U.S.App. LEXIS 28979, at \*13 (2d Cir. Nov. 8, 1993); *In re Doe*, 662 F.2d 1073, 1081 (4th Cir.1981), cert. denied, 455 U.S. 1000 (1982); *United States v. AT & T*, 642 F.2d 1285, 1299 (D.C.Cir.1980); *Grumman Aerospace Corp. v. Titanium Metals Corp.*, 91 F.R.D. 84, 89 (E.D.N.Y.1981); *GAF Corp. v. Eastman Kodak Co.*, 85 F.R.D. 46, 51 (S.D.N.Y.1979); *American Standard, Inc. v. Bendix Corp.*, 71 F.R.D. 443, 446 (W.D.Mo.1976). Disclosure of work product to a party sharing common interests is not inconsistent with the policy of privacy protection underlying the doctrine. See *Stix Prods. v. United Merchants & Mfrs.*, 47 F.R.D. 334, 338 (S.D.N.Y.1969) ("The work product privilege should not be deemed waived unless the disclosure is inconsistent with maintaining secrecy from possible adversaries."). Therefore, in *Gramm v. Horsehead Indus., Inc.*, No. 87 Civ. 5122, 1990 U.S.Dist. LEXIS 773 (S.D.N.Y. Jan. 25, 1990), the court held that defendants did not waive their work product privilege to a document transmitted to the company's outside auditors, because such a disclosure "cannot be said to have posed a substantial danger at the time that the document would be disclosed to plaintiffs." *Id.* at \*15. Likewise, in this case, Pfizer and Peat Marwick obviously shared common interests in the information, and Peat Marwick is not reasonably viewed as a conduit to a potential adversary. Therefore, no waiver of work product protection occurred by the provision of these documents to Peat Marwick.

\*7 However, as defendants acknowledge, Pfizer cannot assert attorney-client privilege for any documents that were provided to its independent auditor. Disclosure of documents to an outside accountant destroys the confidentiality seal required of communications protected by the attorney-client privilege, notwithstanding that the federal securities laws require an independent audit. "Confidentiality as to these documents is neither expected nor preserved, for they are created with the knowledge that independent accountants may need access to

them to complete the audit." *United States v. El Paso Co.*, 682 F.2d 530, 540 (5th Cir.1982), cert. denied, 466 U.S. 944 (1984). See also *In re John Doe Corp.*, 675 F.2d 482, 489 (2d Cir.1982). Additionally, the communications between Pfizer and Peat Marwick are not independently protected under an accountant-client privilege, as such a privilege is not recognized by the federal courts. *Couch v. United States*, 409 U.S. 322, 335 (1973) ("no confidential accountant-client privilege exists under federal law, and no state-created privilege has been recognized in federal cases"). See also 2 Jack A. Weinstein & Margaret B. Burger, *Weinstein's Evidence ¶ 503(a)(3)[01]*, at 503-24 (1993). [FN6]

(2) Category Two: Correspondence Between Pfizer and Its Insurers Relating to Insurance Coverage for the Heart Valve Litigations and Claims

Defendants claim that although the documents in this category constitute correspondence between Pfizer and its insurance carriers, they are nonetheless protected by both the attorney-client and work product privileges because they reflect legal strategy relating to insurance coverage and/or the underlying heart valve litigations. In particular, they maintain that certain documents divide claims into specific policy years and, as a result, reveal estimates made by Pfizer's counsel as to when particular heart valve actions accrued. Defendants further assert that the transmission of documents to the insurance carriers did not result in a waiver. By contrast, plaintiffs argue that the documents were not prepared for reasons of legal strategy, but for the business purpose of negotiating with Pfizer's insurance carriers over claims coverage.

In determining whether communications between an insured and an insurer ought to receive protection within the framework of the attorney-client privilege, we find the D.C. Circuit's careful analysis in *Linde Thomson Langworthy Kohn & Van Dyke v. Resolution Trust Corporation*, No. 93-5131, 1993 U.S.App. LEXIS 25279 (Oct. 5, 1993), highly persuasive. In *Linde Thomson*, Judge Wald flatly rejected the notion that there is an attorney-client privilege in insured-insurer communication, reasoning as follows:

An insured may communicate with its insurer for a variety of reasons, many of which have little to do with the pursuit of legal representation or the procurement of legal advice. Certainly, where the insured communicates with the insurer for the express purpose of seeking legal advice with respect to a concrete claim, or for the purpose of

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aiding an insurer-provided attorney in preparing a specific legal case, the law would exalt form over substance if it were to deny application of the attorney-client privilege. However, a statement betraying neither interest in, nor pursuit of, legal counsel bears only the most attenuated nexus to the attorney-client relationship and thus does not come within the ambit of the privilege.

\*8 *Id.* at \*19-20. In the category two documents, Pfizer's communications are for the purpose of seeking insurance coverage, not legal advice, from its carriers. As such, they do not fall within the scope of the attorney-client privilege.

Furthermore, even without the benefit of the D.C. Circuit's decision in *Linde Thomson*, we would reject defendants' claim of attorney-client privilege on the fundamental ground that disclosure to an insurer is no different than disclosure to an independent auditor—both waive the attorney-client privilege. To avoid this conclusion, defendants urge the Court to find non-waiver on the theory that an insured and an insurer "share a common interest about a legal matter" that "protect[s] the free flow of information." *United States v. Schwimmer*, 892 F.2d 237, 243-44 (2d Cir.), cert. denied, 112 S.Ct. 55 (1991). Defendants have read this case and the others cited in their brief too broadly. The decision in *Schwimmer* protected certain communications between a party and the accountant hired by the attorney of another party with a mutual interest in the litigation by reference to the "joint defense privilege" (also known as the "common interest rule"). There was no discussion of an insured-insurer privilege in any context. The *Schwimmer* court explained that the joint defense privilege "serves to protect the confidentiality of communications passing from one party to the attorney for another party where a joint defense effort or strategy has been decided upon and undertaken by the parties and their respective counsel." *Id.* at 243. In this case, there is simply no evidence, and defendants do not so contend, that Pfizer and its insurance carriers have agreed to act as partners in a single unified litigation strategy. Accordingly, an argument based on the joint defense privilege is inapplicable.

Nonetheless, there is merit in defendants' contention that disclosure of work product by an insurer to an insured does not waive work product privilege for the same reasons that disclosure of work product to an outside auditor is not a waiver. Thus, we agree that as long as the documents reflect information about individual case reserves, which is otherwise protected by work product privilege, and not information about

aggregate case reserves, which is not, then the disclosure of the documents to an insurance carrier will not operate as a waiver.

**(3) Category Three: Documents Constituting Communications from Pfizer or Shiley Employees Who Are Not Attorneys to Attorneys Employed By or Retained By Pfizer or Shiley For Their Review Relating to Regulatory Issues or Mailings to the Medical Community Concerning the Heart Valve**

Category three includes five documents described by the parties as communications from Pfizer/Shiley employees to Pfizer/Shiley attorneys relating to regulatory issues or mailings to the medical community concerning the heart valves.[FN7] Defendants claim that each document satisfies the requirements for attorney-client privilege.

**(i) Priv. Nos. 1691 & 1704 (Identical Documents)**

\*9 These documents contain a cover letter from a Pfizer/Shiley employee to three other employees, one of whom was an attorney, followed by a copy of internal notes and memos from the Food and Drug Administration ("FDA"). We hold that the cover letter is privileged, but that the FDA notes and memos are not.

We deem the cover letter to be privileged as an implied request for legal advice. However, the FDA notes and memos accompanying the letter are not protected because they represent pre-existing documents that do not become privileged simply by virtue of being transferred to an attorney. "Documents created by and received from an unrelated third party and given by the client to his attorney in the course of seeking legal advice do not thereby become privileged." *In re Grand Jury Subpoena*, 959 F.2d 1158, 1165 (2d Cir.1992). See also *Fisher v. United States*, 435 U.S. 391, 403-04 (1976) ("pre-existing documents which could have been obtained by court process from the client when he was in possession may also be obtained from the attorney by similar process following transfer by the client in order to obtain more informed legal advice"); *SCM Corp. v. Xerox Corp.*, 70 F.R.D. 508, 515 (D.Conn.1976) ("legal departments are not citadels in which public, business or technical information may be placed to defeat discovery and thereby ensure confidentiality").

**(ii) Priv. No. 1692**

This document seeks advice and approval from a number of Pfizer/Shiley employees, including Pfizer's Senior Assistant General Counsel, Daniel P.

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Cronin. The communication satisfies any of the classic privilege tests. *See, e.g., United States v. United Shoe Machinery*, 89 F.Supp. 357, 358-59 (D.Mass.1950). Privilege is not defeated by the fact that the communication was distributed to nine Pfizer/Shiley employees who were not attorneys because (1) the author intended for the correspondence to remain strictly confidential at all times, and (2) the circulation was limited to employees with a need to know the information contained therein. *See generally* John W. Gergacz, *Attorney-Corporate Client Privilege* ¶ 1.04, at 1-13 (2d ed. 1990).

(iii) *Priv. No. 1695*

This document, which requests legal advice from Daniel Cronin, is protected by attorney-client privilege.

(iv) *Priv. No. 1698*

The cover letter in question, which seeks legal advice from Marvin Frank and Robert Ross, is protected by attorney-client privilege.

(d) *Category Four: Documents That Reflect the View of Pfizer as to the Adequacy of Insurance Coverage for the Heart Valve Litigations and Claims*

The final category includes three documents related to Pfizer's insurance coverage for heart valve litigations. Defendants assert that all three are protected by both attorney-client and work product privilege.

(i) *Priv. No. 1216*

This document is a memo written by the director of Pfizer's Corporate Risk Management Department, Harvey R. Molloy, to the company's vice chairman, Jean-Paul Valles. Defendants assert that the memo was a response to a question raised by Pfizer's legal department, and is therefore privileged.

**\*10** We disagree with this characterization. The memo discusses an issue of risk management that is purely a business decision--whether the cost of a certain litigation is worth the potential gain resulting from a victory in court. Accordingly, we find that this memorandum was assembled in the ordinary course of business and that it does not qualify for the work product privilege under Fed.R.Civ.P. 26(b)(3). Indeed, the Eighth Circuit took the same position in the *Searle* case, which defendants have cited extensively in support of their position as to how the Court should treat individual case reserves with respect to discovery. In *Searle*, the court found

certain risk management documents to be "in the nature of business planning documents," noting that the "risk management department was not involved in giving legal advice or in mapping litigation strategy in any individual case." 816 F.2d at 401. "A business corporation may engage in business planning on many fronts, among them litigation." *Id.* That is the case here with this document.

Furthermore, because Pfizer's vice chairman was neither an attorney nor a subordinate to one, this communication is not protected by attorney-client privilege either. Cf. Fine v. Facet Aerospace Products Co., 133 F.R.D. 439, 444 (S.D.N.Y.1990) (finding that a risk management report was not protected by attorney-client privilege even though the analysis was aimed at reducing litigation costs). Thus, document Priv. No. 1216 is discoverable.

(ii) *Priv. No. 1239*

This document, which is a memorandum from Pfizer's General Counsel Paul S. Miller to another Pfizer attorney (Stephen C. Kany) concerning the Corporate Management Committee's authorization of negotiations on behalf of Pfizer with certain insurance companies, is privileged as an attorney-client communication, though not as work product. Defendants base their claim of attorney-client privilege on the assertion that Mr. Miller sent the memorandum (1) to inform Mr. Kany of the Corporate Management Committee's decision on a subject upon which the legal department had earlier opined; and (2) to instruct Mr. Kany about how to proceed with the underlying legal issue. (Kany Aff. ¶ 3.) In this scenario, the Corporate Management Committee was the client and Mr. Kany its attorney; the communication accordingly is entitled to the benefit of the attorney-client privilege.

However, this document is not entitled to additional protection under the work product doctrine because it does not reveal litigation strategy in any individual case. Rather, the subject matter resembles an aggregate reserve estimate prepared for business purposes. The document simply makes no revelation about any particular case or case strategy.

(iii) *Priv. No. 1441*

This document, a letter between two Pfizer non-attorneys created at the direction of a Pfizer attorney, describes the company's product liability losses in the aggregate and is therefore not protected by work product. Likewise, although the letter's author acted at the direction of an attorney, the information was not predominantly legal in nature and hence does not

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satisfy the requirements of attorney-client privilege. Rather, the information contained in the letter suggests that the attorney was acting more in the capacity of business adviser than legal counsel. *See General Foods Corp. v. The Jay V. Zimmerman Co.*, No. 86 Civ. 2697, 1988 U.S. Dist. LEXIS 521, at \*7 (S.D.N.Y. Jan. 14, 1988) (rejecting privilege claim because attorney was acting in role of business adviser).

## II. Applicability of the *Garner* Doctrine to the Discovery of Otherwise Privileged Material in a Shareholder Class Action

**\*11** Recapping our conclusions thus far, we have agreed with the general notion advanced by defendants that documents related to individual case reserves are protected from disclosure as work product and/or as attorney-client communications. However, based on our selective *in camera* review, we have disagreed with defendants' classification of which documents relate to individual as opposed to aggregate reserves. As a result, we concluded that defendants should release a large percentage of the documents in category one because they are more properly characterized as relating to aggregate reserves. We also found that the insurer-insured communications in category two were not protected by the attorney-client privilege, though we agreed that they could constitute work product. Finally, we determined that documents with privilege numbers 1239, 1691, 1692, 1695, 1698, and 1704 satisfy the requirements of the attorney-client privilege, the sole basis on which the documents were withheld.

We now turn to the issue of whether we should order the otherwise privileged attorney-client communications to be produced on the basis of the *Garner* doctrine. We will pursue this inquiry in two stages. First we will explore whether the facts of this case parallel *Garner*; if so, we will proceed to examine whether plaintiffs have made a showing of good cause sufficient to warrant piercing the attorney-client privilege.

### (1) Similarity of the Pfizer Securities Litigation to a *Garner* Situation

In the landmark case of *Garner v. Wolfenbarger*, 430 F.2d 1093 (5th Cir.1970), cert. denied, 401 U.S. 974 (1971), the Fifth Circuit considered the question of whether shareholders in litigation against their corporation can discover otherwise privileged attorney-client communications on the basis of a showing of good cause. Noting that management does not manage for itself but ultimately for the

benefit of its shareholders, the court refused to allow the corporation to hide behind the privilege: "[M]anagement judgment must stand on its merits, not behind the ironclad veil of secrecy which under all circumstances preserves it from being questioned by those for whom it is, at least in part, exercised." *Id.* at 1101. In what has become known as the *Garner* doctrine, the court wrote:

[W]here the corporation is in suit against its stockholders on charges of acting inimically to stockholder interests, protection of those interests as well as those of the corporation and of the public require that the availability of the privilege be subject to the right of the stockholders to show cause why it should not be invoked in the particular instance.

*Id.* at 1103-04. The court then enumerated nine factors that support a finding of good cause. [\[FN8\]](#)

Courts have not limited *Garner* to one particular type of suit; rather, the doctrine has been steadily extended to encompass other fiduciary-type relationships. *See generally* Gergacz, *Attorney-Corporate Client Privilege* ¶ 6.03[1][b], at 6-15, -16; *Developments--Privileged Communications*, [98 Harv.L.Rev. 1450, 1524-29 \(1985\)](#). Most courts apply the doctrine to derivative suits, [\[FN9\]](#) class actions, [\[FN10\]](#) and individual claims [\[FN11\]](#) all alike. Only the Ninth Circuit has limited *Garner* to the context of the shareholder derivative suit. *See Weil v. Investment/Indicators Research & Management*, 647 F.2d 18 (9th Cir.1981).

**\*12** The Ninth Circuit's view does possess a certain logic. In a class action the shareholders act on behalf of themselves and to the possible detriment of shareholders who do not belong to the class, whereas in a derivative action the shareholders act on behalf of the corporation. [\[FN12\]](#) Furthermore, we do find language in *Garner* that raises doubts as to its applicability to certain class actions. In particular, footnote seventeen in *Garner* reads as follows:

Due regard must be paid to the interests of nonparty stockholders, which may be affected by impinging on the privilege, sometimes injuriously (though not necessarily so--in some situations shareholders who are not plaintiffs may benefit). The corporation is vulnerable to suit by shareholders whose interests or intention may be inconsistent with those of other shareholders, even others constituting a majority.

*Id.* at 1101. On the other hand, *Garner* itself involved both a class action and a shareholder derivative suit, and in footnote eleven the Court wrote, "[O]ur decision does not turn on whether that

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claim [the derivative claim] is in the case or out." *Id.* at 1097.

In the recent decision of *In re Bairnco Corp. Sec. Lit.*, 148 F.R.D. 91 (S.D.N.Y.1993), Judge Connor of this Court followed the line of authority that applies *Garner* regardless of the type of suit filed in the case. "While *Garner* arose in the context of the shareholder derivative suit," noted Judge Connor, "nothing in the language or reasoning of *Garner* so limits its holding." *Id.* at 97. *Bairnco* suggested that the fact that stock value may fall as a consequence of an adverse judgment, thereby harming nonparty stockholders, does not bar application of the *Garner* doctrine. While "[a]pplicability of the *Garner* doctrine has typically rested on the existence of a fiduciary duty or mutuality of interest between the corporation and its shareholders at the time of the communication sought to be discovered," *id.* at 98, *Bairnco* extended *Garner* to apply to the situation where, as here, the plaintiff class includes investors who were not fiduciaries at the time of the allegedly fraudulent disclosure, but who later purchased the stock in reliance thereon. [\[FN13\]](#)

The instant case bears a strong similarity to the facts of the discovery dispute contested in *Bairnco* and to other *Garner* situations. Similar to this litigation against Pfizer, *Bairnco* involved a class action brought on behalf of investors who purchased common stock over a one-year period in reliance on allegedly fraudulent disclosures. Plaintiffs in *Bairnco* alleged that defendants violated certain securities laws--specifically, Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder--by falsely claiming in public disclosures that then present and unasserted future claims for asbestos-related damages, and the cost of defending against such claims, would not have a materially adverse effect on the consolidated financial position of *Bairnco* and its subsidiaries. In an attempt to ascertain the veracity of *Bairnco*'s public representations during the period in question, plaintiffs asked defendants to produce all communications from their attorneys concerning the prospects of any litigation against *Bairnco* or its subsidiaries over asbestos-related products or concerning the extent of the company's economic exposure therefrom. Defendants refused to produce eleven documents on the grounds of relevance and of attorney-client, joint defense, and work product privileges. Ruling for the plaintiffs, Judge Connor found the documents to be highly relevant and rejected the assertions of privilege on the basis of the *Garner* doctrine.

\*13 Plaintiffs here request the same treatment as received by their counterparts in *Bairnco*. We agree that the main facts of the cases are analogous and that this is a situation where application of *Garner* is appropriate. [\[FN14\]](#) Plaintiffs correctly note that the documents in dispute here were not prepared in anticipation of an action by shareholders for securities fraud. Rather, the documents all relate to defendants' exposure to tort plaintiffs in present and future personal injury suits stemming from failures of the mechanical heart valve. As in *Bairnco*, plaintiffs do not seek the documents in question in order to uncover the specific litigation strategies of Pfizer with respect to individual tort claimants. Rather, they seek the documents in order to ascertain whether Pfizer deliberately disguised the true extent of its financial exposure arising from defects in the mechanical heart valve--an issue that is at the heart of the underlying securities fraud action.

(2) Application of the *Garner* Good Cause Elements Having decided that this is a *Garner* analog, we now turn to the question of whether plaintiffs have demonstrated good cause to abrogate the attorney-client privilege attached to the documents in question. We hold that they have not.

For simplicity of analysis, the nine *Garner* good cause factors can be grouped into four broad categories: (1) the discovering party's stake in the fiduciary relationship; (2) the apparent merit of the claim; (3) the need of the discovering party for the information; and (4) the nature of the communication itself. While the first and second categories clearly support plaintiffs' discovery demand, the third and fourth do not; consequently, we find that plaintiffs have not satisfied their *Garner* burden.

Plaintiffs have satisfied the good cause factors contained in categories one and two. With respect to the first category, it is clear that plaintiffs represent a substantial percentage of both shareholders and shares. Cf. *E. Cohen v. Uniroyal, Inc.*, 80 F.R.D. 480, 484 (E.D.Pa.1978). In terms of the second category, that plaintiffs' underlying suit presents at least a colorable claim is established by Judge Keenan's December 21, 1990 denial of a motion to dismiss for failure to state a claim pursuant to [Fed.R.Civ.P. 12\(b\)\(6\)](#).

However, turning to the third category, we do not believe that plaintiffs have established sufficient need for the information contained in the otherwise

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privileged documents to warrant their discovery. Although the documents are specified and plaintiffs do not intend a fishing expedition, we do not accept that plaintiffs will have a serious need for the information in light of our reclassification of many formerly withheld documents into the category of non-privileged aggregate information. Finally, with respect to the fourth category, the revelation of documents containing individual reserve figures could unduly prejudice Pfizer in the underlying products liability cases.

\*14 In so holding, we do not take issue with Judge Connor's general conclusion in *Bairnco* that, in certain circumstances, stock investors are entitled to pierce the attorney-client privilege in order to assess the adequacy and veracity of the company's public posture regarding the financial impact of foreseeable litigation. As the court aptly noted in *Bairnco*:

Information given to Keene [a Bairnco subsidiary] concerning Keene's asbestos liability should be highly revealing as to the veracity and sufficiency of Keene's public disclosures concerning its economic exposure and, perhaps more importantly, particularly probative of Keene's good or bad faith in making such disclosures. Keene's views as to its litigation prospects were surely informed by, if not wholly dependent upon, the information and advice provided by counsel. If Keene's public statements were in conflict with the opinions it received from its counsel, this would be highly relevant evidence on the issue of Keene's scienter. Similarly, in the present case, we agree that documents containing statistical summaries of present and pending claims are relevant because they indicate the nature and probable financial impact of heart valve litigation on Pfizer. This information has a direct bearing on whether Pfizer recognized, but failed to adequately disclose, the quantity of expected litigation. Indeed, we have already directed defendants to produce those documents on the ground that they contain business information not protected by attorney-client privilege. Accordingly, without disagreeing with the rationale of *Bairnco* or *Garner*, we do not find cause to abrogate the attorney-client privilege attached to documents describing individual case reserves.

### (3) Application of the *Garner* Doctrine to Work Product

The few federal courts that have faced the issue have refused to extend the *Garner* doctrine to work product, and we see no reason to depart from those precedents. See *In re International Sys.*, 693 F.2d 1235, 1239 (5th Cir.1982); *In re Dayco Corp.*, 99

F.R.D. 616, 620 (S.D.Ohio 1983); *Donovan v. Fitzsimmons*, 90 F.R.D. 583, 587 (N.D.Ill.1981).

Unlike the attorney-client privilege, which serves only the client's interest, the work product privilege also operates to protect *counsel* from unfair and intrusive disclosure. As one court has explained:

The *Garner* rule forecloses the use of attorney-client privilege, itself intended for the ultimate benefit of the *client*, to prevent disclosure of a breach of the client's trust. Shareholders or beneficiaries, however, do not stand in the same position with respect to the *attorney*, for whom the work product rule is designed to benefit, as they do to their own trustees. And as a result, the *Garner* analysis cannot be readily applied to defeat the work product rule.

*Donovan*, 90 F.R.D. at 588. Furthermore, because the discovering party may overcome the privilege for ordinary work product by demonstrating "substantial need" and "undue hardship," work product already has its own version of the good cause exception. We therefore will now look to whether the "substantial need" and "undue hardship" exception is applicable in the circumstances of this case.

### III. "Substantial Need and Undue Hardship" Exception to Work Product

\*15 Rule 26(b)(3) of the Federal Rules of Civil Procedure allows a court to order the production of ordinary work product in cases where "the party seeking discovery has substantial need of the materials in the preparation of his case" and is "unable without undue hardship to obtain the substantial equivalent of the materials by other means." See *Upjohn Co. v. United States*, 449 U.S. 383, 400 (1981). Plaintiffs claim that even if the work product privilege does attach to the documents at issue here, they are nonetheless entitled to their production on the basis of this exception. Plaintiffs contend that the documents are unavailable elsewhere and that they provide the only basis for analyzing Pfizer's method of calculating reserves.

We do not believe that the documents describing individual case reserves are ordinary work product. Rather, they are examples of opinion work product, reflecting the "mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party concerning litigation." Fed.R.Civ.P. 26(b)(3). In deference to the adversary system's desire to maintain the secrecy of an attorney's thought processes, opinion work product is entitled to nearly absolute protection. See *Sporck v. Peil*, 759 F.2d 312, 316 (3d Cir.1985).

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Consequently, these documents are protected from disclosure.

#### CONCLUSION

For the reasons stated above, the motion to compel production is granted in part and denied in part. [FN15]

IT IS SO ORDERED.

FN1. This dispute was referred to us by Judge Sonia Sotomayor, to whom the case is assigned, in an Order dated February 5, 1993 for the purposes of determining (1) whether and, if so, to what extent, plaintiffs' motion to compel should be granted, and (2) what further discovery, including deposition discovery, shall be permitted on the documents that are herein ordered to be produced and in the case in general. In addition, Judge Sotomayor directed defendants to provide plaintiffs with a more detailed description of the 3,397 documents then in dispute. Subsequently, on June 11, 1993, the parties agreed to narrow the scope of the dispute to the current 1219 documents. On June 15, 1993, plaintiffs submitted a letter brief in support of their motion to compel. Defendants responded with an answering memorandum of law dated August 6, 1993. Plaintiffs then filed a reply memorandum on August 23, 1993.

FN2. For a sample of the discussion and debate, see, e.g., John W. Gergacz, *Attorney--Corporate Client Privilege ¶¶ 6.01-.04, 7.02[f] (1990 & Supp.)*; Steven M. Abramowitz, *Disclosure Under the Securities Laws: Implications for the Attorney-Client Privilege*, 90 Colum.L.Rev. 456, 479- 88 (1990); Stephen A. Saltzburg, *Corporate Attorney-Client Privilege in Shareholder Litigation and Similar Cases: Garner Revisited*, 12 Hofstra L.Rev. 817 (1984); Note, *The Attorney-Client Privilege in Class Actions: Fashioning an Exception to Promote Adequacy of Representation*, 97 Harv.L.Rev. 947 (1984).

FN3. In making the rulings herein, we have assumed that documents listing historic settlement figures for individual cases have been maintained in a confidential manner by defendants and that the information reflected therein is not publicly available. If these

assumptions are incorrect, counsel for defendants should inform us forthwith.

FN4. We believe that the distinction between individual case reserve and aggregate case reserve documents is a meaningful response to the parties' overly broad contentions as to which documents should be considered as ones prepared for the purpose of public reporting.

FN5. By way of illustration, documents numbered 42, 83, 150, 177, 253, 288, 312, 343, 408, 435, 499, 544, 568, 620, 642 (last page only), 672, 695, 716, 738, 761, 785, 811, 831, 852, 876, 910, 935, 1744, 1770, 1825 (pages two and three only), 1854, 1874, 1900, 1925, 1952, and 1983 reveal aggregate information. Documents numbered 22, 62, 128, 202, 222, 365, 468, 642 (first four pages only), 1217, 1452, 1513, 1722, 1794, and 1825 (first page only) disclose individual information.

FN6. Finally, it should be noted that even if a document is not entitled to attorney-client privilege status, that it is not subject to disclosure if it is independently entitled to work product protection.

FN7. Plaintiffs assert in footnote eight of their June 15, 1993 letter brief that category three includes documents labelled Priv. No. 1693 and 1694. However, these two documents are not listed on defendants' privilege log, nor were they included among the category three documents sent by defendants to the Court for *in camera* review. Thus, we have assumed that defendants no longer assert a claim of privilege as to them.

FN8. The factors are as follows: (1) the number of shareholders and the percentage of stock they represent; (2) the bona fides of the shareholders; (3) the nature of the shareholders' claim and whether it is obviously colorable; (4) the apparent necessity and desirability of the shareholders having the information and the availability of it from other sources; (5) whether, if the shareholders' claim is of wrongful action by the corporation, it is of action criminal, or illegal but not criminal, or of doubtful legality; (6) whether the communication

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related to past or to prospective actions; (7) whether the communication is of advice concerning the litigation itself; (8) the extent to which the communication is identified versus the extent to which the shareholders are blindly fishing; (9) the risk of revelation of trade secrets or other information in whose confidentiality the corporation has an interest for independent reasons. [\*Garner\*, 430 F.2d at 1104](#).

[\*\*FN9.\*\* See, e.g., \*In re International Sys.\*, 693 F.2d 1235 \(5th Cir.1982\); \*In re Trans-Ocean Tender Offer Sec. Litig.\*, 78 F.R.D. 692 \(N.D.Ill.1978\).](#)

[\*\*FN10.\*\* See, e.g., \*In re LTV Sec. Litig.\*, 89 F.R.D. 595 \(N.D.Tex.1981\); \*Panter v. Marshall Field\*, 80 F.R.D. 718 \(N.D.Ill.1978\); \*E. Cohen v. Uniroyal\*, 80 F.R.D. 480 \(E.D.Pa.1978\).](#)

[\*\*FN11.\*\* See, e.g., \*Quintel v. Citibank\*, 567 F.Supp. 1357 \(S.D.N.Y.1983\).](#)

[\*\*FN12.\*\* We recognize that this is a somewhat idealized description of the nature of a derivative suit. Often times, the derivative suit is designed to enhance the wealth of the plaintiffs, or the plaintiffs' attorneys, and not the company's equity-holders in general. See John C. Coffee, \*Understanding the Plaintiff's Attorney: The Implications of Economic Theory for Private Enforcement of Law Through Class and Derivative Actions\*, 86 Colum.L.Rev. 669 \(1986\). Just as in a class action, the stockholders bringing the derivative suit may very well have their own idiosyncratic or highly personal motives. This reality argues against treating derivative suits differently from class actions for purposes of applying the \*Garner\* doctrine.](#)

[\*\*FN13.\*\* Two other cases have also applied \*Garner\* without a fiduciary relationship present between the parties. Like \*Bairnco\*, both involved investors who sought discovery of confidential documents from a company owing them a duty pursuant to the federal securities laws. These cases concluded that actual shareholders and investors who will soon become shareholders share a sufficiently close connection to warrant equal treatment under](#)

the *Garner* doctrine. See [\*In re LTV Securities Litigation\*, 89 F.R.D. 595 \(N.D.Tex.1981\); \*E. Cohen v. Uniroyal\*, 80 F.R.D. 480 \(E.D.Pa.1978\)](#).

[\*\*FN14.\*\* For the sake of clarity, we should note that certain aspects of the reasoning in \*Bairnco\* are not applicable to the case at bar. For example, as alternative grounds for ordering production of the eleven documents there in dispute, Judge Connor relied upon the potential applicability of \(1\) an advice of counsel defense \(even though the defendants represented that they had no intention of raising the argument\), and \(2\) the crime-fraud exception to the attorney-client privilege \(even though the plaintiffs did not allege criminal or fraudulent conduct\). In the instant suit, we see no reason to doubt defendants' representation that they will not be raising an advice of counsel defense. Furthermore, plaintiffs have not alleged, nor do the facts themselves so suggest, that the documents in dispute were in furtherance of the perpetration or attempted perpetration of a crime or fraud.](#)

[\*\*FN15.\*\* If the parties continue to disagree over which of the withheld documents should be produced, they should present the disputes to this Court by reference both to the specific language in this Memorandum and Order and the related document on the privilege list.](#)

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- [1:90cv01260](#) (Docket) (Feb. 26, 1990)

END OF DOCUMENT

## **Tab 7**

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## H

### Motions, Pleadings and Filings

Only the Westlaw citation is currently available.

United States District Court, N.D. Illinois, Eastern  
Division.  
SMITHKLINE BEECHAM CORPORATION and  
BEECHAM GROUP, p.l.c., Plaintiffs,  
v.  
PENTECH PHARMACEUTICALS, INC. and  
ASAHI GLASS CO., LTD. Defendants.  
**No. 00 C 2855.**

Nov. 6, 2001.

### MEMORANDUM OPINION AND ORDER

NOLAN, Magistrate J.

\*1 This patent infringement action is before the Court on Plaintiffs' Motion to Compel Production of Communications for Which Defendants Assert Attorney-Client Privilege or Work Product Immunity. In their motion, Plaintiffs SmithKline Beecham, Inc. and Beecham Group, p.l.c. (collectively "SB"), claim that Defendant Pentech Pharmaceuticals, Inc. ("Pentech") improperly withheld from production many of their documents; objected to the production of documents from two third parties; and prevented deposition testimony about two meetings. SB further claims that Defendant Asahi Glass Co., Ltd. ("Asahi") improperly withheld from production many of its documents.

For the reasons explained below, Plaintiffs' Motion is GRANTED in part and DENIED in part.

### DISCUSSION

#### I. Attorney-Client Privilege

For procedural issues in a patent case that are not unique to patent law, courts are directed to "apply the law of the circuit in which the district court sits." McCook Metals L.L.C. v. Alcoa Inc., 192 F.R.D. 242, 251 (N.D.Ill.2000) (quoting In re Spalding Sports Worldwide, Inc., 203 F.3d 800 (Fed.Cir.2000)). Because SB's motion involves general issues of privilege, the law of the Seventh Circuit applies. The

Seventh Circuit test to determine attorney-client privilege is: (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 from disclosure by himself or by the legal advisor, (8) except the protection may be waived. United States v. Evans, 113 F.3d 1457, 1461 (7th Cir.1997).

The privilege is narrowly construed in this Circuit, and communications to an attorney are not always cloaked with the privilege. SmithKline Beecham Corp. v. Apotex Corp., 193 F.R.D. 530, 534 (N.D.Ill.2000). For example, the fact that an attorney has requested or received documents does not, by itself, mean the documents are privileged. Blanchard v. EdgeMark Financial Corp., 192 F.R.D. 233, 238 (N.D.Ill.2000); IBJ Whitehall Bank & Trust Co. v. Cory & Assocs., Inc., No. 97 C 5827, 1999 WL 617842, at \*4 (N.D.Ill. Aug. 12, 1999). In determining whether a document is subject to the attorney-client privilege, the primary question is whether "the document in question reveal[s], directly or indirectly, the substance of a confidential attorney-client communication." SmithKline, 193 F.R.D. at 534. Communication of business or technical information not involving legal advice is not privileged. McCook, 192 F.R.D. at 252.

The attorney-client privilege can be waived if the communication is voluntarily disclosed to a third party. Blanchard, 192 F.R.D. at 236. However, an exception to the waiver rule may exist if (1) the disclosure to the third party is for the purpose of assisting the attorney in rendering legal advice or (2) the third party shares a common legal interest with the party claiming the privilege. Id. at 236-37. "The [common interest] rule can apply to any two parties who have a 'common interest' in current or potential litigation, either as actual or potential plaintiffs or defendants." IBJ Whitehall, 1999 WL 617842, at \*3, n. 1.

\*2 In this case, Pentech claims the following documents are protected from disclosure by the attorney-client privilege: [FN1] PN11-14, 16-24; IO(P)6; and OR(P)2-4. [FN2] Asahi claims the privilege applies to all of its withheld documents, AS1-11.

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FN1. Pentech's privilege log contained additional attorney-client privilege claims, but to reduce the number of issues in this case, Pentech dropped their privilege claims as to 14 documents. (*See* Defs.' Mem. in Opp'n at 3, n. 2.)

FN2. For the sake of convenience and clarity, the Court will use the document identification system the parties used in their briefs. Documents designated "PN" are from Pentech's privilege log; "AS" documents are from Asahi; "IO" documents are from the University of Iowa, a third party; and "OR" documents are from Oread, a third party.

SB argues that Pentech cannot claim the attorney-client privilege for (1) documents disclosed to third parties (PN17-18, 20-22; AS4, 11; IO(P)6; and OR(P) 2-4); (2) documents that relate to routine technical issues (PN17, 20, 22, 24; IO(P)6); and (3) documents that exhibit no attorney involvement (PN18; OR(P)4).

Pentech responds that disclosure of certain documents to third parties did not waive the attorney-client privilege because Pentech and Asahi share a common legal interest, and the disclosure to third parties was necessary to assist Pentech's attorneys in rendering legal advice. Pentech further argues that documents SB describes as involving "routine technical issues" were in fact related to legal advice.

## II. Work Product Doctrine

The work product doctrine is distinct from, and broader than, the attorney-client privilege. Blanchard, 192 F.R.D. at 237; Allendale Mut. Ins. Co. v. Bull Data Sys., Inc., 145 F.R.D. 84, 86 (N.D.Ill.1992). The work product doctrine protects "documents and tangible things ... 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)." Fed.R.Civ.P. 26(b)(3).

The threshold determination of work product generally is "whether, in light of the nature of the document and the factual situation in the particular case, the document can fairly be said to have been prepared for or obtained *because of* the prospect of litigation." North Shore Gas Co. v. Elgin, Joliet & Eastern Ry. Co., 164 F.R.D. 59, 61 (N.D.Ill.1995) (quoting Binks Mfg. Co. v. National Presto Indus.,

Inc., 709 F.2d 1109, 1119 (7th Cir.1983)) (emphasis added); Allendale, 145 F.R.D. at 86. Therefore, documents that were prepared for other reasons, such as documents created in the ordinary course of business, cannot be withheld as work product. *See Allendale*, 145 F.R.D. at 87 (holding that documents prepared in the ordinary course of business are not work product even if litigation is imminent or ongoing); *see also In re General Instrument Corp.*, 190 F.R.D. 527, 530 (N.D.Ill.2000) ("[A] document prepared for both legal and non-legal review is not privileged."); IBJ Whitehall, 1999 WL 617842, at \*4 (quoting Loctite Corp. v. Fel-Pro, Inc., 667 F.2d 577, 582 (7th Cir.1981)) (holding that only documents "primarily concerned with legal assistance" are cloaked with immunity).

Moreover, to be subject to work product immunity, documents must have been created in response to "a substantial and significant threat" of litigation, which can be shown by "objective facts establishing an identifiable resolve to litigate." Allendale, 145 F.R.D. at 87 (citations omitted). Documents are not work product simply because "litigation [is] in the air" or "there is a remote possibility of some future litigation." McCook, 192 F.R.D. at 259; IBJ Whitehall, 1999 WL 617842, at \*5. "The articulable claim likely to lead to litigation must pertain to this particular opposing party, not the world in general." McCook, 192 F.R.D. at 259.

\*3 The protection of the work product doctrine may be waived "where the protected communications are disclosed in a manner which 'substantially increases the opportunity for potential adversaries to obtain the information.'" Blanchard, 192 F.R.D. at 237 (quoting Behnia v. Shapiro, 176 F.R.D. 277, 279 (N.D.Ill.1997)); *see also Minnesota Sch. Bds. Ass'n Ins. Trust v. Employers Ins. Co. of Wausau*, 183 F.R.D. 627, (N.D.Ill.1999) ("A waiver only occurs, however, if the disclosure to a third party 'is inconsistent with the maintenance of secrecy from the disclosing party's adversary.'").

An opponent may discover a party's work product "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). Furthermore, if the work product involves "the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party concerning the litigation," the immunity from production is "for all

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intents and purposes absolute," whether or not the party seeking discovery has demonstrated a substantial need. Fed.R.Civ.P. 26(b)(3); Scurto v. Commonwealth Edison Co., No. 97 C 7508, 1999 WL 35311, at \*2 (N.D. Ill. Jan. 11, 1999).

Pentech alleges documents PN1-12, 15, 17-18, 20-31; AS1-11; IO(P) 1-42; and OR(P) 1, 4, are subject to work product immunity. SB challenges the immunity claim, arguing that Pentech has failed to establish that the documents were prepared in anticipation of litigation, and that documents involving testing or routine investigations were created in the ordinary course of business and therefore are not work product. Pentech answers by stating that when a generic drug company decides to compete with an established drug maker, litigation "is a virtual certainty," and communications are therefore made in anticipation of litigation.

In response to SB's argument that many of Pentech's withheld documents pertain to technical analysis and therefore are not work product, Pentech argues that Iowa personnel were involved in two research projects, only one of which involved product development. Pentech goes on to state that "[i]f Pentech is required to go into greater detail about the nature of [the research project not involving product development], Pentech would be forced to disclose the very information that the work-product doctrine seeks to protect ." (Defs.' Mem. in Opp'n at 12.)

### III. Findings

This Court has reviewed the briefs submitted by the parties, [FN3] the relevant case law, and the documents at issue, which were submitted *in camera* pursuant to the Court's request. Following are the Court's findings as to the application of the privilege to each of the documents Pentech and Asahi seek to withhold:

FN3. The parties' briefs included many arguments relating to the sufficiency of the Defendants' privilege logs. Because the Court chose to view the documents *in camera*, the privilege logs' sufficiency is no longer relevant and arguments related to sufficiency are not included in this Opinion.

*Documents PN1-10, 15, 17, 20-23, 25-27, 29-31 [FN4]; IO(P)2-5, 7-26, 28-38, 40-42:*

FN4. Document PN31 (and one page of Document PN29) were not included in the

materials submitted to the Court. The Court's decision is based on its review of similar documents and of the descriptions included in Pentech's privilege log.

\*4 The Court does not dispute that Pentech believed litigation with SB was likely or even probable at the time these studies and analyses were commissioned. Pentech, however, must demonstrate the documents in question were created *for the purpose of litigation*, not in the ordinary course of business. Pentech was required, for purely business reasons, to research the composition and properties of the paroxetine hydrochloride capsules for which it submitted an Abbreviated New Drug Application ("ANDA") to the Food and Drug Administration. Therefore, research conducted before the ANDA was submitted was not done solely for the purpose of litigation, and any documents reflecting that research were not created for litigation, no matter how likely it was that SB would pursue litigation after Pentech filed its ANDA. Accordingly, that research must be produced. See SmithKline Beecham Corp. v. Apotex Corp., No. 98 C 3952, 2000 WL 116082, at \*4 (N.D.Ill. Jan. 24, 2000). For the same reasons, Pentech cannot bar testimony regarding the September 1997 and October 1998 meetings with third-party researchers.

#### *Document PN11:*

The document is a draft letter from client to attorney and was not sent to third parties. The letter also expressly demonstrates an intention to keep the communication confidential. Therefore, it may be withheld as privileged.

#### *Document PN12:*

Page number PEN8252 may be withheld as an attorney-client communication. The remainder of the document, a letter from the FDA and materials sent to or received from SB, is clearly not privileged and must be produced.

#### *Document PN13:*

The letter is a communication from the client to his attorney for the purpose of legal advice and may be withheld as privileged.

#### *Documents PN14, 16:*

The communications are from attorney to client, not client to attorney, and are merely transmissions of technical information, not legal advice. Therefore, the

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documents are not privileged and should be produced. See [McCook, 192 F.R.D. at 252](#).

*Document PN18:*

The document is a draft letter and includes handwritten notes from an attorney. It may be withheld as an attorney-client communication and work product.

*Document PN19:*

The document is merely a transmission of a public document from attorney to client. It does not include legal advice and reveals no client communications, so it must be produced.

*Document PN24:*

It is not clear from the privilege log or from the document itself whom the recipient attorney represents. In addition, the document does not appear to involve legal advice or a request for legal advice from counsel. Therefore, it must be produced.

*Documents PN28, IO(P)1, 6, 27, 39:*

As explained above in discussing Documents PN1-10 *et al.*, Pentech cannot claim that scientific analyses created before the ANDA was filed were prepared solely for the purpose of litigation. However, after the ANDA was filed and SB was notified of Pentech's intent to market a competitive generic drug, litigation with "this particular opposing party," [McCook, 192 F.R.D. at 259](#), was anticipated. Moreover, the kinds of tests performed, the materials used in the tests, and the specific compounds tested may reveal the attorney's strategy in defending the infringement claim. See [Vardon Golf Co., Inc. v. BBMG Golf Ltd.](#), 156 F.R.D. 641, 648 (N.D.Ill.1994). Finally, SB has made no claim of a substantial need for the materials. These documents, which reflect experiments and analyses created or performed by Pentech, its attorneys, and/or its consultants after the ANDA was filed, are subject to work product immunity and may be withheld.

*Document OR(P)1:*

\*5 The document may be withheld as work product because it reveals an attorney's litigation strategy. The work product immunity was not waived by disclosing the information to a third party, because disclosure to Oread did not increase the opportunity for potential adversaries to obtain the information and

was not inconsistent with the maintenance of secrecy. The nature of the document, coupled with the parties' relationship, indicate that Pentech intended to maintain the confidentiality of the document. Moreover, while not dispositive, Pentech's claim that the parties had executed a confidentiality agreement "militates against a finding of a waiver [of work product immunity]." [Blanchard, 192 F.R.D. at 237](#).

*Document OR(P)2:*

The document reflects a meeting concerning litigation issues and contains privileged information. The document lists the meeting participants and summarizes privileged communications, and therefore it may be withheld. See [SmithKline, 193 F.R.D. at 538](#); [McCook, 192 F.R.D. at 252](#).

*Documents OR(P)3-4:*

The documents include privileged communications and disclosure of the communications to Oread was necessary to assist Pentech's attorney in rendering legal advice. They may be withheld.

*Documents AS1-5:*

These documents are apparently communications between Asahi Tokyo and its Japan-based attorneys at Morrison & Foerster LLP. If the documents are privileged under Japanese law, "comity requires us to apply that country's law to the documents at issue." [McCook, 192 F.R.D. at 256](#). The defendants have the burden to establish that under Japanese law, the communications contained in Documents AS1-5 are protected by the attorney-client privilege. See [id. at 256-58](#). Pentech's Memorandum in Opposition to Plaintiffs' Motion to Compel provides no support for the argument that these documents are privileged under the applicable law of Japan. Pentech must submit to the Court proof that the documents are privileged, through case law and/or an affidavit of an attorney familiar with Japanese law regarding attorney-client privilege, stating the relevant law and applying it to the communications at issue. If Pentech cannot meet its burden of proving the documents are privileged within 21 days, they must be produced.

Additionally, several pages from these documents and others withheld by Asahi are wholly or partly in Japanese. Because the Court cannot review the contents of the documents, Pentech has not met its burden of showing the attorney-client privilege applies to these pages. Unless Pentech provides the Court with English translations of the Japanese

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portions of the documents within 21 days, those pages must be produced. The pages include: AS1; AS2 (page number AGC6040); AS3 (pages 1 and 3-5 of the document; the Japanese language pages are not numbered); AS4; and AS5 (AGC6044).

*Document AS6:*

The document is a privileged communication between Asahi and its American attorney regarding patent issues and may be withheld.

*Document AS7:*

\*6 Page AGC6056 of Document AS7 is in Japanese and, as explained above, it must be produced if Pentech does not provide the Court with an English translation. Pages AGC6057-66 of the document contain privileged communications with an American attorney regarding a patent application and a proposed draft of a submission to the United States Patent & Trademark Office, which is also privileged. See [In re Spalding, 203 F.3d at 805-06](#). Those pages may be withheld.

*Document AS8:*

Page AGC6067 is in Japanese and must be produced if Pentech does not provide the Court with an English translation. Pages AGC6068-69 are privileged communications with an American attorney regarding patent issues and therefore may be withheld. Pages AGC6070-84 are documents prepared for submission to the United States Patent & Trademark Office. Because there is no expectation of confidentiality in these documents, they are not privileged and must be produced. See [McCook, 192 F.R.D. at 252](#).

*Documents AS9-10:*

The documents contain privileged communications with an American attorney regarding patent issues and therefore may be withheld. However, pages AGC6085- 86 and AGC6088 are partly in Japanese and those portions must be produced if Pentech does not provide the Court with an English translation.

*Document AS11:*

The document is a confidential communication from an American attorney to Pentech regarding legal advice concerning patents. The document maintains the privilege even though it was disclosed to Asahi, because Asahi and Pentech share a common legal

interest. The entire document may be withheld.

#### CONCLUSION

For the foregoing reasons, the Court finds that Plaintiffs' Motion to Compel Production of Communications for Which Defendants Assert Attorney-Client Privilege or Work Product Immunity is GRANTED in part and DENIED in part.

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- [2002 WL 32450715](#) (Trial Motion, Memorandum and Affidavit) Pentech's Memorandum in Opposition to Smithkline's "Motion to Compel Pentech's Production of X-Ray Testing and Samples of 30 mg Dosage Capsules Made With the Same Formulation as Pentech's Anda Capsules" (May 13, 2002)Original Image of this Document with Appendix (PDF)

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### Motions, Pleadings and Filings

Only the Westlaw citation is currently available.

United States District Court,  
E.D. Louisiana.  
SOUTHERN SCRAP MATERIAL CO., et al,  
v.  
George M. FLEMING; Fleming & Associates L.L.P.,  
Fleming, Hovenkamp & Grayson,  
P.C.; John L. Grayson; Mark A. Hovenkamp; Bruce  
B. Kemp; L. Stephen Rastanis;  
The Law Offices of L. Stephen Rastanis; John B.  
Lambremont, Sr.; The Law  
Offices of John B. Lambremont, Sr.; Ken J. Stewart;  
Frederick A. Stolzle, Jr.;  
Frederick A. Stolzle, Jr. & Associates  
**No. Civ.A. 01-2554.**

June 18, 2003.

### MEMORANDUM OPINION AND ORDER

KNOWLES, Magistrate J.

\*1 This action, which invokes the civil RICO jurisdiction of the Court under [18 U.S.C. § 1964](#), [FN1] involves claims by plaintiffs, Southern Scrap Material Co., LLC, SSX, L.C., and Southern Recycling, LLC, against the defendant attorneys listed above. This matter is before the undersigned magistrate judge pursuant to the mandate of the Fifth Court of Appeals [Rec. Doc. 107] and the reference of district judge to consider arguments of the parties that certain documents for which discovery is sought are protected by the work-product doctrine or the attorney-client privilege. More particularly, presently before the Court are the following contested discovery motions:

FN1. On August 20, 2001, plaintiffs filed their Complaint [Rec. Doc. 1] pursuant to the [28 U.S.C. §§ 1331](#) and [1337](#), and [18 U.S.C. §§ 1964\(a\)](#) and [1964\(c\)](#), Title IX of the Organized Crime Crime Control Act of 1970, also known as the Racketeer Influenced and Corrupt Organization Act (RICO).

(1) Plaintiffs Southern Scrap Material Co., LLC, SSX, L.C., and Southern Recycling Co. LLC's (hereinafter collectively referred to as "Southern Scrap") Motion and Memorandum in Support of Maintenance of Privilege over various documents submitted for *in camera* review [Rec. Doc. # 188];  
(2) Defendants Frederick A. Stolzle, Jr. and Frederick A. Stolzle, Jr. & Associates' ("Stolzle defendants") Motion to Sustain Attorney-Client and Work Product Privileges [Rec. Doc. # 187];  
(3) Defendants Fleming & Associates, L.L.P., and George Fleming's ("Fleming defendants") Joint Motion and Memorandum to Sustain Work Product and Attorney/Client Privileges [Rec. Doc. # 189];  
(4) Defendant Ken J. Stewart's Motion and Memorandum to Sustain the Privilege on Documents Produced for *In Camera* Inspection [Rec. Doc. # 198]; and  
(5) Defendant John B. Lambremont, Sr. and Law Offices' Memorandum in Support of Sustaining Work Product and Attorney-Client Privileges. [Rec. Doc. # 186].

### I. BACKGROUND

Necessarily predicate to any ruling on the privileges claimed is some understanding of the climate in which the instant case arose and the tenor and substance of the allegations which presaged the instant motions to compel. On August 20, 2001, the plaintiff, Southern Scrap, filed a complaint naming the following trial attorneys as defendants, to wit: George M. Fleming, Fleming & Associates, L.L.P., Fleming, Hovenkamp & Grayson, P.C., John L. Grayson, Mark A. Hovenkamp, Bruce B. Kemp, L. Stephen Rastanis, The Law Offices of L. Stephen Rastanis, John B. Lambremont, Sr., The Law Offices of John B. Lambremont, Sr., Ken J. Stewart, Frederick A. Stolzle, Jr. and Frederick A. Stolzle, Jr. and Associates. See Southern Scrap's Complaint [Rec. Doc. # 1]. Southern Scrap seeks-relief pursuant to §§ 1961-68, § 901(a) of Title IX of the Organized Crime Control Act of 1970, as amended, otherwise known as the Racketeering Influenced and Corrupt Organizations Act of 1970 ("RICO"), and in particular, under [18 U.S.C. § 1964](#). Following the filing of the Southern Scrap's RICO case statement [Rec. Doc. # 3], defendants filed their motion to dismiss pursuant to [Fed.R.Civ.P. 12\(b\)\(6\)](#). [Rec. Doc. # 11]. Finding that the alleged "improprieties and

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calculated manipulations set out in the RICO case statement" were sufficient to defeat the defendants' motion to dismiss the Court denied same, as well as the defendants' Motion for More Definite Statement. [Rec. Doc. 's 23 and 27]. The parties were ordered to exchange initial disclosures by March 12, 2002. The claims against the defendant Mark A. Hovenkamp were dismissed with prejudice. [Rec. Doc. # 41]. On May 6, 2002, Southern Scrap filed an amended complaint with respect to its damages. [\[FN2\]](#) [Rec. Doc # 65].

[FN2.](#) Plaintiff amended their original RICO complaint alleging "severe financial and business losses, and damage to reputation, negative publicity, decreased company productivity, decreased employee morale, and fear of frivolous lawsuits," to state: "As a proximate cause of the Attorneys' violation of [18 U.S.C. § 1962\(c\) and \(d\)](#), Plaintiffs have been injured in their business or property for the reasons described above and because they were forced to expend a significant amount of time and money in the maintenance of defenses to these numerous, yet meritless lawsuits. The Attorneys have caused Plaintiffs damages consisting of the attorneys fees, expenses, costs, and time associated with the defense of these frivolous lawsuits." See Amended Complaint at ¶ 152 [Rec. Doc. # 65].

\*2 In its application presently before the Court in the nature of a Motion to Compel Production of Documents, Southern Scrap characterizes the defendant attorneys as "a group of plaintiffs' attorneys that encircled Southern Scrap like jackals in an attempt to extort settlement funds," [\[FN3\]](#) from plaintiff scrap metal companies, which are along, with the judicial system and others, victims of the defendant attorneys' RICO conspiracy. [\[FN4\]](#) Plaintiffs' RICO complaint casts the defendant attorneys into two groups of actors, the Baton Rouge area plaintiffs' attorneys and the Texas plaintiffs' attorneys, who allegedly came together in 1995, formed an association-in-fact, and, working together, "unleashed a torrent of eleven (11) frivolous and baseless lawsuits against [Southern Scrap], alleging everything from mass exposure to toxic torts to discriminatory hiring practices." [\[FN5\]](#) Southern Scrap contends that "all of the resolved underlying cases were either dismissed on summary judgment, by the Court of Appeals, or in exchange for not seeking sanctions against the defendants," and "not a single one of these cases had any merit." [\[FN6\]](#)

[FN3.](#) See Plaintiffs' Motion and Incorporated Memorandum in Support of Maintenance of Privilege over Various Documents Submitted for In Camera Review, at p. 2.

[FN4.](#) See Complaint at ¶ IV [Rec. Doc. 1].

[FN5.](#) Southern Scraps' Motion and Incorporated Memorandum in Support of Maintenance of Privilege over Various Documents Submitted for In Camera Review, at p. 3.

[FN6.](#) *Id.* at 4.

Southern Scrap specifically alleges that the defendant attorneys (*i.e.*, plaintiffs' attorneys in the underlying state court litigation), exceeded any legitimate role they may have had as diligent adversaries by filing baseless claims and, in so doing, committed mail fraud ([18 U.S.C. § 1341](#)) and wire fraud ([18 U.S.C. § 1343](#)) in furtherance of their scheme to bring extortionate pressure to settle cases, inflicting heavy costs in terms of legal expenses for defense against the false and fraudulent claims. Additionally, Southern Scrap claims violations of the Hobbs Act, [18 U.S.C. § 1951](#), referring to attempts by defendant attorneys to induce the scrap metal companies to pay funds to settle the fraudulent state court suits by threats of filing more of the same and thus inflicting even heavier financial losses.

The defendant attorneys have denied the allegations against them and submit that the allegations in the RICO case statement are unsupported allegations. Defendants response to the plaintiffs' characterization of the underlying state court litigation and their roles, in that Southern Scrap's statement erroneously suggests that all of the attorney defendants assisted in the prosecution of all eleven (11) underlying lawsuits. Moreover, Defendants contend that the Court should give little or no credence to Southern Scrap's argument that the underlying lawsuits were frivolous and baseless, in light of the fact that three of the underlying state court cases remain pending, one having survived a [La.Code Civ. Proc. Art. 863](#) motion to dismiss hearing.

## II. CONTENTIONS OF THE PARTIES

### 1. SOUTHERN SCRAP'S CHALLENGES TO DEFENDANTS' PRIVILEGE LOGS

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Southern Scrap challenges the documents listed in the various defendant attorneys' privilege logs on various grounds, including the following, to wit: (1) regarding documents which relate to the business aspects of the defendants' legal practices, including fee agreements and agreements between counsel entered prior to the commencement of the litigation, Southern Scrap contends that they are discoverable and do not constitute the rendition of legal advice, nor are they protected work product; (2) articles, including maps, photographs, videos, and the like, all without attorney commentary, are discoverable; (3) documents which discuss purely factual matters without the addition of mental impressions or strategy of counsel are discoverable and do not constitute protected work product; (4) vintage documents dating back one to six years prior to the institution of the first lawsuit are discoverable; (5) the attorney-client privilege was waived with respect to the publication of "Scrap Notes"; (6) any claim of privilege was waived with respect to "the Becnel communications;" (7) "ALR Customer" and "CLR Customer" documents are not privileged; and (8) certain miscellaneous items, including the "Letters to Reverends," are also discoverable. Plaintiffs argue that, in any event, they have demonstrated their substantial need for the challenged documents. Southern Scrap highlights that the attorney defendants have denied the RICO claim and alleged the affirmative defense of good faith, and contends that the documents are necessary impeachment and cannot be obtained from an alternative source.

\*3 The Stolzle defendants submit that they currently represent individuals in toxic exposure/personal injury litigation against the Southern Scrap plaintiffs. Defendants further advise that three of the "eleven (11) underlying cases" were filed in Louisiana's Nineteenth Judicial District and are still pending, to wit: *Harmason v. Southern Scrap Material Co., Inc.*, Docket No. 415,360 "C"; *Curry v. Southern Scrap Material Co.*, Docket No. 421,244 "C"; and *Banks v. Southern Scrap Material Co.*, 421,023 "H." Essentially, the Stolzle defendants argue that Southern Scrap's discovery requests demand the production of nearly every document maintained in client and attorney work files of the aforesaid underlying toxic tort litigation, and Stolzle submits that certain documents are protected by the work product and/or attorney-client privileges. Per the Court's October 16, 2002 order, Stolzle submitted a tabular log identified as Exhibit "B" which identifies each of eighty-five (85) documents withheld, along with the corresponding documents in tabbed binders for *in camera* review. Stolzle notes that the list of

eighty-five documents was narrowed down from an October 11, 2002 privilege log, which previously identified tens of thousands of pages of privileged documents.

Regarding the documents listed on Exhibit "B," the Stolzle defendants argue that the fact that defendants have denied the allegations asserted against them in Southern Scrap's RICO complaint does not "place-at-issue" any "factual information," resulting in a waiver of the privileges claimed. Defendants further hearken back to the strictures of Rules 9(b) and 11, and more particularly, remind Southern Scrap plaintiffs that, prior to filing the instant lawsuit, they should have had knowledge of the specific "facts" and "law," which support their allegations, and thus may not, consistently with their Rule 11 obligation, now claim they do not have access to the facts and/or that they have substantial need within the meaning of Rule 26(b)(3). [\[FN7\]](#) Defendants admit that the work product doctrine protects documents and not underlying facts, but highlight federal law which stands for the proposition that a document does not lose its privilege status merely because it contains factual information. [\[FN8\]](#)

[FN7.](#) See Stolzle Defendants' Motion to Sustain Attorney Client Privilege, at p. 5 n. 3 (citing *Williams v. WMX Technologies, Inc.*, 112 F.3d 175, 177 (5<sup>th</sup> Cir.1997)).

[FN8.](#) *Id.* at 6 (citing *High Tech Communications, Inc. v. Panasonic Co.*, 1995 WL 45847 at \*6 (E.D.La., Feb. 2, 1995), *inter alia* ).

The Stolzle defendants, along with the other defendants in this case, accuse Southern Scrap of attempting to use this RICO action to circumvent Louisiana's scope of discovery regarding experts in the pending state court litigation, *i.e.*, "experts" identified in an [article 863](#) hearing in the underlying state court litigations. [\[FN9\]](#) Finally, the Stolzle defendants submit that surveillance videos, photographs, and all communications with prospective clients are clearly subject to the work product doctrine and the attorney-client privilege. [\[FN10\]](#)

[FN9.](#) See *id.*, at p. 8 (noting La. Civ.Code of Proc. Art. 1424, *inter alia*, recognizing that under Louisiana law there is an absolute privilege against the discovery of writing, mental impressions, conclusions or opinions of an expert or any attorney).

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FN10. *Id.* at 11-12.

The Fleming defendants have submitted their own privilege log and corresponding tabbed binder of documents for *in camera* review. In addition to the arguments made by the Stolzle defendants, the Fleming defendants contend that Southern Scrap has failed to demonstrate either substantial need or the inability to discover the same evidence by other means as required by [Fed.R.Civ.P. 26\(b\)\(3\)](#). Moreover, the Fleming defendants submit that the following categories of documents are protected work product, to wit: (1) correspondence among co-counsel relating to legal strategy, legal issues, and division of labor; (2) counsel/co-counsel communications; (3) attorney notes regarding depositions, subpoenas, and testimony; (4) compilations of documents; (5) documents that set out a case plan of action and discuss legal issues; (6) documents that relate or refer to investigations and/or factual information; (7) sworn statements; and (8) defendants' communications with experts.

\*4 Ken Stewart submitted his privilege log and corresponding tabbed binder of eighty (80) documents withheld under claims of privilege. To prevent repetition of legal arguments, Stewart adopted the arguments set forth in the Fleming Defendants' memorandum in support of sustaining work product and attorney-client privileges. Like the Stolzle Defendants, Stewart similarly points out that three of the eleven underlying cases identified in Southern Scrap's RICO complaint remain pending in state court. Although he contends that certain documents are protected from disclosure under the federal case law as well, Stewart urges the Court to carefully consider that law, in conjunction with Louisiana law strictly prohibiting disclosure of expert documents to opposing parties.

Defendant John B. Lambremont, Sr. submitted a privilege log, alleging both work product protection and/or attorney-client privilege with respect to the documents tabbed 1-4, 6, 7, 12, and 14. Defendant Lambremont filed a memorandum in support of his objections, arguing more specifically that: (1) Southern Scrap has not demonstrated substantial need or inability to discover the same evidence by other means; (2) the mere denial of an association-in-fact does not effect a waiver of the applicable privileges; (3) correspondence and communications among co-counsel relating to legal strategy, legal issues, and division of labor are protected work product; (4) attorney notes regarding depositions, subpoenas, and

testimony are protected work product; (5) documents that set out a case plan of action and discuss legal issues among co-counsel are protected work product; (6) case expense reports, invoices, and billing for experts and attorneys are privileged because they reveal legal strategies and attorney client communications; (7) communications with experts are protected; (8) discussions of expert testing results are protected work product because they reveal attorney thoughts and impressions; (9) communications between attorney and client are covered by the attorney client privilege; and (10) discussions with and information received from clients are privileged. [FN11]

FN11. See John B. Lambremont, Sr.'s Memorandum to Sustain Work Product and Attorney/Client Privileges [Rec. Doc. No. 186].

## 2. DEFENDANTS' CHALLENGES TO SOUTHERN SCRAP'S PRIVILEGE LOG

Southern Scrap has withheld a total of twenty-two (22) documents, which it contends are shielded from discovery by either the work product or attorney-client privileges, or both. The defendant attorneys challenge the plaintiffs' claims of privilege on the basis that the plaintiffs waived any privilege they may have possessed over their files by filing the instant RICO complaint. The defendants contend that the "the Audit Letters" and "the Becnel Correspondence" are the core of plaintiff's RICO claims. Additionally, defendants contend that the audit letters were not prepared exclusively in anticipation of litigation. As for the Becnel correspondence, Ken Stewart notes that Southern Scrap has labeled Daniel Becnel as a fact witness, knowledgeable of some of the alleged RICO violations in the underlying cases.

\*5 The Court will first address the applicable law generally, and then, the parties' privilege logs/documents serially.

## III. THE LAW

### 1. WORK-PRODUCT DOCTRINE

The attorney work-product privilege first established in [Hickman v. Taylor, 329 U.S. 495 \(1947\)](#), and codified in [Fed.R.Civ.P. Rule 26\(b\)\(3\)](#) for civil discovery, protects from disclosure materials prepared by or for an attorney in anticipation of litigation. [Varel v. Banc One Capital Partners, Inc.,](#)

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1997 WL 86457 (N. D.Tex.) (citing Blockbuster Entertainment Corp. v. McComb Video, Inc., 145 F.R.D. 402, 403 (M.D.La.1992)). Since *Hickman*, *supra*, courts have reaffirmed the "strong public policy" on which the work-product privilege is grounded. The Supreme Court in Upjohn Co. v. United States, 449 U.S. 383 (1981) found that "it is essential that a lawyer work with a certain degree of privacy" and further observed that if discovery of work product were permitted "much of what is not put down in writing would remain unwritten" and that "the interests of clients and the cause of justice would be poorly served. *Upjohn*, 449 U.S. at 397-98; see also In re Grand Jury Proceedings, 219 F.3d 175, 190 (2<sup>nd</sup> Cir.2000); United States v. Aldman, 134 F.3d 1194, 11967(2<sup>nd</sup> Cir.1998)

Fed.R.Civ.P. 26(b)(3) provides that

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 that other party's representative (including the other party's attorney, consultant, surety, indemnitor, insurer or agent) only upon a showing that the party seeking discovery has substantial need of the materials in the preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means.

Fed.R.Civ.P. 26(b)(3) (emphasis added). Federal law governs the parties' assertions that certain information is protected from disclosure by the work product doctrine. See Naquin v. Unocal Corp., 2002 WL 1837838 \*2 (E.D.La.2002) (Wilkinson, M.J.) (citing Dunn v. State Farm, 927 F.2d 869, 875 (5<sup>th</sup> Cir.1991)).

The Fifth Circuit describes the standard for determining whether a document has been prepared in anticipation of litigation as the "primary purpose" test. See In Re Kaiser Aluminum and Chemical Co., 214 F.3d 586, 593 n. 19 (5<sup>th</sup> Cir.2000) (citing precedents in United States v. El Paso Co., 682 F.2d 530, 542 (5<sup>th</sup> Cir.1982) and United States v. Davis, 636 F.2d 1028, 1040 (5<sup>th</sup> Cir.1981)). The primary purpose test, coined by the Fifth Circuit in *Davis*, states:

It is admittedly difficult to reduce to a neat formula the relationship between the preparation of a document and possible litigation necessary to trigger the protection of the work product doctrine. We conclude that litigation need not necessarily be imminent, as some courts have suggested, as long as the *primary motivating purpose behind the*

*creation of the document* was to aid in possible future litigation.

\*6 Davis, 636 F.2d at 1039. The determination that one or more of the documents were not prepared by counsel is not necessarily dispositive of the inquiry, as Rule 26(b)(3) protects documents prepared by a party's agent from discovery, as long as they were prepared in anticipation of litigation. In United States v. Nobles, 422 U.S. 225 (1975), [FN12] the Supreme Court explained:

FN12. In *Nobles*, the Supreme Court applied the work-product doctrine to criminal proceedings. The Court observed that, although the work-product doctrine most frequently is asserted as a bar to discovery in civil litigation, its role in assuring the proper functioning of the criminal justice system is even more vital. The interests of society and the accused in obtaining a fair and accurate resolution of the question of guilt or innocence demand that adequate safeguards assure the thorough preparation and presentation of each side of the case. 422 U.S. at 238.

At its core, the work-product doctrine shelters the mental processes of the attorney, providing a privileged area within which he can analyze and prepare his client's case. But the doctrine is an intensely practical one, grounded in the realities of litigation in our adversarial system. One of those realities is that attorneys often must rely on the assistance of investigators and other agents in the compilation of materials in preparation of trial. It is therefore necessary that the doctrine protect material *prepared by agents for the attorney* as well as those prepared by the attorney himself.

Nobles, 422 U.S. at 238-39 (emphasis added). In both *Hickman* and *Nobles*, *supra*, the Supreme Court recognized that the "the work-product doctrine is distinct from and broader than the attorney-client privilege." Hickman, 329 U.S. at 508; Nobles, 422 U.S. at 238 n. 11. The doctrine protects not only materials prepared by a party, but also materials prepared by a co-party [FN13] or a representative of a party, including attorneys, consultants, agents, or investigators. Nobles, 422 U.S. at 228. [FN14]

FN13. See United States v. Medica-Rents, Co., 2002 WL 1483085 \*1 n. 6 (N. D.Tex.) (noting that disclosure of documents by relators to co-party the United States and its representatives does not result in waiver and that the joint defense privilege, an extension

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of the attorney-client privilege, also applies in the context of work-product immunity).

[FN14.](#) *Upjohn Co.*, 449 U.S. at 400; *United States v. El Paso Co.*, 682 F.2d 530, 543 (5<sup>th</sup> Cir.1982, cert. denied, [466 U.S. 944](#) (1984)).

Work product immunity extends to documents prepared in anticipation of prior, terminated litigation, regardless of the interconnectedness of the issues and facts. The work product privilege recognized in *Hickman, supra*, does not evaporate when the litigation for which the document was prepared has ended. [\[FN15\]](#) In *In re Grand Jury Proceedings*, 43 F.3d 966 (5<sup>th</sup> Cir.1994), the Fifth Circuit observed:

[FN15.](#) See *In re Grand Jury Proceedings*, 43 F.3d 966, 971 (5<sup>th</sup> Cir.1994) (noting that neither [Rule 26](#) nor its well-spring (*Hickman*) place any temporal constraints on the privilege).

The emerging majority view among the circuits which have struggled with the issue thus far seems to be that the work product privilege does not extend to subsequent litigation. One circuit, the Third Circuit, appears to extend the work product privilege only to "closely related" subsequent litigation. *In re Grand Jury Proceedings*, 604 F.2d 798, 803-04 (3<sup>rd</sup> Cir.1979). A broader view, exemplified by the Fourth and Eighth Circuits, is that the privilege extends to all subsequent litigation, related or not.

*Id.* at 971 (agreeing that the privilege extends to subsequent litigation but finding no need to choose between the two views since the subsequent litigation was "closely related" to the first).

The law is settled that "excluded from work product doctrine are materials assembled in the ordinary course of business, or pursuant to public requirements unrelated to litigation." *United States v. El Paso Co.*, 682 F.3d 530, 542 (5<sup>th</sup> Cir.1982) (citing [Rule 26\(b\)\(3\)](#) advisory committee notes)).

Factors that courts rely on to determine the primary motivation for the creation of a document include the retention of counsel, his involvement in the generation of the document and whether it was routine practice to prepare that type of document or whether the document was instead prepared in response to a particular circumstance. If the document would have been created regardless of whether the litigation was also expected to ensue,

the document is deemed to be created in the ordinary course of business and not in anticipation of litigation.

\*7 *Piatkowski v. Abdon Callais Offshore, LLC*, 2000 WL 1145825, at \*2 (E.D.La. Aug. 11, 2000).

"If a party or its attorney prepares a document in the ordinary course of business, it will not be protected from discovery even if the party is aware that the document may also be useful in the event of litigation." *Naquin v.. Unocal Corp.*, 2002 WL 1837838 \*7 (E.D.La. Aug. 12, 2002) (internal quotation marks omitted). The party seeking protection from discovery bears the burden of showing that the disputed documents are work-product. [\[FN16\]](#)

[FN16.](#) *Id.* at \*6 (citing *Guzzino v. Felterman*, 174 F.R.D. 59, 63 (W.D.La.1997) (Tynes, M. J.); *Hodges, Grant & Kaufmann v. United States*, 768 F.2d 719, 721 (5<sup>th</sup> Cir.1985)).

The work product doctrine protects two categories of materials prepared in anticipation of litigation, fact and opinion work product. To obtain fact or ordinary work-product, a party seeking discovery of such material must make a showing of "substantial need ." [Fed R Civ P 26\(b\)\(3\)](#). However, absent a showing of compelling need and the inability to discover the substantial equivalent by other means, work product evidencing mental impressions of counsel, conclusions, opinions and legal theories of an attorney are not discoverable. [\[FN17\]](#) Indeed, opposing counsel may rarely, if ever, use discovery mechanisms to obtain the research, analysis of legal theories, mental impressions, and notes of an attorney acting on behalf of his client in anticipation of litigation. [\[FN18\]](#) The burden of establishing that materials determined to be attorney-work product should be disclosed is on the party seeking production. [\[FN19\]](#)

[FN17.](#) See *Conkling v. Turner*, 883 F.2d 431, 434-35 (5<sup>th</sup> Cir.1989); *In Re Grand Jury Proceedings*, 219 F.3d 175, 190 (2<sup>nd</sup> Cir.2000); *Varel v. Banc One Capitol Partners, Inc.*, 1997 WL 86457 (N. D.Tex.) (Boyle M. J.).

[FN18.](#) See *Dunn v. State Farm Fire & Casualty Co.*, 927 F.2d 869, 875 (5<sup>th</sup> Cir.1991); *Hodges, Grant & Kaufmann v. United States*, 768 F.2d 719, 721 (5<sup>th</sup> Cir.1985).

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[FN19. Hedges, 768 F.2d at 721.](#)

## 2. ATTORNEY CLIENT PRIVILEGE

Federal courts look to various sources, including time-honored Wigmore formulation setting forth the various elements of the privilege, to wit: "(1) Where legal advice of any kind is sought (2) from a professional legal adviser in his capacity as such, (3) the communications relating to that purpose, (4) made in confidence (5) by the client, (6) are at his instance permanently protected (7) from disclosure by himself or by the legal adviser, (8) unless waived." [\[FN20\]](#) Relying on the Wigmore standard, Judge Alvin B Rubin observed:

[FN20. Naquin v. Unocal, 2002 WL 1837838, \\*2 \(E.D.La.\)](#) (Wilkinson, M.J.) (quoting, 8 J. Wigmore, *Evidence* § 2292m at 554 (McNaughton rev.1961)).

The oldest of the privileges for confidential communications, the attorney-client privilege protects communications made in confidence by a client to his lawyer for the purpose of obtaining legal advice. The privilege also protects communications from the lawyer to his client, at least if they would tend to disclose the confidential communications. [\[FN21\]](#)

[FN21. Hedges, Grant & Kaufmann v. United States, 768 F.2d 719, 720-21 \(5th Cir.1985\).](#)

The burden of establishing the existence of an attorney-client privilege, in all of its elements, rests with the party asserting it. Although this oldest and most venerated of the common law privileges of confidential communications serves important interests in the federal judicial system, [\[FN22\]](#) it is not absolute and is subject to several exceptions. [\[FN23\]](#) These exceptions also apply in the context of work-product immunity, and thus, waiver is discussed under that separate heading below.

[FN22. United States v. Edwin Edwards, 303 F.3d 606, 618 \(5th Cir.2002\)](#) (citing *Upjohn Co. v. United States*, 449 U.S. 383, 389 (1981)).

[FN23. Id.](#)

## 3. WAIVER OF PRIVILEGE

Federal law applicable to waiver of attorney client

privilege provides that disclosure of any significant portion of a confidential communication waives the privilege as to the whole. [\[FN24\]](#) Waiver of the privilege in an attorney-client communication extends to all other communications relating to the same subject matter. [In re Pabst Licensing, GmbH Patent Litigation, 2001 WL 1135465, at \\*4 \(E.D.La. Sept. 24, 2001\).](#)

[FN24. See also Nguyen v. Excel Corp., 197 F.3d 200, 207 \(5th Cir.1999\); Alldread v. City of Grenada, 988 F.2d 1425, 1434 \(5th Cir.1993\)](#) ("Patently, a voluntary disclosure of information which is inconsistent with the confidential nature of the attorney-client relationship waives the privilege.").

\*8 Applying federal law, the Fifth Circuit in *Conkling v. Turner*, 883 F.3d 431 (5th Cir.1989) held that the plaintiff waived the attorney-client privilege and work product protection as to the issue of his own knowledge where the plaintiff had "injected [the issue] into [the] litigation. *Id.* at 435. The Fifth Circuit in *Conkling* further observed:

The attorney-client privilege was intended as a shield, not a sword. When confidential communications are made a material issue in a judicial proceeding, fairness demands treating the defense as a waiver of privilege. The great weight of authority holds that the attorney-client privilege is waived when a litigant places information protected by it in issue through some affirmative act for his own benefit, and to allow the privilege to protect against disclosure of such information would be manifestly unfair to the opposing party. [Conkling, 883 F.2d at 434](#) (citations and inner quotation marks omitted). [\[FN25\]](#)

[FN25. The Second Circuit in United States v. Blizerian, 926 F.2d 1285 \(2nd Cir.1991\)](#) similarly recognized that implied waiver may be found where the privilege holder "asserts a claim that in fairness requires examination of protected communications. *Id. at 1292.* Fairness considerations arise where the party attempts to use the privilege both as a sword and a shield, the quintessential example being the defendant, who asserts an advice-of-counsel defense and is thereby deemed to have waived the privilege as to the advice he received. *Id.*; see also *In re Grand Jury Proceedings*, 219 F.3d at 182.

However, in light of the distinctive purpose

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underlying the work product doctrine, a general subject-matter waiver of work-product immunity is warranted only when the facts relevant to a narrow issue are in dispute and have been disclosed in such a way that it would be unfair to deny the other party access to facts relevant to the same subject matter. "[C]ourts have recognized subject-matter waiver of work-product in instances where a party deliberately disclosed work product in order to gain a tactical advantage and in instances where a party made testimonial use of work-product and then attempted to invoke the work-product doctrine to avoid cross-examination." [\[FN26\]](#)

[FN26.](#) See [Varel v. Banc One Capital Partners, Inc.](#), 1997 WL 86457 \*3 (N.D.Tex.) (citing [United States v. Nobles](#), 422 U.S. 225, 228 (1975) and [In re United Mine Workers](#), 159 F.R.D. 307, 310-12 (D.C.Cir.1994)).

Another exception to both the attorney-client privilege and work product immunity is the crime-fraud exception. [\[FN27\]](#) Essentially, communications made by a client to his attorney during or before the commission of a crime or fraud for the purpose of being guided or assisted in its commission are not privileged. [\[FN28\]](#) The privilege may be overcome "where the communication or work product is intended to further criminal or fraudulent activity." [\[FN29\]](#) The proponent of the otherwise privileged evidence has the burden of establishing a *prima facie* case that the attorney-client relationship was intended to further criminal or fraudulent activity and the focus is on the client's purpose in seeking legal advice. [\[FN30\]](#) Although the pleadings in a case may be unusually detailed, as they are in the instant case, the pleadings are not evidence. Bare *allegations* will not supply the *prima facie* predicate necessary to invoke the crime-fraud exception to the attorney client and work-product privileges. See [In re International Systems and Control Corporations Securities Litigation](#), 693 F.2d 1235, 1242 (5<sup>th</sup> Cir.1982). [\[FN31\]](#) The courts have evolved a two element test for the requisite *prima facie* predicate, to wit:

[FN27.](#) "The crime/fraud exception recognizes that because the client has no legitimate interest in seeking legal advice in planning future criminal activities, ... society had no interest in facilitating such communications," and thus "demonstrates the policy: persons should be free to consult their attorney for legitimate purposes." [In re](#)

[Burlington Northern](#), 822 F.2d 518, 524 (5<sup>th</sup> Cir.1987) (citing [In re International Systems & Control Corporation Securities Litigation](#), 693 F.2d 1235, 1242 (5<sup>th</sup> Cir.1982)) (inner quotation marks omitted).

[FN28.](#) [Garner v. Wolfinbarger](#), 430 F.2d 1093, 1102 (5<sup>th</sup> Cir.1970).

[FN29.](#) [Edwards](#), 303 F.3d at 618 (quoting [United States v. Dyer](#), 722 F.2d 174, 177 (5<sup>th</sup> Cir.1983)) (internal quotation marks omitted). In the *Edwards* case, the government was the proponent of information sought that was otherwise covered by the attorney-client privilege. The government carried its burden by establishing a *prima facie* case that Cecil Brown was using his lawyer's services to cover up crimes related to his extortion of LRG/NORC which involved payments made to Brown in exchange for his guarantee of obtaining river boat gambling licenses for the aforesaid organization *Id.*

[FN30.](#) [Edwards](#), 303 F.3d at 618.

[FN31.](#) See also Minute Entry Order dated May 30, 2002 (citing [In re International Sys. & Controls Corp. Sec. Litigation](#), *supra*, observing that Southern Scrap presents only allegations in support of its effort to breach the walls of the subject privileges, and holding that its position has been specifically rejected by Fifth Circuit precedent) [Rec. Doc. # 90].

First, there must be a *prima facie* showing of a violation sufficiently serious to defeat the work product privilege. Second, the court must find some valid relationship between the work product under subpoena and the *prima facie* violation.

\*[9 Id.](#)

Bearing all these basic principles in mind, the Court will examine the challenged documents submitted for *in camera* inspection.

#### IV. ANALYSIS

##### 1. SOUTHERN SCRAP'S DOCUMENTS

###### A. Audit Letters

The plaintiff corporations have carried their burden

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of proof of demonstrating their privilege claim. In this case, the work product doctrine clearly applies to the audit letters (tabs 1-4) prepared and sent by Michael Meyer, counsel for Southern Scrap, to Deloitte & Touche and Price Waterhouse ("Deloitte & Touche").[\[FN32\]](#) The documents were generated at the request of general counsel for Southern Scrap and set forth a summary of all ongoing litigation, as well as counsel's mental impressions, opinions, and litigation strategy. The comments of the court in *Tronitech, Inc. v. NCR Corporation*, 108 F.R.D. 655, 656 (S.D.Ind.1985) are on point, to wit:

[FN32.](#) Because the work-product doctrine applies in the case of documents submitted for *in camera* review by Southern Scrap, the Court will not address the issue of whether the attorney-client privilege or some other privilege is applicable.

An audit letter is not prepared in the ordinary course of business but rather arises only in the event of litigation. It is prepared because of the litigation, and it is comprised of the sum total of the attorney's conclusions and legal theories concerning that litigation. Consequently, it should be protected by the work product privilege.

*Id.*

The audit letters were not prepared by or at the direction of Deloitte & Touche. Instead, the letters were prepared by outside counsel at the request of Southern Scrap's general counsel with an eye toward litigation then ongoing. Clearly, the audit letters in this case are not accountant work-product. Instead, they are attorney work product of the opinion/mental impression/litigation strategy genre. Moreover, Southern Scrap is a closely-held corporation, and thus any report was to be made to its Board and not to the public.

More than once, the Fifth Circuit has held that the mere voluntary disclosure of work-product to a third person is insufficient in itself to waive the work product privilege.[\[FN33\]](#) This is not one of those cases where a party deliberately disclosed work-product in order to obtain a tactical advantage or where a party made testimonial use of work-product and then attempted to invoke the work-product doctrine to avoid cross-examination.[\[FN34\]](#)

[FN33.](#) See *In re Grand Jury Proceedings*, 43 F.3d 966, 970 (5<sup>th</sup> Cir.1994); *Shields v. Sturm, Ruger & Co.*, 864 F.2d 379, 382 (5<sup>th</sup> Cir.1989); see also *Varel v. Banc One*

[Capital Partners, Inc., 1997 WL 86457 \\*2 \(N. D.Tex.\).](#)

[FN34.](#) Cf. *United States v. Nobles*, 422 U.S. 225, 228 (1975); *In re Mine Workers of American Employee Benefit Plans Litigation*, 159 F.R.D.307, 310-12 (D.C.Cir.1994).

Considering that the plaintiffs have amended their complaint in pertinent part, deleting its allegations blaming the attorney defendants for the destruction of their business, defendants cannot now argue placing-at-issue waiver. Concomitantly, the defendants have failed to make the requisite showing of compelling need Absent that showing, the audit letters are not discoverable because the letters consist almost entirely of opinion work product, mental impressions and litigation strategies of the plaintiffs' counsel. Moreover, Michael Meyer is listed as a witness and available for deposition, and thus, the substantial equivalent is available through other methods of discovery.[\[FN35\]](#) The Fifth Circuit has held that the cost of one or even a few depositions is not sufficient to justify discovery of work product. Moreover, with the exception of the *Edwards* litigation, the lawsuits addressed by the audit letters are totally irrelevant to the underlying litigation or claims and defenses made in the RICO complaint, are similarly unlikely to lead to the discovery of relevant and are admissible evidence.

[FN35.](#) *United States v. Medica-Rents Co., 2002 WL 1483085 (N. D.Tex.)* (Means, J) (noting disclosure to a co-party does not result in waiver of the work-product doctrine and, that in any event, the information contained in the documents could have been readily obtainable through other means).

## B. The Becnel Letters

\*10 The Becnel letters are located at tabs 5 through 22 of Southern Scrap's binder submitted for *in camera* inspection. These letters consist of communications by and between various Southern Scrap attorney's, one of them is Daniel Becnel. Southern Scrap notes that Becnel argued a *Dauber* t motion on its behalf in the underlying *Houston* litigation. Plaintiffs correctly note the fallacy in the defendants' argument that materials sent or disclosed to Becnel (a non-party) are not privileged. The Becnel letters listed below are aptly characterized as attorney work-product in that they set forth opinions, strategies, legal theories, and mental impressions of

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counsel, and thus are not subject to disclosure absent a showing of compelling need and the inability to obtain the information elsewhere.

As in the case of the audit letters, Southern Scrap has not waived the privilege by disclosure to a third party or by "placing at issue" the information. Becnel is one of many attorneys, who represent the plaintiff scrap metal companies in the underlying litigation. Daniel Becnel is listed as a witness and will be made available for deposition to speak to the issue of the *Houston* litigation, *inter alia*. Moreover, the defendants have failed to show either compelling [FN36] or even substantial need. [FN37]

[FN36](#). Although opinion work product, that which conveys the mental impressions, conclusions, opinions, strategies, or legal theories of an attorney has been accorded almost absolute protection by some courts, it may nevertheless become discoverable when mental impressions are at issue in a case. However, the requisite showing is one of compelling need. [Conoco, Inc. v. Boh Bros. Construction Co., 191 F.R.D. 107, 118 \(W.D.La.1998\)](#) (citing [In re International Systems, 693 F.2d at 1242](#)).

[FN37](#). The party seeking production of documents otherwise protected by the work product doctrine bears the burden of establishing that the materials should be disclosed. *Id.* (citing [Hedges, 768 F.2d at 721](#)).

#### Becnel Letters [FN38]

[FN38](#). Unless previously produced, fax cover sheets which bear no confidential communications, mental impressions or opinions must be produced as they contain no protected data. See [American Medical Systems, Inc., 1999 WL 970341 \\*4 \(E.D.La.\); Dixie Mill Supply Co., Inc., 168 F.R.D. at 559 \(E.D.La.1996\)](#).

Tab 5 Fax Cover Letter from Jack Allmont (counsel/partner Sessions) to Brandt Lorio (in house counsel Southern Scrap), Daniel E. Becnel, Jr. (counsel/Southern Scrap), Rick Sarver (counsel/partner Stone Pigman), and Michael Meyer (counsel/Southern Scrap) regarding the *Houston* case and containing counsel's mental impressions and litigation strategy.

Tab 6 Fax Letter from Matthew A. Ehrlicher (General Counsel) to Daniel Becnel (Counsel/Southern Scrap), Rick Sarver, Michael Meyer and Jack Allmont (Counsel/Southern Scrap) regarding *Houston* case strategy and mental impressions about upcoming work to be done

Tab 7 Fax Letter from Jack Allmont to Matthew Ehrlicher (General Counsel), Daniel E. Becnel, Jr., Rick Sarver, and Michael Meyer (Counsel/Southern Scrap), regarding *Houston* case and enclosing draft motion, and discussing legal strategy, legal theory, and mental impressions of counsel.

Tab 8. Fax Letter from Michael Meyer to Daniel Becnel, copied to counsel for Southern Scrap, Ned Diefenthal, Matthew Ehrlicher, Jack Allmont, and Richard Sarver regarding upcoming hearing in the *Houston* case, stating mental impressions and strategy.

Tab 9 Fax Letter from Jack Allmont to Southern Scrap counsel, Matthew EHRLICHER, Daniel Becnel, Rick Sarver and Michael Meyer regarding *Houston* case, discussing correspondence from Jack Kemp, strategy and mental impressions.

Tab 10 Fax Letter from Jack Allmont to Southern Scrap counsel, Matthew EHRLICHER, Daniel Becnel, Rick Sarver and Michael Meyer regarding *Houston* case, discussing conversation with from Jack Kemp, strategy and mental impressions.

\*11 Tab 11 Fax Letter from Rick Sarver to Southern Scrap counsel, Matthew EHRLICHER, Daniel Becnel, and Jack Allmont regarding *Houston* case, discussing strategy and giving mental impressions.

Tab 12 Fax Correspondence from Jack Allmont to Southern Scrap counsel Brandt Lorio, Daniel Becnel, Rick Sarver, and Michael Meyer enclosing the judgment from Judge Ramsey dismissing the *Houston* case and May 16, 2001 letter from John Lambremont to Judge Ramsey and contains mental impression and strategy of counsel regarding that case.

Tab 13 A duplicate of the fax correspondence contained in the binder at Tab 5.

Tab 14 Fax Letter from Jack Allmont to Southern Scrap counsel, Matthew Ehrlicher, Daniel Becnel, Rick Sarver and Michael Meyer regarding the *Houston* case enclosing a draft motion for summary judgment, and discussing legal theory, strategy and

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mental impressions of counsel.

Tab 15 Duplicate of the document discussed at Tab 7 but includes 4 fax transmittal sheets.

Tab 16 Duplicate of the document discussed at Tab 10 but includes 2 fax transmittal sheets and I transmission report.

Tab 17 Duplicate of the document discussed at Tab 11 but includes fax transmittal sheet.

Tab 18 Fax Letter from Jack Allmont to Southern Scrap Counsel, Matthew Ehrlicher, Daniel Becnel, Rick Sarver and Michael Meyer regarding the *Houston* case, enclosing draft letter showing mental impressions of counsel and includes fax cover sheets and confirmation.

Tab 19 Duplicate of the document discussed at Tab 9, with letter from Bruce Kemp attached, and letter from Allmont to Kemp also attached.

Tab 20 Duplicate of documents discussed at Tabs 10 and 16, but also contains handwritten attorneys' notes, and thus, not discoverable.

Tab 21 Fax transmission from Rick Sarver to Daniel Becnel regarding Houston case and outlining oral argument in that case and containing mental impressions of counsel and strategy for the hearing.

Tab 22 Duplicate of the document discussed at Tabs 7 and 15 but with the draft motion attached, with attorney's notes on the face of the document.

## 2. DEFENDANTS' PRIVILEGE LOG ENTRIES

Prior to addressing the individual categories of documents challenged by Southern Scrap, the Court will resolve the plaintiffs' claim of "placing-at-issue" waiver in the context of this particular case, to wit: whether by denying the allegation of the existence of an "association-in-fact" (RICO) enterprise, the defendant attorneys have placed-at-issue ordinary and opinion attorney work-product in the underlying state litigation. For reasons set forth below, the Court answers this question in the negative.

This precise issue was addressed by the Fifth Circuit in *In re Burlington Northern Inc.*, 822 F.2d 518 (5<sup>th</sup> Cir.1987). The *In re Burlington* case, involved the plaintiffs antitrust claim against defendant railroads which allegedly conspired to prevent the construction of a coal slurry pipeline, and did so by filing and

defending various lawsuits. [FN39] The plaintiff ETSI sought discovery of documents relating to those underlying lawsuits and the railroads resisted discovery on the grounds of attorney-client and work product privileges. The Fifth Circuit observed:

FN39. ETSI claimed that the defendant railroads unlawfully conspired to prevent, delay or make more expensive the pipeline's construction, because they were afraid of losing business to the pipeline ETSI was attempting to build from Wyoming to Arkansas. The railroads allegedly engaged in sham administrative and judicial challenges to ETSI in its attempts to secure crossing rights, water rights, *inter alia*, until ETSI abandoned the pipeline project in 1984. *In re Burlington*, 822 F.2d 518, 520 (5<sup>th</sup> Cir.1987).

\*12 It (ETSI) argues that an antitrust defendant who relies on *Noerr-Pennington* bears the burden of proving the genuineness of his petitioning activities, and, having thus injected his good faith into the case, waives any privilege to documents bearing on that issue. We disagree.

We cannot accept the proposition that a defendant in an antitrust suit who relies on the protection afforded by *Noerr-Pennington* necessarily gives up the right to keep his communications with his attorney confidential. Such a rule certainly cannot be justified on the basis of waiver. This is not a case where a party has asserted a claim or defense that explicitly relies on the existence or absence of the very communications for which he claims a privilege. See, e.g. *United States v. Woodall*, 438 F.2d 1317, 1324-26 (5<sup>th</sup> Cir.1970), cert. denied, 403 U.S. 933 (1971). A defendant who relies on *Noerr-Pennington* merely denies the existence of an anti-trust violation. Cf. *Areeda*, at 4 (The "doctrine is in part an 'exception' or 'immunity' from normal antitrust principles ... but it principally reflects the absence of any antitrust violation to start with."). Accordingly, a plaintiff attempting to make an antitrust case based on conduct that involves lobbying or litigation bears the burden to show that such activity is not protected petitioning but a sham. *Coastal States*, 694 F.2d at 1372 n. 46; *Mohammad*, 586 F.2d 543. We do not see how it can be said that the railroads waived their privilege when it is ETSI who filed this lawsuit and who seeks to rely on attorney/client communications and work product to prove its claim.

*In re Burlington*, 822 F.2d at 533. The Fifth Circuit explained:

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*Noerr-Pennington* is based on principles that individuals have a right to petition the government and that government has a need for the information provided by such petitioning. As we noted earlier in this opinion, the protection afforded by the attorney/client privilege furthers these principles. Under the rule ETSI suggests, whenever a competitor files a lawsuit alleging that some earlier petitioning was a sham and the defendant denies the allegation, the defendant would lose his privilege. This result would be inconsistent with both *Noerr-Pennington* and the attorney/client privilege. Attorney/client documents may be quite helpful in making out a claim of sham, but this is not a sufficient basis for abrogating the privilege.

*Id.* The Fifth Circuit concluded that *Noerr-Pennington* requires a *prima facie* finding that the particular litigation was a sham to warrant discovery of documents initially protected by the attorney/client privilege or work product immunity. *Id.* In *In re Burlington, supra*, the Fifth Circuit determined that the district court acted improperly in granting ETSI's motion to compel discovery without making the proper predicate factual determination that the individual petitioning activities in which the defendant railroads were engaged were sham lawsuits. *Id.* at 534. However, once a *prima facie* showing is made demonstrating that the underlying litigation is a sham, "then at that moment the attorney/client and work product privileges evaporate" and will not serve "to shield such dramatic evidence from the finder of fact." *Id.* at 534.

\*13 Notwithstanding the foregoing, Southern Scrap contends that the documents withheld by the various defendant attorneys do not constitute work product. Additionally, and in the event that the Court disagrees with their position, Southern Scrap argues that it has made the requisite showing necessary to obtain discovery of ordinary work-product, i.e., substantial need and the inability to obtain the substantial equivalent elsewhere. The Court hereinafter addresses the challenged documents categorically as did Southern Scrap in its Memorandum challenging the defendant attorneys various privilege log entries. See Plaintiffs' Challenges to the Defendants' Various Privilege Log

Entries [Rec. Doc. # 194].

#### A. Documents Evidencing Business Relations, Including Fee Splitting Agreements Joint Representation Agreement, Business Development Plans

Information relating to billing, contingency fee contracts, fee-splitting arrangements, hourly rates, hours spent by attorneys working on litigation, and payment of attorney's fees does not fall within the attorney-client or the work product privilege. [\[FN40\]](#) Moreover, the work product doctrine does not protect documents and materials assembled in the ordinary course of business. These documents do not concern the client's litigation, but rather concern a business agreement to split fees by and between the defendant attorneys and their respective law firms regarding extant business and other business which may be developed.

[FN40.](#) See *In re Central Gulf Lines, 2001 WL 30675 \* 2 (E.D.La.)* (Livaudais, J.)

(noting that transmittal letters, letters sent for review by both legal and non-legal staff, investigation documents containing factual information regarding the result of the investigation and business recommendations, but not as a legal service or to render a legal opinion, or client fee arrangements are *not protected by privilege*); *Toniti Properties v. The Sherwin-Williams Company, 2000 WL 506015 (E.D.La.); C.J. Calamia Construction Co., Inc. v. Ardco/Traverse Lift Co., LLC, 1998 WL 395130 \*2 (E.D.La.)* (Clement, J.) (noting that billing statements and records which simply reveal the amount of time spent, the amount billed, and the type of fee arrangement are fully subject to discovery and, similarly, the purpose for which an attorney was retained and the steps taken by the attorney in discharging his obligations are not privileged).

#### (1) Frederick Stolzle Privilege Log

Number 11: Confidentiality Agreement dated July 14, 1995

Not  
Privileged

Number 12: Joint Representation Arrangement dated July 24, 1995

Not  
Privileged

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Number 13: Fee Arrangement dated July 24, 1995	Not Privileged
Number 39: Business Offer dated January 25, 2001	Not Privileged
Number 40: Discussing Litigation Management dated 1-25-01 sets forth mental impressions regarding various suits against Southern Scrap. There is no showing of compelling need. The information is otherwise available via deposition of Frank Dudenhefer	Work Product
Number 41: Discussing Fee Potential dated 4-4-97	Not Privileged
Number 42: Fee Contracts by and between Counsel  Various Fee Splitting Arrangements dated October 4, 1995 and October 5, 1999	Not Privileged
Number 48: Fee Sharing Agreement dated 2-20-96	Not Privileged
Number 49: Confirmation of Fee Sharing Agreement  dated October 11, 1995	Not Privileged
Number 50: Joint Representation Agreement  dated 3-27-95	Not Privileged
Number 69: Fee Agreement and Confidentiality  Agreement dated July 14, 1995 and July 24, 1995	Not Privileged
Number 70: Fee Sharing Agreement Clarification  dated July 20, 1995 and signed August 16, 1995	Not Privileged
Number 71: Letter dated July 24 enclosing  Clarification (same as Number 70)	Not Privileged
Number 75: 8-5-95 Handwritten Draft Addendum to  Joint Representation Agreement	Not Privileged

## (2) John B. Lambremont Sr.'s Privilege Log

Bates 88316-88317: Letter from Bruce Kemp dated July 15, 1999 Not Privileged  
No. 7 in Lambremont Binder

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Bates 27657-27658:	Correspondence between co-counsel No. 18 not in Lambremont binder	Not Produced in camera
Bates: 27659-27661:	Correspondence between co-counsel No. 19 not in Lambremont binder	Not Produced in camera

**(3) Ken Stewart Privilege Log**

Number 1:	7-24-96 Memorandum between counsel  Plaintiff's strategy regarding tests for Edwards case [previously Item Number 78].	Work Product
Number 10:	Case investigation and analysis of of the levels of elements [previously Item Number 11]	Underlying Factual Data Not Privileged
Number 14:	7-18-99 Article--Oulfport Explosion plaintiff strategy [previously Item Number 31]	Underlying Factual Data Not Privileged 41
Number 76	1995 Memorandum Discussing Case Strategy and information regarding Banks and Curry clients [previously Item Number 261]	Work Product
Number 252:	10-30-95 unidentified handwritten notes not included for in camera review in new privilege log listing 80 documents for in camera review	Not Produced in camera
Number 260	11-16-95 Letter Discussing Case Strategy enclosing lists to correct errors and discrepancies	Not Produced in camera

FN41. Privilege log item number 14 consists of a copy of a newspaper article which appeared in the Baton Rouge Advocate regarding the toxic tort suit against Southern Scrap. The article consists of non-protected factual information, and thus, must be produced. The mere fact that an attorney is copied with an newspaper article or document does not mean that the underlying data or that the document itself is privileged. See United States v. Davis, 636 F.2d 1028, 1040-41 (5<sup>th</sup> Cir.1981) (unprivileged documents are not rendered privileged by depositing them with an attorney); Robinson v. Automobile Dealers Association, 2003 WL 1787352 \*2 (E.D.Tex).

**(4) Fleming Group Privilege Log**

Bates 8018	7/24/95 Clarification regarding Joint Representation	Not Privileged
Bates 7847-48	10/11/95 Fee Splitting Agreement	Not Privileged

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Bates 6513-14	8/11/99 Revised Fee Arrangement instructions regarding litigations handling mental impressions of counsel	Work Product
Bates 5704	same as Lambremont 88316-88317	Not Privileged
Bates 5690-91	9/13/99 Letter Regarding Case Expenditures, Division of Work	Not Privileged
Bates 5688-89	9/14/99 Letter Invoice and Notice of Breach of Agreement	Not Privileged
Bates 3688	9/3/99 Fax re Case Handling	Work Product
Bates 3677-78	10-10-99 Fax re redoing fee arrangement payment of case expenses	Not Privileged
Bates 3273-74	8-11-99 Letter same as Bates 6513-14	Work Product
Bates 3264-67	10-11-99 Letter Requesting Execution of New Fee Arrangement	Not Privileged
Bates 900-02	12-8-97 Fee Arrangement	Not Privileged
Bates 625-31	8-15-96 Letter regarding legal strategy mental impressions of counsel	Work Product
Bates 583-85	1-9-96 Proposed Fee Arrangement regarding unrelated case not involving Southern Scrap	Not Privileged
Bates 294	undated statement of wages and withholding regarding unidentified individual with matching	Not Privileged
Bates 273-75	August 16, 1995 Clarification July 20, 1995 Letter Fee Agreement same as Stolze No. 70	Not Privileged

**B. Articles, Photographs, Maps and Videos**

\*14 As previously noted the work-product doctrine shields materials prepared by or for an attorney in preparation for litigation. *Blockbuster Entertainment Corp. v. McComb Video, Inc.*, 145 F.R.D. 402, 403 (M.D.La.1992). It protects two categories of materials: ordinary work-product and opinion work product. See *Upjohn Co. v. U.S.*, 449 U.S. 383, 400-02 (1981). The doctrine is not an umbrella affording protection to all materials prepared by a lawyer or an agent of the client. The law of the Fifth Circuit is that "as long as the primary motivating purpose behind the creation of the document was to aid in potential future litigation," the work-product privilege is implicated. See *In re Kaiser Aluminum and*

*Chemical Co., 214 F.3d 586, 593 (5<sup>th</sup> Cir.2000)*. However, if the materials were assembled or came into being in the ordinary course of business, work-product protection does not reach that far. See *United States v. El Paso Company*, 682 F.2d 530 (5<sup>th</sup> Cir.1982), cert. denied, 466 U.S. 944 (1984); *Beal v. Treasure Chest Casino*, 1999 WL 461970, \*3 (E.D.La. July 1, 1999). Moreover, it does not extend to underlying facts relevant to the litigation. See *Upjohn*, 449 U.S. at 395-96. The burden of showing that documents were prepared in anticipation of litigation, and therefore, constitute work-product, falls on the party seeking to protect the documents from discovery. *St. James Stevedoring Co., Inc. v. Femco Machine Co.*, 173 F.R.D. 431, 432 (E.D.La.1997). The Court now turns to the documents and items listed on

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defendants' privilege logs to determine whether they are shielded from discovery pursuant to either the work-product or the attorney-client privilege.

(1) Frederick Stoltzle Privilege Log No. 23--Photographs and Exhibit Video:

Defendant Stoltzle argues that the surveillance video and photographs are privileged under the work product doctrine and can only be produced upon a showing of "substantial need" and "undue hardship." The video tape and photographs at issue are clearly work product, having been gathered in anticipation of litigation, *i.e.*, *Banks, et al, inter alia*.

Courts have expressed a diversity of views as to how to resolve the issue presented.[\[FN42\]](#) However, there is a common thread running through all of the jurisprudence, *i.e.*, surveillance can be a very important aspect of the party's case. The issue surfaces most often in the plaintiff-personal injury scenario; usually, it involves the defendant's surveillance of the plaintiff which tends to discredit the plaintiff's description of his or her injuries. Obviously, such surveillance evidence gathered in anticipation of litigation is generally protected as work product.

[\[FN42\].](#) See, e.g., *Chaisson v. Zapata Gulf Marine Corp.*, 988 F.2d 513, reh'<sup>g</sup> denied & opinion clarified, 3 F.3d 123 (5<sup>th</sup> Cir.1993); *Menges v. Cliffs Drilling Company*, 2000 WL 765083 (Vance, J.) (noting the seminal case in the Fifth Circuit is Chaisson, *supra*); *Fortier v. State Farm Mutual Automobile Insurance Co.*, 2000 WL 1059772 (E.D.La.) (Vance, J.); *Innovative Therapy Products, Inc. v. Roe*, 1998 WL 293995 (E.D.La.) (Wilkinson, J.); *Martino v. Baker*, 179 F.R.D. 588, 590 (D.Colo.1998) (balancing conflicting interests of parties best achieved by requiring the production of surveillance tapes); *Ward v. CSX Transportation, Inc.*, 161 F.R.D. 38, 41 (E.D. N.C.1995) (noting that allowing discovery of surveillance materials prior to trial is consistent with the discovery rules in avoiding unfair surprise at trial); *Wegener v. Cliff Viessman, Inc.*, 153 F.R.D. 154, 159 (N. D.Iowa 1994) (disclosure of surveillance materials is consistent with broad discovery and the notion of trial as a "fair contest"); *Boyle v. CSX Transportation, Inc.*, 142 F.R.D. 435, 437 (S.D.W.Va.1992).

In *Chaisson v. Zapata Gulf Marine Corp.*, 988 F.2d 513, 517 (5<sup>th</sup> Cir.1993), the Fifth Circuit addressed the discoverability of videotape surveillance. The court held

that, regardless of whether the surveillance video has impeachment value, it must be disclosed prior to trial if it is at all substantive evidence [\[FN43\]](#) as opposed to solely "impeachment evidence." *Id. at 517-18.* [\[FN44\]](#)

[\[FN43\].](#) The *Chaisson* court defined substantive evidence as "that which is offered to establish the truth of the matter to be determined by the trier of fact." *Chaisson*, 988 F.2d at 517.

[\[FN44\].](#) In addition to *Chaisson, supra*, numerous other courts have considered the discoverability of surveillance tapes, which are intended for use at trial, and, almost uniformly, these courts have held that evidentiary films or videotapes must be provided to the opposing party prior to trial. *E.g.*, *Forbes v. Hawaiian Tug & Barge Corp.*, 125 F.R.D. 505, 507-08 (D. Hawaii 1989); *Snead v. American Export-Isbrandtsen Lines, Inc.*, 59 F.R.D. 148, 150-51 (E.D.Pa.1973).

\*15 Having reviewed the video tape and photographic surveillance (*i.e.*, the defendants' trial exhibits in the underlying litigation), the Court finds that the films, whether photograph or video, are of a substantive nature. More specifically, they may be used to either prove or disprove the plaintiffs' allegations in the underlying state court toxic tort litigation regarding the condition of Southern Scrap's facilities and the various operations conducted and materials stored upon or moved about the premises. Likewise, they may aid in either proving Southern Scrap's allegations or the defendants' affirmative defenses in the captioned RICO litigation. The thrust of Southern Scrap's claims herein is that the defendants made a concerted effort to prosecute baseless and frivolous claims against Southern Scrap for the purpose of extorting settlement funds in the underlying state court litigation. Because the subject video tapes and photographic materials are substantive in nature, and the same are not otherwise available to Southern Scrap, [\[FN45\]](#) under *Chaisson*, these items are discoverable.

[\[FN45\].](#) Surveillance evidence, available only from the ones who obtained it, fixes information available at a particular time and place under particular circumstances, and therefore, cannot be duplicated. The underlying facts which may be derived from the requested discovery are not freely discoverable. Southern Scrap has propounded interrogatories for the purpose of discovering the very facts which are the subject of the video/photographs to no avail.

(2) John B. Lambremont, Sr.'s Privilege Log

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Lambremont's Bates Numbers 0026979-80: Defendant Lambremont withdrew his objection to production of this document.

Lambremont's Bates Numbers 0026982 and 0026984: For the same reasons discussed above with respect to videotape discovery withheld by the defendant Stolzle, the defendant John Lambremont Sr. must produce this withheld video surveillance.

Lambremont's Bates Numbers 0088517-0088520: Defendant Lambremont agreed to provide a copy of this article which is Bates Stamped No. 0088516.

Lambremont's Bates Numbers 0027198-0027201: Defendant Lambremont notes that he will produce this article *in camera* ordered by the Court and that these are his notes. The Court orders the defendant to produce Bates Numbers 0027198-0027201 to the undersigned Magistrate Judge for *in camera* review, as was done in the case of all other contested documentation withheld by the defendants.

#### (3) Ken Stewart's Privilege Log

Stewart Number 159 on Stewart's previous privilege log (*i.e.*, a letter dated 10-26-95 enclosing an invoice representing all outstanding invoices, etc.), is not included in Stewart's 80 item submission tendered to the undersigned Magistrate Judge for *in camera* review.

#### (4) The Fleming Group's Privilege Log

Fleming Bates Numbers FSS 007883-84, as defense counsel submits, consists of a copy of a newspaper article which appeared in the Baton Rouge Advocate regarding the toxic tort suit against Southern Scrap. The article consists of non-protected factual information, and thus, must be produced. As previously noted, the mere fact that an attorney is copied with a newspaper article or document does not mean that the underlying data or that the document itself is privileged. [\[FN46\]](#) Only confidential communications made with a legal objective are privileged.

[\[FN46\]](#). See [Davis, 636 F.2d at 1040-41 \(5<sup>th</sup> Cir.1981\)](#); [Robinson, 2003 WL 1787352 \\*2 \(E.D.Tex.\)](#).

Fleming Bates Numbers FSS 006792-95 is a fax communication between plaintiff's counsel commenting on faxed newspaper article regarding the settlement of a lawsuit. Mere transmittal or confirmation letters, which do not contain any confidential communications or attorney advice, opinion or mental impressions, are not

protected. [\[FN47\]](#) Whereas, here, the transmittal coversheets contain the opinion and/or mental impressions of counsel, the document is privileged. However, the newspaper article (*i.e.*, non-protected factual information) must be produced.

[\[FN47\]](#). See [American Medical Systems, Inc., 1999 WL 970341 \\*4 \(E.D.La.\); Dixie Mill Supply Co., Inc., 168 F.R.D. at 559 \(E.D.La.1996\).](#)

\*16 Flemings Bates Numbers FSS 001779, FSS 00937-938, FSS 000067-68 and 000046-48 must be produced for the same reasons set forth immediately above in subparagraphs a and b. These newspaper articles (*i.e.*, otherwise unprotected factual documents/data with comments removed, if any, per agreement of counsel) are NOT PRIVILEGED.

#### C. Purely Factual Matters are Discoverable

These documents are comprised of investigative materials, reports and opinions of experts who have been retained (possibly not *testifying experts* ), along with raw data, factual data displays on charts and maps, and other factual records, including but not limited to results of tests conducted on all air, water, soil and attic dust samples taken from various sites in and around Southern Scrap facilities in Baton Rouge and elsewhere in the state of Louisiana. Southern Scrap contends that these factual records, data and/or documentation is fully discoverable.

Defendant Stolzle contends that these documents are protected as attorney work product and that he should not be required to produce copies or disclose the contents. Moreover, the defendant urges the Court to find that unless and until the defendants disclose the names of their *testifying experts*, which disclosure is not due until July 9, 2003, these individuals should not be treated as "experts" in this RICO case at all. Stolzle notes generally that some of these experts may have or eventually will render opinions on issues pertinent to the underlying state court litigation; however, in this proceeding these individuals are presently only potential fact witnesses. Finally, defendant argues that *via* discovery in the instant federal RICO lawsuit, Southern Scrap is attempting to circumvent Louisiana's scope of discovery regarding experts as set forth in [article 1424 of the Louisiana Code of Civil Procedure](#), which proscribes ordering the production or inspection of any part of a writing that reflects the mental impressions, conclusions, opinions, or theories of an attorney or an expert. See [La.Code Civ. P. art. 1424](#). Stolzle contends that Southern Scrap is using this Court as a tool in its quest for production of documents and material otherwise unobtainable in the underlying *pending* state court litigation.

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Southern Scrap counters that this third category of challenged documents are but recitations of purely factual matters learned from third parties. The plaintiff contends that this information is either discoverable as documents given to testifying experts or that any privilege that may be applicable has been waived because the Fleming Group produced such "work product" protected documents.[\[FN48\]](#) Moreover, defendants point out that Stolzle and the other defendants challenge production on the basis of Louisiana procedural law, noting that the federal court must evaluate the claim of work product protection under the rubric of federal law.[\[FN49\]](#)

[FN48.](#) The Court has not been informed which documents were produced by the Fleming Group to counsel for Southern Scrap. Absent a record as to the specific "work product" disclosed, the Court cannot properly determine either the fact or the extent of waiver of any privilege.

[FN49.](#) See 6 Moore's Federal Practice, § 26.70[7] (Matthew Bender 3d ed.)(work product doctrine is governed by the federal standard, even in diversity cases).

As previously discussed, the work-product doctrine [\[FN50\]](#) is a judicially created immunity to prevent a party to a lawsuit from receiving the benefits of an opposing counsel's preparations for trial.[\[FN51\]](#) The doctrine is designed to protect the adversary process "by safeguarding the fruits of an attorney's trial preparations from discovery attempts of an opponent."[\[FN52\]](#) The party who is seeking the protection of the work-product doctrine has the burden of proving that the documents were prepared in anticipation of litigation.[\[FN53\]](#) Notwithstanding the foregoing, work product protection does not extend to the underlying facts relevant to the litigation.[\[FN54\]](#)

[FN50.](#) The work-product doctrine is codified in Rule 26(b)(3) of the Federal Rules of Civil Procedure. See *Dunn*, 927 F.2d at 875; *Nance v. Thompson Medical Co.*, 173 F.R.D. 178, 181 (E.D.Tex.1997); *Schwegmann Westside Expressway v. Kmart Corporation*, 1995 WL 510071, \*5 (E.D.La.1995).

[FN51.](#) See generally *Hickman v. Taylor*, 329 U.S. 495, 67 S.Ct. 385, 393-94 (1947); see also *In Re Leslie Fay Companies Securities Litigation*, 161 F.R.D. 274, 279 (S.D. N.Y.1995).

[FN52.](#) *Shields v. Sturm, Ruger. & Co.*, 864 F.2d

[379, 382 \(5th Cir. 1989\)](#); *Guzzino*, 174 F.R.D. at 62.

[FN53.](#) *Conoco, Inc. v. Boh Bros. Const. Co.*, 191 F.R.D. 107, 117 (W.D.La.1998); *In re Leslie Fay Companies Securities Litigation*, 161 F.R.D. 274, 280 (S.D. N.Y.1995).

[FN54.](#) See generally *Upjohn Co. v. United States*, 499 U.S. 383, 395-96(1981).

\*[17](#) The Court here specifically distinguishes between the types of information sought by Southern Scrap. Insofar as documents sought recount factual information relevant to the claims against Southern Scrap in the underlying litigation, whether it is simply unannotated raw data, test results, maps indicating where samples were taken from, or a graphic display of test sample results, these factual matters are fully discoverable. This type of underlying factual information does not fall within the work-product doctrine. Moreover, this factual information goes to the very heart of the defendants' affirmative defenses in the captioned federal RICO case (*i.e.*, the existence of a basis in fact for the underlying state court cases filed against Southern Scrap).

#### (1) Frederick Stolzle Privilege Log

Stolzle Number 1: Correspondence between plaintiffs' counsel, authored by Bruce Kemp and mailed to co-counsel Lambremont and Stolzle, is protected WORK PRODUCT, rife with mental impressions and opinions of counsel.

Stolzle Numbers 3, 4: These documents are merely transmittal cover letters, without the appended test results and do not contain any confidential communications, mental impressions or other protected matters. Accordingly, the documents are NOT PRIVILEGED and should be produced.

Stolzle Number 5: The Fax Cover Sheet and Cover Letter dated 7-12-99, along with case narrative and Chain of Custody Form with instructions are PRIVILEGED and need not be produced. However, the remainder of the document consisting of 35 pages relevant factual data, including a map of sample locations, results of attic dust sampling, TAL metal lab results, and radiation survey records are NOT PRIVILEGED and shall be produced.

Stolzle Number 6: The Cover Letters dated 7-8-99 and 7-9-99 along with Expert Report and Analysis dates July 8, 1999 are protected WORK PRODUCT.

Stolzle Number 7: The Fax Cover Sheet dated 5-13-99 is

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PRIVILEGED and need not be produced. The one-page enclosure consisting of a recitation of lab results on a soil sample is NOT PRIVILEGED and shall be produced.

Stolzle Number 8: The Cover Letter dated April 23, 1999 and Report and Findings dated April 19, 1999 is protected WORK PRODUCT.

Stolzle Number 9: Histologic analysis and opinion of Dr. Daniel Perl regarding lung tissue taken from the autopsy of Mr. Eddie Edwards are protected WORK PRODUCT.

Stolzle Number 10: Correspondence to Mr. Kemp dated March 24, 1999 detailing the scope of the work is protected WORK PRODUCT.

Stolzle Number 14: Cover letter dated July 11, 1996, hand-sketched map, Report on Microscopic Analysis dated July 2, 1996 are protected WORK PRODUCT. However, Southern Scrap Materials Sampling Data Sheet (2 page chart) landscape mode and Southern Scrap Metals Sampling Results dated 6-23-96 (1 page chart) are NOT PRIVILEGED and shall be produced.

Stolzle Number 15: Cover letter dated October 22, 1996, Fax Cover Sheet dated 10-29-96 and Report of Results dated October 17, 1996 are protected WORK PRODUCT. However, the Southern Scrap Materials Sampling Data Sheet, Baton Rouge, La. (2 pages) is NOT PRIVILEGED and shall be produced.

\*18 Stolzle Number 16: Correspondence between plaintiffs' counsel discussing households with lead poisoning is protected WORK PRODUCT.

Stolzle Number 17: Handwritten pages and comments noted are protected WORK PRODUCT. However, Maps of Zip Code 70805, Soil Sample Test Results dated 9-20-95, LSU Graphic Depicting Baton Rouge Wind Rose (Annual 1965-1974) are NOT PRIVILEGED and shall be produced.

Stolzle Number 18: Cover Letters dated January 20, 1996 and January 19, 1996, the narrative entitled "Map Interpretations of Data" and Fax Cover Sheet dated December 12, 1995 with enclosures including handwritten notes are protected WORK PRODUCT. However the 8 charts graphing attic dust test results and the attic dust sampling results dated December 1995 are NOT PRIVILEGED and shall be produced.

Stolzle Number 19: Fax cover sheets are protected WORK PRODUCT, but test results dated 1-31-96 are NOT PRIVILEGED and shall be produced.

Stolzle Number 20: Fax cover sheet with notations and Report dated March 20, 1996 are protected WORK PRODUCT.

Stolzle Number 21: Non-Fasting Blood test results for lead (2 pages) are NOT PRIVILEGED and shall be produced.

Stolzle Number 22: Un-executed Contractor Service Agreement is protected WORK PRODUCT.

Stolzle Number 24: Fax message regarding house testing dated 12-1-95 is later addressed under the section captioned "ALR Customer" and "CLR Customer" below.

Stolzle Number 25: Cover letter and Report dated July 8, 1999 are protected WORK PRODUCT

Stolzle Number 26: Same Document as Item Number 5 above (*i.e.*, fax cover sheet and cover letter dated 7-12-99, plus same test results). Test results need not be produced again.

Stolzle Number 27: Cover letter dated June 26, 2000 and Narrative Report dated 6-26-00 are protected WORK PRODUCT. However, Radiation Survey dated 6-19-00 (1 page) and the Draft TAL metal test results (14 pages) dated 6-26-00 are NOT PRIVILEGED and shall be produced.

Stolzle Number 28: Cover letter and report dated 3-20-96 are protected WORK PRODUCT.

Stolzle Number 29: Cover letter dated 4-8-96 and report dated 4-5-96 are protected WORK PRODUCT.

Stolzle Number 30: Cover letter and report dated 7-2-96 are protected WORK PRODUCT.

Stolzle Number 31: Same Documents included in Item Number 14 above.

Stolzle Number 32: Same Documents included in Item Number 14 above.

Stolzle Number 33: Same Documents included in Item Number 15 above.

Stolzle Number 34: Same Documents included in Item Number 26 above.

Stolzle Number 35, 36, 37, and 38: Data charts, portions of which were included as part of Items 14 and 15 above, are NOT PRIVILEGED and shall be produced.

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Stolzle Number 55: Letter dated April 15, 1997 is protected WORK PRODUCT.

Stolzle Number 56: Letter dated September 29, 1995 is protected WORK PRODUCT.

Stolzle Number 57: Letter dated September 22, 1995 is protected WORK PRODUCT.

Stolzle Number 60: Letter dated September 12, 1995 is protected WORK PRODUCT.

\***19** Stolzle Number 61: Letter dated September 6, 1995 is protected WORK PRODUCT.

Stolzle Number 62: Letter dated August 31, 1995 addressed to all "Residents" of a North Baton Rouge Neighborhood is NOT PRIVILEGED and shall be produced.

Stolzle Number 72: Correspondence to Mr. Grayson dated July 10, 1997 detailing the scope of the work is protected WORK PRODUCT.

Stolzle Number 73: Correspondence to Mr. Grayson dated August 5, 1998 discussing strategies is protected WORK PRODUCT.

Stolzle Number 74: Correspondence of Mr. Rastanis to Dr. George dated November 3, 1995 discussing the report of Dr. Ronald Gots is protected WORK PRODUCT.

Stolzle Number 79: Memorandum from Ken Stewart dated June 14, 1995 discussing the DEQ notification regarding the St. Thomas yard is protected WORK PRODUCT.

#### (2) John Lambremont, Sr.'s Privilege Log

Bates Numbers 0089024-31 is protected WORK PRODUCT. However, Fax Transmittal Cover Sheets are discoverable.

Bates Numbers 087481-515 consisting of client lists with annotations regarding each is protected WORK PRODUCT.

Bates Number 0088190 consists of correspondence between counsel for plaintiffs in the underlying state court litigation, discussing trial strategy and mental impressions. It is protected WORK PRODUCT.

Bates Numbers 0012561-656 and 0013095-96: Defendant withdrew his objections to these items.

#### (3) Ken Stewart's Privilege Log

Stewart No. 20 [previously # 89]: Memorandum dated March 10, 1999 discussing case strategy is protected WORK PRODUCT.

Stewart No. 32 [previously # 76]: Fax cover letter dated 7-11-96 sent by Keith Partin without remarks but enclosing 10 pages of air sample test results is NOT PRIVILEGED and shall be produced.

Stewart No. 36 [previously # 45]: Unexecuted document which purports to be a Report of Patricia Williams, Ph.D., an expert consulted in a wholly unrelated matter number 89-23976 on the docket of the Civil District Court is protected WORK PRODUCT.

Stewart No. 39 [previously # 50]: Attic Dust Sample Test Results dated December, 1995 is NOT PRIVILEGED and shall be produced.

Stewart No. 42, 43, 44 [previously #'s 57, 58, 59]: Annotated client lists are protected WORK PRODUCT and plaintiffs have already been advised of the names of the clients.

Stewart Nos. 41 and 45 [previously #'s 60 and 61]: Southern Scrap Materials Sampling Data Sheet is NOT PRIVILEGED and shall be produced.

Stewart No. 50 [previously # 65]: Sample testing result data sheet dated January 31, 1996 is NOT PRIVILEGED and shall be produced.

Stewart No. 54 [previously # 84]: Letter dated March 7, 1997 is protected WORK PRODUCT.

Stewart No. 55 [previously # 88]: Letter dated August 31, 1998 along with enclosures are protected WORK PRODUCT.

Stewart No. 56 [previously # 90]: Test Results of Soil Samples dated May 11, 1999 is NOT PRIVILEGED and shall be produced.

Stewart No. 57 [previously # 91]: This Document consists of a Narrative Report by ETI and a Narrative Report of Results dated November 7, 1996 and both reports are protected WORK PRODUCT.

\***20** Stewart No. 58 [previously # 92]: Information and sample surveys are protected WORK PRODUCT.

Stewart No. 70 [previously # 115]: Defendant has failed to show how this list of individuals identified by Caller

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Identification is protected work product, and thus, it is NOT PRIVILEGED and shall be produced.

Stewart Items Previously Numbered 83, 85-87, 93-114, 116-119, 124, 126 and 128 are not included in Stewart's 80 item submission tendered to the undersigned Magistrate Judge for *in camera* review.

The Court here notes that if and/or when any one or more of the defendants' or the plaintiffs' experts are designated as trial (*i.e.*, testifying) witnesses, their reports and all of the material furnished to them by counsel or utilized by them in producing their reports shall be produced to opposing counsel forthwith and without any further delay. This ruling obtains whether the designation of such an expert be as either a fact or an expert witness. This is so because any factual testimony elicited from such an expert will necessarily relate to their participation in the underlying case or cases as an expert witness. In other words, their trial testimony will inevitably touch upon matters which the parties, both plaintiffs and defendants, now claim are protected by privilege. Testimony of such experts at trial, even as to factual matters, would necessarily waive both the attorney-client privilege, to the extent such matters were disclosed, and any work product protection that is presently claimed.

Rule 26(a)(2) of the Federal Rules of Civil Procedure governs the disclosure of expert testimony and the Advisory Committee Notes to the 1993 Amendments clarify the intent of the disclosure requirement: "The [expert] report is to disclose the data and *other information considered* by the expert.... Given this obligation of disclosure, litigants should no longer be able to argue that materials furnished to their experts to be used in forming their opinions--whether or not ultimately relied upon by the expert--are *privileged or otherwise protected* from disclosure when such persons are testifying or being deposed." (emphasis added). In other words, the plain language of Rule 26(a)(2)(B) and the accompanying Advisory Committee Note mandates the disclosure of any material, factual or otherwise, that is shared with a testifying expert, even if such material would otherwise be protected by the work product privilege. [\[FN55\]](#)

[FN55.](#) See Karn v. Ingersoll-Rand, 168 F.R.D. 633, 635 (N. D.Ind.1996) (holding Rule 26(a)(2)(B) trumps the work product doctrine and establishing a "bright line" rule by which parties know in advance what is discoverable and courts are relieved from having to determine what documents or portions of documents are discoverable); Musselman v. Phillips, 176 F.R.D. 194, 202 (D.Md.1997) ("[W]hen an attorney

furnishes work product--either factual or containing the attorney's impressions--to [a testifying expert], an opposing party is entitled to discovery of such communication."); B.C.F. Oil Refining v. Consolidated Edison Co. of N.Y., 171 F.R.D. 57 (S.D. N. Y.1997) (following *Karn*, *supra* ).

In TV-3, Inc. v. Royal Insurance Company of America, the Court noted that:

When an attorney hires an expert both the expert's compensation and his "marching orders" can be discovered and the expert cross-examined thereon. If the lawyer's "marching orders" are reasonable and fair, the lawyer and his client have little to fear. If the orders are in the nature of telling the expert what he is being paid to conclude, appropriate discovery and cross-examination thereon should be the consequence. Such a ruling is most consistent with an effort to keep expert opinion testimony fair, reliable and within the bounds of reason. [\[FN56\]](#)

[FN56.](#) TV-3, Inc., 194 F.R.D. 585, 588 (S.D.Miss.2000).

\*21 Given the plain language of Rule 26(a)(2), *inter alia*, the district judge affirmed the Magistrate Judge's ruling denying the defendants' motion for a protective order and ordering full disclosure. [\[FN57\]](#) In In re Hi-Bred International, Inc., 238 F.3d 1370 (D.C.Cir.2001), the Federal Circuit cited the *TV-3* decision with approval and observed that:

[FN57.](#) See *id.* at 589 (holding that the Magistrate Judge's ruling was neither clearly erroneous nor contrary to law).

The revised rule proceeds on the assumption that fundamental fairness requires disclosure of all information supplied to a testifying expert in connection with his testimony. Indeed, we are quite unable to perceive what interest would be served by permitting counsel to provide core work product to a testifying expert and then to deny discovery of such material to the opposing party. [\[FN58\]](#)

[FN58.](#) In re Hi-Bred International, Inc., 238 F.3d 1370, 1375 (D.C.Cir.2001)

The Federal Circuit further specifically held that the attorney client privilege, to the extent such communications were disclosed, and any work product protection are waived by disclosure of confidential communications to a testifying expert. [\[FN59\]](#)

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FN59. *Id.*

It is not clear on this record which of the defendants' experts have already testified or will in fact testify in the underlying proceedings. Additionally, the parties in this proceedings have not yet designated the witnesses who will testify on their behalf at the trial in the captioned matter. Moreover, considering that these proceedings only recently advanced to the brink of the commencement of discovery depositions, the record does not yet demonstrate the full extent of the disclosures made to any testifying experts. Absent a proper record, disclosure to a testifying expert cannot be the basis of ordering production.

#### D. Lambremont's Vintage Documents

Southern Scrap refers to items listed on John B. Lambremont, Sr.'s Privilege Log which comprise Tab 6 of his *in camera* submission, to wit: Bates Nos. 0075835, 007586, 0075871, 0075944, 0075955, 0075978, 0075982, 0076003, 0076081, 0076242, 0076456, 0076463, 0076614, 0076674, 0076738, and 0076146. Southern Scrap argues that the above enumerated documents bear dates between one and six years prior to the institution of the first lawsuit. Essentially, Southern Scrap contends that because these documents were not created during a time frame within which "a real and substantial possibility of litigation" existed, they cannot properly be categorized as work product. A review of these documents, which appear to be the attorney's handwritten research notes, belies plaintiffs' contentions. Most of the documents bear dates in 1994, and quite a few refer specifically to underlying lawsuits filed against Southern Scrap by plaintiff/client name. The documents are protected WORK PRODUCT.

#### E. "Scrap Notes"

The publication "Scrap Notes" was the vehicle utilized by the defendants to advise clients of the progress of their cases against Southern Scrap in the underlying proceedings. Southern Scrap suggests that simply because it somehow came into possession of a copy of this informational pamphlet bulk mailed to clients, that the attorney-client privilege has been waived as to all of the topics discussed therein. Southern Scrap urges the Court to order the production of all documents related to the topics discussed in "Scrap News."

\***22** Defendants Fleming & Associates, LLC and George Fleming filed formal reply on this issue. Fleming denies that "Scrap Notes," which on its face purports to be a confidential attorney-client communication, [FN60] was mailed to anyone other than clients. Essentially, the Fleming defendants contend that the simple fact that a

third party somehow became possessed of a copy of an issue of its client newsletter, does not, in and of itself, effect a waiver of the attorney-client privilege in this matter. Moreover, the Fleming defendants highlight the facts that the newsletter was not circulated to potential clients and that the copy obtained by Southern Scrap was mailed to a plaintiff in the underlying proceedings. [FN61]

FN60. The newsletter sets forth the following, to wit: "NOTE: This newsletter is considered privileged communication between clients and attorneys in connection with ongoing work in your case. Keeping this in mind, please use this newsletter for your information and refrain from sharing it with anyone not a plaintiff in this case. This newsletter is published as a courtesy and contains confidential information that would normally only be revealed in attorney-client conferences." *See Reply Brief [Rec. Doc. No. 197 at Exhibit "B"].*

FN61. *See Reply Brief [Rec. Doc. No. 197 at Exhibit "B"].*

The attorney-client privilege exists to protect confidential communications and the attorney-client relationship and may be waived by disclosure of the communication to a third party. [FN62] However, inadvertent disclosure to third party may or may not constitute a waiver of the attorney-client privilege; that determination depends on the facts of the disclosure. [FN63]

FN62. *Alldread v. City of Grenada*, 988 F.2d 1425 (5th Cir.1993).

FN63. *Id.* at 1433-1434; *see also Myers v. City of Highland Village, Texas*, 212 F.R.D. 324, 327 (E.D.Tex.2003).

While it is not clear how counsel for Southern Scrap came into possession of the client newsletter, the submissions to date do not militate in favor of finding waiver. The memorandum is very clearly and obviously an attorney-client communication. Based upon the facts known at this time and considering the criteria set forth in the Fifth Circuit's decision in *Alldread v. City of Grenada*, 988 F.2d 1425 (5th Cir.1993), [FN64] the undersigned Magistrate Judge finds that the client newsletter is protected by the attorney-client privilege.

FN64. The five-part test adopted by the Fifth Circuit, under which consideration is given to all of the circumstances surrounding the disclosure, includes the following factors, to wit: (1) the

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reasonableness of precautions taken to prevent disclosure; (2) the amount of time taken to remedy the error; (3) the scope of discovery; (4) the extent of the disclosure; and (5) the overriding issue of fairness." *Allread*, 988 F.2d at 1433 (five-part test adopted from *Hartford Fire Ins. Co. v. Garvey*, 109 F.R.D. 323, 332 (N.D.Cal.1985)).

#### F. Becnel Communications

Southern Scrap disputes that Document No. 2 on the Stolzle Privilege Log can possibly be considered work product. Southern Scrap highlights the fact that the letter dated September 13, 1999 (*i.e.*, after the underlying litigation was filed) and is addressed to Daniel E. Becnel, Jr., one of Southern Scrap's attorneys. The Court agrees that no matter how the argument is pared, defendants' objection must be OVERRULED. The document is NOT PRIVILEGED, contains no privileged information [FN65] and shall be produced.

[FN65](#). See Note 40 and accompanying text.

#### G. "ALR Customer" and "CLR Customer"

Southern Scrap disputes the privilege claimed by defendants with respect to writings to and/or from either ALR Customer or CLR Customer, which items appear on the Stolzle Privilege Log at Tab 24 and on the Lambremont Privilege Log at Tab 5 (Bates No. 0029761-62). [\[FN66\]](#) As Southern Scrap aptly points out, the defendants have not identified these parties, designated only by the title "ALR Customer" and "CLR Customer." The burden of demonstrating that the information contained in the document constitutes "work product" is the defendants, who are claiming the privilege. Only after the court is convinced that the subject document is protected "work product," does the burden shift to Southern Scrap to show that the materials that constitute work-product should nonetheless be disclosed. [\[FN67\]](#) Accordingly, Stolzle No. 24 and Lambremont (0029761-62) are fully discoverable and shall be produced.

[FN66](#). Lambremont did not actually submit the document for *in camera* review, noting that he was unable to find the document, but would supplement.

[FN67](#). See *Hodges, Grant & Kaufmann*, 768 F.2d at 721.

#### H. Miscellaneous Stolzle Log Items

\*<sup>23</sup> Stolzle Numbers 43, 44, 45 and 46 are documents

which simply refer to the division of work in a case. These documents are NOT PRIVILEGED, fully discoverable and shall be produced. [\[FN68\]](#)

[FN68](#). See citations of authority set forth at Note 40 and accompanying text.

#### I. Letters to Reverends

Stolzle Numbers 80, 81, 82, and 83, letters to various reverends in the community, regarding utilizing local church facilities for client meetings, constitute neither attorney-client communications nor protected work product; they are fully discoverable and shall be produced.

Accordingly and for all of the above and foregoing reasons, the Court issues the following orders.

#### IT IS ORDERED that:

- (1) Southern Scrap Material Co., LLC, SSX, L.C., and Southern Recycling Co. LLC's Motion for Maintenance of Privilege over various documents submitted for *in camera* review [Rec. Doc. # 188] is hereby GRANTED;
- (2) The Stolzle Defendants' Motion to Sustain Attorney-Client and Work Product Privileges [Rec. Doc. # 187] is hereby GRANTED IN PART and DENIED IN PART, all as more specifically set forth herein above;
- (3) The Fleming Defendants' Joint Motion to Sustain Work Product and Attorney/Client Privileges [Rec. Doc. # 189] is hereby GRANTED IN PART and DENIED IN PART, all as more specifically set forth herein above;
- (4) Ken J. Stewart's Motion to Sustain the Privilege on Documents Produced for *In Camera* Inspection [Rec. Doc. # 198] is hereby GRANTED IN PART and DENIED IN PART, all as more specifically set forth herein above; and
- (5) Defendant John B. Lambremont, Sr. et al's Motion to Sustain Work Product and Attorney-Client Privileges. [Rec. Doc. # 186] is hereby GRANTED IN PART and DENIED IN PART, all as more specifically set forth herein above.

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- [2003 WL 23835116](#) (Trial Motion, Memorandum and Affidavit) Defendants Fleming & Associates, L.L.P., And George Fleming's Memorandum in Opposition To Plaintiffs' Motion And Incorporated Memorandum In Support Of Applicability Of Crime/Fraud Exception To Defendants' Claims of Privilege (Mar. 19, 2003)

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United States District Court, N.D. Illinois, Eastern  
Division.  
WHITTAKER  
v.  
NIU BOARD OF TRUSTEES, et al.  
**No. 00 C 50447.**

March 12, 2004.

David William Andich, Andich & Andich, Donan Berg McAuley, McAuley Law Office, Rock Island, IL, for Plaintiff.  
Arundathi P. Rao, Kevin R. Lovellette, Paul H. Getzendanner, Illinois Attorney General's Office, Chicago, IL, for Defendants.

MEMORANDUM OPINION AND ORDER

REINHARD, J.

\*1 Plaintiff, Susan Whittaker, filed objections to an order of the magistrate judge entered December 30, 2003, denying plaintiff's motion to strike defendants' (Board of Trustees, Northern Illinois University, Steven Wilhelm, Sr., and Jon Slater) affirmative defenses one and two and to bar evidence on affirmative defense three. She also filed objections to the magistrate judge's order of January 7, 2004, denying her motion for sanctions. Plaintiff purports to bring these objections pursuant to Fed.R.Civ.P. 72(b) but Rule 72(b) applies only to recommendations by a magistrate judge on a pretrial matter dispositive of a claim or defense assigned to the magistrate judge without consent of the parties. Neither of the orders entered by the magistrate judge are dispositive of a claim or defense. Instead, these objections are governed by Rule 72(a) which concerns nondispositive pretrial matters.

A magistrate judge's ruling on a nondispositive pretrial matter may be reconsidered only if clearly erroneous or contrary to law. 28 U.S.C. § 636(b)(1)(A); U.S. v. Brown, 79 F.3d 1499, 1503 (7th Cir.), cert. denied, 519 U.S. 875, 117 S.Ct. 196, 136 L.Ed.2d 133 (1996). The magistrate judge concluded the motion to strike the first two affirmative defenses was untimely because it was filed 17 months after the answer containing them was filed rather than within

20 days as required by Rule 12(f). A review of the record discloses this decision was not clearly erroneous. Additionally, these affirmative defenses actually only assert that plaintiff cannot prove discrimination or retaliation because they did not occur. Plaintiff has to prove these facts whether there is an affirmative defense challenging them or not. As to the request to bar testimony on the third affirmative defense for failure to disclose, the magistrate judge concluded plaintiff was in actual possession of the materials she claimed had not been disclosed. Again, the record does not require a finding that the magistrate judge's decision was clearly erroneous. The court is not "left with the definite and firm conviction that a mistake has been made" and therefore cannot overturn the magistrate judge's rulings. Weeks v. Samsung Heavy Industries Co., Ltd., 126 F.3d 926, 943 (7th Cir.1997).

Plaintiff also objects to the magistrate judge's January 7, 2004, order denying her request for sanctions due to problems concerning the deposition of Tammy Piercy and a motion for sanctions filed by defendants. The magistrate judge has a much higher familiarity with the parties and the conduct of discovery than does this court. The magistrate judge analyzed the requests for sanctions and reviewed the issues related to Ms. Piercy's deposition and entered an order resolving those issues. It cannot be said that a decision not to sanction defendants was clearly erroneous. Sanctions are not mandatory and it cannot be said that the magistrate judge definitely made a mistake. See Weeks, 126 F.3d at 943.

\*2 For the foregoing reasons, plaintiff's objections to the magistrate judge's orders are denied.

N.D.Ill., 2004.

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