UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF ILLINOIS

EASTERN DIVISION

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

APPENDIX OF ELECTRONIC CASES

CASES **TABS**

Bowmar Instrument Corp. v. Texas Instruments, Inc.,
No. F 74-137, 1977 U.S. Dist. LEXIS 16078
(N.D. Ind. May 2, 1977) 1

Hobley v. Burge,
Case No. 03 C 3678, 2004 U.S. Dist. LEXIS 6858
(N.D. Ill. Apr. 21, 2004) 2

Neal v. Honeywell, Inc.,
No. 93 C 1143, 1995 U.S. Dist. LEXIS 14488
(N.D. Ill. Oct. 3, 1995)....................3

Tribune Co. v. Purcigliotti,
93 Civ. 7222 (LAP)(THK), 1997 U.S. Dist. LEXIS 228
(S.D.N.Y. Jan. 10, 1997)....................4

United States v. South Chicago Bank,
No. 97 CR 849-1, 2, 1998 U.S. Dist. LEXIS 17445
(N.D. Ill. Oct. 16, 1998)....................5

T:\casesSF\household Intl\APN00035772.doc

Tab 1

LEXSEE 1977 U.S. DIST. LEXIS 16078

Bowmar Instrument Corp., et al. v. Texas Instruments Incorporated

No. F 74-137

United States District Court for the Northern District of Indiana, Fort Wayne Div.

1977 U.S. Dist. LEXIS 16078; 25 Fed. R. Serv. 2d (Callaghan) 423; 196 U.S.P.Q. (BNA) 199

May 2, 1977

COUNSEL: [*1]

Joel S. Goldhammer, Seidel, Gonda & Goldhammer, P.C., Harold E. Kohn, Carole A. Broderick, and Kohn, Savett, Marion & Graf, P.C., all of Philadelphia, Pa., for plaintiffs.

Garrett Tucker, and Baker & Botts, both of Houston, Tex., and Thomas M. Scanlon, Henry Price, and Barnes, Hickman, Pantzer & Boyd, all of Indianapolis, Ind., for defendant.

OPINION BY:

ESCHBACH

OPINION:

Eschbach, District Judge.

This cause is before the court on a series of motions. For the reasons given below, plaintiffs' first and second motions for sanctions will be denied, defendant's motion to compel compliance with a subpoena duces tecum will be granted in part and denied in part, plaintiffs' motion to compel the production of certain documents will be denied, and the witness John Young's motion to reconsider will be denied. n1

n1 One further motion which is not addressed herein appears to be entirely moot. On February 22, 1977, the defendant filed a motion to fix a time for plaintiffs to file amended pleadings. Prior to a ruling by the court, the plaintiffs, on March 7, 1977, filed their second amended complaint.

Defendant's Motion to Compel

Defendant's motion to compel compliance with a subpoena **[*2]** duces tecum will be considered at the outset. In this motion, the defendant seeks to compel the production of a large body of documents in the possession of John Young, an attorney who was employed by plaintiffs prior to and during the earlier period of thistigation. Young interposed two personal objections to the subpoena duces tecum. The first objection was that the documents were subject to Young's attorney's lien, enforceable against the defendant. At a hearing on this question on April 7, 1977, Mr. Young was personally present and informed the court that a bond having been obtained securing his legal fees he no longer had any objection to production based upon the lien. The attorney's lien issue therefore appears to be moot. Also moot is Young's second objection, based upon an order of a bankruptcy judge placing certain of these documents under seal. It was represented to the court at the hearing that the seal placed upon certain of the documents no longer poses an obstacle to their production. The plaintiffs have offered as an exhibit an order of the bankruptcy judge to this effect dated March 17, 1977.

The only remaining issues are those posed by the plaintiffs' invocation, **[*3]** through Mr. Young, of the attorney-client and work product privileges. Questions related to production by Young came before the court for a hearing on June 15, 1976. At that hearing the plaintiffs agreed to produce the documents sought by defendant in its February 23, 1976 motion to compel; the court entered an order to this effect on June 18, 1976. The significance of this order and the significance of the plaintiffs' agreement to produce the documents sought in 1976 have become issues in the present proceedings.

In its "Second Motion to Compel Production," filed February 23, 1976, the defendant sought the following:

files containing correspondence and other communications between Plaintiff and its patent attorneys, John A. Young and the firm of [Gust, Irish, Jeffers & Rickert], and/or by and between said attorneys, relating to Bowmar's Patents Nos. 3,781,852 and 3,755,806, the patentability of the alleged inventions covered thereby, and the prosecution in the Patent Office of the applications for said patents, production of which has been requested by Defendant and refused by Plaintiff on the basis of a claimed attorney-client privilege.

Clearly, the documents sought **[*4]** were with respect to an alleged fraud on the Patent Office in prosecuting these patents. This is also made clear in defendant's supporting memorandum of February 23, 1976. In its reply to plaintiffs' memorandum in opposition to the second motion to compel, dated April 21, 1976, defendant stated that its request for production was "clearly limited" to files containing correspondence between and among "plaintiff" and its patent attorneys "relating to... patentability" and "the prosecution in the Patent Office of the applications for said patents...." The defendant continued:

It is with respect to these specific matters that Defendant charges the fraud was committed, and it is only these specific files by and between Bowmar and the designated patent attorneys that Defendant seeks to examine. It is definitely not our intent or desire to challenge or undermine the attorney-client privilege generally. (original emphasis).

This was the posture of the case at the June 15, 1976 hearing. The defendant made a showing on its claim that the attorney-client privilege had been vitiated by fraud. During the hearing, the plaintiffs agreed to make production and the court, in its order of **[*5]** June 18, 1976, ordered production of these items.

The defendant argues that the plaintiffs, in agreeing to make production, have waived any privilege with respect to a larger category of documents in the possession of Attorney Young, including documents generated after the commencement of this lawsuit on December 3, 1974. As acknowledged by defendant's counsel at the hearing on this matter, the present motion goes beyond the June 18, 1976 order in several respects. The defendant now seeks not only "communications" between attorneys and client, but "notes, memos, file memos, things that would normally constitute an attorney's work product." Moreover, the defendant also seeks Young documents related to the interference and other "post-lawsuit" documents.That is, the defendant now seeks documents generated after December 3, 1974.

The defendant seeks to pierce any privileges pertaining to these documents. First, the defendant argues that the plaintiffs' voluntary production in June of 1976 constitutes a waiver of the privileges. The general rule is that a partial waiver of the attorney-client privilege constitutes a waiver as to the entire subject matter of the waiver. The court **[*6]** has no difficulty in concluding that the plaintiffs' production, in June, 1976, of certain documents related to the prosecution of the patent constitutes a waiver of the attorney-client privilege with respect to all documents related to prosecution of the patent. With respect to prosecution of the patent and the claim of fraud, the files of plaintiffs' counsel are very much in issue. This renders all of John Young's files with respect to the prosecution of the patent discoverable, despite the fact that they may constitute "work product." See 4 J. Moore, Federal Practice P 26.64[4] (2d ed. 1975). Hence, as to Young's files relating to the prosecution of the patent, the attorney-client and work product privileges have no bearing, and to the extent that any such documents are sought, the defendant's motion to compel will be granted.

The defendant apparently also seeks a further category of "pre-lawsuit" documents in Young's possession. As set forth by defendant's counsel on February 22, 1977, in "Defendant's Report of Meeting of Counsel:"

"... TI is claiming not only that Bowmar and Young perpetrated a fraud on the Patent Office during prosecution of the '852 Patent, but that **[*7]** after the patent had issued, and after Bowmar and Young had full knowledge of facts indicating that the patent was invalid, Bowmar and Young had asserted the patent against TI and other calculator manufacturers, charging infringement and threatening suit, and that this was a continuation of the original fraud and an attempt to use an invalid patent to obtain an illegal monopoly."

With respect to these documents, the issue is whether they are related to the subject matter of the June, 1976 waiver. The court concludes that the alleged "abuse" of a patent obtained through fraud is sufficiently closely related to the original allegation of "fraud" that the waiver in June of 1976 must apply to any documents in Young's files which pertain to the alleged abuse. For reasons that will be discussed below, however, the court concludes that no documents generated after the commencement of this lawsuit must be produced. To the extent that defendant seeks documents in Young's possession generated prior to December 3, 1974, which may relate to an alleged abuse of the '852 patent, the defendant's motion will be granted.

Among the post-lawsuit documents sought are those related to the plaintiffs' **[*8]** defense of the interference action and the issues in the present lawsuit. The court concludes that the June, 1976 waiver did not constitute a waiver as to these matters. The alleged fraud on the Patent Office, on the one hand, and the defense of the inter-

ference and the prosecution of this lawsuit, on the other, are distinct matters, both temporally and substantively. The plaintiffs' waiver as to the former cannot be viewed as a waiver of the attorney-client privilege with respect to all patent documents of whatever kind or character.

Nor has the defendant raised such grave doubts as to the good faith of plaintiffs' counsel in the interference and in this action so as to pierce the privilege asserted. The defendant has not shown that the behavior of plaintiffs' counsel since December 3, 1974, has been so extraordinary as to justify an inquiry into their motives and their litigation strategies. Hence, the defendant's motion will be denied insofar as it seeks documents in Young's possession related to the interference and to this proceeding.

Furthermore, the court concludes that the date of December 3, 1974, should, as the plaintiffs contend, be used as a benchmark in resolving **[*9]** this motion. Documents with respect to the interference and this lawsuit were generated after that date. Although the court has concluded that no privilege attaches to documents concerning the alleged "abuse" of the patent, production of any documents related to this subject matter generated after December 3, 1974 might result in an invasion of the privilege which exists with respect to the interference and this litigation. Furthermore, resolution of this protracted discovery problem will be expedited by the invocation of an objective measure of the scope of the plaintiffs' privileges - the day on which this suit was filed.

To summarize, the defendant's motion to compel will be granted insofar as the defendant seeks any documents of whatever kind in the possession of John Young, generated prior to December 3, 1974, which may relate to the prosecution of the patent and the alleged abuse of that patent. The defendant's motion will be denied insofar as the defendant seeks documents in Young's possession generated on or after December 3, 1974.

Plaintiffs' First Motion for Sanctions

The plaintiffs, Bowmar and Bowmar/ALI, request that the court impose sanctions against the defendant **[*10]** for an alleged suppression and destruction of evidence. An evidentiary hearing was held to consider this matter on April 7, 1977.

The plaintiffs' principal charge is an extremely serious one. It is alleged that in the spring and summer of 1974, with knowledge that the present lawsuit would be filed, the defendant engaged in the wholesale destruction of documents relevant to this case.

The defendant contends that this charge is legally insufficient to form a basis for sanctions. The most extreme legal position taken by the defendant is that the court is powerless to punish the wholesale, wilful destruction of relevant evidence where the destruction takes place prior to a specific court order for their production. Surely this proposition must be rejected. The plaintiffs are correct that such a rule would mean the demise of the real meaning and intent of the discovery process provided by the Federal Rules of Civil Procedure.

It has long been recognized that sanctions may be proper where a party, before a lawsuit is instituted, wilfully places himself in such a position that he is unable to comply with a subsequent discovery order. Cf., e.g., *Societe Internationale v. Rogers,* **[*11]** *357 U.S. 197, 208-09 (1958).* Although a potential litigant is under no obligation to preserve every document in its possession, whatever its degree of relevance, prior to the commencement of a lawsuit, see *United States v. International Business Machines Corp., 66 F.R.D. 189, 194 (S.D.N.Y. 1974),* some duty must be imposed in circumstances such as these lest the fact-finding process in our courts be reduced to a mockery.

The proper inquiry here is whether the defendant, with knowledge that this lawsuit would be filed, wilfully destroyed documents which it knew or should have known would constitute evidence relevant to this case. Since the plaintiffs have not convincingly demonstrated that this took place, the court will deny the first motion for sanctions.

The plaintiffs' contentions regarding destruction of evidence are based entirely upon certain exhibits and deposition testimony. The defendant concedes that "in the spring and summer of 1974 transcripts of recorded telephone conversations were destroyed at the direction and under the supervision of defendant's Legal Department." The critical question is when the threat of litigation first became known to the Texas Instruments **[*12]** Legal Department. Without a clear showing of this knowledge, it is quite impossible to find that the defendant's actions constituted the wilful destruction of evidence.

The plaintiffs relied on certain exhibits to establish this crucial point. Only two items seem relevant. First, there is the deposition testimony of Leonard J. Donahoe, Manager of the defendant's Component Design Department for Calculators, that he had heard rumors since 1972 tha Bowmar intended to sue. Second, there was the testimony of John Brougher that he had learned that TI employee Chris Graham had visited Bowmar in early 1974, and had reportedly been told by Ed White, President of Bowmar, that Bowmar planned to file suit against TI.

This is not convincing evidence that those responsible for the document destruction were aware at the time it took place that this litigation was a serious threat. No attempt was made to show when the threat of litigation

became known to the Legal Department. n2 The plaintiffs' evidence at best shows that a rumor circulated in the offices of a large corporation. This is too slim a reed to support the plaintiffs' charges.

n2 Moreover, as discussed below, the testimony of John Roche, TI General Counsel, establishes that the Legal Department was, in fact, unaware of this suit when the destruction was ordered.

[*13]

The "Project Red Tag" materials, apparently offered by the plaintiffs to show TI's concern over potential litigation, are extremely ambiguous. Documents such as these and the "Beach-Kapp" telephone transcript would require this court to rely on innuendo to reach the conclusions advanced by the plaintiffs.

As this court made clear at the hearing, the involvement of the TI Legal Department in document destruction in 1974, according to the plaintiffs, the first such involvement, aroused considerable concern, However, the testimony of William Roche, General Counsel for TI, adequately refuted any malevolent implications. It was Roche's testimony that the destruction of telephone transcripts after a limited period of time was long-standing policy; that the Legal Department had long been assigned the task of "following up" on implementation of this policy; that in May of 1974 the Legal Department was again requested to see that the procedure was followed; and that the Legal Department did so. Most significantly, Roche testified that at the time of the destruction he had no knowledge of a threatened suit by Bowmar.

On cross-examination it was established only that at the time Roche [*14] ordered enforcement of the transcripts policy he was aware of a suit pending against TI and Burroughs by the Master Calculator Company. The significance of this fact has never been adequately explained by the plaintiffs. The issue before the court is whether the defendant wilfully destroyed documents which it knew might constitute evidence relevant to this case. Even if it were established that the defendants wilfully destroyed evidence relevant to the Master Calculator litigation, something which has not been established, this would not lead to a conclusion that evidence relevant to the present case was wilfully destroyed.

The evidence with respect to the telephone transcripts demonstrates only that any destruction was pursuant to a long-standing company policy. The plaintiffs have failed to prove that relevant evidence was wilfully and knowingly destroyed by the defendant. The other alleged grounds for sanctions have not been pressed forcefully by the plaintiffs. The controversy with respect to the "Canadian document" was not pursued at the hearing. Plaintiffs fail to mention it in their supplemental memorandum. The court has no basis for considering this issue.

The [*15] plaintiffs also failed to offer further evidence or argument with respect to certain documents from the files of J. Fred Bucy and Morris Chang of TI which were routinely destroyed by their respective secretaries shortly after this suit was instituted. There is no assertion that this constituted a wilful act of destruction. Nor does the evidence support such an inference. At most, there may have been a lack of diligence on the part of the Legal Department. Even assuming that this were established, this would not provide a basis for sanctions. Since the plaintiffs have failed to show that evidence was willfully destroyed or suppressed, their first motion for sanctions will be denied.

Remaining Motions

Several other motions remain to be considered. Attorney Young at one point filed a motion that the court reconsider its order of February 17, 1977, insofar as it concerned his attorney's lien. This issue is now moot, and Young's motion accordingly will be denied.

On April 1, 1977, six days prior to the evidentiary hearing set to consider the plaintiffs' first motion for sanctions, the plaintiffs filed two additional motions. One was a motion for an order to compel the production [*16] of certain documents related to its motion for sanctions. Given the press of time, the court was unable to consider this motion prior to the hearing. At the hearing, however, the plaintiffs indicated their willingness to proceed with their case without a continuance and without the sought after documents. This effectively renders the motion to compel moot. Hence, the motion will be denied.

Finally, the plaintiffs filed a second motion for sanctions based upon the defendant's refusal to produce two witnesses at the hearing. The plaintiffs never sought an order requiring the testimony of these witnesses, and the question appears to be moot. The motion for sanctions based upon defendant's failure to produce these witnesses must be denied.

Order

Accordingly, the plaintiffs' first and second motions for sanctions, and plaintiffs' motion of April 1, 1977 to compel the production of certain documents, are denied. The witness John Young's motion to reconsider is denied.

Defendant's motion for an order to compel compliance with subpoena duces tecum is granted in part and

denied in part. The motion is granted insofar as the defendant seeks any documents of whatever kind in **[*17]** the possession of John Young, generated prior to December 3, 1974, which relate to the prosecution of the patent in question and the alleged abuse of that patent. The motion is denied insofar as the defendant seeks documents in Young's possession generated on or after December 3, 1974.

Tab 2

LEXSEE 2004 U.S. DIST. LEXIS 6858

MADISON HOBLEY, Plaintiff, v. CHICAGO POLICE COMMANDER JON BURGE, et al., Defendants.

Case No. 03 C 3678

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

2004 U.S. Dist. LEXIS 6858

April 20, 2004, Decided
April 21, 2004, Docketed

SUBSEQUENT HISTORY: Complaint dismissed at, in part *Hobley v. Burge, 2004 U.S. Dist. LEXIS 10228 (N.D. Ill., June 2, 2004)*
Reconsideration denied by *Hobley v. Burge, 2005 U.S. Dist. LEXIS 911 (N.D. Ill., Jan. 12, 2005)*

PRIOR HISTORY: *Hobley v. Burge, 2003 U.S. Dist. LEXIS 20585 (N.D. Ill., Nov. 10, 2003)*

DISPOSITION: Plaintiff's Fourth Motion to Compel was granted in part and denied in part. Defendant City of Chicago's Cross-Motion for Protective Order was granted in part and denied in part.

COUNSEL: **[*1]** For MADISON HOBLEY, plaintiff: Kurt Henry Feuer, Jonathan I. Loevy, Arthur R. Loevy, Jonathan A. Rosenblatt, Michael I Kanovitz, Loevy & Loevy, Chicago, IL. Andrea D. Lyon, Center for Justice in Capital Cases, DePaul College of Law, Chicago, IL.

For JON BURGE, Chicago Police Commander, ROBERT DWYER, Det., JAMES LOTITO, Det., VIRGIL MIKUS, Det., DANIEL MCWEENEY, Det., JOHN PALADINO, Det., PATRICK GARRITY, Sgt., defendants: James Gus Sotos, Michael William Condon, John J. Timbo, Elizabeth A Ekl, Hervas, Sotos, Condon & Bersani, Itasca, IL.

For CITY OF CHICAGO, defendant: William J. Holloway, Steven M. Puiszis, Charles Robert Schmadeke, Robert Thomas Shannon, Renee Patrice O'Neill, William Yu, Elizabeth F Staruck, Corinne D Cantwell, Hinshaw & Culbertson, Chicago, IL. John Patrick Goggin, Joseph R. Curcio, Ltd., Chicago, IL.

JUDGES: Geraldine Soat Brown, United States Magistrate Judge. Judge Marvin Aspen.

OPINION BY: Geraldine Soat Brown

OPINION:

MEMORANDUM OPINION AND ORDER

Geraldine Soat Brown, Magistrate Judge,

Before the court are Plaintiff's Fourth Motion to Compel [dkt 112] and Defendant City of Chicago's Cross-Motion for Protective Order. [Dkt 110.] Plaintiff Madison **[*2]** Hobley seeks to compel the production of certain documents. The City seeks a protective order to avoid the production of those documents, arguing that the documents are protected by attorney-client privilege and work product protection, and that some of the documents are subject to a protection involving grand jury proceedings. Plaintiff argues that any privilege or protection associated with the documents has been waived, and that there is no applicable grand jury secrecy that the City can invoke. For the reasons set out herein, Plaintiff's Motion is GRANTED and the City's Cross-Motion is DENIED, except as to document SP 143687, as to which Plaintiff's Motion is DENIED and the City's Cross-Motion is GRANTED.

Factual Background

1. The January 2004 production to Plaintiff's counsel.

Unraveling the convoluted history of the disputed documents has taken two motions and four briefs totaling almost three inches. A few facts are relatively undisputed. During the week of January 19, 2004, Plaintiff's counsel reviewed certain documents at the offices of the City's counsel. The disputed documents were among them. The documents were all Bates-numbered at the time Plaintiff's **[*3]** counsel saw them. The parties dispute whether the Bates numbers were sequential. The

documents were in 61 sequentially-numbered boxes. By letter dated January 23, 2004, Plaintiff's counsel listed the Bates numbers of the documents to be copied. (Pl.'s Mot., Ex. D.) The list included the disputed documents. The City states that it copied the listed documents on January 30, 2004, but suggests that the City withheld the documents subject to tender to the individual defendants' counsel for redaction of confidential material. (City's Cross-Mot. at 6.) However, Plaintiff's counsel states that three boxes containing the listed documents, including the disputed documents, were delivered to Plaintiff's counsel's office on January 30, 2004. (Pl.'s Mot. P15.) According to Plaintiff's counsel, the City's counsel then called and stated that the City had neglected to stamp certain of the documents "confidential." The City had the three boxes picked up again on that same day, January 30, 2004. (Pl.'s Mot. PP16-17.) Sometime between January 30 and February 4, the City's attorneys reviewed the documents that had been copied for Plaintiff and realized that they included documents that the City did not **[*4]** intend to produce. The City refused to produce the disputed documents and apparently withheld production of any of the documents that Plaintiff's counsel had listed until this court entered an order on February 24, 2004, that the undisputed documents be produced by March 3, 2004. (Order, Feb. 24, 2004.) [Dkt 126.] The present motions ensued. The City listed the disputed documents on a privilege log attached as Exhibit 1 to its Cross-Motion, and a revised privilege log as Exhibit E to its Reply in Support of its Cross-Motion. [Dkt 136.]

2. The December 10, 2003 hearing.

Another piece of history is background to these motions. On November 10, 2003, the City was ordered to serve a privilege log by December 2, 2003 as to any documents that the City intended to withhold on the ground of any privilege or work product protection, including any governmental privilege. (Order, Nov. 10, 2004.) [Dkt 63.] Having not received any privilege log, Plaintiff's counsel subsequently moved for a finding of waiver. (Pl.'s Mot. Finding Waiver.) [Dkt 81.] At the hearing on that motion on December 10, 2003, the City's counsel advised the court that none of the documents that the City had **[*5]** been ordered to produce were being withheld on the basis of privilege. (Pl.'s Mot., Ex. A., Tr. Dec. 10, 2003 at 45, 52-53.) n1 Plaintiff's motion for a finding of waiver was held to be moot on the basis of the City's representation. (*Id.* at 52.) It was recognized that documents covered by District Judge Aspen's order of September 11, 2003 staying policy (or *"Monell"*) discovery had not been ordered to be produced. (*Id.* at 53-54.)

n1 The City advised Plaintiff's counsel on October 22, 2003 that two pages of handwritten notes by an Assistant Corporation Counsel were not being produced based on privilege and work product protection. (City's Cross-Mot., Ex. E.) Those notes are not among the disputed documents and were not listed on any privilege log. However, Plaintiff apparently is not seeking those documents.

The stay of *Monell* discovery has now been lifted (Order, March 22, 2004) [dkt 144], but the distinction remains significant for determining what was included in the City's December 10, 2003 express **[*6]** waiver of privilege. The City argues that it did not waive its privileges regarding the disputed documents because they were covered by the stay order.

3. The disputed documents.

The City's description of the history of the disputed documents has been vague and confusing, inexplicably so in light of the fact that the City's retained counsel presumably keep time records. As further discussed below, the City has failed to provide specific, factually supported information to demonstrate that it maintained the confidentiality of the disputed documents. Indeed, the record supports the opposite conclusion.

The City's Cross-Motion described the following scenario. The documents produced to Plaintiff's counsel (except, the City claims, the disputed documents) relate to a 1996 Police Board proceeding entitled *City of Chicago v. Burge, et al.,* involving defendant Jon Burge, in which the law firm Jones Day represented the City. (City's Cross-Mot. at 4.) On October 22, 2003, the City's current attorneys, Hinshaw & Culbertson, wrote to Plaintiff's counsel advising that "we are aware of between 50 and 60 boxes of records that relate to the police board hearing involving Jon Burge **[*7]** and allegations made by John Burge. While we do not believe those materials directly relate to Madison Hobley, we will be glad to make them available for your inspection. . . . Given the volume of materials, we did not want to simply have them copied at your expense." (City's Cross-Mot., Ex. E, Oct. 22, 2003 Puiszis Letter to Loevy at 2.) After the Hinshaw firm received the documents from the Jones Day firm, the documents were "attorney reviewed" by the City's present counsel, Bates-numbered, duplicated and stored in numbered boxes in the City's counsel's storage room. (Cross-Mot., Ex. C, Aff. Robert T. Shannon P2.) The Jones Day documents (but not the disputed documents) were reviewed by counsel for the individual defendants in both this case and another pending lawsuit. (Shannon Aff. P3.) After that review, a Hinshaw paralegal erroneously affixed a "Jones Day" label to two boxes of documents from Hinshaw's files, and included those

two boxes among the 61 boxes reviewed by Plaintiff's counsel. (Shannon Aff. P6.)

Plaintiff's Reply observed a flaw in that apparently straight-forward story. The boxes containing the disputed documents were boxes 56 and 57, and, according to Plaintiff's **[*8]** counsel, all of the documents produced to Plaintiff were sequentially numbered from box 1 through box 61. (Pl.'s Combined Reply at 4.) Thus, Plaintiff argues, under the City's scenario, the disputed documents must have been part of the production to counsel for the individual defendants, reinforcing the conclusion that any privilege or protection has been waived. (*Id.*)

The City does not deny that the disputed documents were Bates-numbered when they were produced to Plaintiff's counsel. The Bates numbers of the disputed documents are not clustered at the end of the documents produced, and are in the number range of other documents that were the subject of a motion more than a month before the January 2004 production to Plaintiff's counsel. n2 At the initial hearing on the present motions, the City was expressly asked to answer specific questions, including the following: "When were the documents that are in dispute Bates stamped? Were they Bates stamped prior to submission to the individual defendant's [sic] counsel?. . . Whether attorneys for other individuals who are defendants in another case but not in this case reviewed the documents prior to production to the plaintiff's **[*9]** counsel, ..." (City's Reply, Ex. H, Tr. Feb. 24, 2004 at 6-7.)

> n2 The so-called "ERPS audit material," which was discussed at the December 10, 2003 hearing, was delivered, already Bates-numbered, to this court's chambers for *in camera* review on December 5, 2003. The Bates numbers range of the ERPS audit material is SP144827 through SP145141. (Tr. Dec. 10, 2003 at 40.) The disputed documents are Bates-numbered between SP 141782 and SP 145336, with two later additions SP159745 and SP 150003-017. (City's Reply, Ex. E.)

Notably, the City has never provided specific answers to those questions. n3 Similarly, the City has not specified the date on which the City's current counsel received the documents from Jones Day or when they conducted the "attorney review" that is discussed repeatedly in the City's briefs. (City's Cross-Mot. at 1, 4-5; City's Reply at 2.) At the first hearing, the City was also told that its privilege log did not conform to the well-established requirements set out in *Allendale Mut. Ins. Co. v. Bull Data Systems, Inc., 145 F.R.D. 84 (N.D. Ill. 1992).* **[*10]** (Tr. Feb. 24, 2004 at 15.) The revised privilege log submitted by the City did not provide the specific information required. n4 Instead, in its Reply, the City added a new twist. The City stated:

> When the Jones Day documents *and other boxes of records* were originally received by Hinshaw *for production to the Special Prosecutor,* they were all sent to Merrill Duplication to be copied. *The Special Prosecutor requested, and received, the originals of these documents.* To ensure an accurate record, the documents were also Bates-stamped during the duplication process--*well before the current lawsuit was filed.* When the copy service performed those functions, they did not sequentially Bates-stamp the Jones Day boxes in one entire grouping; rather, there were other boxes of records delivered for duplication with the Jones Day boxes in the process of copying and Bates stamping the records.

(City's Reply at 17) (footnotes omitted) (emphasis added). n5 This was asserted by the City in support of its argument that the 61 boxes were not in consecutive Bates number order. (*Id.* at 17 n.8.)

> n3 The Hinshaw paralegal who was in charge of the document production states that the Jones Day documents were produced to the individual defendants' counsel "on two separate occasions. . . .most recently, in early to mid-December, 2003." (City's Cross-Mot., Ex. D, Aff. Sarah Acker P3.)

[*11]

> n4 For example, at least eight of the documents on the revised privilege log are described as "Attorney notes from Corporation Counsel's Office" pertaining to various subjects. There is no indication of the author's name, how the documents were maintained, whether copies were made, and, if so, to whom copies were given. No dates are given for a number of the documents. (City's Reply, Ex. E.)

> n5 None of that new information was supported with any verification. The City also added that it initially thought that only two boxes containing privileged materials were inadvertently

produced, but now it appears that eight of the boxes produced for Plaintiff's counsel had the "labeling error" (were not intended to be produced). (City's Reply at 18.) That assertion is supported by corrected affidavits from Mr. Shannon and Ms. Acker. (City's Reply, Exs. F and G.)

That twist created more problems than it solved for the City. Plaintiff's counsel then argued that any privilege had been waived by the repeated production of the disputed documents: to Plaintiff's counsel; to the individual defendants' counsel; **[*12]** and, at some unspecified earlier date, to the Special Prosecutor appointed by the Chief Judge of the Criminal Court. n6 (Pl.'s Sur-Reply at 25.) [Dkt 145.] In addition, Plaintiff submitted an affidavit stating that one of the individual defendants' counsel had advised Plaintiffs' counsel that he did not know "one way or the other" whether the disputed documents had been reviewed by the individual defendants' counsel. (Pl.'s Sur-Reply, Ex. H.)

n6 A Special Prosecutor was appointed in April 2002 to investigate allegations of torture, obstruction of justice and other offenses by Chicago police officers under the command of defendant Burge at Area 2 and Area 3 headquarters in Chicago. The Order appointing the Special Prosecutor was attached as Exhibit B to the individual defendants' Motion to Stay the Taking of Defendants' Depositions. [Dkt 96.]

The City was granted leave to file a Response to Plaintiff's Sur-Reply. [Dkt 147.] That Response did not include any verification for any of its factual assertions. **[*13]** In its Response, the City argued that "the vast majority" of the disputed documents were not produced to the Special Prosecutor. (City's Resp. at 1.) Notwithstanding the fact that *all* of the disputed documents are Bates-numbered "SP___" and were admittedly among the documents processed by Merrill Duplication for production to the Special Prosecutor, the City asserted that only *some* of the disputed documents were actually produced to the Special Prosecutor. The City did not include any evidentiary support for that assertion. Regarding the production to the individual defendants' counsel, the City responded only that the quoted counsel had not participated in the document review. (*Id.* at 12.) Again, no affidavit or other evidentiary material was submitted to support that assertion.

The City hinted, but did not assert directly, that the documents were produced in response to a grand jury subpoena. (City's Resp. at 3.) Again, no factual support for that hint has been supplied. The City also stated that, after being Bates numbered, the documents were "indexed." (Resp. at 10.) That fact makes all the more mystifying the absence of any specific information about what was produced **[*14]** to whom and when.

The City's Response includes a list of the disputed documents that the City admits were produced to the Special Prosecutor. n7 (City's Resp., Ex. B.) Remarkably, that list includes documents suggesting attorney-client privilege and work product protection. *See, e.g.,* SP 141841-94 described as "Draft answer for Leroy Martin in *Wiggins v. Burge,* 93 C 199, with handwritten notes of Assistant Corporation Counsel, containing mental impressions, strategy, and legal advice for litigation include therein." *See also* SP 159745 described as "Document which sets forth the initial defense strategy for newly filed lawsuit, including investigation and aspects of advising the clients." (*Id.*)

n7 For some unexplained reason, the City submitted that list *in camera.* Plaintiff filed a motion to compel disclosure of that list, which was granted. (Order, April 9, 2004.) [Dkt 153.]

That is the factual record before the court after multiple submissions by the parties. The legal standard is applied **[*15]** to those facts.

Analysis

I. THE CITY'S CLAIM OF ATTORNEY-CLIENT PRIVILEGE AND WORK PRODUCT PROTECTION.

Because Plaintiff's claim arises under federal law, the assertion of attorney-client privilege also depends on federal law. *Fed. R. Evid. 501.* The elements of attorney-client privilege are well established:

> (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 advisor, (8) except the protection be waived.

United States v. White, 950 F.2d 426, 430 (7th Cir. 1991) (citation omitted). The privilege also applies to communications made by an attorney to a client that constitute legal advice or tend to reveal a client confidence. *United*

States v. DeFazio, 899 F.2d 626, 635 (7th Cir. 1990). The party asserting privilege has the burden of proving all of the essential elements. *White, 950 F.2d at 430.* Accordingly, "the party seeking to assert **[*16]** the privilege bears the burden of showing that the privilege was not waived." *Mattenson v. Baxter Healthcare Corp., 2003 U.S. Dist. LEXIS 21373, No. 02 C 3283, 2003 WL 22839808 at *2 (N.D. Ill. Nov. 26, 2003)* (Darrah, J.).

The work product doctrine, codified in *Fed. R. Civ. P. 26(b)(3)*, has been discussed in a number of opinions by the District Judges and Magistrate Judges of this District. *See, e.g., Caremark, Inc. v. Affiliated Computer Services, Inc., 195 F.R.D. 610 (N.D. Ill. 2000) (Denlow, M.J.); Allendale Mutual, 145 F.R.D. at 84.* Work product protection is a qualified privilege distinct from and broader than the attorney-client privilege. *Caremark, 195 F.R.D at 613.* In order to come under the protection provided by *Rule 26(b)(3)*, the party claiming protection must demonstrate that the documents or material things sought to be protected were prepared: (a) in anticipation of litigation or for trial; and (b) by or for a party or by or for a party's representative. *Id. at 613-14* (citing 8 Charles A. Wright, et al., *Federal Practice and Procedure* § 2024 (2d. ed. 1994)). The work **[*17]** product privilege exists because "it is essential that a lawyer work with a certain degree of privacy, free from unnecessary intrusion by opposing parties and their counsel." *Hickman v. Taylor, 329 U.S. 495, 510, 91 L. Ed. 451, 67 S. Ct. 385 (1947).*

Thus, the confidential status of the material for which protection is sought is critical to both attorney-client privilege and work product protection. Disclosure to third parties can result in waiver of both types of protection, although, as discussed below, the analysis of waiver may differ.

In the present case, Plaintiff asserts that any protection or privilege has been waived by the repeated production of the disputed documents to Plaintiff's counsel, to the individual defendants' counsel and to the Special Prosecutor. The City argues that the production to Plaintiff's counsel in January 2004 was inadvertent and should not constitute a waiver. However, that argument is moot if the protected or privileged status of the documents was previously waived.

The City has stated that the disputed documents were not produced to the individual defendants' counsel, and that some but not all of the disputed documents were produced to the Special **[*18]** Prosecutor. After affording the City multiple opportunities to submit materials on the pending motions, the record before the court requires the conclusion that the disputed documents were produced to the Special Prosecutor and to the individual defendants' counsel. It is apparent that the disputed documents were among those Bates numbered by Merrill Duplication as part of the City's process of producing documents to the Special Prosecutor. The City admits that some of the disputed documents were, in fact, produced to the Special Prosecutor but asserts, without any verification or other factual support, that others were not. It is striking that the City has failed to submit any records or other documentation to support that distinction. The City has failed to explain why the disputed documents were copied and Bates numbered "SP___" if they were not produced to the Special Prosecutor. If, in fact, some but not all of the documents that were Bates numbered "SP ___" had not been produced to the Special Prosecutor, presumably the City's counsel would have created a log or record of the documents produced and those not produced, especially because of the large number of documents involved. **[*19]** The City has failed to submit such a log or record, or even to submit an affidavit with facts supporting its assertion.

The same conclusion must be made with respect to the question of whether the disputed documents were produced to the individual defendants' counsel. Again, all the City has submitted to this court is a conclusory statement that the "Jones Day documents" were produced (twice) to the individual defendants' counsel, but the disputed documents (which were produced to Plaintiff's counsel as part of the "Jones Day documents") were not. Again, no answers were supplied to this court's specific questions seeking to find whether there was a factual basis for that statement. The failure of the City to submit any facts to support that assertion must lead to the conclusion that there are no facts to support it.

The issue of whether a joint defense privilege might avoid waiver in the event of production to the individual defendants' counsel was never developed by the City beyond one sentence in its Cross-Motion and one-sentence in its Response because the City took the unsupported position that the disputed documents had never been produced to the individual defendants' counsel. **[*20]** (City's Cross-Mot. at 12-13; City's Resp. at 12-13.) Furthermore, that hypothetical issue is moot because any privilege or protection was waived by the production to the Special Prosecutor.

In response to Plaintiff's argument that production to the Special Prosecutor was disclosure to "the ultimate adverse third party" (Pl.'s Sur-Reply at 2), the City argues that production pursuant to a grand jury subpoena does not result in waiver (City's Resp. at 7). In support of that argument the City cites the Seventh Circuit's opinion in *Dellwood Farms, Inc. v. Cargill, Inc., 128 F.3d 1122 (7th Cir.1997).* However, *Dellwood Farms* does not support the City's argument. In that case, private plaintiffs suing Archer Daniels Midland ("ADM") sought audiotapes of conversations that the FBI had made during its

criminal investigation of ADM. *128 F.3d at 1124*. The Seventh Circuit held that the government had not forfeited the law enforcement investigatory privilege when, in an effort to elicit a guilty plea from ADM, the government had played certain of the audiotapes for the law firm representing ADM's outside directors. *Id. at 1126-27*. The court first **[*21]** expressed a strong presumption against waiver or forfeiture of the law enforcement investigatory privilege. *Id. at 1125*. The court then concluded that the policy reasons for waiver or forfeiture were inapplicable in that specific case for a number of reasons, including the fact that the government was not the adversary of the plaintiff and the fact that the government only needed to keep the tapes confidential until after the criminal trial. *Id. at 1126-27*. The *Dellwood Farms* case might be applicable here if Plaintiff were seeking material *created by* the Special Prosecutor, but it does not apply to previously existing documents *produced to* the Special Prosecutor.

More applicable to the present motions is the Seventh Circuit's decision in *Burden-Meeks v. Welch, 319 F.3d 897 (7th Cir. 2003)*. In *Burden-Meeks,* the court affirmed an order compelling production of a report written by the lawyers for the Intergovermental Risk Management Agency to their client, which the Agency had shown to defendant Welch. *319 F.3d at 901-02*. The court held that the District Judge did not need to decide whether or not the document was an attorney-client **[*22]** privileged communication because the Agency had waived any privilege. *Id. at 899*. The court stated: "Knowing disclosure to a third party almost invariably surrenders the privilege with respect to the world at large; selective disclosure is not an option." *Id. at 899*.

However, "waiver of the attorney-client privilege does not automatically waive work product protection for the same document, as the two are independent and grounded on different policies." *Eagle Compressors, Inc. v. HEC Liquidating Corp., 206 F.R.D. 474, 479 (N.D. Ill. 2002)*. The voluntary disclosure of attorney work product to an adversary waives work product protection. *Id.* (citing Edna Selan Epstein, *The Attorney-Client Privilege and the Work- Product Doctrine* 610-12 (American Bar Association 4th ed. 2001)).

Disclosure to an investigating governmental agency has been held to waive work product protection. In *In re Steinhardt Partners, L.P., 9 F.3d 230 (2d Cir. 1993)*, the court held that work product protection had been waived with respect to a document which the defendant had produced to the SEC in the hope of preventing a formal investigation. **[*23]** A similar conclusion was reached in *In re Bank One Securities Litigation, 209 F.R.D. 418 (N.D. Ill. 2002)*, in which the court held that submissions made by Bank One to the Office of the Comptroller of the Currency during the Office's investigation of Bank One had to be produced to plaintiffs suing Bank One in civil litigation. Any work product protection had been waived because the documents had been produced to an entity (the Office) in an adversary position to the Bank. *209 F.R.D. at 424*.

There is no doubt that the Special Prosecutor is in an adversarial position to the City. The City never denied Plaintiff's claim that the Special Prosecutor is the "ultimate adversary." The Special Prosecutor is investigating allegations of widespread violations of rights by City employees, past and present, extending over a substantial period of time. n8 As the Sixth Circuit stated in holding that the work product privilege had been waived by disclosure to the Department of Justice: "The ability to prepare one's case in confidence, which is the chief reason articulated in *Hickman, supra,* for the work product protections, has little to do with talking **[*24]** to the Government." *In re Columbia/HCA Healthcare Corp., Billing Practices Litigation, 293 F.3d 289, 306 (6th Cir. 2002)*.

n8 Indeed, the City states that document SP 143682 discusses "the City's defense and representation in both the special prosecutor matter and in potential civil lawsuits." (City's Reply at 14.)

In the present case, the City hints that the disputed documents were produced to the Special Prosecutor pursuant to a subpoena. However, "the heart of the waiver issue is the provision of information to an adversary as opposed to the voluntary nature of such disclosure." *In re Bank One Securities Litigation, 209 F.R.D. at 424* (citing prior authority). The City has not claimed that, upon receiving a subpoena, the City objected to producing the disputed documents on the basis of work product or attorney-client privilege but that its objections were overruled. Rather, the record before this court does not disclose any objection by the City to producing the disputed documents **[*25]** to the Special Prosecutor. n9

n9 As further discussed below, only one of the cover letters from the City to the Special Prosecutor refers to a grand jury subpoena. The other cover letters refer only to an investigation and the Special Prosecutor's "request" for documents or information.

This is not a finding that any of the documents were, in fact, entitled to attorney-client privilege or work product protection. Indeed, there are major gaps in the City's proof of the essential foundation for establishing such

protection or privilege. n10 However, it is unnecessary to undertake the document-by-document analysis necessary to establish privilege or protection when any such status has been waived. *See Burden-Meeks, 319 F.3d at 899.*

n10 *See* footnote 4, *supra,* discussing the inadequacies of the City's revised privilege log. In addition, even a cursory examination of the disputed documents suggests that no protection is warranted for many of them. For example, document SP 143677 is nothing but a cover letter transmitting two public record documents; there is no legal advice sought. Many of documents for which work product protection is sought relate to litigation from the early 1990s. None of the documents specifically refers to or appears to have been created as a result of this case.

[*26]

The distressing aspect of these proceedings is how much of the court's and the parties' time and resources were expended before the City disclosed the critical fact of prior production to the Special Prosecutor. The lengthy discussion in the briefs about whether the documents were or were not governed by the stay on *Monell* discovery turned out to be a red herring. Even if the documents were deemed to have been governed by the stay, the City cannot demonstrate the initial predicate for protection from production, the confidentiality of the documents. Because the stay on *Monell* discovery has been lifted, there is no longer a basis for not producing the documents. The arguments in the briefs did, however, demonstrate how untenable a distinction between *Monell* and *non-Monell* discovery would be in this case.

Two other matters must be addressed. In its Reply, the City states: "Because the Jones Day boxes received by Hinshaw were produced without waiving the *Monell* policy discovery stay, any privileged documents that may have been withheld by the Jones Day law firm did not have to be included on a privilege log by December 2, 2003." (City's Reply at 12 n. 3.) That statement **[*27]** suggests that, contrary to the City's representation that "the City offered to make the Jones Day Police Board documents available to plaintiff's counsel" (City's Cross-Mot. at 4) and the City's statement that "[a] decision was made not to assert any claim of privilege or work product in connection with the Jones Day records" (*Id.* at 5), the City made available only a subset of the "Jones Day Police Board documents." That is not acceptable. The documents in the possession of the City's prior counsel are certainly documents in the City's "possession, custody or control." *Fed. R. Civ. P. 34(a).* Having agreed to provide the "Jones Day Police Board documents," the City cannot decide to provide only *some* of the Jones Day Police Board documents. Having affirmatively stated that no claim of privilege or work product would be asserted in connection with the "Jones Day Police Board documents," the City cannot withhold documents on that basis.

Furthermore, the City cannot now represent that it viewed the "Jones Day Police Board documents" as covered by the stay. The City produced the "Jones Day documents" because, as the City acknowledges, Judge **[*28]** Aspen had instructed that if the issue is close, the City was to err on the side of production. (City's Reply at 9.) The City cannot decide, *sub silentio,* that some the "Jones Day documents" are covered by the stay and others are not. All of the Jones Day Police Board documents are to be produced to Plaintiff's counsel immediately.

Second, the City's Cross-Motion and briefs have criticized Plaintiff's counsel for reviewing and taking notes on the disputed documents, which the City claims Plaintiff's counsel should have known were privileged and not intended to be produced. The City claims that Plaintiff's review of those documents violated ABA Formal Ethics Opinion 92-368. n11 That criticism is unwarranted, and the opinion is not applicable here. Although some of the disputed documents appear to contain attorney comment and work product, it could not be said that it is clear that the documents were not intended for Plaintiff's counsel. This is a highly unusual situation in which the party producing the documents had stated on the record at a previous court hearing that it was not asserting any attorney-client privilege or work product protection for documents that it had been **[*29]** ordered to produce. In light of that express waiver, Plaintiff's counsel cannot be criticized for assuming that any documents produced-- especially documents previously Bates stamped and boxed for production-- were intentionally produced and subject to that waiver.

n11 That opinion states:

> A lawyer who receives materials that on their face appear to be subject to the attorney-client privilege or otherwise confidential, under circumstances where it is clear they were not intended for the receiving lawyer, should refrain from examining the materials, notify the sending lawyer, and abide the instructions of the lawyer who sent them.

> ABA Formal Opinion 92-368, *ABA/BNA Lawyers' Manual on Professional Conduct* 1001:155 (1992)

II. CLAIM OF GRAND JURY SECRECY.

The City claims that twelve of the documents on its privilege log are protected by "grand jury secrecy." n12 The documents fall into the following categories: (a) cover letters that list materials being forwarded to the Special Prosecutor, **[*30]** specifically, personnel files and complaint registers ("CRs") regarding various police officers, court transcripts, pages from an FBI investigation, and various reports; (b) two printouts from databases n13; and (c) a letter discussing research into complaints to the Chicago Police Department's Office of Professional Standards. The City claims that the principle of grand jury secrecy precludes it from producing those documents to Plaintiff's counsel.

> n12 A thirteenth document, SP 143769, is a cover letter from a Corporation Counsel to outside counsel conveying (unproduced) documents for transmittal to the Special Prosecutor. The City suggests only that the letter somehow "implicates the grand jury concerns for secrecy." (City's Reply at 15.) That vague suggestion is not sufficient to constitute a genuine argument.

> n13 Oddly, the two database printouts (SP 143728-767 and SP 143705-723) do not appear on the City's list of documents that had been produced to the Special Prosecutor (City's Resp. to Sur-Reply, Ex. B), although apparently they were so produced.

[*31]

The parties have not discussed whether Illinois or federal law governs this issue. The City cites Illinois law, presumably because the City is referring to events involving the Special Prosecutor who was appointed by the Circuit Court of Cook County pursuant to Illinois law. However, the Federal Rules of Evidence direct that, in a claim arising under federal law, privileges are governed by principles of federal common law unless otherwise required by the United States Constitution, federal law or the federal rules. *Fed. R. Evid. 501*. "*Rule 501* in terms makes federal common law the source of any privileges in federal-question suits unless an Act of Congress provides otherwise." *Northwestern Memorial Hospital v. Ashcroft, 362 F.3d 923, 2004 U.S. App. LEXIS 5724, 2004 WL 601652 at *2 (7th Cir. 2004)* (Posner, J.). However, as to the present issue, there does not appear to be a significant difference between state and federal law, and "comity 'impels federal courts to recognize state privileges where this can be accomplished at no substantial cost to federal substantive and procedural policy.'" *2004 U.S. App. LEXIS 5724 at *9* (quoting *Memorial Hospital for McHenry County v. Shadur, 664 F.2d 1058, 1061 (7th Cir. 1981))*. **[*32]**

Federal Rule of Criminal Procedure 6(e)(2) expressly prohibits particular persons (for example, a grand juror) from disclosing a matter occurring before a grand jury, and it also provides that "no obligation of secrecy may be imposed on any person except in accordance with" that rule. *Fed. R. Crim. P. 6(e)(2)(A)*. Thus, "the rule does not impose any obligation of secrecy on witnesses." Advisory Committee Notes, 1944 Adoption. On the other hand, the current version of *Rule 6* also provides that "records, orders and subpoenas relating to grand jury proceedings must be kept under seal to the extent and as long as necessary to prevent the unauthorized disclosure of a matter occurring before a grand jury." *Fed. R. Crim. P. 6(e)(6)*. The comments to the 1983 amendments adopting that subsection quote a report stating that "subpoenas can identify witnesses, potential targets, and the nature of an investigation." Committee Comments, 1983 Amendment (quoting Comptroller General, More Guidance and Supervision Needed over Federal Grand Jury Proceedings 10, 14 (Oct. 16, 1980)). **[*33]**

In Illinois, the common law principle of grand jury secrecy has been codified in a statute, which provides that "matters other than the deliberations and vote of any grand juror shall not be disclosed by the State's Attorney, except as otherwise provided for in subsection (c)." *725 Ill. Comp. Stat. § 5/112-6(b)*. Subsection (c), in turn, permits disclosure to a State's Attorney and necessary government personnel, and, in a catch-all clause, states: "Disclosure otherwise prohibited by this Section of matters occurring before the Grand Jury may also be made when the court, preliminary to or in connection with a judicial proceeding, directs such in the interest of justice or when a law so directs." *725 Ill. Comp. Stat. § 5/112-6(c)*. The Illinois Supreme Court has stated that *Fed. R. Crim. P. 6(e)* was the model for the Illinois statute. *People ex rel. Sears v. Romiti, 50 Ill. 2d 51, 277 N.E.2d 705, 708 (Ill. 1971)*. The Illinois courts have looked to federal court decisions regarding *Fed. R. Crim. P. 6* for guidance in interpreting **[*34]** the state law. *See, e.g., In re Extended March 1975 Grand Jury No. 655, 84 Ill. App. 3d 847, 405 N.E.2d 1176, 1179-80, 40 Ill. Dec. 84 (Ill. App. 1st Dist. 1980)*.

It is well-established under either federal or Illinois law that documents prepared by a party are not insulated from discovery simply because they are sought by a grand jury. "The mere fact that a particular document is reviewed by a grand jury does not convert it into a matter occurring before the grand jury within the meaning of *section 112-6(b)*." *Bd. of Educ., Community Unit School Dist. No. 200 v. Verisario, 143 Ill. App. 3d 1000, 493 N.E.2d 355, 359, 97 Ill. Dec. 692 (Ill. App. 2d Dist. 1986)* (citing *In re Grand Jury Investigation, 630 F.2d 996, 1000 (3d Cir. 1980))*; *see also U.S. v. Stanford, 589 F.2d 285, 290-91 (7th Cir. 1978)*. The City does not argue to the contrary. Rather, the issue is whether the City's attorney's letters to the Special Prosecutor are "matters occurring before the grand jury."

Plaintiff stated that he was not aware that a grand jury had been impaneled. (Pl.'s Combined Reply at 10.) In response, the City pointed only to the **[*35]** one cover letter, SP 143687, dated December 9, 2002, that refers to a Grand Jury Subpoena dated November 20, 2002. (City's Reply at 20.) None of the other letters to the Special Prosecutor at issue here refer to a grand jury subpoena or proceeding. They refer only to "requests" by the Special Prosecutor and all of the letters, except one dated December 10, 2002, pre-date December 9, 2002. (One letter, SP 143690, dated November 21, 2002, refers to the Special Prosecutor's "previous request.") There is authority denying a motion to compel production of subpoenas issued by the grand jury and rejecting a demand requiring that materials be produced "compiled in the manner that they were presented to the grand jury," because that would effectively become a disclosure of grand jury proceedings.*Bd. of Educ. of Evanston Township Highschool Dist. No. 202 v. Admiral Heating and Ventilation, Inc., 513 F. Supp. 600, 603-04 (N.D. Ill. 1981)* (construing an earlier version of *Fed. R. Crim. P. 6*). However, if there is authority extending the principle of grand jury secrecy retroactively to communications with the government preceding the impaneling **[*36]** of the grand jury, the City has not cited it. n14

n14 The City's Cross-Motion cites *People v. Toolen, 116 Ill. App. 3d 632, 451 N.E.2d 1364, 72 Ill. Dec. 41 (Ill. App. 5th Dist. 1983)*, which involved the presence of witnesses during testimony of other witnesses before a grand jury, and *In re Extended March 1975 Grand Jury No. 655, 84 Ill. App. 3d 847, 405 N.E.2d 1176, 40 Ill. Dec. 84 (Ill. App. 1st Dist. 1980)*, which denied a discovery request for transcripts of testimony before a grand jury. (City's Cross-Motion at 13.)

Thus, there is no basis cited by the City for refusing to produce the cover letters and the database printouts provided to the Special Prosecutor, with the possible exception of SL 143687, which expressly refers to and responds to a grand jury subpoena. Although that document does not quote the subpoena, it might be deemed to reveal something about what took place before the grand jury. In light of the fact that Plaintiff has not shown a particularized need for **[*37]** that document, the City's motion for protective order will be granted as to that document only.

III. ADDITIONAL DOCUMENTS PRODUCED BY THE CITY.

By way of a letter to this court dated March 3, 2004, the City added two items to its privilege log: SP 159745, an undated, unsigned memorandum apparently relating to a 1993 lawsuit brought by a pro se plaintiff involving "another Area 2" allegation; and a group of documents SP 150003-150138 that the City claims is subject to an order entered by District Judge Brian Duff in *Wilson v. City of Chicago*, 86 C 2360.

Document SP 159745 is included on the City's list of documents produced to the Special Prosecutor. (City's Resp., Ex. B.) If any work-product protection were still applicable to that eleven year old document, it has been waived by production to the Special Prosecutor. Document SP 159745 must be produced to Plaintiff's counsel.

The numerous documents comprising SP 150003-150138 have not been the subject of discussion or briefing by the parties because the City dumped those documents *en masse* upon this court. There is no indication that the group was properly broken out on a document-by-document basis on any privilege **[*38]** log. If those documents had been broken out, it would have been obvious that, for example, there is no basis for a protective order with respect to document SP 150018-19, the order entered by Judge Duff. To the extent that the City's Cross-Motion is intended to seek a protective order for those documents, the motion is denied without prejudice. The City is directed to serve a privilege log by April 30, 2004, specifically breaking out the documents comprising that group, including listing all persons to whom copies of the documents have been provided by the City or its counsel. The parties are then to comply with Local *Rule 37.2* before bringing any further motion with respect to those documents.

CONCLUSION

For the forgoing reasons, Plaintiff's Fourth Motion to Compel is granted, and the City's Cross- Motion is denied, except as to document SP 143687. As to that document, the City's Cross-Motion is granted. The City's Cross-Motion is denied without prejudice as to docu-

ments in group SP 150003-150138; as to those documents the City shall serve a privilege log by April 30, 2004, specifically breaking out the documents comprising that group, including listing all persons to whom **[*39]** copies of the documents have been provided by the City or its counsel. All other documents listed on the City's privilege log (City's Reply, Ex. E) must be produced to Plaintiff's counsel by April 27, 2004.

IT IS SO ORDERED.

Geraldine Soat Brown

United States Magistrate Judge

April 20, 2004

Tab 3

LEXSEE 1995 U.S. DIST. LEXIS 14488

JUDITH A. NEAL, Plaintiff, v. HONEYWELL, INC., and ALLIANT TECHSYSTEMS, INC., Defendants.

No. 93 C 1143

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

1995 U.S. Dist. LEXIS 14488

October 3, 1995, Decided
October 4, 1995, DOCKETED

COUNSEL: [*1] For JUDITH A NEAL, an individual, plaintiff: William J. Holloway, Michael John Leech, William G. Swindal, Robert Hill Smeltzer, Hinshaw & Culbertson, Chicago, IL.

For HONEYWELL INC, a corporation, ALLIANT TECHSYSTEMS INC., a corporation, defendants: James A. Burstein, Timothy F. Haley, Thomas Hill Peckham, Kristin E Michaels, Seyfarth, Shaw, Fairweather & Geraldson, Chicago, IL. Paul E. Freehling, D'Ancona & Pflaum, Chicago, IL.

JUDGES: Paul E. Plunkett, UNITED STATES DISTRICT JUDGE

OPINION BY: Paul E. Plunkett

OPINION:

MEMORANDUM OPINION AND ORDER

This case is before us on the objections of defendants Honeywell, Inc. ("Honeywell"), and Alliant Techsystems, Inc., to Magistrate Judge Rosemond's Order of May 22, 1995 (the "Order"), granting plaintiff Judith A. Neal's ("Neal") second Rule 37(a) motion to compel the production of documents. For the reasons set forth below, we set aside only that portion of the magistrate judge's order, as clearly erroneous or contrary to law, which requires Honeywell to produce documents not previously produced to the government which contain the mental impressions, conclusions, opinions, and legal theories of its attorneys.

Background

[*2] I. Setting the Scene

The facts of this case are set forth in the Order, and we do not restate them in detail here. n1 In a nutshell, Neal has sued the defendants for retaliating against her, allegedly by her supervisors' threats of physical harm and intimidation which led to her constructive discharge, after she made an internal report of falsification of ammunition test data at Honeywell's Joliet Arsenal plant. When Neal first reported to Honeywell that test data was being falsified in March 1987, the company immediately relayed that information to the federal government and began an internal investigation. The government began its own investigation as well. Honeywell understood from the beginning that it faced possible debarment from further defense contracts and criminal indictment if the test data had in fact been falsified. The government's investigation lasted until the end of 1991. Ultimately, fraud in the test data was confirmed, and while Honeywell itself avoided indictment, it paid a settlement of approximately $ 2.5 million and two of its employees pleaded guilty to defrauding the United States.

n1 A brief statement of facts is also contained in the Seventh Circuit's decision in this case, *Neal v. Honeywell, Inc., 33 F.3d 860, 861 (7th Cir. 1994).*

[*3]

This motion relates to Honeywell's initial disclosure of certain privileged documents to the Office of the Inspector General of the Department of Defense ("IG-DoD") and its later disclosure of other privileged documents to the United States Attorney here in Chicago.

II. Disclosure to the Department of Defense

In August 1987, Honeywell and the IG-DoD, with the concurrence of the Department of Justice, entered into an agreement (the "Agreement") under which Honeywell would produce certain documents to the IG-DoD and provide certain assistance in the IG-DoD's investigation. (Def.'s Reply Br., Ex. A.) The Agreement identified the documents Honeywell would disclose as follows:

> Honeywell has provided the [IG-DoD] a copy of the Honeywell Report dated 18 May 1987 covering its internal investigation of quality testing procedures at the [Honeywell Joliet Arsenal] first made known to the Government on 6 March 1987. Supporting data for the Honeywell Report and information generated during the course of preparing that Report will be made available. In addition, Honeywell will provide a list of all individuals interviewed on the subject. Honeywell will also provide information **[*4]** concerning internal disciplinary action taken with respect to violations of corporate policy and a complete description of its efforts to assure against recurrence. Upon request, Honeywell will provide assistance to Government investigators and auditors in their investigation of the facts and verification of the report.
>
> . . . .
>
> With respect to the [Honeywell Joliet Arsenal] investigation, and subject to the foregoing agreement regarding assertion of the attorney-client privilege and/or the attorney-work product privilege, Honeywell will:
>
> > A. Provide the IG-DoD access to and copies of all additional documents which the IG-DoD deems necessary . . . .
>
> . . . .

(Id. at 2-3.) The Agreement also addressed Honeywell's claim of attorney-client privilege regarding some of the documents sought by the IG-DoD. In this respect, the Agreement stated, in pertinent part:

> Honeywell presently intends to preserve these privileges to the extent that they may exist. The IG-DoD reserves the right to seek compulsory production of such information if, in its judgment, the information is deemed necessary to its investigation. To resolve the uncertainty in this area, Honeywell, **[*5]** the Department of Justice and the IG-DoD agree that Honeywell's delivery of the Report and other information provided will not be viewed as a waiver of such privilege as may otherwise be applicable.

(Id. at 2.) While the Agreement allowed for the IG-DoD to forward the documents Honeywell produced to other government agencies, it did not address directly Honeywell's production of documents to any other agency of the federal government.

III. Disclosure to the United States Attorney

In 1988, the office of the United States Attorney in Chicago was considering criminal charges against Honeywell and its employees over the falsified test data. In December of that year, a dispute arose between Honeywell and the United States Attorney over Honeywell's refusal to turn over the notes of thirty-two interviews it conducted with its own employees in the course of its internal investigation. Honeywell claimed that the documents were protected from disclosure by the attorney-client privilege and the attorney work-product doctrine. On December 5, 1988, Anton Valukas ("Valukas"), the United States Attorney, sent a letter to Honeywell's in-house counsel, A. Allen Gray ("Gray") **[*6]** and outside counsel, requesting the production of the documents "without restriction or condition on their use." (Def.'s Reply Br., Ex. B, Valukas letter of 12/5/88.) The letter noted further:

> Honeywell has suggested that it should not be indicted in connection with the quality testing procedural irregularities at the Joliet Arsenal. One of the arguments in support of this suggestion is the nature and extent of Honeywell's cooperation with the government in connection with this matter. This office, of course, will consider such cooperation in deciding what ultimate disposition of this case is appropriate. You should understand, however, that the continued refusal to produce the requested materials will substantially affect the value this office assigns to Honeywell's cooperation.

(Id.) In its response, Honeywell agreed to produce only redacted versions of the interview notes relating to two

former employees and suggested that the Agreement itself should prevent Honeywell's indictment. (Def.'s Reply Br., Ex. B., Bergerson letter of 12/9/88.) The United States Attorney rejected this proposal and pressed for disclosure of all the interview notes, reminding Honeywell that [*7] the Agreement explicitly stated that the government had made no promise not to prosecute Honeywell. (Def.'s Reply Br., Ex. B., Valukas letter of 12/19/88.) On January 5, 1989, Honeywell turned over all the interview notes. (Def.'s Reply Br., Ex. B, Gray letter of 1/5/89.)

The magistrate judge concluded that Honeywell had disclosed the interview notes pursuant to the Agreement, and Neal disagrees. Because we find that the issue is not relevant to our decision here, we do not address it.

IV. The Proceedings Before the Magistrate Judge

In briefing the motion to compel, Honeywell urged the magistrate judge to follow the Eighth Circuit's reasoning in *Diversified Indus., Inc. v. Meredith, 572 F.2d 596 (8th Cir. 1977)* (en banc), in which the court held that the voluntary disclosure of privileged materials to the government constituted only a "limited waiver" and did not waive the privilege as to other parties. The magistrate judge did not address Diversified in the Order, but he implicitly rejected Honeywell's position when he cited the Third Circuit's decision in *Westinghouse v. Republic of the Philippines, 951 F.2d 1414 (3d Cir. 1991)*. n2 In Westinghouse, [*8] the Third Circuit explicitly rejected Diversified on the grounds that the "limited waiver" theory did not promote full disclosure by a client to his attorney, but merely encouraged voluntary disclosure to governmental agencies, an extension of the attorney client privilege beyond its intended purpose. *Id. at 1424.*

n2 There is a split in the circuit courts of appeals on this issue, although several circuits, including the Seventh Circuit, have not addressed it. Of the courts that have, the majority have concluded that voluntary disclosure of privileged materials to the government waives the privilege as to the documents turned over to the government. See, e.g., *United States v. Billmyer, 57 F.3d 31 (1st Cir. 1995)* (affirmative use of privileged information by voluntary disclosure to the government waived privilege, at least in circumstance of former employee facing criminal charges arising from same incidents); *In re Steinhardt Partners, L.P., 9 F.3d 230 (2d Cir. 1993)* (attorney-work product claim waived where memorandum had been voluntarily disclosed to the SEC); *Westinghouse v. Republic of the Philippines, 951 F.2d 1414 (3d Cir. 1991)* (voluntary disclosures to investigating governmental agencies waived protections of both attorney client privilege and attorney work-product doctrine); *In re Martin Marietta, 856 F.2d 619 (4th Cir. 1988),* cert. denied, *490 U.S. 1011, 104 L. Ed. 2d 169, 109 S. Ct. 1655 (1989)* (company's disclosure of privileged matters to government in effort to settle criminal investigation constituted subject matter waiver as to actual disclosures and underlying data); *Permian v. United States, 214 U.S. App. D.C. 396, 665 F.2d 1214 (D.C. Cir. 1981)* (disclosure of documents to SEC constituted waiver of privileges as to other federal agencies). But see *Diversified Indus., Inc. v. Meredith, 572 F.2d 596 (8th Cir. 1977)* (en banc) (articulating "limited waiver" theory).

[*9]

The magistrate judge granted the motion to compel. He reasoned that Honeywell's disclosure of privileged materials to the government pursuant to the Agreement constituted a subject matter waiver of both the attorney-client privilege and the attorney work-product privileges to all other documents relating to the same issues. He ordered Honeywell to produce the following documents:

(a) the Honeywell Report,

(b) the supporting data for the Report,

(c) Information generated during the course of preparing the Report,

(d) Identification of the individuals against whom disciplinary action was taken or contemplated,

(e) Documents reflecting the intensity and degree of Honeywell's concern, including that of its employees, with the Government's investigation (and Honeywell's) and the potential consequences of these investigations,

(f) Any and all attorney-client privilege documents and any and all work product documents relating to the above which are relevant to the issues in this case.

Order at 12. The magistrate judge concluded that, regardless of the provision in the Agreement that voluntary disclosure would not constitute a waiver of the attorney-

client [*10] privilege, Honeywell had in fact waived the privilege by disclosing the documents to the IG-DoD and the United States Attorney, both of which were in adversarial positions to Honeywell. He noted:

> Since "the purpose of the attorney-client privilege is to protect the confidentiality of attorney-client communications in order to foster candor within the attorney-client relationship, voluntary breach of confidence or selective disclosure for tactical purposes waives the privilege."

Order at 7 (citing *In re Sealed Case, 219 U.S. App. D.C. 195, 676 F.2d 793, 818 (D.C. Cir. 1982)).*

During the course of briefing the motion to compel before the magistrate judge, Honeywell agreed to produce to Neal the thirty-two interview notes, subject to Neal's agreement that the disclosure of those documents would not constitute a subject matter waiver as to any other materials. However, Honeywell apparently failed to turn over the documents until the magistrate judge entered an order requiring them to do so on June 5, 1995.

V. The Current Dispute

Honeywell has filed objections to the Order on the grounds that its disclosure of privileged materials to the government does [*11] not constitute a subject matter waiver. In support of its position, it relies upon our decision in Chamberlain Mfg. Corp. v. Maremont Corp., in which we held that the disclosure to the Department of Defense of the report of an internal investigation conducted by outside counsel did not constitute a subject matter waiver as to the underlying documents and materials upon which the report was based. Furthermore, it contends that the "fairness doctrine" n3 does not require disclosure here because Honeywell has not used these materials to gain an advantage against Neal. Finally, Honeywell argues that, if we should conclude that subject matter waiver has occurred, then its "opinion" work product should nonetheless be shielded from discovery. With regard to the specific documents which the magistrate judge ordered it to produce to Neal, Honeywell indicated that it objects to producing only the documents identified in subparagraph (f) of the Order. (See supra at 7.) It is our understanding that Honeywell has produced to Neal all the privileged documents it turned over to the government.

n3 The general rule behind subject matter waiver is that the attorney-client privilege should not be used selectively to disclose privileged matters where the disclosure benefits the party asserting the privilege, while shielding from disclosure those matters which would injure that party, because such use would be unfair to the party's adversary. *In re Weisman, 835 F.2d 23, 26 (7th Cir. 1987).*

[*12]

Discussion

Neal's motion to compel was referred to the magistrate judge under *Rule 72(a) of the Federal Rules of Civil* procedure. As a result, we may 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).*

Despite the attention the parties have given to other issues in their current briefing, Honeywell's objection to the order requires us to answer the following question: does the voluntary disclosure to the government of materials protected by the attorney-client privilege and the attorney work-product doctrine waive those privileges as to all other materials on the same subject matter? As we noted above, the magistrate judge concluded that it did because Honeywell had made the disclosures to adversaries in order to gain a tactical advantage. We must determine only if that conclusion was clearly erroneous or contrary to law.

As the magistrate judge noted, voluntary disclosure of privileged documents to an adversary is generally held to be an "implied waiver" of the attorney client privilege as to other documents on the same subject matter. He relied upon the District of Columbia Court [*13] of Appeals' decision in *In re Sealed Case, 219 U.S. App. D.C. 195, 676 F.2d 793 (D.C. Cir. 1982).* There, a company had cooperated in investigations by the IRS and the SEC into the alleged payment of bribes to foreign and United States government officials. Id. at 799-800. Part of that cooperation included voluntarily disclosing the results of the company's own investigation into the bribery allegations. Id. at 800-01. Subsequently, when the company was being investigated by a grand jury regarding the alleged bribes and possible efforts by company executives to mislead the government during the earlier government investigations, the company sought to withhold, under the attorney client privilege and the attorney work product doctrine, certain documents subpoenaed by the grand jury which related to the same subject matter as the materials it had voluntarily disclosed. Id. at 803-05. The court rejected the company's position as to some of the documents, explaining,

> Courts need not allow a claim of privilege when the party claiming the privilege seeks to use it in a way that is not consistent with the purpose of the privilege. Thus, since the purpose of the attorney-client **[*14]** privilege is to protect the confidentiality of attorney-client communications in order to foster candor within the attorney-client relationship, voluntary breach of confidence or selective disclosure for tactical purposes waives the privilege.

Id. at 818.

While the Seventh Circuit has not addressed this issue, it has given some indication that it would agree with the reasoning on implied waiver, or subject matter waiver as it is sometimes called, used in Sealed Case. In *In re Continental Ill. Securities Litigation, 732 F.2d 1302 (7th Cir. 1984),* the Seventh Circuit noted the holding in Sealed Case regarding subject matter waiver, but concluded that it did not need to find that the privileges had been waived on the facts before it. *Id. at 1314.* Subject matter waiver has also been recognized in this district. In *In re Int'l Harvester's Disp. of Wisconsin Steel, 666 F. Supp. 1148 (N.D. Ill. 1987),* the district court, though not citing Sealed Case, used similar reasoning. Noting that subject matter waiver is the general rule, the court quoted at length from a district court decision by Judge Flaum:

> "a party cannot selectively divulge privileged **[*15]** information without impairing its attorney-client privilege as to the rest of that information concerning the same subject. . . . The privilege exists in the first instance to encourage communication from a client to his attorney, and for that reason the confidence of such communications must be protected. . . . Once a party abandons this confidence by submitted privileged material in the discovery proceeding, the rationale of the privilege is dissipated, insofar as the subject matter of the disclosure is concerned."

666 F. Supp. at 1153 (quoting *B & J Mfg. Co. v. FMC Corp., 21 Fed. R. Serv. 2d (Callaghan) 1119, 1119-20 (N.D. Ill. 1975)).* The court in *Wisconsin Steel, 666 F. Supp. at 1153,* also cited *Sylgab Steel & Wire Corp. v. Imoco-Gateway Corp., 62 F.R.D. 454 (N.D. Ill 1974),* aff'd mem., *534 F.2d 330 (7th Cir. 1976),* in which Judge Bauer had explained:

> When a party's conduct reaches a certain point of disclosure fairness requires that the privilege should cease whether the party intended that result or not. A party cannot be allowed, after disclosing as much as he pleases, to withhold the remainder. He may elect to withhold or to disclose, but after **[*16]** a certain point his election must remain final.

62 F.R.D. at 457-58. Although we recognize that this specific question is an open one in this circuit, we conclude that the magistrate judge's holding that Honeywell's voluntary disclosure to the government constitutes a waiver of the attorney-client privilege as to all materials relating to the same subject matter was not clearly erroneous or contrary to law.

Honeywell urges us to set aside the magistrate judge's order based upon our decision in Chamberlain Mfg. Corp. v. Maremont Corp. n4 There, upon learning of a government investigation into possible fraud by its newly-acquired subsidiary, Chamberlain retained outside attorneys to conduct an internal investigation. n5 The attorneys summarized the results of that investigation in a report which Chamberlain voluntarily disclosed to the Department of Defense. In the course of the subsequent civil litigation, Maremont obtained the report and moved to compel production of the underlying memoranda and other materials, which had never been turned over to the government. In setting aside Magistrate Judge Bobrick's order compelling Chamberlain to produce the underlying materials, **[*17]** we concluded that, based upon *Upjohn Co. v. United States, 449 U.S. 383, 66 L. Ed. 2d 584, 101 S. Ct. 677 (1981),* dissemination of the report to the government did not waive the privilege as to the underlying materials.

n4 Def.'s Br., Ex. D, Memorandum Opinion and Order, January 15, 1993, Case No. 90 C 7127.

n5 The law firm which conducted the investigation and which represents Chamberlain in that case, which is now set for trial, is the same law firm which represents Honeywell in this case.

Honeywell's reliance on Chamberlain is misplaced. As we explained there, "'A corporation prepares and pub-

lishes an internal report about "questionable payments" abroad; we know from Upjohn Co. that it does not follow that the government has access to the interviews underlying the published report.'" Memorandum Opinion and Order, January 15, 1993 (quoting *In re Feldberg, 862 F.2d 622, 629 (7th Cir. 1988))*. Here, in contrast to both Upjohn and Chamberlain, Honeywell voluntarily disclosed to **[*18]** the government, and has now disclosed to Neal, the privileged materials underlying its report. The extent of Honeywell's disclosure of privileged materials is significantly greater than the disclosure in Chamberlain, and, in our view, is dispositive. As Judge Bauer said,

> When a party's conduct reaches a certain point of disclosure fairness requires that the privilege should cease whether the party intended that result or not. . . . He may elect to withhold or to disclose, but after a certain point his election must remain final.

Sylgab, 62 F.R.D. at 457-58. As we understand it, Honeywell disclosed to the government, whether the IG-DoD or the United States Attorney, a significant portion of the privileged materials relating to its internal investigation. And, in this case, it has turned over to Neal all of the documents it gave to the government. Honeywell's conduct has reached the point at which, in Judge Bauer's words, its "election must remain final."

Our conclusion is the same regarding the magistrate judge's additional determination that Honeywell had waived the attorney work product privilege by disclosing those materials to an adversary. Honeywell clearly **[*19]** gained a tactical advantage from its disclosures to the government. Honeywell's participation in the Department of Defense's voluntary disclosure program, memorialized in the Agreement, included its obligation to produce its report and materials underlying that report, undoubtedly so that the government could verify the report's accuracy and completeness. This disclosure implicated privileged materials from the beginning. See *Sealed Case, 676 F.2d at 818-20* (outlining SEC's voluntary disclosure program and its implications regarding attorney-client privilege). In return, Honeywell received the possibility, though not the guarantee, of lenient treatment. The same is true regarding Honeywell's disclosure of the thirty-two interview notes to the United States Attorney, for the exchange of correspondence regarding those notes makes clear that the United States Attorney would not have looked favorably on Honeywell's refusal to cooperate on that issue. In each instance, Honeywell cooperated with the government in hopes of more lenient treatment than it could reasonably have expected to receive in the absence of that cooperation, or, in other words, to gain a tactical advantage.

Finally, **[*20]** Honeywell contends that if a subject matter waiver has occurred, it should not extend to opinion work product. While "the attorney-client privilege promotes the attorney-client relationship, and, indirectly, the functioning of our legal system, by protecting the confidentiality of communications between clients and their attorneys . . . in contrast, the work-product doctrine promotes the adversary system directly by protecting the confidentiality of papers prepared by or on behalf of attorneys in anticipation of litigation." *Westinghouse, 951 F.2d at 1428*. Some courts, primarily the Fourth Circuit, have made a distinction between opinion and non-opinion work product. The Fourth Circuit has defined opinion work product as an attorney's mental impressions, opinions and legal theories. *In re Martin Marietta, 856 F.2d 619, 624-26 (4th Cir. 1988)*. The Seventh Circuit has defined work product generally as potentially "encompassing any document prepared in anticipation of litigation by or for the attorney." *In re Special September 1978 Grand Jury (II), 640 F.2d 49, 62 (7th Cir. 1980)*. While the Seventh Circuit has not explicitly adopted the "opinion vs. non-opinion" work product **[*21]** bifurcation used by the Fourth Circuit, it has recognized a difference, at least in the context of the crime-fraud exception to the privilege, between information furnished to an attorney and an attorney's mental impressions, conclusions, opinions, and legal theories. In *In re Special September 1978 Grand Jury (II), 640 F.2d 49 (7th Cir. 1980)*, it concluded that even fraud by the client did not overcome the attorney's entitlement to privacy regarding his mental impressions, conclusions, opinions, and legal theories. *Id. at 63*. n6 Here, there is no evidence indicating a continuing fraud by Honeywell, and so the circumstances are more compelling in favor of protecting the confidentiality of these materials.

n6 There, the Seventh Circuit analyzed separately the client's and the attorney's entitlements to claim the protection of the work-product doctrine, and concluded that the attorneys were entitled to assert the work-product doctrine to protect their mental impressions, conclusions, opinions, and legal theories, although the client could not by reason of its fraud. *640 F.2d at 63*. This case is distinguishable because the client, Honeywell, is asserting the privilege. However, there has been no occasion here for the attorneys who prepared these materials to assert the work-product doctrine independently of Honeywell, and so this

factual distinction does not require a different result.

[*22]

On this basis, we think the Seventh Circuit would recognize the same distinction here. We conclude that the magistrate judge's determination that Honeywell must disclose to Neal all materials subject to the attorney work-product doctrine is contrary to law to the extent it requires Honeywell to disclose its attorneys' mental impressions, conclusions, opinions, and legal theories. Honeywell may withhold from disclosure those materials not previously produced to the government which constitute the mental impressions, conclusions, opinions, and legal theories of its in-house and outside counsel. However, to the extent a single document contains both protected and unprotected material, the protected material shall be redacted, and the remainder of the document shall be produced to Neal.

Conclusion

For the forgoing reasons, we set aside only that portion the magistrate judge's order, as clearly erroneous or contrary to law, which requires Honeywell to produce documents, not previously produced to the government, containing the mental impressions, conclusions, opinions, and legal theories of its attorneys.

ENTER:

Paul E. Plunkett

UNITED STATES DISTRICT JUDGE [*23]

DATED: October 3, 1995

Tab 4

LEXSEE 1997 U.S. DIST. LEXIS 228

TRIBUNE CO., et al., Plaintiffs, -against- PURCIGLIOTTI, et al., Defendants.

93 Civ. 7222 (LAP)(THK)

UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK

1997 U.S. Dist. LEXIS 228

January 10, 1997, Decided
January 10, 1997, FILED

COUNSEL: [*1] For TRIBUNE COMPANY, plaintiff: John J. McCarthy, III, King & Ballow, North Nashville, TN. Alan M. Unger, Sidley & Austin, New York, NY. John J. Lavelle, Sidley & Austin, New York, NY. Steven M. Bierman, Sidley & Austin, New York, NY. Richard S. Busch, King & Ballow, Nashville, TN. For TRIBUNE NEW YORK HOLDINGS, INC., plaintiff: Steven M. Bierman, (See above). Richard S. Busch, (See above).

For ROBERT A. PURCIGLIOTTI, defendant: William G. O'Donnell, O'Donnell, Fox & Gartner, P.C., NYC, NY. For CASCIONE, CHECHANOVER & PURCIGLIOTTI, defendant: William G. O'Donnell, (See above). For WALTER STINGLE, DR., defendant: David S. Frankel, Kramer, Levin, Nessen, Kamin & Frankel, New York, NY. David S. Frankel, Kramer, Levin, Naftalis & Frankel, New York, NY. For NEWSPAPER & MAIL DELIVERERS' UNION OF NY AND VICINITY, defendant: James J. Murray, O'Connor & Mangan, P.C., Long Island City, NY. James J. Murray, O'Connor & Mangan, Long Island City, NY. Judith I. Padow, Judith I Padow, Esq., New York, NY. For NEW YORK NEWSPAPER PRINTING & PRESSMENS' UNION NO. 2, defendant: Julie Carlin-Sasaki, Skadden Arps Slate Meagher & Flom LLP, New York, NY. Lawrence A. Marcus, Skadden Arps Slate Meagher & [*2] Flom LLP, NY, NY. For GREGORY BENEDICKS, defendant: Kenneth E. Gordon, Gordon & Gordon, P.C., New York, NY. For JAMES BENEDICKS, defendant: Kenneth E. Gordon, (See above). For MATTHEW BENEDICKS, defendant: Kenneth E. Gordon, (See above). For FRANK BOCCIA, defendant: Kenneth E. Gordon, (See above). For HERMAN BRRKHIUS, defendant: Kenneth E. Gordon, (See above). For MICHAEL BOVE, defendant: Kenneth E. Gordon, (See above). For WALLACE K. BRANDT, defendant: Kenneth E. Gordon, (See above). For CARMINE BUCCO, defendant: Mitchell S. Segal, Law Offices of Mitchell S. Segal, P.C., Great Neck, NY. For ANGELO CARANANTE, defendant: Kenneth E. Gordon, (See above). For NEIL CARANANTE, defendant: Kenneth E. Gordon, (See above). For DONALD CARNEY, defendant: Kenneth E. Gordon, (See above). For THOMAS J. CARNEY, defendant: Kenneth E. Gordon, (See above). For GERARD CHRISTIANSEN, defendant: Michael M. Buchman, New York, NY. For JOSEPH CIPOLLA, defendant: Kenneth E. Gordon, (See above). For CHARLES CLEMENT, defendant: Kenneth E. Gordon, (See above). For DONALD COLEMAN, defendant: Kenneth E. Gordon, (See above). For CHARLES COLLICA, defendant: Kenneth E. Gordon, (See above). For RICHARD CONDON, defendant: [*3] Kenneth E. Gordon, (See above). For JOSEPH F. CONNOR, defendant: Kenneth E. Gordon, (See above). For MICHAEL T. COYLE, defendant: Kenneth E. Gordon, (See above). For ALBERT CRISCUOLI, defendant: Kenneth E. Gordon, (See above). For PARICK CUNNINGHAM, defendant: Kenneth E. Gordon, (See above). For EDWARD DESHONG, defendant: Kenneth E. Gordon, (See above). For FRANK DESTEFANO, defendant: Kenneth E. Gordon, (See above). For WARREN DESTEFANO, JR., defendant: Kenneth E. Gordon, (See above). For DANIEL DELANEY, defendant: Kenneth E. Gordon, (See above). For JAMES DESCHLER, defendant: Kenneth E. Gordon, (See above). For EDWARD J. DEVANEY, defendant: Kenneth E. Gordon, (See above). For CARMINE DIGRANDE, defendant: Kenneth E. Gordon, (See above). For THOMAS DIMATTEO, defendant: Kenneth E. Gordon, (See above). For FRANCIS DONNATIN, defendant: Kenneth E. Gordon, (See above). For JOHN DOWD, defendant: Mitchell S. Segal, (See above). For MICHAEL DOWD, defendant: Mitchell S. Segal, (See above). For PETER DOWD, defendant: Mitchell S. Segal, (See above). For GEORGE EBLING, defendant: Kenneth E. Gordon, (See above). For LAWRENCE FARRELL, defendant: Ken-

neth E. Gordon, (See above). For RALPH FELLOWS, [*4] defendant: Kenneth E. Gordon, (See above). For HERMAN FIECHTER, defendant: Kenneth E. Gordon, (See above). For FRANK FOLEY, defendant: Kenneth E. Gordon, (See above). For SIDNEY FREEDMAN, defendant: Kenneth E. Gordon, (See above). For ALFRED FREESE, defendant: Kenneth E. Gordon, (See above). For VINCENT J. GAGLIO, defendant: Kenneth E. Gordon, (See above). For ROBERT L. GALLAGHER, defendant: Kenneth E. Gordon, (See above). For FRANK GIANOTTA, defendant: Kenneth E. Gordon, (See above). For HOWARD GRANTZ, defendant: Kenneth E. Gordon, (See above). For STUART GRANTZ, defendant: Kenneth E. Gordon, (See above). For BRUCE HABER, defendant: Andrew S. Hoffman, Wiseman Hoffman & Walzer, New York, NY. For THOMAS J. HARAN, defendant: Ralph E. Tupper, Davis, Tupper, Grimsley & Seelhoff, Beaufort, SC. For MELVYN HELLER, defendant: Kenneth E. Gordon, (See above). For HANS HEUSER, defendant: Kenneth E. Gordon, (See above). For JOERG HEUSER, defendant: Kenneth E. Gordon, (See above). For ROBERT W. HOPKINS, defendant: Kenneth E. Gordon, (See above). For THOMAS P. KELLY, defendant: Andrew Sal Hoffmann, Wiseman, Hoffman & Walzer, Esqs., New York, NY. For JOSEPH KENNIFF, defendant: Kenneth E. Gordon, [*5] (See above). For CHARLES KLEINERT, defendant: John Thomas Roesch, Esq., East Meadow, NY. For ANTHONY LARUFFA, defendant: Kenneth E. Gordon, (See above). For AMOS LEMMERMAN, defendant: Mary Elizabeth McGarry, Simpson Thacher & Bartlett, New York, NY. Andrew S. Hoffman, (See above). For JAMES G. LEONARD, defendant: Kenneth E. Gordon, (See above). For DANIEL LOFTUS, defendant: Kenneth E. Gordon, (See above). For WILLIAM LOFTUS, defendant: Kenneth E. Gordon, (See above). For PETER LYNCH, defendant: Kenneth E. Gordon, (See above). For LAWRENCE LYONS, defendant: Kenneth E. Gordon, (See above). For WILLIAM MARCIANO, defendant: Kenneth E. Gordon, (See above). For JOHN A. MAZZINI, defendant: Kenneth E. Gordon, (See above). For MICHAEL MCCAFFREY, defendant: Kenneth E. Gordon, (See above). For EUGENE MCCAULEY, defendant: Kenneth E. Gordon, (See above). For DANIEL MCFAUL, defendant: Kenneth E. Gordon, (See above). For JOHN H. MCGLYNN, defendant: Kenneth E. Gordon, (See above). For STEVEN MCNELIS, defendant: Kenneth E. Gordon, (See above). For DANIEL MCPHEE, defendant: Kenneth E. Gordon, (See above). For PATRICK MCVEIGH, defendant: Mary Elizabeth McGarry, (See above). Andrew S. Hoffman, (See above). [*6] For ROBERT MENENDEZ, defendant: Kenneth E. Gordon, (See above). For JAMES MESCALL, defendant: Mitchell S. Segal, (See above). For STEPHEN MILKOWSKI, defendant: Kenneth E. Gordon, (See above). For JOSEPH MOTISI, defendant: Kenneth E. Gordon, (See above). GERALDINE MURELLO, defendant, Pro se, Howard Beach, NY. For HARVEY NAMM, defendant: Kenneth E. Gordon, (See above). For PASQUALE NAPOLI, defendant: Kenneth E. Gordon, (See above). For JOSEPH NIELSON, defendant: Mitchell S. Segal, (See above). For BERNARD O'KEEFE, defendant: Kenneth E. Gordon, (See above). For DENIS O'SULLIVAN, defendant: Kenneth E. Gordon, (See above). For ARTHUR OBLIGIN, defendant: Kenneth E. Gordon, (See above). For WALTER OHR, defendant: Kenneth E. Gordon, (See above). For JOSEPH A. PECHILLO, defendant: Kenneth E. Gordon, (See above). For JOHN PEERS, defendant: Kenneth E. Gordon, (See above). For JOSEPH PEERS, defendant: Kenneth E. Gordon, (See above). For KEVIN PERDUE, defendant: Kenneth E. Gordon, (See above). For EDWARD PERKINS, defendant: Kenneth E. Gordon, (See above). For DONALD PHILLIPS, defendant: Kenneth E. Gordon, (See above). For JAMES PISKACEK, defendant: Kenneth E. Gordon, (See above). CLAUDE POWELL, [*7] defendant, Pro se, New York, NY. For CHARLES QUIGLEY, defendant: Kenneth E. Gordon, (See above). For BERNARD RAMSEY, defendant: Kenneth E. Gordon, (See above). For WILLIAM RAMSEY, defendant: Kenneth E. Gordon, (See above). For GERARD REYNOLDS, defendant: Kenneth E. Gordon, (See above). For LAWRENCE RICHETTI, defendant: Kenneth E. Gordon, (See above). GILBERT RICCI, defendant, Pro se, Howard Beach, NY. For FRANK RISPOLI, defendant: Kenneth E. Gordon, (See above). For ROBERT J. ROMANOWSKI, defendant: Kenneth E. Gordon, (See above). For ALEC ROSENZWEIG, defendant: Andrew S. Hoffman, (See above). For MICHAEL RUBINO, JR., defendant: Mitchell S. Segal, (See above). For RICHARD RUBINO, defendant: Mitchell S. Segal, (See above). For THOMAS RUGGIERO, defendant: Kenneth E. Gordon, (See above). For MICHAEL J. SALMON, defendant: Kenneth E. Gordon, (See above). For ROBERT SCHANZ, defendant: Kenneth E. Gordon, (See above). For THOMAS SCHERRER, defendant: Kenneth E. Gordon, (See above). For ROBERT SCHWEIKER, defendant: Kenneth E. Gordon, (See above). HAROLD SELETSKI, defendant, Pro se, Bln, NY. For ALEX SHAW, defendant: Kenneth E. Gordon, (See above). For BRIAN SHEEHY, defendant: Kenneth E. Gordon, [*8] (See above). For DONALD SMITH, defendant: Kenneth E. Gordon, (See above). For MICHAEL A. SOLOMON, defendant: Kenneth E. Gordon, (See above). For HARRY STAINES, defendant: Kenneth E. Gordon, (See above). For THOMAS SULLIVAN, defendant: Kenneth E. Gordon, (See above). For GEORGE TAPS, defendant: Kenneth E. Gordon, (See above). For RICHARD

TUCCI, defendant: Kenneth E. Gordon, (See above). For JOHN VALEK, defendant: Kenneth E. Gordon, (See above). For BRIAN WALSH, defendant: Kenneth E. Gordon, (See above). For FRANCIS WALSH, defendant: Kenneth E. Gordon, (See above). For RAYMOND WALSH, JR., defendant: Kenneth E. Gordon, (See above). For THOMAS F. WALSH, defendant: Kenneth E. Gordon, (See above). CHARLES WAUGH, defendant, Pro se, Bronk, NY. For JOHN WELCH, defendant: Andrew Sal Hoffmann, (See above). For WHW DEFENDANTS, defendant: Andrew Sal Hoffmann, (See above). For ROBERT D. HAWLEY, defendant: Kenneth E. Gordon, (See above). For NY MAILERS UNION # 6, defendant: Judith I. Padow, (See above). Richard Rosenblatt, Boyle Tyburski & Rosenblatt, Englewood, CO. RICHARD P. CONNELLY, defendant, Pro se, Brooklyn, NY.

JUDGES: THEODORE H. KATZ, United States Magistrate Judge.

OPINION BY: THEODORE H. KATZ

OPINION: [*9]

MEMORANDUM OPINION AND ORDER

THEODORE H. KATZ, United States Magistrate Judge.

This action was referred to me by the Honorable Loretta A. Preska, United States District Judge, for general pretrial supervision. Defendant, Dr. Walter Stingle, has moved to compel the production of documents and disclosure of information that has been withheld on the basis of the attorney-client privilege and work product doctrine, by plaintiffs, The Tribune Company and related entities ("The Tribune"), and the law firm that represented them in defending cases before the Workmen's Compensation Board, Weiss & Wexler, P.C. n1 Plaintiffs and the Weiss & Wexler firm have responded to the motion in a series of lengthy letters and defendants have submitted copious reply papers. The Court heard oral argument on the motion on December 2, 1996.

n1 Defendants Robert A. Purcigliotti ("Purcigliotti") and the law firm of Cascione, Chechanover & Purcigliotti, P.C. ("CC&P"), have joined Stingle in his motion.

BACKGROUND [*10]

In this action, brought under the Racketeer Influenced and Corrupt Organizations Act, *18 U.S.C. § 1962*(c)-(d), et seq. ("RICO"), plaintiffs, who are the former owners and publishers of The New York Daily News ("Daily News"), have sued several hundred defendants, including former employees of the Daily News, their union, a physician they consulted and their attorneys. Plaintiffs allege that defendants violated the RICO statute by implementing a scheme to defraud them of millions of dollars through the filing of fraudulent hearing loss claims with the New York State Workmen's Compensation Board. The claims were filed against the Tribune Company, between late 1991 and early 1993, after the resolution of a bitter strike at the Daily News and the sale of the newspaper to new owners. The claims related to hearing losses which allegedly occurred while defendants were still employed by plaintiffs. Plaintiffs contend, inter alia, that defendants' attorneys, the firm of Cascione, Chechanover & Purcigliotti ("CC&P") and one of its members in particular, Robert A. Purcigliotti, participated in the scheme by making fraudulent representations to attorneys and their agents at [*11] the firm of Weiss & Wexler, who represented plaintiffs in the defense of the workmen's compensation claims. Relying on Purcigliotti's statements and those of other defendants, and hearing loss reports by Dr. Stingle, plaintiffs settled over three hundred workmen's compensation claims.

Leonard Fleischman was the claims examiner at Weiss & Wexler who settled most of the claims at issue in this case. Mr. Fleischman has been deposed and questioned in detail about the process he went through in settling those claims. Although the parties disagree in their characterization of the settlement process, the following common elements are not in substantial dispute. It is alleged that the claimants fraudulently reported noise-induced hearing loss. Mr. Fleischman was given broad discretion by The Tribune in settling the claims. Among the things he considered were the hearing loss examinations and reports submitted by Dr. Stingle on behalf of the claimants. The claimants were required to undergo a separate hearing loss examination conducted by The Tribune's medical consultants, Professional Evaluation Group ("PEG"), and the results of those examinations were also considered by Fleischman. Although [*12] Fleischman takes the position that he investigated each claim individually, he has little recall of the details of the investigations he undertook other than to confirm whether or not the claimant was still employed by the Daily News. He testified that in some cases he requested additional medical and payroll information, which he was sometimes unsuccessful in securing. Most of the claims were settled over the telephone in discussions between Fleischman and Purcigliotti, the attorney representing the claimants. Fleischman testified that in each case he asked Purcigliotti whether the claimant was wearing hearing protection subsequent to the alleged noise exposure, and was thus removed from further exposure to noise at a time when he was no longer em-

ployed by The Tribune. He testified that Purcigliotti answered affirmatively in every case and that he relied on those representations. Purcigliotti has denied making such representations.

Defendants contend that in pursuing their RICO, fraud and negligent misrepresentation claims, plaintiffs must show that they behaved non-negligently and reasonably relied on defendants' purported misrepresentations in settling the claims. They argue **[*13]** that the discovery unearthed to date demonstrates otherwise and that the information being withheld by plaintiffs as privileged is directly relevant and critical to their defense of the action. They contend that the evidence shows that after the Daily News was sold in March 1991, The Tribune ceased any meaningful substantive review of the hearing loss claims that were settled. Fleischman's investigation of the claims was de minimis and pro forma. He had virtually no communications with the client representative at The Tribune Company regarding the settlement of any action; he made little or no investigation of the claims; and he settled each case in rote fashion, disregarding The Tribune's own expert's view that the claimed hearing losses were not caused by occupational hazards and that the claimants were malingerers. They argue that Fleischman simply applied compromise formulas to reach an agreed-upon percentage of hearing loss in each case, often disregarding the Tribune's own hearing loss consultant's conclusions.

As further support for their theory that plaintiffs did not exercise reasonable care in settling the claims, defendants point to the fact that although Fleischman **[*14]** claimed to have considered each case on its merits, he could not recall what investigation he did with respect to any particular claim. Although he stated that he would have to see the claims files to recall the investigations he undertook, when shown individual files his memory was not refreshed. Similarly, although he claimed that he discussed the settlement of various claims with attorneys at Weiss & Wexler, he could not recall the specifics of any such discussions and testified that there would be no documents or notes reflecting the substance of those conversations.

In light of the factual record developed thus far and defendants' view of the legal standard they claim plaintiffs must meet -- that they behaved non-negligently and reasonably relied on defendants' representations in settling the claims -- defendants contend that what Weiss & Wexler personnel knew, the extent of any investigation they conducted, their analysis of the validity of the claims and potential defenses, how they viewed the conflicting data, and how they determined to settle the hearing loss claims, go to the very heart of plaintiffs' claims in this action. In defendants' view, plaintiffs have placed directly **[*15]** "at issue" the thinking and analysis of their attorneys in settling the hearing loss claims, and thus have waived the right to withhold any documents, or the substance of any discussions between attorneys at Weiss & Wexler or with the clients at The Tribune, that shed light on those matters. Finally, defendants argue that by disclosing portions of attorney-client discussions (as well as certain discussions between attorneys at Weiss & Wexler), plaintiffs have waived their right to withhold other information about those discussions or on the subject of those discussions.

Plaintiffs respond that the information they have withheld is protected by the work product doctrine and attorney-client privilege. They contend that defendants have been free to seek factual information from plaintiffs and their counsel about what they knew and how they went about settling the hearing claims, and have secured detailed information in that regard without intruding upon privileged communications. They argue that simply by bringing a RICO action or one premised on fraud, where reliance is an element of the claim, they have not placed "at issue" attorney thought processes or attorney-client communications **[*16]** so as to waive any privilege. They further contend that the "at issue" waiver doctrine does not apply to attorney work product. Finally, plaintiffs dispute that they have waived any privileges through disclosure of privileged communications.

DISCUSSION

Defendants seek disclosure of the following documents and communications: (1) any file notes and memoranda in plaintiffs' claims files relating to each of the defendant-employees, to the extent that they contain evidence of Mr. Fleischman's, or any Weiss & Wexler attorney's, contemporaneous analysis of the individual claims, investigation of the claims, record of settlement-related information that had been secured, and notes on settlement of the claims; (2) any notes made by Mr. Fleischman during his settlement negotiations of the claims with Mr. Purcigliotti; (3) memoranda and correspondence reflecting communications between Weiss & Wexler and The Tribune about the defense and settlement of the hearing loss claims; (4) the substance of discussions between Fleischman and attorneys at Weiss & Wexler, as well as between Weiss & Wexler attorneys and The Tribune, regarding the defense and settlement of the hearing loss claims **[*17]** (this information was sought at depositions and was objected to); and (5) the substance of discussions between Fleischman, other Weiss & Wexler attorneys and Tribune staff, that may relate to how Fleischman settled the claims and why, in 1993, the resolution of other claims was turned over to Louis Salvo, an attorney at Weiss & Wexler (this information was also sought at the depositions). n2 Although defendants claim that the generality of plaintiffs' privilege log prevents them from assessing whether privilege

has been validly invoked as to certain documents, with only a few exceptions defendants do not seriously dispute that the withheld information facially constitutes attorney work product or privileged attorney-client communications. Rather, the parties disagree primarily over whether the protection normally afforded these materials has been waived.

n2 Defendants CC&P and Purcigliotti also requested any information redacted from the claims files maintained by Weiss & Wexler for those employee-defendants whose claims were settled even though Dr. Stingle found zero hearing loss. Although plaintiffs have now withdrawn any claims in this action regarding the settlement of those individuals' hearing loss claims, defendants contend that the redactions may be relevant to an anticipated motion under *Rule 11 of the Federal Rules of Civil Procedure*, alleging that plaintiffs did not have a good faith basis for proceeding against those defendants. Judge Preska has ruled that she will defer consideration of any Rule 11 motions until the completion of the case and, similarly, any discovery pertaining to such motions will be deferred.

[*18]

Before addressing the issue of waiver, a brief review of the nature of the two doctrines at issue is relevant. The work product doctrine, which is embodied in *Rule 26(b)(3) of the Federal Rules of Civil Procedure*, protects from discovery documents, things and mental impressions of a party or his representative, particularly his attorney, developed for or in anticipation of litigation or trial. The purpose of the doctrine is to permit attorneys to prepare for litigation with a "certain degree of privacy," and without undue interference or fear of intrusion or exploitation of one's work by an adversary. *Hickman v. Taylor, 329 U.S. 495, 510-11, 67 S. Ct. 385, 393, 91 L. Ed. 451 (1947); United States v. Construction Prods. Research, Inc., 73 F.3d 464, 473* (2d Cir.), cert. denied, *U.S. , 136 L. Ed. 2d 213, 117 S. Ct. 294 (1996); In re Steinhardt Partners, L.P., 9 F.3d 230, 234-35 (2d Cir. 1993).* It does not protect from disclosure underlying facts known to an attorney or party, even if acquired in preparation for litigation. See *Hickman, 329 U.S. at 507, 511, 67 S. Ct. at 392, 394; In re Six Grand Jury Witnesses, 979 F.2d 939, 944 (2d Cir. 1992),* **[*19]** cert. denied, *509 U.S. 905, 113 S. Ct. 2997 (1993); Arkwright Mut. Ins. Co. v. National Union Fire Ins. Co. of Pittsburgh, 1994 U.S. Dist. LEXIS 13216, No. 90 Civ. 7811 (AGS), 1994 WL 510043,* at *5 (S.D.N.Y. Sept. 16, 1994); *Bowne of New York City, Inc. v. Ambase Corp., 150 F.R.D. 465, 471 (S.D.N.Y. 1993); United States v. District Council of New York City and Vicinity of the United Brotherhood of Carpenters and Joiners of America, 1992 U.S. Dist. LEXIS 12307,* No. 90 Civ. 5722 (CSH)(THK), *1992 WL 208284,* at *6 (S.D.N.Y. Aug. 18, 1992). Materials produced and information possessed by an agent working for an attorney, such as an investigator or claims adjuster, may be protected as work product, particularly when disclosure of such information would reveal the attorney's thinking and strategy. See *United States v. Nobles, 422 U.S. 225, 238-39, 95 S. Ct. 2160, 2170, 45 L. Ed. 2d 141 (1975); Fed. R. Civ. P. 26(b)(3)*. Work product developed in one case retains its protection in other litigation, particularly where the cases are closely related. *Arkwright, 1994 U.S. Dist. LEXIS 13216, 1994 WL 510043* at *6; *Pine Top Ins. Co. v. Alexander & Alexander Servs., Inc., 1991 U.S. Dist. LEXIS 14610, No. 85 Civ. 9860 (PNL), 1991 WL 221061,* at *2 (S.D.N.Y. Oct. 7, 1991).

Work product **[*20]** is not entitled to absolute protection and its production may be compelled where the seeking party demonstrates a "substantial need" for the materials and undue hardship, i.e., an inability to obtain the substantial equivalent by other means. *Fed. R. Civ. P. 26(b)(3)*. Ordinarily, there is no substantial need where the information can be obtained by deposing witnesses, unless the witnesses are no longer available or are unable to recollect the information sought. *Pine Top Ins. Co., 1991 U.S. Dist. LEXIS 14610, 1991 WL 221061,* at *2. The standard for production is more stringent when the material sought reflects the opinions, thought processes or strategy of an attorney, because such material is deserving of the highest protection. See *Upjohn Co. v. United States, 449 U.S. 383, 398-402, 101 S. Ct. 677, 687-89, 66 L. Ed. 2d 584 (1981); In re John Doe Corp., 675 F.2d 482, 492-93 (2d Cir. 1982); Holmgren v. State Farm Mut. Auto. Ins. Co., 976 F.2d 573, 577 (9th Cir. 1992)* (opinion work product may be discovered when mental impressions are at issue in a case and the need for the material is compelling).

The attorney-client privilege affords confidentiality to communications among clients, their attorneys, **[*21]** and the agents of both, for the purpose of seeking and rendering legal advice, so long as the communications were intended to be and were in fact kept confidential. *In re Six Grand Jury Witnesses, 979 F.2d at 944; In re John Doe Corp., 675 F.2d at 487-88; Bank Brussels Lambert v. Credit Lyonnais (Suisse) S.A., 1995 U.S. Dist. LEXIS 14808,* Nos. 93 Civ. 6876, 94 Civ. 1317 (KMW)(JCF), *1995 WL 598971,* at *2 (S.D.N.Y. Oct. 11, 1995). The privilege is among the oldest of the common law privileges and exists for the purpose of encouraging "full and truthful communication between an attorney and his client . . ." *Von Bulow v. Von Bulow, 828 F.2d 94, 100 (2d Cir. 1987);* accord *United States v.*

Bilzerian, 926 F.2d 1285, 1292 (2d Cir.), cert. denied, *502 U.S. 813, 112 S. Ct. 63, 116 L. Ed. 2d 39 (1991).* The burden of breaching the privilege is thus particularly high. *United States v. Davis, 131 F.R.D. 391, 398 (S.D.N.Y. 1990).* Nevertheless, the privilege does not protect the client's knowledge of relevant facts, whether or not they were learned from his counsel, or facts learned by an attorney from independent sources. *In re Six Grand Jury Witnesses, 979 F.2d at 944; Arkwright, 1994 U.S. Dist. LEXIS 13216, 1994 WL* **[*22]** *510043,* at *5; *Allen v. West Point-Pepperell Inc., 848 F. Supp. 423, 427-29 (S.D.N.Y. 1994); Bank Brussels Lambert, 1995 U.S. Dist. LEXIS 14808, 1995 WL 598971,* at **9-10.

Because of the different interests served by the work product doctrine and the attorney-client privilege, there are differences in the circumstances under which each may be waived. The attorney-client privilege belongs solely to the client and thus may be waived. only by the client, who also has the responsibility of ensuring the continuing confidentiality of the information. *Von Bulow, 828 F.2d at 100-01.* n3 In contrast, where the attorney's work product is in issue, the attorney may waive protection of the material. *Carte Blanche (Singapore) PTE, Ltd. v. Diners Club Int'l, Inc., 130 F.R.D. 28, 32 (S.D.N.Y. 1990).* While the attorney-client privilege is more sacrosanct than the work product doctrine, it is also easier to waive. Privileged attorney-client communications are waived if the holder of the privilege discloses or consents to disclosure of any significant part of the communication to a third party or stranger to the attorney-client relationship. *In re Kidder Peabody Secs. Litig., 168 F.R.D. 459, 468 (S.D.N.Y. 1996).* **[*23]** In contrast, a waiver of work product occurs "only if the party has voluntarily disclosed the work-product in such a manner that it is likely to be revealed to his adversary." *Bowne, 150 F.R.D. at 479;* accord *In re Steinhardt, 9 F.3d at 235.*

n3 Although an attorney or other agent of the client may not waive the privilege, a waiver may occur through an attorney where the client by his actions impliedly waives the privilege or consents to disclosure. Id.

Privileges may also be waived when invoked in some fundamentally unfair way. Typically, this occurs where a litigant makes selective use of privileged materials, for example, by releasing only those portions of the material that are favorable to his position, while withholding unfavorable portions. *Nobles, 422 U.S. at 239-40* (work product waiver); *Von Bulow, 828 F.2d at 101-03* (citing cases) (attorney-client privilege waiver); *In re John Doe Corp., 675 F.2d at 489* (work product waiver); *Bank Brussels Lambert, 1995 U.S. Dist. LEXIS 14808, 1995 WL 598971,* at **5-6; **[*24]** *Carte Blanche, 130 F.R.D. at 33* ("The 'fairness doctrine' requires that testimony as to part of a privileged [attorney-client] communication, in fairness, requires production of the remainder."); cf. *In re Steinhardt, 9 F.3d at 235-36* (voluntary submission of work product to SEC provides a benefit, and waiver of privilege may not be selectively used to strategic advantage). Depending upon the extent and context of the partial disclosure, the waiver may be broad, covering all communications relating to the subject matter of the disclosure, or narrow, covering only the remaining portions of the partially disclosed communications. Thus, for example, where there is partial disclosure in the context of the litigation for the benefit of the privilege holder, there may be a complete subject matter waiver as to all communications on the subject. In contrast, where the disclosure is extrajudicial or nonprejudicial to an adversary, there may be no waiver or only a narrow one. *Von Bulow, 828 F.2d at 101-103* (citing cases); *In re Kidder Peabody, 168 F.R.D. at 468-69.*

Of particular relevance to the instant motion is another variant of the fairness doctrine -- the "at issue" **[*25]** waiver. A privilege may be impliedly waived where a party makes assertions in the litigation or "asserts a claim that in fairness requires examination of protected communications." *Bilzerian, 926 F.2d at 1292;* accord *Grant Thornton v. Syracuse Sav. Bank, 961 F.2d 1042, 1046 (2d Cir. 1992); In re Kidder Peabody, 168 F.R.D. at 470-72* (use of report to SEC in litigation to demonstrate "good faith" and as authoritative source of facts results in waiver of work product and attorney-client privilege as to report and underlying documents); *Paramount Communications v. Donaghy, 858 F. Supp. 391, 395 (S.D.N.Y. 1994).* Common examples of such waivers are when a defendant asserts an advice-of-counsel defense or a good-faith defense which places in issue whether his attorney made him aware that his acts were illegal or otherwise improper.

In this Circuit, the test often applied to determine whether there has been an implied or "at issue" waiver was set forth in *Hearn v. Rhay, 68 F.R.D. 574 (E.D. Wash. 1975).* In that case a prisoner-plaintiff challenged his confinement in a prison's mental health unit, pursuant to *42 U.S.C. § 1983.* The defendant prison officials raised the affirmative **[*26]** defense of qualified immunity, thus placing in issue their objective and subjective good faith. Of obvious relevance to their good faith defense was their knowledge or disregard of plaintiff's clearly established constitutional rights. The court found that this placed directly in issue defendants' communications with their attorneys that related to issues of malice toward the plaintiffs or knowledge of plaintiff's constitu-

tional rights, and that the need for this information outweighed the policy behind the attorney-client privilege. The waiver test enunciated in Hearn, which has been cited by courts in this Circuit, has three primary elements:

> (1) assertion of the privilege was a result of some affirmative act, such as filing suit, by the asserting party; (2) through the affirmative act, the asserting party put the protected information at issue by making it relevant to the case; and (3) application of the privilege would have denied the opposing party access to information vital to his defense.

Hearn, 68 F.R.D. at 581; see also *Bilzerian, 926 F.2d at 1292* (defendant's invocation of "good-faith" defense to securities fraud placed his knowledge of the law **[*27]** in issue, thus waiving the attorney-client privilege); *Paramount Communications, 858 F. Supp. at 395; In re Kidder Peabody, 168 F.R.D. at 470-72* (affirmative use of report to demonstrate "good faith" waives attorney-client privilege as to client statements given to attorney in preparation of report); *Bank Brussels Lambert, 1995 U.S. Dist. LEXIS 14808, 1995 WL 598971,* at *3 (assertion of defense of reliance on advice of counsel results in "at issue" waiver, which may not be limited temporally). As the court in Bank Brussels Lambert observed:

> Cases where courts have found a waiver of privilege based on the "at issue" doctrine exhibit several common factors: '(1) the very subject of privileged communications [is] critically relevant to the issue to be litigated, (2) there [is] a good faith basis for believing such essential privileged communications exist[], and (3) there [is] no other source of direct proof on the issue.'

1995 U.S. Dist. LEXIS 14808, 1995 WL 598971, at *5 (quoting *Standard Chartered Bank PLC v. Ayala Int'l Holdings, 111 F.R.D. 76, 83 (S.D.N.Y. 1986)).*

Although plaintiffs contend that they have not placed privileged communications "at issue," as a preliminary matter they argue that the **[*28]** "at issue" waiver doctrine applies only to the attorney-client privilege, not work product. I do not find this distinction meaningful, particularly in light of the greater protection generally afforded the attorney-client privilege. While it is true that the Hearn decision and most of the Second Circuit cases cited above, which adopt the Hearn test, involve waiver of the attorney-client privilege, that appears to be more a function of factual context rather than one of principle. Cf. *Holmgren, 976 F.2d at 577* ("We agree with the several courts and commentators that have concluded that opinion work product may be discovered and admitted when mental impressions are at issue in a case and the need for the material is compelling."). Further, that courts have observed that it is more difficult to waive work product protection than the attorney-client privilege, through disclosure, see *Bowne, 150 F.R.D. at 479,* merely reflects the different interests underlying the two doctrines, rather than any greater value placed on protecting work product as opposed to attorney-client communications. The work product doctrine is intended to protect against invasion and exploitation of **[*29]** work product by an adversary, and is therefore waived only when disclosed to an adversary; the attorney-client privilege is premised upon an interest in confidentiality as to all persons outside the attorney-client sphere, and is therefore waived when disclosed to any third party.

In fact, the standard for "at issue" waiver is substantially similar to the standard in *Rule 26(b)(3) of the Federal Rules of Civil Procedure* allowing for discovery of work product. The Rule permits such discovery on a showing of "substantial need" and inability to obtain equivalent materials by other means. The "at issue" waiver standard, as discussed above, requires a showing of critical relevance or vital need. Any distinction based upon whether a party itself has placed privileged communications in issue is of little significance to whether a waiver should apply to work product or attorney-client privilege. In any event, it cannot plausibly be argued that the standard set forth in Rule 26 is more rigorous than the standard for "at issue" waiver. Therefore, if the requirements of Rule 26 are satisfied and justify production of plaintiffs' counsel's work product, satisfaction of the "at waiver" doctrine **[*30]** becomes moot.

The more critical question that has been raised is whether plaintiffs have put privileged communications at issue or defendants have demonstrated a substantial need for them. I must agree with plaintiffs, that simply by pleading an action in fraud, plaintiffs have not placed in issue their attorneys' work product or thought processes, or privileged communications with their attorneys. While it may be true that plaintiffs must demonstrate reasonable reliance on the purported misrepresentations of defendants, and that they acted reasonably in settling the hearing loss claims, they can clearly do so without relying on privileged documents or communications with their attorneys. Although defendants are free to attempt to demonstrate the converse conclusion -- that plaintiffs settled the claims cavalierly, without regard for the facts or even

the representations made by defendants -- they cannot justify breaching plaintiffs' privileges based on defenses they choose to assert. See *Chase Manhattan Bank N.A. v. Drysdale Secs. Corp., 587 F. Supp. 57, 59 (S.D.N.Y. 1984)* (filing of securities fraud suit, which necessarily involves justifiable reliance as an element, does not **[*31]** give rise to implied waiver of attorney-client privilege and "it cannot be possible for [a defendant] to justify breaching [the plaintiff's] privilege by reason of its own pleading of an affirmative defense. That would give an adversary who is a skillful pleader the ability to render the privilege a nullity."); *Arkwright, 1994 U.S. Dist. LEXIS 13216, 1994 WL 510043,* at *13 (although defendant-reinsurer may attempt to show that plaintiff-insurance company suing for indemnification did not settle underlying claim in good faith, plaintiff did not place "at issue" the content of its legal advice or make allegations that make an issue of its counsel's conduct); *Standard Chartered Bank, 111 F.R.D. at 84-85* ("If SCB's position were correct, the [attorney-client] privilege would be a nullity in all the vast commercial litigation in which fraud or reliance is an issue."); *Paramount Communications, 858 F. Supp. at 397* (simply because a party's claims involve proof of reliance upon statements of an adversary, it does not impliedly waive the attorney-client privilege).

What was said between client and counsel may be useful for an adversary to know, but may not be particularly relevant, no less essential, **[*32]** to proving or disproving a claim of fraud. Rather, what is relevant is what the client knew or reasonably should have been expected to know. See *Standard Chartered Bank, 111 F.R.D. at 79-82* ("I fail to see how any privileged opinion rendered by [counsel] can bear upon the issue of whether [the client] actually did rely on SCB's statements and whether, as a matter of law, it was entitled to so rely based on all the facts known to it. Information on the former question can be obtained from [the client], and the latter question is to be determined by proceedings in this court, not by the opinion of [the client's] lawyers."); *Paramount Communications, 858 F. Supp. at 395-96; Arkwright Mut. Ins. Co., 1994 U.S. Dist. LEXIS 13216, 1994 WL 510043,* at *12 ("Even where a party's state of knowledge is particularly at issue, such as in a case involving claims of laches or justifiable reliance, waiver of the [attorney-client] privilege should not be implied because the relevant question is not what legal advice was given or what information was conveyed to counsel, but what facts the party knew and when."). Therefore, the client in a fraud or similar action, may be required to disclose its thoughts **[*33]** and knowledge, whether or not those were acquired in whole or in part from conversations with its attorneys. It is not required to disclose what was said between client and counsel.

In the course of arguing this motion, defendants have refined their position. They no longer rely solely on plaintiffs' fraud claim as the basis for an "at issue" waiver. Rather, they assert that there are two additional grounds for compelling the discovery of privileged information. First, they assert that in this case counsel's conduct, knowledge and thought processes have been placed directly in issue because plaintiffs delegated virtually complete discretion to Mr. Fleischman and the Weiss & Wexler firm with regard to whether, and in what amount, to settle the hearing loss claims in issue. Second, in his deposition, Mr. Fleischman testified about what he did in settling the claims and took the position that he conducted a reasonable investigation of each claim. It is argued that by defending the adequacy of his efforts in settling the claims, he has placed his conduct in issue, using it as a "sword", and therefore cannot rely upon privilege as a "shield" to preclude further discovery into what he knew **[*34]** and did in defending and settling the claims.

I am inclined to agree with defendants' position, at least so far as it implicates the production of Mr. Fleischman's purported work product. The deposition testimony adduced in this case demonstrates that plaintiffs themselves had minimal involvement in the settlement of the individual workmen's compensation claims. The attorneys at the Weiss & Wexler firm were given broad discretion in settling the claims. Indeed, that discretion was vested in Mr. Fleischman, who is not even an attorney. He is the person who discussed each claim with Mr. Purcigliotti; he is the one who reviewed the hearing examination results; he made the determination as to what, if any, additional information to secure in order to settle the claims; and, finally, he was the individual who decided in what amount to settle the claims. He never discussed the merits or settlement of any individual claims with any representatives of The Tribune. If anyone was mislead by any purported fraud or misrepresentations of the defendants, it would have been Mr. Fleischman.

In this respect, plaintiffs' claims directly and significantly implicate Fleischman's knowledge, thought processes **[*35]** and conduct, rather than those of plaintiffs, which is more often the case where fraud is alleged. Cf. *Bowne of New York City, Inc., 150 F.R.D. at 489* (where corporate defendant asserted counterclaims against plaintiff alleging blame for late mailing of shareholder documents, and corporation's attorneys played a major role in the mailing, defendant put in issue its attorneys' conduct and discussions regarding the mailing); *Grant Thornton, 961 F.2d at 1046* ("An attorney-client privilege may be waived if a party 'injects into . . . litigation an issue that requires testimony from its attorneys or testimony concerning the reasonableness of its attorneys' con-

duct.'")(citations omitted); *Paramount Communications, 858 F. Supp. at 397* (court finds that claim premised upon reliance does not necessarily implicate advice of counsel, and distinguishes cases where privilege is waived because either the attorney-client relationship itself was relied upon to support a claim or "there was evidence that the attorneys themselves independently took actions or made decisions relevant to the case") (emphasis added).

That Mr. Fleischman happens to be a claims adjustor employed by plaintiffs' **[*36]** attorneys cannot serve to shield him from disclosing what he knew, thought and did in settling the claims, when it is the allegedly fraudulently induced settlement of those claims by Fleischman that is the crux of this action. Cf. *Standard Chartered Bank, 111 F.R.D. at 80, 82* (defendant who alleged fraud and breach of oral agreement by plaintiff in relation to stock purchase must disclose all facts it relied upon, business advice it received, and its knowledge and thoughts related to the transaction); *Allen v. West Point-Pepperell, Inc., 848 F. Supp. 423, 428, 430-31 (S.D.N.Y. 1994)* (where plaintiffs claimed that they had been fraudulently induced into executing releases and agreeing to an employee payout plan, and defendants asserted an unreasonable delay defense, plaintiffs and their attorney were required to disclose all facts of which they were aware, whether or not they were communicated to or from the attorney, and their state of mind with respect to the lawsuit, but they were not required to disclose what they said to each other in the course of attorney-client conversations); *Holmgren, 976 F.2d at 577* (in a case where bad faith settlement of an insurance claim **[*37]** is alleged, even discovery of opinion work product of defendant-insurer's agents concerning the handling, viability and value of the claim are discoverable, because mental impressions are the pivotal issue in the litigation, whether or not insurer remains mute on the issue).

That Mr. Fleischman's knowledge, thought processes and conduct are clearly relevant in this case, and unprotected by any privilege, has been implicitly, if not explicitly, acknowledged by plaintiffs. At his deposition, which is to continue, Fleischman was permitted to testify about how he went about settling the claims, the information he sought to secure, and why he agreed to settle the claims. For example, he testified about how and why, in certain cases, he chose to rely on hearing loss results produced by Dr. Stingle, as opposed to those produced by The Tribune's independent hearing examiner (PEG), see Fleischman Dep. Tr. at 289-90, that he settled each claim on a case-by-case basis, id. at 376, 378-80, and that certain claims were settled by simply averaging the percentage of hearing loss found by Dr. Stingle and by PEG, id. He testified about why under certain circumstances he felt he could or **[*38]** could not settle a claim, id. at 561-64, and that in some cases he may have asked an attorney at his firm to review the claim for his opinion of whether it could be contested, id. at 598-99. Nevertheless, he was unable to recall the particular facts or circumstances that led him to settle any individual claim and his review of the redacted claims files did not refresh his recollection. He did not preclude the possibility, however, that if able to review unredacted claims files his recollection might be refreshed. Plaintiffs' counsel objects however to production of file notes that were written by Fleischman or attorneys at Weiss & Wexler, on the grounds that such notes are work product because they would tend to reveal "his state of mind and the work he performed leading up to his conclusion to settle the [claims]." Transcript of December 2, 1996 Hearing ("December 2 Tr.") at 19-20.

Under these circumstances, there is no legitimate basis to withhold file notes written by Fleischman or any attorneys in his firm. As already demonstrated, what Fleischman knew and did with respect to the settlement of the claims is clearly relevant to plaintiffs' allegations of fraud and the **[*39]** defenses to those claims. Indeed, what he knew and undertook to do in settling the claims is basic factual information relevant to his claim of having relied upon, and been mislead by, defendants. I must assume that is the reason he was permitted to answer questions on those subjects at his deposition. Moreover, to the extent that there can be any claim that this material constitutes work product, it is difficult to discern how any such claim of privilege has not been waived. Fleischman testified on these subjects at his deposition, taking the position that in each case he did what he believed was reasonable and necessary. Defendants are entitled to any documents written by Fleischman that reflect what he actually did, and that may contradict his contention.

Finally, even if there has been no waiver on this subject, the production of any purported work product contained in the file notes related to each claim can be justified under *Rule 26 of the Federal Rules of Civil Procedure.* First, the deposition testimony makes clear that any work product contained in the notes is primarily of a factual nature, and the risk of disclosing counsel's opinions or mental impressions is de minimis. **[*40]** For example, Fleischman testified that he did not write down notes of his conversations with Mr. Purcigliotti. After agreeing to the settlement of a claim on the telephone, he would simply write the agreed upon figure in the file notes. Although plaintiffs withheld notes containing the settlement figures on the grounds of work product, at the oral argument of this motion the Court ordered the production of that material. The amount for which the claims were settled is purely factual and simply because it was written down by a claims adjustor does not render

it work product. See December 2 Tr. at 7-12. The other material withheld contains such information as whether a claimant's medical records or payroll records were sought or reviewed by Fleischman before he settled the claim. This information is contained in some of the reference notes in individual claims files. Plaintiffs' counsel argues that Fleischman has been permitted to testify generally about what he did and knew in settling the claims; however, disclosing his notes to the file, which might indicate what he did before settling a particular claim, would disclose his mental impressions by showing what he chose to write **[*41]** down or not, or what he thought about the claims, and should be protected as work product. I find this reasoning to be circular and the distinction to be meaningless.

The Court has reviewed in camera examples of the reference notes and marginalia on notices of hearing contained in the files, that were withheld as work product. A reference note in a file reflecting whether a claimant's medical or payroll records were sought or reviewed is, in this context, factual and does little more to disclose Fleischman's thought processes than his testimony on the same subject. n4 In any event, there is little question that this information, including Fleischman's thought processes in settling the claims, is relevant, since the manner in which and on what bases these claims were settled is the crux of this action. Moreover, sufficient need for these records has been demonstrated, consistent with *Rule 26 of the Federal Rules of Civil Procedure*, because Fleischman was unable to recall what steps he undertook in settling particular claims. Having asserted that he considered each claim on its merits and that he undertook to secure relevant information in settling the claims, defendants surely **[*42]** have a right to test that assertion by viewing any file notes that might reflect the efforts undertaken and the factors considered by Fleischman in settling the claims. This information is unavailable from any other source and its need far outweighs any intrusion on whatever residual work product protection it retains. Therefore, any written reference notes in the claims files, or other marginalia contained in the files, that reflect the information available and considered in resolving individual claims, including any information provided by the defendants, shall be produced.

n4 Similarly, other file notes that contain, for example, such information as the degree of hearing loss claimed, whether the claimant was seen by plaintiffs' hearing expert and the level of hearing loss plaintiffs' expert found, the amount of hearing loss agreed upon, the date of disablement and the amount of the workmen's compensation award, are primarily factual in nature.

Similarly, plaintiffs are to produce the "Memoranda of Hearing" **[*43]** that were placed in the relevant claims files. These documents were withheld on grounds of work product and attorney-client privilege; however, plaintiffs have not met their burden of demonstrating that they merit protection as attorney-client communications exchanged for the purpose of giving or receiving legal advice. Although the documents are on Weiss & Wexler letterhead and are addressed to The Tribune, at the oral argument on this motion counsel conceded that the memoranda were, in fact, never sent to the client. Rather, they were simply placed in the claims files as matters of record which could be reviewed by the client at a later time. See December 2 Tr. at 57-60. Given the testimony that the client was not consulted on the settlement of individual claims and the concession that these memoranda were not sent to the client for the purpose of rendering legal advice, they do not come within the parameters of the attorney-client privilege. To the extent that these memoranda can be considered work product -- a dubious proposition, since they were largely prepared after individual claims were resolved -- their production is justified for the same reasons as other purported work **[*44]** product that has been ordered produced. These memoranda are straight factual recitations of the positions taken and procedures followed at the workmen's compensation hearings. They also reflect facts available to Weiss & Wexler when they decided to settle the claims. n5

n5 I would note that between twenty and forty unredacted hearing loss files were produced by Weiss & Wexler to defendants for hearings that occurred between 1986 and 1990. These files contained the same type of Memoranda of Hearings that were withheld as privileged in the claims files that post-dated 1990. See December 2 Tr. at 63-65.

The same conclusion cannot be justified with respect to memoranda and correspondence from the attorneys and Mr. Fleischman, at Weiss & Wexler, to representatives of The Tribune (e.g. Mr. Samuelson and Mr. Granat), even if they do bear on the handling of the hearing loss claims. This material is covered by the attorney-client privilege, as well as the work product doctrine, and its protection has not been waived **[*45]** simply by plaintiffs filing a fraud action or by Fleischman's deposition responses about how he went about settling the claims. Plaintiffs have not put in issue what they were told by or learned from their attorneys, or what they said to their attorneys while the claims were being litigated. n6 Although, as is often the case, information the attorneys provided to their client might be useful to defen-

dants, its usefulness is not a sufficient basis to overcome the attorney-client privilege. Moreover, even if the subject of these communications had been placed "at issue" by plaintiffs, the other criteria for finding an "at issue" waiver are not present, inasmuch as defendants have or will have other sources of information about how the claims were settled, including the facts known by Fleischman when he settled the claims, Fleischman's deposition testimony and the attorney notes to the files that have been ordered produced in response to the instant motion. n7

n6 Insufficient information was provided on one memorandum authored by Mr. Fleischman, from which to reach a conclusion on its privileged status. See Memorandum Re: New York State Hearing Loss, dated January 18, 1993, Bates Nos. 02841-02842. There is no addressee on the memorandum, although counsel has represented that it was sent to The Tribune. Moreover, this memo was written at a time when defendants contend that Fleischman had ceased working on the hearing loss claims. Based upon the Court's in camera review of the document, it is not readily apparent that it involves the rendering of legal advice or work product, although the context in which the document was written may effect that conclusion. For example, there was some suggestion at the oral argument of the motion that Fleischman may have been providing assistance in the litigation of unresolved compensation claims or the preparation of the instant litigation. Plaintiffs are to submit an affidavit by Fleischman setting forth the addressee of the document as well as additional information necessary to establish that the document is privileged. Any information that would tend to disclose the substance of the communication may be submitted in camera.

[*46]

n7 As the Court has already ruled at the oral argument of the motion, to the extent that any ministerial communications between Mr. Samuelson of The Tribune and Weiss & Wexler were withheld, that do not involve the giving or seeking of legal advice, they are to be produced.

The remaining issues in this motion relate to objections to deposition questions about the substance of certain conversations between (1) Mr. Fleischman and Mr. Samuelson, a representative of The Tribune; (2) Mr. Fleischman and Mr. Salvo, an attorney at Weiss & Wexler who Fleischman consulted about the claims and who, in 1993, eventually took over the defense of the hearing loss claims; and (3) Mr. Fleischman and/or other Weiss & Wexler staff and representatives of The Tribune.

Fleischman testified about a single conversation he had with Mr. Samuelson about his handling of the claims. That conversation apparently took place after a purported proposal by Mr. Purcigliotti to Fleischman, about settling the hearing loss claims. In his conversation with Samuelson, Fleischman related what Purcigliotti had said and Samuelson told **[*47]** Fleischman to defend the cases that he could defend and otherwise to settle them. This information was provided at Fleischman's deposition. See Fleischman Dep. Tr. at 283-86. At the oral argument of the instant motion, it was established that Fleischman and Samuelson have disclosed the entire substance of their conversation and no information has been withheld on privilege grounds. Moreover, there are no documents related to that conversation that have been withheld. See December 2 Tr. at 67. Any contention that there has been selective disclosure of portions of this conversation is therefore moot. Plaintiffs have objected, however, to Fleischman's testifying about what Messrs. Weiss and Wexler told him was Samuelson's response to them regarding the same Purcigliotti proposal. This objection, based upon the attorney-client privilege and work product doctrine, see Fleischman Dep. Tr. at 278-79, cannot stand. Having disclosed Samuelson's comments on the same subject in one conversation, plaintiffs have waived any claim of privilege as to his comments on the same subject in other conversations. Fairness dictates that defendants have Samuelson's full response to Purcigliotti's **[*48]** alleged proposal. Cf. *Bank Brussels Lambert, 1995 U.S. Dist. LEXIS 14808, 1995 WL 598971,* at *5 ("The client's offer of his own or the attorney's testimony as to a specific communication to the attorney is a waiver as to all other communications to the attorney on the same subject.") (quoting *In re Shearman & Sterling, Nos. 2-124, M8-85, C84-3894, C84-743 (RO), 1986 WL 6157,* at *1 (S.D.N.Y. May 30, 1986)).

Mr. Fleischman had a conversation with Mr. Salvo in 1991 in which he asked Salvo whether a Tribune employee who returned to work in a noisy environment could nevertheless maintain a hearing loss claim against The Tribune based upon an earlier noise exposure. Salvo apparently told him that the employee would have a viable claim against The Tribune so long as he was subsequently removed from noise exposure through, for example, the use of a hearing protector. At the oral argument of the motion, plaintiffs' counsel took the position that Salvo and Fleischman testified fully and completely about that conversation and no information was withheld on the basis of privilege. Defense counsel had a different

recollection. See December 2 Tr. at 68-70. The Court ruled that at the continuation of Fleischman's [*49] deposition defendants could establish whether any portion of the conversation had been withheld and, if so, that Fleischman could be questioned about the remainder of the conversation. Even plaintiffs' counsel appeared to concede that there had been a waiver of any work product relating to that particular conversation. The parties disagree, however, about whether a waiver of work product as to that conversation waives any work product with respect to all subsequent conversations between Salvo and Fleischman on the subject of the hearing loss claims. Plaintiffs' counsel argues that any waiver was inadvertent and there can be no showing that the substance of the waived conversation was used as a sword in the litigation, so as to preclude shielding other privileged conversations. I agree. There is no evidence that plaintiffs allowed disclosure of the substance of the one conversation between Salvo and Fleischman so as to gain some advantage in the litigation, or that the disclosure will result in any prejudice to defendants. Moreover, defendants have not shown any other "substantial need" or justification for disclosure of other privileged conversations. There is no reason, in this instance, [*50] to extend any waiver beyond the conversation in issue.

Mr. Salvo had another conversation with Mr. Fleischman in 1993, at which time Salvo had assumed responsibility for the hearing loss claims that remained to be resolved. That conversation purportedly involved some discussion of how Fleischman had dealt with the claims in the previous three years. Defendants theorize that The Tribune may have been dissatisfied with Fleischman's handling of the claims and that such information would be relevant to plaintiffs' claim that they were defrauded by the defendants in settling the claims. Similarly, there were meetings in 1993 between Salvo, other Weiss & Wexler attorneys, and Tribune Company staff in which Fleischman's handling of the hearing loss claims was discussed. Plaintiffs' counsel has objected to the disclosure of any information from Weiss & Wexler attorneys and Tribune Company staff related to those meetings and conversations, on the grounds of work product and the attorney-client privilege. See, e.g., Salvo Dep. Tr. at 306-13.

I see no basis to order further disclosure of the substance of these conversations. For whatever evidentiary value it may have, defendants are [*51] free to ask Tribune executives what they knew about the claims and how they felt about Fleischman's handling of the claims between 1990 and 1993. They have apparently already done so to some extent. However, what The Tribune staff said to their attorneys, or what their attorneys discussed among themselves about how the claims were handled prior to 1993, either during the handling of the claims in issue, in preparation for the defense of other claims, or in preparation for the initiation of this litigation, is protected work product and privileged attorney-client communication and has neither been put "at issue" nor waived by plaintiffs. These privileged communications are not placed "at issue" simply because they relate to the hearing loss claims and defendants believe that it might be helpful to their case to know whether plaintiffs were dissatisfied with how Fleischman settled the claims.

CONCLUSION

Plaintiffs shall supplement their discovery production in accordance with the conclusions set forth above.

SO ORDERED.

Theodore H. Katz

UNITED STATES MAGISTRATE JUDGE

Dated: New York, New York

January 10, 1997

Tab 5

LEXSEE 1998 U.S. DIST. LEXIS 17445

UNITED STATES OF AMERICA, Plaintiff, v. SOUTH CHICAGO BANK, f/k/a SOUTH CHICAGO SAVING BANK, ADVANCE BANK, s.b., f/k/a ADVANCE BANK, f.s.b., JAMES A. FITCH, SR., VINCENT LIPETZKY, and BARBARA KACZMARZEWSKI, a/k/a BARBARA KATZ, Defendants.

No. 97 CR 849 - 1, 2

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

1998 U.S. Dist. LEXIS 17445

October 16, 1998, Decided
October 30, 1998, Docketed

DISPOSITION: [*1] Motions by South Chicago Bank and Advance Bank to quash government's trial subpoenas granted in part and denied in part.

COUNSEL: For SOUTH CHIAGO BANK fka South Chicago Savings Bank, ADVANCE BANK S.B fka Advance Bank f.s.b, defendants: Dan K. Webb, Peter Charles McCabe, III, James F. Hurst, John Edmund Mooney, Shannon Kay McDaniel, Winston & Strawn, Chicago, IL.

For JAMES A FITCH, SR, defendant: Royal B. Martin, Jr., Martin, Brown & Sullivan, Ltd., Chicago, IL.

U. S. Attorneys: Jacqueline O. Stern, United States Attorney's Office, Chicago, IL.

JUDGES: James B. Zagel, United States District Judge.

OPINION BY: James B. Zagel

OPINION:

MEMORANDUM OPINION AND ORDER

In November 1991, officers of Advance Bank ("Advance") discovered evidence indicating that Advance president Barbara Kaczmarzewski ("Katz") had been stealing funds from the bank. On November 22, 1991, James Fitch, Sr., chairman of the board of Advance Bancorp, Inc. ("Bancorp"), Advance's holding company, n1 confronted Katz with this information. She immediately resigned. Prior to joining Advance in 1990, Katz worked at South Chicago Bank ("SCB") which is also owned by Bancorp. Therefore, SCB realized that Katz's defalcations [*2] might have affected it, too.

n1 Fitch also served in other significant positions with these banks, including chairman of the board of South Chicago Bank.

During the following weeks, Advance and SCB began investigations. Advance's board of directors voted to create the Special Audit Committee ("SAC") on November 25, 1991 and to retain the law firm of Barack Ferrazzano to investigate Katz's defalcations. Barack hired KPMG Peat Marwick ("KPMG") to assist. The SCB board of directors created the Special Fraud Audit Committee ("SFAC") on January 23, 1992. The SFAC hired Winston & Strawn to assist the investigation, and Winston retained accountants from Coopers and Lybrand.

During the investigations, the defendants, their attorneys, and their accountants produced multitudes of documents including audit reports, minutes from meetings of the boards of directors and special committees, witness interviews, forms for regulators, and correspondence. Around June 1993, Winston & Strawn produced a report (the "Winston Report") [*3] summarizing the investigation.

The government subpoenaed defendants to obtain documents. Now, the banks move to quash the subpoena with respect to five categories of documents on grounds that they are work product or covered by the attorney-client privilege:

(1) documents prepared by KPMG;

(2) minutes and notes from meetings of the boards of directors and special committees;
(3) statements made by individual defendants and bank personnel;
(4) the Winston Report; and
(5) communications between the banks, their attorneys, and the special committees.

A. Attorney-Client Privilege

The Seventh Circuit follows Wigmore's eight-point definition of attorney-client privilege which provides that:

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

United States v. Evans, 113 F.3d 1457, 1461 (7th Cir. 1997) (citing 8 John Henry Wigmore, Evidence in Trials at Common **[*4]** Law s. 2292 (John T. McNaughton rev. 1961)). "The party seeking to invoke the privilege bears the burden of proving all its essential elements." *Id.* (citation omitted).

1. Documents Prepared by KPMG Peat Marwick for the Fraud Audit

KPMG formed a fraud audit team to focus on the funds converted by Katz. Separately and prior to engaging the fraud audit team, Advance hired KPMG to conduct a routine year-end audit of its books. Several KPMG employees participated in both audits, and the record shows information flowed freely between the two teams. Now, the parties squabble over whether the following documents created by KPMG are covered by the attorney-client privilege.

Michele O'Connor file memos (P204-08; P553-57)

This memorandum provides details regarding an interview with Katz and an Ad Hoc Committee regarding the Advance investigation. The government contends that Advance waived the privilege covering this memorandum by producing the handwritten notes underlying it. I find that Advance did not waive the privilege covering the memorandum because it did not actually disclose the memorandum, and its disclosure of the notes was inadvertent.

Kevin Spataro File Memo (P524-26) **[*5]**

This memorandum describes the Advance investigation. The government argues that it is not privileged because Spataro was a member of the year-end, not the fraud, audit team. Advance asserts in a generalized fashion that as long as the accountant provides assistance to attorneys representing the Bank in an investigation begun in anticipation of litigation, the privilege should apply. But I observe that Advance does not claim this document is privileged. Given that an accountant, not the client or the attorney, prepared this document, and that this accountant was not hired as part of the fraud audit team to advise the attorneys, I find it is not a confidential communication between an attorney and client. Thus, Advance must produce it to the government.

12/2/91 Ad Hoc Committee Meeting Agenda

The fraud audit team prepared this agenda for an Ad Hoc SAC meeting that James Haugh, a KPMG auditor who was not on the fraud audit team, attended. Advance argues that as long as the accountants were assisting counsel in connection with their investigation, the document is privileged. While it may be reasonable to conclude that a disclosure to a member of the fraud audit team was for purposes **[*6]** of rendering legal advice, this conclusion is not reasonable with respect to a year-end auditor, especially lacking any factual evidence that this outside auditor was actually assisting with legal advice. Instead, Haugh's presence at the meeting provides evidence which is corroborated throughout the record that the banks were sloppy about maintaining the confidentiality of their documents. This one must be produced.

The Work Papers Memorandum (P546-58)

The fraud audit team prepared this memorandum to assist counsel with its investigation. I find no evidence that it was ever disclosed to third parties. Therefore, I conclude that defendants do not have to produce it.

KPMG Work Papers (P24738-41, 24744-51)

These work papers were prepared to assist Barack in its investigation at Advance. Now Advance generally contends that they are "privileged." I find Advance has not sustained its burden of showing that these communications, which did not occur between attorney and client and were created by a third party, meet the privilege requirements. Therefore, Advance must produce them.

2. Minutes and Notes of Boards of Directors, SAC, and SFAC Meetings

The government contends that [*7] the banks made "all minutes of the meetings of stockholders, directors, and committees of directors" available to their year-end auditors and that Bancorp gave Reliance Surety Co., its insurer, access to numerous minutes of the meetings of the banks' boards of directors and internal audit committees in support of insurance claims for losses stemming from the defalcations. The banks contend that the notes and minutes of Board and special committee meetings that they have not produced to the government contain communications from counsel and are, therefore, absolutely protected by the attorney-client privilege.

Voluntary disclosure of confidential information to third persons has long been considered inconsistent with maintaining privilege. *See In re Grand Jury Proceedings Oct. 12, 1995, 78 F.3d 251, 254 (1996);* (citing *Westinghouse, 951 F.2d 1414, 1424).* And auditors are not generally part of the circle of persons, including secretaries and interpreters, for example, with whom confidential information may be shared without destroying the privilege. *See Massachusetts Institute of Technology, 129 F.3d 681 at 684; see also United States v. Arthur Young & Co., 465 U.S. 805, 819,* [*8] *79 L. Ed. 2d 826, 104 S. Ct. 1495 (1984)* (accountants' role as public watchdogs demands independence from the client, so they are outside the circle of third parties with whom confidential information may be shared).

Here, the banks' year-end audit team-- as opposed to the fraud audit team-- was outside the circle of persons with whom confidential information could be shared because they were performing work in the ordinary course of business, not for the sake of legal advice. By voluntarily disclosing the minutes from the meetings of the boards of directors and special fraud committees to the year-end auditors in full and to their insurance company in part, the banks have relinquished the right to assert the privilege now against the government. *See Dellwood Farms, Inc. v. Cargill, Inc., 128 F.3d 1122, 1126 (7th Cir. 1997)* (citations omitted) ("the cases generally reject a right of 'selective waiver'").

Alternatively, the banks seek to limit the scope of the waiver. They argue that the notes and minutes they produced to the government were so generalized and lacking in substantive information regarding the defalcation investigation that they should not be held to constitute [*9] a waiver for all other notes and minutes. I find this argument irrelevant as to the minutes because the banks voluntarily disclosed all of them to third parties. However, the notes from the meetings raise a different issue because apparently the banks only disclosed some of them. Under the doctrine of partial waiver, the disclosure of a part of a privileged document or a set of such waives the privilege as to the rest of it. *Dellwood Farms, 128 F.3d at 1127* (citing *Westinghouse, 951 F.2d at 1423, n.7).* The rationale underlying partial waiver is that a party should not be able to gain a tactical advantage by disclosing favorable portions of privileged documents and withholding unfavorable portions. *Id.; Graco Children's Products, Inc. v. Dressler, Goldsmith, Shore & Milnamow, Ltd., 1995 U.S. Dist. LEXIS 8157, 1995 WL 360590,* at *8 (N.D. Ill. Jun. 14). The banks claim that the notes they have refused to produce contain privileged communications. But based on the record it is apparent that the notes already produced to the government also contained privileged communications. So, guided by principles of fairness and the concomitant value in preventing tactical disclosures I find that the banks waived [*10] the privilege as to all of the notes by disclosing some of them.

3. Statements by Individual Defendants, Bank Personnel

The government contends that the banks waived the privilege with respect to employee interviews by disclosing this information various ways. For instance, FBI Special Agent Griggs attended a December 27, 1991 interview of Katz that Barack attorneys and two KPMG accountants conducted, and the banks later provided insurer Reliance with Barack's summary of this interview. Also, Winston attorneys orally summarized the results of witness interviews they conducted in a meeting with the FDIC in November 1992. Advance contends that it did not waive the privilege because Winston attorneys merely provided an oral summary of the general content of the interviews to regulators, not the interviews themselves.

To begin with, I find that the banks waived the privilege with respect to any information actually disclosed to third parties. I also find that the banks failed to maintain any confidentiality regarding the December 27, 1991 Katz interview and waived any privilege that might have attached to Barack's summary of it by disclosing it to their insurer Reliance.

Privileged [*11] communications the banks selectively disclosed to third parties but not to the government do not necessarily implicate the fairness rationale for extending the waiver beyond that which was disclosed. *In re Consolidated Litig. Concerning Int'l Harvester's Disposition of Wisc. Steel, 666 F. Supp. 1148, 1157 (N.D. Ill. 1987)* (citing *In re Sealed Case, 219 U.S. App. D.C. 195, 676 F.2d 793, 809 & n.54 (D.C. Cir. 1982)); see also In re Von Bulow, 828 F.2d 94, 102 (2d Cir. 1987)* (extrajudicial disclosure of privileged information does not waive privilege as to all undisclosed portions). Here, the defendants did not gain a strategic advantage against the government by selectively disclosing interview information, extrajudicially, to the FDIC or its insurer. Also, with the exception of the Barack written

summary disclosed to Reliance, defendants did not apparently turn over any actual documents resulting from the employee interviews. Therefore, I conclude that defendants did not waive the privilege to withhold undisclosed interview documents from the government in this litigation. *See Dellwood Farms, 128 F.3d at 1126* (finding no deliberate privilege waiver where government played **[*12]** excerpts from evidentiary tapes but did not turn actual tapes over to anybody).

4. The Winston & Strawn Report

On June 7, 1993, Winston submitted a report (the "Winston Report") to the SFAC. Then, Winston gave a copy of the report to the Illinois Commissioner of Banks & Trusts ("Commissioner"). Did this waive the privilege?

The government argues that it did because the banks may not selectively waive the privilege as to the Commissioner and resurrect the privilege now. *See, e.g., Permian Corp. v. United States, 214 U.S. App. D.C. 396, 665 F.2d 1214, 1221 (D.C. Cir. 1981)* (parties may not waive the privilege for some and invoke it as to communications already compromised for the party's own benefit). The banks contend that they did not waive the privilege because they did not disclose the Winston Report voluntarily. Rather, the banks contend they disclosed it pursuant to the Commissioner's demand grounded in his statutory authority. *See 205 ILCS 5/48(6)(d)*. The banks also allege that they took steps to maintain the privilege by executing a confidentiality agreement with the Commissioner.

Does the attorney-client privilege survive disclosure to a regulatory government agency **[*13]** pursuant to the agency's request? A majority of circuits have refused to create a new privilege allowing people to disclose confidential communications to government agencies without waiving the privilege. *See United States v. Massachusetts Inst. of Tech., 129 F.3d 681, 685 & n.3 (1st Cir. 1997)* (observing that the Second, Third, Fourth, Federal, and D.C. Circuits ruled that limited disclosures to government agencies destroy the privilege); *but see Diversified Indus., Inc. v. Meredith, 572 F.2d 596, 611 (8th Cir. 1977)* (*en banc*) (concluding in only a paragraph of analysis that this kind of disclosure does not comprise a total waiver). The First Circuit observed that the general principle that disclosure negates the privilege is worth maintaining because it makes the law more certain and predictable, eases its administration, and avoids difficult line-drawing. *Massachusetts Inst. of Tech., 129 F.3d at 685.*

In addition to this legal basis, factual reasons also favor rejecting the banks' privilege claim. The banks did not seek any judicial or other means to avoid disclosing the report to the Commissioner. And yet, the banks must have realized at the time they disclosed **[*14]** that the Commissioner's agreement to "keep the Report confidential within the regulatory agency" did not guard against revealing the report to other governmental agencies. *See Westinghouse, 951 F.2d at 1427* (Department of Justice's agreement to maintain confidentiality within the department did not support preservation of the privilege against other entities in unrelated case). Moreover, this is not a case where a party disclosed mere portions or summaries of privileged materials: SCB placed an actual copy of the report in the possession of the Commissioner. Cf. *Dellwood Farms, 128 F.3d at 1122* (Seventh Circuit found that the government did not waive its privilege by allowing its adversaries to listen to portions of evidentiary tapes without turning over the actual tapes). Finally, allowing selective disclosure here would interfere with the criminal investigative process and the government's ability to obtain evidence that the Commissioner is statutorily empowered to turn over to law enforcement agencies. *See 205 ILCS 5/48.3(a)(1)*-(3) (setting forth a myriad of state and federal agencies and financial institutions to which the Commissioner may disclose information about **[*15]** banks). For all these reasons, the banks must produce the Winston Report to the government.

5. Communications Between the Banks, Special Fraud Committees, and Attorneys

Finally, the banks contend that documents related to communications between the Barack and Winston law firms, bank personnel, and the special fraud audit committees at each bank "conceivably" include confidential communications and are, thus, privileged. It is the banks who have the burden of proving that communications are privileged, and their blanket contention that all these documents could conceivably contain privileged communications does not succeed. Therefore, the banks must produce them. If the banks find specific documents that actually merit protection, they may submit those to the court for *in camera* review along with concise arguments as to why they are privileged.

B. The Work Product Doctrine

The purpose of the work product doctrine is to preserve a zone of privacy in which a lawyer can prepare and develop legal theories and strategies free from unnecessary intrusion by her adversaries. *See United States v. Adlman, 134 F.3d 1194, 1196 (2d Cir. 1998); In re Special September 1978 Grand* **[*16]** *Jury (II), 640 F.2d 49, 62 (7th Cir. 1980)*. To fulfill this purpose, *Federal Rule of Civil Procedure 26(b)(3)* provides,

> [A] party may obtain discovery of documents ... prepared in anticipation of litigation or for trial ... only upon a showing

> that the party seeking discovery has 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.

The threshold issue under the work product doctrine is whether documents were prepared "in anticipation of litigation." *See Binks Mfg. Co. v. National Presto Indus., Inc., 709 F.2d 1109, 1119 (7th Cir. 1983).*

The government contends that a document qualifies as work product only if the anticipation of litigation is the primary motive for creating it, and the banks disagree. The Seventh Circuit has mentioned, but not expressly adopted, the primary motivation test. *Binks Mfg., 709 F.2d at 1119.* I observe that this test has been a source of some controversy among the circuits. *See Adlman, 134 F.3d at 1198* (analyzing a line of Fifth Circuit cases exemplifying the primary motivation test and cases from the Seventh and D.C. **[*17]** Circuits and district courts in Illinois, Massachusetts, New York, and Pennsylvania that did not apply it). Rather than take a stance in this word game (although perhaps it is more significant than that), I follow well established and widely accepted standards.

A document is considered to be "prepared in anticipation of litigation" if "in light of the nature of the document and the factual situation in the particular case, the document can fairly be said to have been prepared or obtained *because* of the prospect of litigation." *Adlman, 134 F.3d at 1201* (quoting Wright, Miller, and Marcus, 8 Federal Practice & Procedure § 2024, at 343 (1994)) (emphasis added) (citing also to *Binks Mfg., 709 F.2d at 1118-19).* Documents prepared in the ordinary course of business or based upon a mere contingency of litigation are not work product, *Binks Mfg., 709 F.2d at 1119,* and neither are documents that would have been created in essentially similar form irrespective of litigation. *Adlman, 134 F.3d at 1202.*

The government argues that the banks conducted the fraud investigations that generated the documents at issue here for business, not legal, purposes and that the threat of **[*18]** litigation was remote. The banks point to the discovery of Katz's defalcation, receipt of grand jury subpoenas, receipt of FBI inquiries, and filing of a criminal referral form with the FDIC and claim that they anticipated litigation with Katz, the RTC, shareholders, and the U.S. Attorney.

After reviewing the record, I find that the banks faced remote threats of litigation at best. Katz stated in her resignation letter that she might seek legal counsel, but her threat was contingent upon the banks slandering her. In actuality, a lawsuit by Katz must have appeared unlikely given the considerable evidence of her illegal activities. A letter dated October 10, 1992 by SCB director Richard Sundstrom to the FDIC shows that a lawsuit by the banks against Katz was remote because, *inter alia*, they doubted she had any funds. The letter also shows that the banks had still not decided whether to take action against her.

The only evidence of potential RTC litigation is a letter dated December 23, 1991 from the RTC to Advance demanding payment of a substantial sum of money owed and expressing frustration over Katz's failure to respond to earlier demands. I have read the letter. I find that **[*19]** the RTC's statement that it would take whatever actions necessary if it did not receive payment by January 2, 1992 was perhaps a veiled threat of litigation, but it was contingent, and the fact the RTC had already been making this demand for ten months indicates litigation was remote. The banks' allegation that there was an "ever present possibility of a derivative action" by shareholders is self-evident proof that this threat of litigation was a mere possibility, not a likely event.

Did the grand jury subpoenas indicate that the banks would face litigation? The banks make a general claim that documents created at or around the time of a grand jury investigation in the criminal context are likely created in anticipation of litigation. But when the banks received the grand jury subpoenas in November 1991, they appeared to be the victims, not the perpetrators, of fraud. The banks' behavior after receiving the subpoenas, *i.e.*, their cooperation with the FBI and acceptance of FBI recommendations as to how they might protect themselves, do not indicate that the banks thought they would face criminal charges. *See* SCB Bd. Mtg. 1/23/92 at 2. In addition, the government contends that **[*20]** grand jury subpoenas are routine in bank fraud cases because of legal prohibitions against bank disclosure without them, and the banks do not dispute this. These factors lead me to conclude that the banks did not view the subpoenas as indications that they would likely face criminal proceedings.

It seems likely that the banks contemplated a possibility of litigation. Nonetheless, the record supports the government's contention that the banks undertook their fraud investigation because of business purposes. For example, according to the minutes from its January 23, 1992 meeting, the SCB board of directors appointed the Special Fraud Audit Committee "to investigate, review and analyze the facts and circumstances of any possible wrongdoing at the Bank", and granted the special committee authority to retain the Winston law firm "to assist ... with the investigation." Other documents state similar goals, and I did not find any specific references to litigation. I accept the banks' contention that their lawyers

managed the fraud investigation and provided them with legal advice, but this is not equivalent to preparing for litigation.

The banks contend that documents produced for dual purposes **[*21]** may constitute work product and that this case is like *Special September 1978 Grand Jury, 640 F.2d at 62,* where the Seventh Circuit found that an investigative report prepared for business purposes constituted work product because it was also prepared "in anticipation of criminal proceedings which could result from the Grand Jury's investigation."

I find that case distinguishable, however, because a sequence of events prior to the creation of the work product documents made litigation more there likely than here. In *Special September 1978 Grand Jury*, a grand jury issued a subpoena requiring an Association to produce a list of political contributions made by it or on its behalf. Several weeks later the Sun Times published an article describing illegal political contributions by the Association, and several weeks after that the Chief of Public Disclosure of the Illinois State Board of Elections wrote an association member about Illinois reporting requirements. Unlike this case, the party that hired the attorneys who created the work product document, was also the party accused of illegalities, and the grand jury sought information concerning its activities, not the activities **[*22]** of some other person. In contrast, here the banks hired attorneys to investigate the wrongdoing of Katz, the grand jury was investigating Katz too, and the banks cooperated with the grand jury.

The nature of the documents at issue and the circumstances surrounding their creation also indicate they were not generated in anticipation of litigation. First, the KPMG documents. According to the minutes from their November 25, 1991 meeting, Advance's board of directors hired KPMG to "assist in the audit of corporate funds," not to prepare for litigation. In fact, one of the banks' attorneys told KPMG that its engagement in connection with the defalcation did not include an evaluation of "any material third party claims." More specifically, the banks seek to avoid producing a flip chart the fraud audit team prepared and used during a SAC meeting on December 2, 1991 to assist the attorneys in understanding the scope of their investigation on work product grounds. The work product doctrine may encompass any document prepared in anticipation of litigation by or for the attorney. *In re Special September 1978 Grand Jury, 640 F.2d 49, 62 (7th Cir. 1980).* The government does not offer a reasonable **[*23]** argument as to why the flip chart should be produced, so Advance need not do so.

Second, the minutes of the directors and committee meetings are taken in the ordinary course of business. *See U.S. v. Massachusetts Institute of Technology, 957 F. Supp. 301, 305 (D. Mass. 1997)* (minutes of directors' meetings are prepared in the ordinary course of business, they are not work product); see also *Fed. R. Civ. P. 26(b)(3)* advisory committee note ("Materials assembled in the ordinary course of business . . . or for other nonlitigation purposes are not under the qualified immunity provided by this subdivision.") Although the special fraud committees were created for the purpose of investigating fraud, I see no evidence that their meetings were held for litigation purposes. If the banks possess undisclosed attorney notes from these meetings that they do not wish to produce and that contain information concerning litigation, they may submit them for *in camera* review accompanied by concise explanations of why they constitute work product.

Third, I have already concluded that statements by individual defendants and bank employees, except the Katz interview, are protected from disclosure **[*24]** by attorney-client privilege. I find that the Katz interview is not work product either. It was conducted because of the banks' need to assess her defalcations, not because of litigation.

Fourth, the banks refer obliquely to communications between the banks, the committees, and the attorneys. Their allegations do not even specify particular documents, and so I refuse to find these documents are work product.

Finally, the contents of the Winston Report demonstrate that it is not a litigation-oriented document and that Winston's role was not to prepare for litigation. The recommendations and conclusions in the report show that Winston's role was to advise and assist the SCB special committee in conducting an investigation, filing requisite criminal forms and insurance claims, and recommending remedial steps to avoid fraud in the future.

Assuming, *arguendo*, that the Winston Report constituted work product, I find that the banks waived this protection by disclosing the report to the Illinois Commissioner. The general rule is that a party waives protection if it discloses its work product to an adversary. *See, e.g., Westinghouse, 951 F.2d at 1428* (citing *United States v. American* **[*25]** *Tel. And Tel. Co., 206 U.S. App. D.C. 317, 642 F.2d 1285, 1299 (D.C. Cir. 1980)* and 8 Wright & Miller, Federal Practice & Procedure § 2024 at 210). The courts have interpreted adversaries to include government agencies investigating a party. *See id.* (the Department of Justice and the Securities Exchange Commission were adversaries of Westinghouse which was the target of their investigation). So, too, here the Illinois Commissioner was an adversary of the banks because it was investigating their activities, and it is irrelevant that the Commissioner agreed to keep the Winston Report confidential. *See In re Chrysler Motors*

Corp. Overnight Eval. Prog. Litig., 860 F.2d 844 (8th Cir. 1988) (court allowed U.S. Attorney access to work product that had been previously disclosed to an adversary even though the latter party agreed not to disclose to anyone else).

In sum, the record indicates that the documents at issue here would have been created in essentially similar form irrespective of litigation because they were generated for the business-related purposes of analyzing the banks' losses due to the defalcations, identifying and correcting internal controls to prevent future **[*26]** losses, and fulfilling reporting requirements for regulators and shareholders. The banks have not fulfilled their burden of showing that they generated these documents because of litigation.

C. One Final Issue

The government seeks production of documents prepared by or for the banks' internal audit departments. The banks do not dispute this request, and so I find that they have waived arguments against production.

CONCLUSION

The motions by South Chicago Bank and Advance Bank to quash the government's trial subpoenas are granted in part and denied in part.

ENTER:

James B. Zagel

United States District Judge

DATE: 16 Oct 1998