

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

LAWRENCE E. JAFFE PENSION PLAN, ON
BEHALF OF ITSELF AND ALL OTHERS SIMILARLY
SITUATED,

Plaintiff,

- against -

HOUSEHOLD INTERNATIONAL, INC., ET AL.,

Defendants.

Lead Case No. 02-C5893
(Consolidated)

CLASS ACTION

Judge Ronald A. Guzman
Magistrate Judge Nan R. Nolan

APPENDIX OF UNREPORTED CASES

<u>Cases</u>	<u>Tab</u>
<i>Bramlette v. Hyundai Motor Co.</i> , No. 91 C 3635, 1993 U.S. Dist. LEXIS 12112 (N.D. Ill Aug. 31, 1993).....	1
<i>Chamberlain Manufacturing Corp. v. Maremont Corp.</i> , No. 90 C 7127, 1993 U.S. Dist. LEXIS 371 (N.D. Ill. Jan. 15, 1993)	2
<i>Gutter v. E.I. DuPont De Nemours & Co.</i> , No. 95-CV-2152, 1998 WL 2017926 (S.D. Fla. May 18, 1998)	3
<i>In re Brand Name Prescription Drugs Antitrust Litigation</i> , No. 94 C 897, MDL 997, 1995 U.S. Dist. LEXIS 17110 (N.D. Ill. Nov. 14, 1995).....	4
<i>In re Pfizer Inc. Securities Litigation</i> , No. 90 Civ. 1260, 1993 WL 561125 (S.D.N.Y. Dec. 23, 1993).....	5
<i>National Jockey Club v. Ganassi</i> , No. 04 C 3743, 2006 WL 733549 (N.D. Ill. Mar. 22, 2006).....	6
<i>Neal v. Honeywell, Inc.</i> , No. 93 C 1143, 1995 U.S. Dist. LEXIS 14488 (N.D. Ill. Oct. 3, 1995).....	7
<i>SEC v. Brady</i> , No. 3:05-CV-1416-M, 2006 U.S. Dist. LEXIS 74979 (N.D. Tex. Oct. 16, 2006).....	8
<i>SmithKline Beecham Corp. v. Pentech Pharmaceuticals, Inc.</i> , No. 00 C 2855, 2001 WL 1397876 (N.D. Ill. Nov. 6, 2001).....	9
<i>Tribune Co. v. Purcigliotti</i> , 93 Civ. 7222, 1997 U.S. Dist. LEXIS 228 (S.D.N.Y. Jan. 10, 1997).....	10

<u>Cases</u>	<u>Tab</u>
<i>Trustmark Insurance Co. v. General & Cologne Life Re of America</i> , No. 00 C 1926, 2000 WL 1898518 (N.D. Ill. Dec. 20, 2000)	11
<i>Washington Bancorp. v. Said</i> , Civil Action No. 88-3111, 1989 U.S. Dist. LEXIS 5135 (D.D.C. May 10, 1989)	12

TAB 1

LEXSEE

JEAN BRAMLETTE, Individually and as Administrator of the Estate of Tracy Sargent, Deceased, Plaintiff, v. HYUNDAI MOTOR COMPANY and HYUNDAI MOTOR AMERICA, Defendants.

No. 91 C 3635

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

1993 U.S. Dist. LEXIS 12112

**August 31, 1993, Decided
September 1, 1993, Docketed**

CASE SUMMARY:

PROCEDURAL POSTURE: Defendants filed a motion to quash plaintiff's subpoena pursuant to Fed. R. Civ. P. 45 seeking information obtained by investigators hired by defendants.

OVERVIEW: The investigators prepared several reports in preparation for trial, several of which were turned over to plaintiff. Plaintiff sought production of other reports, contending that defendants waived work product protection with respect to all of the investigatory reports by providing some of them to plaintiff. The court noted that there was a distinction between attorney-client privilege and work product privilege, and that according to most authorities, disclosure of a document to third persons did not waive work product protection unless it substantially increased the opportunities for potential adversaries to obtain the information. Nor did disclosure of some documents destroy work product protection for other documents of the same character. The court concluded that defendants did not waive work product protection because the materials for which protection was sought had not been disclosed. Moreover, plaintiff had not made a showing that the reports were discoverable because of substantial need or undue hardship. The court noted in particular that plaintiff did not deny that she had an opportunity to interview the persons whose testimony was described in the reports sought.

OUTCOME: Defendant's motion to quash plaintiff's subpoena for the production of certain reports was granted.

CORE TERMS: work product, attorney-client, disclosure, discovery, preparation, interview, subpoena, with-

held, waived, work product doctrine, undue hardship, selective, waive, motion to quash, confidence, log, subject matter, anticipation of litigation, formulating, impressions, privileged, proponent, tactical, prepare, exploit, full disclosure, partial, discoverable, interviewed, deposition

LexisNexis(R) Headnotes

Evidence > Privileges > Attorney-Client Privilege > Elements

Evidence > Privileges > Attorney-Client Privilege > Scope

Evidence > Privileges > Attorney-Client Privilege > Waiver

[HN1] Production of some privileged documents waives the privilege as to all documents concerning the same subject matter. The rule reflects two general principles: (1) that only confidential matters are protected by the attorney-client privilege, and (2) that a party should not be allowed to exploit selective disclosures for tactical advantages. A party cannot selectively divulge privileged 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. Protection of the opinions given by attorneys to their clients gives rise to similar benefits, and consequently has been treated as part of the privilege. Once a party abandons this confidence by submitting privileged material in the discovery proceeding, the rationale of the privilege is dissipated, insofar as the subject matter of the disclosure is concerned.

Civil Procedure > Discovery > Privileged Matters > Work Product > Fact Work Product

Civil Procedure > Discovery > Undue Burdens

[HN2] The work product doctrine is distinct from and broader than the attorney-client privilege. The doctrine applies to documents prepared by the client, attorney or the attorney's representative in anticipation of litigation or for trial. Under the work product doctrine, there is a multi-level protection whereby that information most closely related to an attorney's litigation strategy is absolutely immune from discovery, while that information with a more tenuous relationship to litigation strategy might be available in circumstances evincing a substantial need or undue hardship on the part of the discovery proponent. Thus, "factual" or "ordinary" work product, which is everything other than the mental impressions, conclusions, opinions or legal theories of the attorney, must be produced upon a showing that the proponent of the discovery needs the materials to prepare its case and has been unable without due hardship to obtain them, by other means. The party demanding production must demonstrate undue hardship would be suffered if unable to review material or obtain equivalent materials by other means.

Civil Procedure > Discovery > Methods > Requests for Production & Inspection

Civil Procedure > Discovery > Privileged Matters > Work Product > Opinion Work Product

Civil Procedure > Discovery > Relevance

[HN3] Fed. R. Civ. P. 26(b) provides that a party may obtain discovery of documents and tangible things otherwise discoverable under subdivision (b)(1) of this rule and prepared in anticipation of litigation or for trial by or for another party or by or for that other party's representative (including the other party's attorney, consultant, surety, indemnitor, insurer, or agent) only upon a showing that the party seeking discovery has substantial need of the materials in the preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means. In ordering discovery of such materials when the required showing has been made, the court shall protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party concerning the litigation.

Civil Procedure > Discovery > Privileged Matters > Work Product > Opinion Work Product

Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers

Civil Procedure > Judgments > Relief From Judgment > General Overview

[HN4] An attorney's notes of witness interviews are protected under the work product doctrine. Also, the showing of work product to a party's expert witnesses does not waive the protection. If an expert considers work product in formulating his or her opinion, the solution is to redact the document, omitting "opinion" work product, but making full disclosure of facts presented to the expert and considered in formulating his or her opinion.

Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers

Evidence > Privileges > Attorney-Client Privilege > Waiver

Legal Ethics > Client Relations > Confidentiality of Information

[HN5] Unlike the attorney-client privilege, which exists to encourage confidential communications and protect the attorney-client relationship, work product protection serves to promote the adversary system by safeguarding the fruits of an attorneys' trial preparations from discovery attempts of the opponent. While any voluntary disclosure by the holder of the attorney-client privilege is inconsistent with the confidential relationship and thus waives the privilege, it is not inconsistent with work product protection to disclose information in the pursuit of trial preparation, so long as the information is maintained in secrecy against the opponent. Most cases conclude that disclosure of a document to third persons does not waive work product protection unless it substantially increases the opportunities for potential adversaries to obtain the information. Nor does disclosure of some documents destroy work product protection for other documents of the same character.

JUDGES: [*1] GOTTSCHALL

OPINION BY: JOAN B. GOTTSCHALL

OPINION:

MEMORANDUM OPINION AND ORDER

This matter is before the court on defendants' motion to quash plaintiff's Rule 45 subpoena to Investigations by Hanrahan. For the reasons set forth below, the motion is denied.

BACKGROUND

After the commencement of this lawsuit, defendants retained the firm Investigations by Hanrahan ("Hanrahan") to conduct certain investigations in preparation for the trial of this lawsuit. In the course of that investigation, Hanrahan interviewed witnesses and prepared at

least twelve reports, which reports are described in the log defendants have served on the court and plaintiff's attorneys. Plaintiff does not dispute defendants' contentions that five of those reports (Docs. A-E) have been provided to her attorneys and that the documents and signed witness statements accompanying four other reports (Docs. I-L) have been produced to her and marked as defense exhibits in the final pretrial order. Defendants have, however, withheld the four reports themselves. In all, defendants have apparently withheld seven reports. While defendants claim work product protection for all but the five reports already produced, the names and addresses [*2] of witnesses interviewed in connection with the other reports have apparently also been provided, n1 and most of these witnesses have been deposed and/or included in defendants' witness list.

n1 In their log, defendants make the somewhat cryptic comment that plaintiff may not know who these witnesses are, but that is not the fault of the defendants. Log of Documents at 10. Plaintiff not having argued that any witness names and addresses have been withheld from her, this memorandum assumes full disclosure of the names and addresses of witnesses.

Plaintiffs' subpoena seeks production of all documents and tangible items related to any work performed by Hanrahan in connection with this case, although it appears that the withheld reports are the only items presently at issue. Defendants claim the work product protection in response to plaintiff's subpoena of the seven reports not previously produced. Reviewing defendants' log, the reports in question can be divided into three categories: (1) reports containing narratives [*3] of witness interviews (Doc. F, I, K and L), (2) reports "describing arrangements for inspection of vehicle" (Docs. G and H), and (3) a report regarding issuance of subpoenas and ongoing investigation (Doc. J).

Plaintiff has not separately argued that she should be given access to categories (2) and (3). Rather, she tends to focus her arguments on the narrative of witness interviews contained in the reports in category (1). According to plaintiff, defendants have waived work product protection with respect to all the Hanrahan reports by providing copies of the first five reports to defendants' expert witness Jasich and to plaintiffs. n2

n2 Although the fact is not noted in defendants' log, another Hanrahan report of September 30, 1992 (Doc. L) was apparently given to defendants' accident reconstruction expert shortly be-

fore his deposition on July 22-23, 1993. Plaintiff's Response Brief at 5 n.3. (The expert stated at deposition that he had not read the statement. Habberstad Dep. at 16.) It is not known whether plaintiff was also provided a copy of that report.

[*4]

Plaintiff's waiver argument rests on the rule enunciated in the context of the attorney-client privilege that [HN1] production of some privileged documents waives the privilege as to all documents concerning the same subject matter. Chinnici v. Central Du Page Hosp. Ass'n, 136 F.R.D. 464, 465 (N.D. Ill.), clarified, 1991 WL 127606 (N.D. Ill. July 10, 1991); In re Consolidated Litigation Concerning Internat'l Harvester's Disposition of Wisconsin Steel, 666 F. Supp. 1148, 1153 (N.D. Ill. 1987); Nye v. Sage Products, Inc., 98 F.R.D. 452, 453 (N.D. Ill. 1982). The rule reflects two general principles: (1) that only confidential matters are protected by the attorney-client privilege, and (2) that a party should not be allowed to exploit selective disclosures for tactical advantages. International Harvester, 666 F. Supp. at 1153. Quoting from Judge Flaum, Judge Moran explained the rationale for the rule as follows:

. . . a party cannot selectively divulge privileged information without impairing its attorney-client privilege as to the rest of that information concerning [*5] 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. . . . Protection of the opinions given by attorneys to their clients gives rise to similar benefits, and consequently has been treated as part of the privilege. . . . Once a party abandons this confidence by submitting privileged material in the discovery proceeding, the rationale of the privilege is dissipated, insofar as the subject matter of the disclosure is concerned.

In some instances, a tactical advantage of a limited disclosure may be readily apparent, and equity stridently counsels a finding that the privilege has been waived. . . . Partial disclosure, however, always creates the possibility of abuse at a time when the confidentiality of the relationship has been compromised by the very party who wishes to assert it later. . . .

Whenever a party discloses information which it could have withheld on the basis of privilege, an implicit determination of benefit has been made by the party, through its attorney. Since the rationale of the confidence is at the same time [*6] obviated, no purpose would be served by a court's consideration of the tactical consequences of partial disclosure.

Id. (quoting B&J Mfg. Co. v. FMC Corp., 21 Fed.R.Serv.2d (Callaghan) 1119, 1119-1120 (N.D. Ill. 1975)).

In their response, defendants emphasize that, except for the reports to which plaintiff has had access, they have held the other Hanrahan reports in confidence. Thus, they have not provided any of the last six or seven reports to their expert witnesses. Defendants further state that Jasich's expert report is not based on the five Hanrahan reports given to him. As set forth below, in moving to quash, defendants look to differences between the policies underlying the attorney-client privilege and work product protection.

DISCUSSION

[HN2] The work product doctrine is distinct from and broader than the attorney-client privilege. In re Air Crash Disaster at Sioux City, Iowa, 133 F.R.D. 515, 519 (N.D. Ill. 1990) (quoting United States v. Nobles, 422 U.S. 225, 238, 45 L. Ed. 2d 141, 95 S. Ct. 2160 n.11 (1974)). The doctrine applies to documents prepared by the client, attorney or the attorney's representative [*7] "in anticipation of litigation or for trial." See id. (quoting Rule 26(b)(3)). n3 Under the work product doctrine, there is a multi-level protection whereby that information most closely related to an attorney's litigation strategy is absolutely immune from discovery, n4 while that information with a more tenuous relationship to litigation strategy might be available in circumstances evincing a substantial need or undue hardship on the part of the discovery proponent. Allendate Mut. Ins. Co. v. Bull Data Systems, Inc., 145 F.R.D. 84, 86 (N.D. Ill. 1992). Thus, "factual" or "ordinary" work product, which is "everything other than the 'mental impressions, conclusions, opinions or legal theories' of the attorney," must be produced upon a showing that the proponent of the discovery needs the materials to prepare its case and has been unable without due hardship to obtain them, by other means. Air Crash Disaster, 133 F.R.D. at 520 (quoting Rule 26(b)(3)). See also Ferguson v. Lurie, 139 F.R.D. 362, 367 (N.D. Ill. 1991) (party demanding production must demonstrate undue hardship would be suffered [*8]

if unable to review material or obtain equivalent materials by other means).

n3 The full text of Rule 26(b)(3) is as follows:

[HN3]

a party may obtain discovery of documents and tangible things otherwise discoverable under subdivision (b)(1) of this rule and prepared in anticipation of litigation or for trial by or for another party or by or for that other party's representative (including the other party's attorney, consultant, surety, indemnitor, insurer, or agent) only upon a showing that the party seeking discovery has substantial need of the materials in the preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means. In ordering discovery of such materials when the required showing has been made, the court shall protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party concerning the litigation.

n4 Cf. Hamel v. General Motors Corp., 128 F.R.D. 281, 283 (D.Kan. 1989) (while some courts find an absolute privilege against discovery of opinion work product, many others apply balancing test to determine discoverability).

[*9]

In their motion to quash, defendants correctly observe that [HN4] an attorney's notes of witness interviews are protected under the work product doctrine. See, e.g., Hickman v. Taylor, 329 U.S. 495, 509-513, 91 L. Ed. 451, 67 S. Ct. 385 (1947); Harper and Row Publishers, Inc. v. Decker, 423 F.2d 487, 492 (7th Cir. 1970), aff'd, 400 U.S. 348, 27 L. Ed. 2d 433, 91 S. Ct. 479 (1971); Thornton v. Continental Grain Co., 103 F.R.D. 605, 606 (S.D. Ill. 1984). Also, the showing of work product to a party's expert witnesses does not waive the protection. Bogosian v. Gulf Oil Corp., 738 F.2d

587, 593 (3d Cir. 1984); Hamel v. General Motors Corp., 128 F.R.D. 281, 284 (D. Kan. 1989). Bogosian concluded that if an expert considers work product in formulating his or her opinion, the solution is to redact the document, omitting "opinion" work product, but making full disclosure of facts presented to the expert and considered in formulating his or her opinion. *Id.* at 595. n5

n5 In passing, Bogosian commented that there was a division among the circuits as to whether work product based on oral statements from witnesses was "opinion" work product, and hence, absolutely protected. Bogosian, 738 F.2d at 593 (citing Upjohn Co. v. United States, 449 U.S. 383, 401-402, 66 L. Ed. 2d 584, 101 S. Ct. 677 (1981)).

[*10]

Finally, defendants note that plaintiff's cases concerning selective disclosure of documents address waiver of the attorney-client privilege. [HN5] Unlike that privilege, which exists to encourage confidential communications and protect the attorney-client relationship, work product protection serves to promote the adversary system by safeguarding the fruits of an attorneys' trial preparations from discovery attempts of the opponent. United States v. American Telephone and Telegraph Co., 642 F.2d 1285, 1299 (D.C. Cir. 1980). While any voluntary disclosure by the holder of the attorney-client privilege is inconsistent with the confidential relationship and thus waives the privilege, it is not inconsistent with work product protection to disclose information in the pursuit of trial preparation, so long as the information is maintained in secrecy against the opponent. See *id.* According to commentators, most cases conclude that disclosure of a document to third persons does not waive work product protection unless it substantially increases the opportunities for potential adversaries to obtain the information. 8 C. Wright and A. Miller Federal Practice [*11] and Procedure: Civil, § 2024 at 210 (1970). Nor does disclosure of some documents destroy work product protection for other documents of the same character. *Id.* at 209. n6

n6 On the other hand, one cannot lose sight of the potential that litigants might exploit work product in a significant way in the preparation of experts, while planning to erect the shield of privilege against discovery. See Berkey Photo, Inc. v. Eastman Kodak Co., 74 F.R.D. 613, 617 (S.D.N.Y. 1977).

Applying the above principles here, this court finds neither waiver nor circumstances that would call for the production of defendants' work product. Since the materials for which protection is sought in this case have not been disclosed to experts or others not involved in the preparation of defendants' case, it is clear that there has been no waiver of work product protection.

Looking next to whether plaintiff has overcome that protection, this court concludes that she has not. Even assuming that all the Hanrahan [*12] reports were "fact" work product potentially discoverable upon the showing of "substantial need of the materials" and "undue hardship to obtain the substantial equivalent of the materials by other means," required under Rule 26(b)(3), plaintiff has failed to make that showing. Notably, plaintiff does not deny that she has had the opportunity to interview the persons whose testimony is described in the Hanrahan reports. See Strandell v. Jackson County, 7 Fed.R.Serv.3d 715, 717-718 (S.D. Ill. 1987). She states that she needs the reports to prepare to cross-examine defense experts because those experts were not provided reports of subsequent interviews with witnesses, but it is pure speculation that knowledge of the information in the later Hanrahan reports would have altered the basis for the experts' opinions. This kind of speculation has been rejected as a basis for overcoming work product protection. See Hamel, 128 F.R.D. at 284.

Finally, the court disagrees with plaintiff that the finding in Nye v. Sage Products, Inc., 98 F.R.D. 452 (N.D. Ill. 1982), dictates a contrary result. In Nye, [*13] Judge Getzendanner first determined that a party had waived the attorney-client privilege with respect to documents concerning a particular subject matter. Although some of the documents in question were arguably protected under the work product doctrine, Judge Getzendanner noted that one goal of waiver is to prevent selective disclosure of attorney materials. *Id.* at 454. That goal could be undermined if parties could waive privilege and still enjoy full work product protection. *Id.* Preserving work product protection intact might completely negate the court's holding that the attorney-client privilege had been waived. *Id.* To prevent that result, Judge Getzendanner assumed "that the possibility of prejudice from [the party's] selective production of privileged documents creates the 'substantial need' which, under Rule 26(b)(3), must be shown to obtain ordinary work product." *Id.* The precondition for that assumption in Nye, then, was a prior waiver of attorney-client privilege concerning documents on the same subject matter. Because the problem posed in Nye is not present in this case, that decision's finding of substantial need is [*14] inapposite.

Having considered and rejected plaintiff's arguments that work protection is waived and that she has made a

showing sufficient to overcome that protection, her motion to quash is denied.

CONCLUSION

For the reasons set forth above, defendants' motion to quash subpoena is granted.

ENTER:

JOAN B. GOTTSCHALL

United States Magistrate Judge

DATED: August 31, 1993

TAB 2

LEXSEE

**CHAMBERLAIN MANUFACTURING CORPORATION, an Iowa Corporation
Plaintiff, v. MAREMONT CORPORATION, a Delaware Corporation, and ARVIN
INDUSTRIES, INC., an Indiana Corporation, Defendants.**

No. 90 C 7127 Hon. Paul E. Plunkett

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

1993 U.S. Dist. LEXIS 371

January 15, 1993, Decided
January 19, 1993, Docketed

CASE SUMMARY:

PROCEDURAL POSTURE: In a civil action, plaintiff objected to a magistrate's recommendation to grant defendants' motion to compel production of documents prepared by plaintiff's counsel. Plaintiff contended that the materials were privileged and protected by the work-product doctrine.

OVERVIEW: Defendants brought a motion to compel plaintiff to produce interview memoranda, summaries, and discipline matrix reports regarding plaintiff's internal investigation into allegations of fraud. Defendants argued that plaintiff waived any and all privileges to the documents by voluntarily disclosing a report of the fraud investigation to the Department of Defense. The court sustained plaintiff's objections and denied the motion to compel. The court held that the materials were produced in the context of providing legal counsel to plaintiff and were essential to advising plaintiff how to proceed with the internal investigation and discipline of employees. The court also held that the materials were protected by the work-product doctrine because the materials, by their very nature, contained attorney mental impressions and reflected the legal strategies used by plaintiff's counsel in advising plaintiff. The court concluded that there was no waiver because the documents underlying the report were never shared with the Department of Defense. Thus, the court set aside the magistrate's report.

OUTCOME: The court set aside the magistrate's report and recommendation and denied defendants' motion to compel.

CORE TERMS: interview, disclosure, subsidiary, privileged, work product doctrine, work product, motion to

compel, legal advice, attorney-client, disclosing, matrices, waived, impressions, scholarly, advising, sharing, internal investigation, voluntary disclosure, disciplinary, recommended, attach, hired

LexisNexis(R) Headnotes

Civil Procedure > Judicial Officers > Magistrates > Pretrial Orders

[HN1] Upon review of a magistrate judge's report on a non-dispositive matter, the court may set aside or modify any part of the order that we find to be clearly erroneous or contrary to law. Fed. R. Civ. P. 72(a).

Civil Procedure > Discovery > Privileged Matters > General Overview

[HN2] Attorney-client privilege attaches where legal advice is sought from a professional legal advisor: the communications relating to that purpose, made in confidence by the client, are protected from disclosure.

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

[HN3] Notes and memoranda, generated from a attorney's interview with a client, are the very essence of what is protected by the work product doctrine.

JUDGES: [*1] PLUNKETT

OPINION BY: PAUL E. PLUNKETT

OPINION:

MEMORANDUM OPINION AND ORDER

This matter is before us on the objections of Plaintiff Chamberlain to the Report and Recommendation of Magistrate Judge Edward A. Bobrick. The Report recommends that we grant Defendants Maremont's and Arvin's motion to compel production of certain documents. Upon review of the arguments of the parties, and for the reasons set forth below, we set aside the Report and Recommendation and deny the Defendants' motion to compel.

Discussion

[HN1] Upon review of a magistrate judge's report on a nondispositive matter, we may set aside or modify any part of the order that we find to be "clearly erroneous or contrary to law." Fed. R. Civ. P. 72(a). With this standard in mind, we review the Report before us in the present case.

The facts in this case are adequately detailed in Magistrate Judge Bobrick's Report, and we need not revisit them here. However, the recitation of a few select facts is needed.

Chamberlain became aware that the Air Force was conducting an investigation into possible fraud by a subsidiary Chamberlain had recently acquired that could expose Chamberlain to civil and criminal liability. Chamberlain made [*2] a preliminary voluntary disclosure orally to the Department of Defense ("DOD"), and instigated an internal investigation into the purported fraud.

Chamberlain hired outside counsel, Seyfarth, Shaw, Fairweather & Geraldson ("Seyfarth") to assist in the investigation. Seyfarth attorneys conducted interviews with current and former employees of the subsidiary and took notes of the results. These notes were used by Seyfarth to write one-page summaries of the interviews. Finally, Seyfarth constructed matrices outlining possible disciplinary options for the employees involved. Chamberlain voluntarily disclosed the results of the internal investigation in a report it prepared to the DOD, but the interview notes, summaries and matrices were not disclosed.

This report, along with all correspondence between Chamberlain and the government, has been produced to the Defendants in the present case. The Defendants seek more, however. They have brought a motion to compel Chamberlain to produce the interview memoranda, summaries, and discipline matrices, arguing that Chamberlain waived any and all privileges as to these documents by voluntarily disclosing the report to the DOD.

We assigned [*3] this matter to Magistrate Judge Bobrick for a determination. After briefing by the par-

ties, the Magistrate Judge recommended that the motion be granted because: (1) no privilege attached to the documents because they do not contain information essential to obtaining legal advice and were not obtained in preparing for litigation; and (2) even if privilege did attach, it was waived when Chamberlain voluntarily disclosed the report to the DOD.

We cannot agree with the magistrate judge. Our review of the law and the arguments of the parties makes it clear to us that the documents are indeed privileged, and that no waiver occurred.

L. The Application of Attorney-Client Privilege and Work Product Protection

[HN2] Attorney-client privilege attaches where legal advice is sought from a professional legal advisor: the communications relating to that purpose, made in confidence by the client, are protected from disclosure. United States v. Lawless, 709 F.2d 485, 487 (7th Cir. 1983). When Chamberlain became aware that its subsidiary was being investigated by the government it hired Seyfarth for three purposes: (1) to discover if fraud was indeed committed [*4] at its subsidiary; (2) to limit the damage to Chamberlain in the event that fraud had occurred; and (3) to advise Chamberlain as to possible litigation against previous owners of the subsidiary. Seyfarth interviewed employees of the subsidiary involved in the fraud, summarized these interviews, and recommended possible disciplinary actions against those employees. The interviews were conducted in the context of providing legal advice to Chamberlain and were essential to advising Chamberlain on how to proceed further. n1

n1 Indeed, the Magistrate Judge seems to recognize this as well, despite his result: "In the instant case, Chamberlain undertook its investigation when it recognized its exposure to potential criminal and civil litigation with the government." See Report and Recommendation at 14.

It is equally clear to us that these documents are protected under the work product doctrine. The documents sought are not verbatim transcripts of interviews with employees. Rather, they are notes and memoranda of [*5] the contents of the interviews prepared by Seyfarth attorneys and undoubtedly reflecting their thoughts and mental impressions of what was important in the interviews. [HN3] Notes and memoranda of this type, generated from a attorney's interview with a client, are the very essence of what is protected by the work product doctrine. See Hickman v. Taylor, 329 U.S. 495, 510, 91 L. Ed. 451, 67 S. Ct. 385 (1947); EEOC v. Koch Meat Co., slip op. No. 91 C 4715, 1992 U.S. Dist. LEXIS

17133 at *9 (N.D. Ill. Nov. 4, 1992) (Lindberg, J.) (notes of interviews with employees are protected work product).

II. Waiver

Now that we have determined that attorney-client and work product protection apply to these documents, we must determine whether Chamberlain waived these protections by voluntarily disclosing the report to the DOD. We hold that it did not.

There is a significant debate in the courts as to what effect voluntarily disclosing a document to a government agency has on the privilege status of that document as to other parties. See, e.g., Diversified Indus. v. Meredith, 572 F.2d 596 (8th Cir. 1977) (leading case for [*6] "limited waiver" doctrine); cf. Teachers Ins. and Annuity Ass'n of America v. Shamrock Broadcasting Co., 521 F. Supp. 638, 645 (S.D.N.Y. 1981) (disclosure to government not a waiver when right to assert privilege in subsequent proceedings specifically reserved when disclosure made). But see Permian Corp. v. United States, 214 U.S. App. D.C. 396, 665 F.2d 1214 (D.C. Cir. 1981) (rejecting Diversified and holding that sharing with anyone is a total waiver of privilege).

Indeed, we find this debate fascinating. However, it is not particularly worthy of our attention where, as here, the documents at issue were never shared with the government or with any other party. Rather, privilege was asserted over those underlying documents from the very beginning.

Rather than engage in scholarly polemics ad nauseam on the proper approach to the waiver debate, n2 we look to the Supreme Court's opinion in Upjohn Co. v. United States, 449 U.S. 383, 66 L. Ed. 2d 584, 101 S. Ct. 677 (1981) for guidance on this issue. Though the facts of Upjohn are nearly indistinguishable from those in the present case, it has curiously avoided attention.

n2 That is not to imply that scholarly debate is to be disdained when appropriate. In fact, we cannot resist suggesting that the qualified waiver approach espoused in Teachers Insurance and Annuity Ass'n of America v. Shamrock Broadcasting Co., 521 F. Supp. 638, 645 (S.D.N.Y. 1981) is the better rule. The Teachers Ins. rules seems to encompass the public policy benefits of the Diversified approach while adequately addressing the concerns of the Permian line of cases. We also note, that under this approach, it could be argued that the report Chamberlain submitted to the DOD was itself privileged from discovery in the present case.

[*7].

While Upjohn focused on the application of attorney-client privilege rather than on the question of waiver, that decision implicitly supports our holding. Though Upjohn did not explicitly state that voluntary disclosure to the government of a report of violations does not waive privilege as to underlying notes of interviews of employees made by attorneys, it has been so interpreted by the Seventh Circuit: "A corporation prepares and publishes 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." In re Feldberg, 862 F.2d 622, 629 (7th Cir. 1988). The Supreme Court would not have found the materials in Upjohn privileged if disclosure of the report to the SEC acted as a waiver of that privilege. See also Koch, 1992 U.S. Dist. LEXIS at *5 (Upjohn guides ruling as to privilege status of similar documents).

Neither does sharing of the reports with the DOD act as a "subject matter waiver" of all related materials. See e.g., United States v. Rosenthal, 142 F.R.D. 389 (S.D.N.Y. 1992) [*8] (underlying details of disclosure not privileged); United States v. Willis, 565 F. Supp. 1186 (S.D. Ia. 1983) (same). In the present case, the interview notes were not merely the cold underlying data behind the disclosure report. To the contrary, those materials, by their very nature, contained attorney mental impressions and reflected the legal strategies used by Seyfarth in advising Chamberlain. See In re Air Crash, 133 F.R.D. 515 (N.D. Ill. 1990) (drafts of final document made public retained work product protection).

Finally, to justify production of materials protected by the work product doctrine, the Defendants must show "substantial need" for the information, and that it could only be obtained with "undue hardship." Fed. R. Civ. P. 26(b)(3). This extraordinary remedy is appropriate only in "rare situations." Koch, 1992 U.S. Dist. LEXIS 17133 at *11 (citations omitted). We do not feel that standard is met in the present case.

Conclusion

Magistrate Judge Bobrick's Report and Recommendation dated November 18, 1992, is hereby set aside. Fed. R. Civ. P. 72(a). The Defendants' [*9] motion to compel is denied.

ENTER:

PAUL E. PLUNKETT

UNITED STATES DISTRICT JUDGE

DATED: January 15, 1993

TAB 3

Westlaw

Not Reported in F.Supp.
Not Reported in F.Supp., 1998 WL 2017926 (S.D.Fla.)
(Cite as: Not Reported in F.Supp.)

Page 1

H

Briefs and Other Related Documents

Gutter v. E.I. Dupont de Nemours & Co.S.D.Fla.,1998.Only the Westlaw citation is currently available.

United States District Court, S.D. Florida.

Steven J. GUTTER, on behalf of himself and all others similarly situated, Plaintiff,

v.

E.I. DUPONT DE NEMOURS AND COMPANY
and Edgar S. Woolard, Jr., Defendants.

No. 95-CV-2152.

May 18, 1998.

REPORT AND RECOMMENDATION OF
SPECIAL MASTER RE; PLAINTIFF'S MOTION
TO COMPEL DOCUMENTS REQUESTED IN
PLAINTIFF'S SECOND SET OF DOCUMENT
REQUESTS

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

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

The work product privilege only applies to materials prepared to aid in anticipated or pending litigation. It protects the ideas, legal theories, opinions and mental impressions of attorneys formulated in connection with preparation for trial. Hickman v. Taylor, 67 S.Ct. 385 (1947); Rule 2683 F.R.Civ.Pro. Corporate house counsel are often called upon to perform tasks that go beyond the traditional tasks performed by lawyers. United States Postal Service v. Phelps Dodge Refining Corp., 852 F.Supp. 158 (E.D.N.Y.1994). Thus each document must be perused to see whether the attorney was involved in rendering legal advice or if the document contains work product information. If the attorney was performing other tasks, then the

communications receive no protection from discovery.

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

I RESERVE DOCUMENTS

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

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

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

Except for certain redactions, none of the other information in these documents purport to solicit or give legal advice, nor do they contain opinions, mental impressions, strategies or ideas relating to the individual cases or even the cases in their aggregate. The factual information in these documents is in the nature of business advice and business decisions related to the cases, and is therefore not protected from discovery. Baimco, supra.

Not Reported in F.Supp.

Page 2

Not Reported in F.Supp., 1998 WL 2017926 (S.D.Fla.)
(Cite as: Not Reported in F.Supp.)

The following documents contain aggregate reserve figures and should be produced with redactions as noted:^{FN1}

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

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

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

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

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

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

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

No. 51A. Redact reference to Terra offer.

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

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

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

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

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

FN2. Nor is there a sufficient basis to maintain that DuPont has waived its privileges as to these documents. First, the content of these documents are sufficiently different from those already produced so as

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

No. 45. Discussion of legal strategy.

No. 49. Discussion of legal strategy.

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

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

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

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

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

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

II. STATUS REPORTS

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

Not Reported in F.Supp.

Page 3

Not Reported in F.Supp., 1998 WL 2017926 (S.D.Fla.)

(Cite as: Not Reported in F.Supp.)

categories which more closely describe their content.

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

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

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

No. 92. Redacted payment items relating to undisclosed experts and consultants need not be produced. DuPont shall file a separate declaration listing such items in all documents in this category and affirming that the items in fact relate to undisclosed experts. However, payments noted on page 20439 to Alta shall be produced, since Alta is now clearly disclosed.

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

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

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

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

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

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

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

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

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

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

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

III. LITIGATION REPORTS TO THE BOARD OF DIRECTORS

Again, DuPont's categorization of this group of

Not Reported in F.Supp.

Page 4

Not Reported in F.Supp., 1998 WL 2017926 (S.D.Fla.)
(Cite as: Not Reported in F.Supp.)

documents is more convenient for deciding discoverability. No greater deference is given to its arguments by virtue of using its grouping.

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

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

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

Disclosure to outside accountants waives the attorney-client privilege, but not the work product privilege, since the accountants are not considered a conduit to a potential adversary. *Pfizer, supra*. Waiver of work product only occurs if the disclosure "substantially increases the opportunity for potential adversaries to obtain the information." *In Re Grand Jury*, 581 F.Supp. 1247 (E.D.N.Y.1982); *United States v. AT & T*, 642 F.2d 1285 (D.C.Cir.1980). Transmittal of documents to a company's outside auditors does not waive the work product privilege because such a disclosure "cannot be said to have posed a substantial danger at the time that the document would be disclosed to plaintiffs." *Gramm v. Horsehead Indus., Inc., supra*.

Based on the foregoing, the following documents

need not be produced: Nos. 25, 66, 164, 145, 197, 236 and 239.

IV LEGAL OPINION LETTERS

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

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

The following documents should be produced with redactions as noted:

Nos. 1, 5, 9.

No. 23. Redact reference to Connecticut Coastal case.

No. 34. Redact reference to Savannah River case.

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

No. 46. Redact reference to Hurlbutt case.

No. 51. Redact reference to EGSI case.

Nos. 58, 62, 69.

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

Nos. 93, 94.

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

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

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Page 5

Not Reported in F.Supp., 1998 WL 2017926 (S.D.Fla.)
(Cite as: Not Reported in F.Supp.)

Nos. 98, 102.

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

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

No. 113.

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

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

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

Nos. 124, 132, 133, 141.

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

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

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

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

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

Nos. 195, 199, 210.

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

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

V. DRAFTS OF DOCUMENTS

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

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

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

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

*7 The foregoing principles are the most logical in dealing with this area. If an attorney has given advice as to what should be disclosed and what should not, then only as much of the information which is ultimately revealed to third persons is what the client intended, and what the attorney advised should in fact be disclosed. It is their ultimate concurrence which comprises the content of the waiver. "In short, whatever is finally sent to the [third party] is what matches the client's intent." *United States v. Schlegel*, 313 F.Supp. 177 (D.Neb.1970).

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

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Not Reported in F.Supp., 1998 WL 2017926 (S.D.Fla.)
(Cite as: Not Reported in F.Supp.)

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

Nos. 14C, 19.

No. 20. Redact references to Connecticut Coastal case.

Nos. 22A, 22B.

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

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

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

No. 57C.

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

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

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

Nos. 125, 128.

No. 140. Redact cost references other than Benlate.

No. 144.

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

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

No. 163. Redact references to litigation other than Benlate.

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

No. 256. Redact references to asbestos and Remington.

No. 259, 263.

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

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

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

Those documents are:

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

FINAL NOTES

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

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

S.D.Fla., 1998.

Gutter v. E.I. Dupont de Nemours & Co.

Not Reported in F.Supp., 1998 WL 2017926 (S.D.Fla.)

Briefs and Other Related Documents ([Back to top](#))

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

END OF DOCUMENT

TAB 4

LEXSEE

**IN RE: BRAND NAME PRESCRIPTION DRUGS ANTITRUST LITIGATION;
This Document Relates to: ALL CASES**

94 C 897, MDL 997

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

1995 U.S. Dist. LEXIS 17110

**November 14, 1995, Dated
November 16, 1995, DOCKETED**

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiff class members filed a motion to compel defendant drug company to produce certain documents listed on its privilege log as withheld or redacted on the basis of the attorney-client privilege, and a supplemental motion to compel production for inspection and copying certain documents in which the attorney-client privilege was waived.

OVERVIEW: The class members claimed they could challenge the basis of the drug company's privilege claims on redacted documents which the class members had examined but did not designate for copying, and that a second set of redacted documents with inconsistent redactions waived the attorney-client privilege as to those documents. The drug company claimed the class members should not be allowed to challenge the basis of the privilege asserted on documents it had previously deemed not related to their case, and that the attorney-client privilege was not waived to any documents. The court denied the class members motion to compel and granted the supplemental motion to compel in part. The class members had a full and fair opportunity to examine the redacted documents when the initial production was made, and by declining to designate certain documents for copying, it had to have determined that they were not sufficiently related to the matters at issue. The class members would not be given a second chance to challenge the privilege designation. The inconsistent disclosures by the drug company were not accidental but were made by conscious decisions, and they could not claim them as privileged.

OUTCOME: The class members motion to compel was denied. The class members supplemental motion to compel was partially granted.

CORE TERMS: redacted, disclosure, motion to compel, copying, subject matter, inadvertent, log, attorney-client, redaction, supplemental, entirety, waived, unredacted, duplicate, accidental, partially, conscious, privileged communications, withheld, designation, inspection, designate, narrowed, heading

LexisNexis(R) Headnotes

Civil Procedure > Discovery > Methods > Requests for Production & Inspection

Civil Procedure > Discovery > Privileged Matters > General Overview

[HN1] The mere inadvertent production of documents does not waive the privilege. Inadvertence is determined by weighing a number of factors such as the scope and volume of the discovery, the time available for the review, the adequacy of review procedures employed, the extent of the disclosure, the time taken to rectify the error and the fairness of the disclosure.

Civil Procedure > Discovery > Privileged Matters > General Overview

[HN2] The burden of proving that the disclosure was truly inadvertent and that the privilege has not been waived rests with the party claiming inadvertent disclosure. A truly inadvertent disclosure is "accidental," and is not the product of some conscious but erroneous decision.

COUNSEL: [*1]

For BRAND NAME PRESCRIPTION DRUGS ANTITRUST LITIGATION, Plaintiff: Paul Ethan Slater,

Greg Shinall, Sperling, Slater & Spitz, P.C., Chicago, IL. Jeff Robert Branick, Richard Lyle Coffman, Provost & Umphrey, Beaumont, TX. Junie Leroy Bradshaw, Wyatt B. Durette, Jr., Durette, Irvin, Lemons & Bradshaw, P.C., Richmond, VA. Van C. Ernest, Durette Irvin & Bradshaw, Richmond, VA. For RANDALLS FOOD & DRUG, Plaintiff: James M. McGraw, Looper, Reed, Mark & McGraw, Inc., Houston, TX. For DON'S PHAR INC, Plaintiff: Steven Joseph Rotunno, Kubasiak, Cremieux, Fylstra & Reizen, P.C., Chicago, IL. David A. Melnick, Stephanie L. Melnick, Melnick & Melnick, S.C., Milwaukee, WI. For CONNEYS PHAR INC, Plaintiff: Judi A. Lamble, Fay Clayton, Robinson, Curley & Clayton, P.C., Chicago, IL. For TAYLOR DRUG STORES, INC., Plaintiff: Wendi Sloane Weitman, Richard Allen Saldinger, Barack, Ferrazzano, Kirschbaum & Perlman, Chicago, IL. Thomas P. O'Brien, III, Charles G. Middleton, III, James N. Williams, Nancy J. Schook, Middleton & Reutlinger, Louisville, KY.

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JUDGES: Charles P. Kocoras, United States District Judge

OPINION BY: Charles P. Kocoras

OPINION:

MEMORANDUM OPINION

CHARLES P. KOCORAS, District Judge:

This matter is before the Court pursuant to Rules 26, 34 and 37 of the Federal Rules of Civil Procedure on two motions to compel filed by the Class Plaintiffs against Defendant Merck & Co. ("Merck"). For the reasons that follow, Class Plaintiffs' initial motion to compel is denied in its entirety; Class Plaintiffs' supplemental motion to compel is partially granted, in accordance with the discussion set forth below.

DISCUSSION

A. Class Plaintiffs' Motion to Compel Documents Withheld as Privileged

The Class seeks an order compelling Merck to produce certain documents listed on its privilege log as withheld or redacted on the basis of the attorney-client privilege. In its moving papers the Class initially challenged both the sufficiency of Merck's privilege log descriptions and the basis for Merck's assertion of privilege on 800 documents. However, since the filing of this motion the parties have engaged in numerous Local Rule 12(k) conferences. Their efforts have apparently been fruitful, as the number of documents at [*2] issue has been reduced and the scope of the issue submitted for our resolution has been narrowed. Pursuant to their Rule 12(k) conferences, the parties have narrowed the subject of this motion to a single issue: whether the Class may challenge the basis of Merck's privilege claims on re-

dacted documents which the Class examined but did not designate for copying.

The series of events which gave rise to this motion are as follows. In November 1994 Merck began producing for the Class' inspection and copying more than 500,000 documents responsive to the Class' document request. Of these documents, Merck redacted portions of 583 documents which contained confidential privileged communications. According to Merck, the subject matter of each redacted document was clearly apparent, either by looking at the document's subject matter heading or by reading text surrounding the redaction. Merck further states that it only redacted those passages which reflected or contained the privileged communications.

From November 1994 through January or February 1995 Class Plaintiffs' counsel examined the documents produced, including the redacted documents. When the review process was over, the Class selected [*3] approximately 4,700 documents for copying; some redacted documents were included in the Class' selection. After the Class selected its documents for copying, Merck began presenting the plaintiffs with its privilege logs, which listed both redacted documents and documents withheld in their entirety on attorney-client privilege grounds.

On August 31, 1995 the Class filed this motion challenging Merck's privilege claim on more than 800 documents. Of the 482 redacted documents challenged in their motion, the Class designated approximately 130 for copying. Merck now argues that the Class should not be allowed to challenge the basis of the privilege of the 350 redacted documents which the Class previously had deemed not sufficiently related or important to their case. We agree.

The Class had a full and fair opportunity to examine the redacted documents in issue when Merck made its initial productions nearly a year ago. Merck states that in every case where a document was redacted, the subject matter of each document was clearly apparent based on the document's heading and/or the unredacted portions. According to Merck, the unredacted portions of the documents sufficiently revealed the [*4] subject matter of the document. The Class offers no argument that would lead us to believe otherwise.

Class Plaintiffs do not argue that the general subject matter of the redacted documents was hidden, or unclear. Nor do they claim that Merck's privilege log shed new light on the relevance of the documents. Rather, it is the Class' contention that Merck's privilege designations are either insufficient or baseless and therefore the privilege must be surrendered and the document must be produced. The Class Plaintiffs, however, have missed the mark. By declining to designate the redacted documents

for copying in the first instance, the Class must have determined that the documents were not sufficiently related to the matters at issue in this lawsuit to warrant further examination. Merck's privilege log did not change anything with respect to the materiality of the documents in issue.

We will not allow the Class a second bite of the apple based on little more than its assertion that it has the right to challenge an unjustified privilege designation. In its initial review of Merck's massive production the Class did not deem the redacted documents worthy of further exposition. We will [*5] require the Class to stand by that decision.

B. Class Plaintiffs' Supplemental Motion to Compel Certain Documents in which Merck Waived any Applicable Attorney Client Privilege

In a separate, supplemental motion to compel, the Class seeks an order compelling Merck to produce for inspection and copying certain documents in which Merck allegedly waived any applicable attorney-client privilege.

The issue of waiver arose after the Class filed the preceding motion to compel. In an attempt to resolve their discovery dispute through Rule 12(k) conferences, the parties began negotiations by focusing on the redacted documents in issue. For one reason or another the Class requested that Merck produce a second set of the redacted documents in issue. Merck complied with this request and on September 12, 1995 it mailed the Class Plaintiffs additional copies of the redacted documents. n1

n1 The reason Merck provided the Class with this second set of documents is in dispute. The Class claims that this duplicate production was necessitated by Merck's failure to identify each document in an organized fashion, by privilege log number. Merck, on the other hand, claims that it provided the Class with additional copies of the redacted documents after the Class informed Merck that they failed to properly maintain and organize the first set of documents.

[*6]

Upon reviewing the second set of redacted documents, the Class discovered that in a few instances Merck had made inconsistent redactions. Shortly thereafter, the Class informed Merck that one or more duplicates were inconsistently redacted, and asserted that these inconsistencies resulted in Merck's waiver of any privilege claim as to the documents in question and as to all materials related to the subject matter of the disclosed

communications. Merck immediately responded by asserting that the disclosure was inadvertent and by demanding the return of the documents so that Merck could properly redact those portions protected by the attorney-client privilege. The Class declined and filed this motion to compel seeking our resolution of the waiver issue.

As we recognized in a prior opinion in this action, [HN1] the mere inadvertent production of documents does not waive the privilege. Mendenhall v. Barber-Greene Co., 531 F. Supp. 951, 954 (N.D.Ill. 1982). Inadvertence is determined by weighing a number of factors such as the scope and volume of the discovery, the time available for the review, the adequacy of review procedures employed, the extent of the disclosure, the time taken [*7] to rectify the error and the fairness of the disclosure. See Graco Children's Products, Inc. v. Dressler Goldsmith, Shore & Milnamow, Ltd., 1995 U.S. Dist. LEXIS 8157, 1995 WL 360590 at *7 (N.D.Ill. June 14, 1995); Baxter Travenol Laboratories, Inc. v. Abbott Laboratories, 117 F.R.D. 119, 121 (N.D.Ill. 1987). [HN2] The burden of proving that the disclosure was truly inadvertent and that the privilege has not been waived rests with the party claiming inadvertent disclosure. Golden Valley Microwave Foods, Inc. v. Weaver Popcorn Co., Inc., 132 F.R.D. 204, 207 (N.D.Ind. 1990). A truly inadvertent disclosure is "accidental," Baxter, 117 F.R.D. at 121, and is "not the product of some conscious but erroneous decision." Golden Valley Microwave, 132 F.R.D. at 207.

Merck all but admits that its inconsistent disclosures were not "accidental." Merck's explains its inconsistent redactions by stating that during its privilege review it assigned different lawyers to review discrete parts of the document production. Consequently, multiple screenings of multiple versions of the same document occurred. In the few instances relevant to this motion, "one lawyer had redacted a document in one manner, while another

[*8] lawyer had redacted its duplicate in another." Merck's Memorandum of Law in Opposition to Class Plaintiffs' Supplemental Motion to Compel Production of Documents at 2-3. Apparently, the right hand was not aware of what the left hand was doing. Though some of the disclosures were made in error, there was a "conscious" decision behind each. The disclosures were therefore not "inadvertent." See Golden Valley Microwave, 132 F.R.D. at 207. Moreover, as the Class has demonstrated, a number of the communications revealed as a result of Merck's inconsistent redactions do not contain privileged material. Thus, in all fairness, Merck should not be allowed to press its privilege claim as to these communications.

Accordingly, we find that Merck has waived its right to assert the attorney-client privilege as to the inconsistent redactions. Merck is therefore ordered to produce unredacted versions of the disputed documents. We do not, however, find that subject matter waiver has occurred. Subject matter waiver is, as suggested by Merck, generally reserved for instances where a selective disclosure is intended to "gain a tactical advantage in the context of litigation." Graco Children's Products, [*9] 1995 U.S. Dist. LEXIS 8157, 1995 WL 360590 at *8. We find no such "manipulation" of the privilege here. *Id.*

CONCLUSION

For the reasons set forth above, Class Plaintiffs' initial motion to compel is denied in its entirety; Class Plaintiffs' supplemental motion to compel is partially granted, in accordance with the directives set forth above.

Charles P. Kocoras

United States District Judge

Dated: November 14, 1995

TAB 5

Westlaw

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Not Reported in F.Supp., 1993 WL 561125 (S.D.N.Y.)
(Cite as: Not Reported in F.Supp.)

Page 1

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Briefs and Other Related Documents

In re Pfizer Inc. Securities
Litigation S.D.N.Y., 1993. Only the Westlaw citation is
currently available.

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

Dec. 23, 1993.

MEMORANDUM AND ORDER

BUCHWALD, United States Magistrate Judge.

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

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

BACKGROUND

Pfizer, a Delaware corporation, is a researched-based company operating worldwide in a number of business areas, including pharmaceuticals, medical devices, and surgical equipment. Pfizer sold approximately 86,000 mechanical heart valves (formally known as the "Bjork-Shiley Convexo-Concavo heart valve" or the "C/C heart valve")

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

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

*2 (1) Documents relating to reserves for the individual heart valve litigations. This category, containing 1114 documents, is by far the largest of the four.

(2) Correspondence between Pfizer and its insurers relating to insurance coverage for the heart valve litigations and claims. This category includes 197 documents.

(3) Documents constituting communications from Pfizer or Shiley employees who are not attorneys to attorneys employed by or retained by Pfizer or Shiley for their review relating to regulatory issues or mailings to the medical community concerning the heart valve.

(4) Documents that reflect the view of Pfizer as to the adequacy of insurance coverage for the heart valve litigations and claims.

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

Not Reported in F.Supp.
 Not Reported in F.Supp., 1993 WL 561125 (S.D.N.Y.)
 (Cite as: Not Reported in F.Supp.)

Page 2

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

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

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

DISCUSSION

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

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

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

the same documents also qualify for protection under the attorney-client privilege.

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

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

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

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Page 3

Not Reported in F.Supp., 1993 WL 561125 (S.D.N.Y.)
(Cite as: Not Reported in F.Supp.)

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

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

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

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

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

Not Reported in F.Supp.

Page 4

Not Reported in F.Supp., 1993 WL 561125 (S.D.N.Y.)
(Cite as: Not Reported in F.Supp.)

consequently, they are protected from discovery as opinion work product." *Id.* at 401. On the other hand, an aggregate reserve figure, which incorporates numerous additional factors, disguises individual figures so as to protect against disclosure of work product. In the words of the Eighth Circuit:

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

Id. at 402.

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

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

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

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

We now turn to the issue of waiver. Plaintiffs assert that Pfizer waived any otherwise applicable privilege by disclosing the documents to its independent auditor, Peat Marwick, and/or to its shareholders.

Not Reported in F.Supp.

Page 5

Not Reported in F.Supp., 1993 WL 561125 (S.D.N.Y.)
(Cite as: Not Reported in F.Supp.)

Preliminarily, we note that no evidence has been submitted to us to support plaintiffs' allegation that Pfizer disclosed some of the documents in question to shareholders. Thus, we will only consider the possibility of waiver as a consequence of deliberate disclosure to the independent auditor.

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

*7 However, as defendants acknowledge, Pfizer cannot assert attorney-client privilege for any documents that were provided to its independent auditor. Disclosure of documents to an outside accountant destroys the confidentiality seal required of communications protected by the attorney-client privilege, notwithstanding that the federal securities laws require an independent audit. "Confidentiality

as to these documents is neither expected nor preserved, for they are created with the knowledge that independent accountants may need access to them to complete the audit." *United States v. El Paso Co.*, 682 F.2d 530, 540 (5th Cir.1982), *cert. denied*, 466 U.S. 944 (1984). *See also In re John Doe Corp.*, 675 F.2d 482, 489 (2d Cir.1982). Additionally, the communications between Pfizer and Peat Marwick are not independently protected under an accountant-client privilege, as such a privilege is not recognized by the federal courts. *Couch v. United States*, 409 U.S. 322, 335 (1973) ("no confidential accountant-client privilege exists under federal law, and no state-created privilege has been recognized in federal cases"). *See also* 2 Jack A. Weinstein & Margaret B. Burger, *Weinstein's Evidence* ¶ 503(a)(3)[01], at 503-24 (1993).^{EN6}

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

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

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

An insured may communicate with its insurer for a variety of reasons, many of which have little to do with the pursuit of legal representation or the

Not Reported in F.Supp.

Page 6

Not Reported in F.Supp., 1993 WL 561125 (S.D.N.Y.)
(Cite as: Not Reported in F.Supp.)

procurement of legal advice. Certainly, where the insured communicates with the insurer for the express purpose of seeking legal advice with respect to a concrete claim, or for the purpose of aiding an insurer-provided attorney in preparing a specific legal case, the law would exalt form over substance if it were to deny application of the attorney-client privilege. However, a statement betraying neither interest in, nor pursuit of, legal counsel bears only the most attenuated nexus to the attorney-client relationship and thus does not come within the ambit of the privilege.

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

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

Nonetheless, there is merit in defendants' contention that disclosure of work product by an insurer to an insured does not waive work product privilege for the

same reasons that disclosure of work product to an outside auditor is not a waiver. Thus, we agree that as long as the documents reflect information about individual case reserves, which is otherwise protected by work product privilege, and not information about aggregate case reserves, which is not, then the disclosure of the documents to an insurance carrier will not operate as a waiver.

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

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

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

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

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

Not Reported in F.Supp.

Page 7

Not Reported in F.Supp., 1993 WL 561125 (S.D.N.Y.)

(Cite as: Not Reported in F.Supp.)

citadels in which public, business or technical information may be placed to defeat discovery and thereby ensure confidentiality”).

(ii) *Priv. No. 1692*

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

(iii) *Priv. No. 1695*

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

(iv) *Priv. No. 1698*

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

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

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

(i) *Priv. No. 1216*

This document is a memo written by the director of Pfizer's Corporate Risk Management Department, Harvey R. Molloy, to the company's vice chairman,

Jean-Paul Valles. Defendants assert that the memo was a response to a question raised by Pfizer's legal department, and is therefore privileged.

*10 We disagree with this characterization. The memo discusses an issue of risk management that is purely a business decision-whether the cost of a certain litigation is worth the potential gain resulting from a victory in court. Accordingly, we find that this memorandum was assembled in the ordinary course of business and that it does not qualify for the work product privilege under Fed.R.Civ.P. 26(b)(3). Indeed, the Eighth Circuit took the same position in the *Searle* case, which defendants have cited extensively in support of their position as to how the Court should treat individual case reserves with respect to discovery. In *Searle*, the court found certain risk management documents to be “in the nature of business planning documents,” noting that the “risk management department was not involved in giving legal advice or in mapping litigation strategy in any individual case.” 816 F.2d at 401. “A business corporation may engage in business planning on many fronts, among them litigation.” *Id.* That is the case here with this document.

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

(ii) *Priv. No. 1239*

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

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(Cite as: Not Reported in F.Supp.)

the communication accordingly is entitled to the benefit of the attorney-client privilege.

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

(iii) *Priv. No. 1441*

This document, a letter between two Pfizer non-attorneys created at the direction of a Pfizer attorney, describes the company's product liability losses in the aggregate and is therefore not protected by work product. Likewise, although the letter's author acted at the direction of an attorney, the information was not predominantly legal in nature and hence does not satisfy the requirements of attorney-client privilege. Rather, the information contained in the letter suggests that the attorney was acting more in the capacity of business adviser than legal counsel. See *General Foods Corp. v. The Jay V. Zimmerman Co.*, No. 86 Civ. 2697, 1988 U.S. Dist. LEXIS 521, at *7 (S.D.N.Y. Jan. 14, 1988) (rejecting privilege claim because attorney was acting in role of business adviser).

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

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

basis on which the documents were withheld.

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

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

In the landmark case of *Garner v. Wolfenbarger*, 430 F.2d 1093 (5th Cir.1970), cert. denied, 401 U.S. 974 (1971), the Fifth Circuit considered the question of whether shareholders in litigation against their corporation can discover otherwise privileged attorney-client communications on the basis of a showing of good cause. Noting that management does not manage for itself but ultimately for the benefit of its shareholders, the court refused to allow the corporation to hide behind the privilege: "[M]anagement judgment must stand on its merits, not behind the ironclad veil of secrecy which under all circumstances preserves it from being questioned by those for whom it is, at least in part, exercised." *Id.* at 1101. In what has become known as the *Garner* doctrine, the court wrote:

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

Id. at 1103-04. The court then enumerated nine factors that support a finding of good cause.^{FN8}

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

Not Reported in F.Supp.

Not Reported in F.Supp., 1993 WL 561125 (S.D.N.Y.)

(Cite as: Not Reported in F.Supp.)

F.2d 18 (9th Cir.1981).

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

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

Id. at 1101. On the other hand, *Garner* itself involved both a class action and a shareholder derivative suit, and in footnote eleven the Court wrote, "[O]ur decision does not turn on whether that claim [the derivative claim] is in the case or out." *Id.* at 1097.

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

The instant case bears a strong similarity to the facts of the discovery dispute contested in *Bairnco* and to other *Garner* situations. Similar to this litigation against Pfizer, *Bairnco* involved a class action brought on behalf of investors who purchased common stock over a one-year period in reliance on

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

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

(2) Application of the *Garner* Good Cause Elements

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

For simplicity of analysis, the nine *Garner* good

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Not Reported in F.Supp., 1993 WL 561125 (S.D.N.Y.)

(Cite as: Not Reported in F.Supp.)

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

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

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

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

Information given to Keene [a Bairnco subsidiary] concerning Keene's asbestos liability should be highly revealing as to the veracity and sufficiency of Keene's public disclosures concerning its economic exposure and, perhaps more importantly, particularly probative of Keene's good or bad faith in making such disclosures. Keene's views as to its litigation prospects were surely informed by, if not wholly dependent upon, the information and advice provided by counsel. If Keene's public statements were in

conflict with the opinions it received from its counsel, this would be highly relevant evidence on the issue of Keene's scienter.

Similarly, in the present case, we agree that documents containing statistical summaries of present and pending claims are relevant because they indicate the nature and probable financial impact of heart valve litigation on Pfizer. This information has a direct bearing on whether Pfizer recognized, but failed to adequately disclose, the quantity of expected litigation. Indeed, we have already directed defendants to produce those documents on the ground that they contain business information not protected by attorney-client privilege. Accordingly, without disagreeing with the rationale of *Bairnco* or *Garner*, we do not find cause to abrogate the attorney-client privilege attached to documents describing individual case reserves.

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

The few federal courts that have faced the issue have refused to extend the *Garner* doctrine to work product, and we see no reason to depart from those precedents. *See In re International Sys.*, 693 F.2d 1235, 1239 (5th Cir.1982); *In re Dayco Corp.*, 99 F.R.D. 616, 620 (S.D. Ohio 1983); *Donovan v. Fitzsimmons*, 90 F.R.D. 583, 587 (N.D. Ill. 1981). Unlike the attorney-client privilege, which serves only the client's interest, the work product privilege also operates to protect *counsel* from unfair and intrusive disclosure. As one court has explained: The *Garner* rule forecloses the use of attorney-client privilege, itself intended for the ultimate benefit of the *client*, to prevent disclosure of a breach of the client's trust. Shareholders or beneficiaries, however, do not stand in the same position with respect to the *attorney*, for whom the work product rule is designed to benefit, as they do to their own trustees. And as a result, the *Garner* analysis cannot be readily applied to defeat the work product rule.

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

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Not Reported in F.Supp., 1993 WL 561125 (S.D.N.Y.)

(Cite as: Not Reported in F.Supp.)

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

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

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

CONCLUSION

For the reasons stated above, the motion to compel production is granted in part and denied in part.^{FN15}

IT IS SO ORDERED.

FN1. This dispute was referred to us by Judge Sonia Sotomayor, to whom the case is assigned, in an Order dated February 5, 1993 for the purposes of determining (1) whether and, if so, to what extent, plaintiffs' motion to compel should be granted, and (2) what further discovery, including deposition discovery, shall be permitted on the documents that are herein ordered to be produced and in the case in general. In addition, Judge Sotomayor directed defendants to provide plaintiffs with a more detailed description of the 3,397 documents

then in dispute. Subsequently, on June 11, 1993, the parties agreed to narrow the scope of the dispute to the current 1219 documents. On June 15, 1993, plaintiffs submitted a letter brief in support of their motion to compel. Defendants responded with an answering memorandum of law dated August 6, 1993. Plaintiffs then filed a reply memorandum on August 23, 1993.

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

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

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

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

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

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

FN8. The factors are as follows: (1) the number of shareholders and the percentage of stock they represent; (2) the bona fides of the shareholders; (3) the nature of the shareholders' claim and whether it is obviously colorable; (4) the apparent necessity and desirability of the shareholders having the information and the availability of it from other sources; (5) whether, if the shareholders' claim is of wrongful action by the corporation, it is of action criminal, or illegal but not criminal, or of doubtful legality; (6) whether the communication related to past or to prospective actions; (7) whether the communication is of advice concerning the litigation itself; (8) the extent to which the communication is identified versus the extent to which the shareholders are blindly fishing; (9) the risk of revelation of trade secrets or other information in whose confidentiality the corporation has an interest for independent reasons. Garner, 430 F.2d at 1104.

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

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

FN11. See, e.g., Quintel v. Citibank, 567

F.Supp. 1357 (S.D.N.Y.1983).

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

FN13. Two other cases have also applied *Garner* without a fiduciary relationship present between the parties. Like *Bairnco*, both involved investors who sought discovery of confidential documents from a company owing them a duty pursuant to the federal securities laws. These cases concluded that actual shareholders and investors who will soon become shareholders share a sufficiently close connection to warrant equal treatment under the *Garner* doctrine. See In re LTV Securities Litigation, 89 F.R.D. 595 (N.D.Tex.1981); E. Cohen v. Uniroyal, 80 F.R.D. 480 (E.D.Pa.1978).

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

Not Reported in F.Supp.

Page 13

Not Reported in F.Supp., 1993 WL 561125 (S.D.N.Y.)

(Cite as: Not Reported in F.Supp.)

documents in dispute were in furtherance of the perpetration or attempted perpetration of a crime or fraud.

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

S.D.N.Y.,1993.

In re Pfizer Inc. Securities Litigation

Not Reported in F.Supp., 1993 WL 561125

(S.D.N.Y.)

Briefs and Other Related Documents ([Back to top](#))

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

END OF DOCUMENT

TAB 6

Westlaw

Not Reported in F.Supp.2d
Not Reported in F.Supp.2d, 2006 WL 733549 (N.D.Ill.)
(Cite as: Not Reported in F.Supp.2d)

Page 1

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Briefs and Other Related Documents

National Jockey Club v. GanassiN.D.Ill.,2006.Only the Westlaw citation is currently available.

United States District Court,N.D. Illinois, Eastern Division.

NATIONAL JOCKEY CLUB, Plaintiff,

v.

Floyd "Chip" GANASSI and Ganassi Group, L.L.C., Defendants.

No. 04 C 3743.

March 22, 2006.

James Raymond Pranger, David Seth Argentar, Chuhak & Tecson, P.C., Chicago, IL, for Plaintiff.

Brian William Bell, Joseph Paul Kincaid, Abosede Olasimbo Odunsi, Swanson, Martin & Bell, Keeley V. Lewis, Schiff Hardin LLP, Chicago, IL, for Defendants.

MEMORANDUM OPINION AND ORDER

NOLAN, Magistrate J.

*1 This matter is before the Court on Defendants' Motion to Compel [59-1]. Defendants seek production of document number PRIV 0001599-1600. Plaintiff National Jockey Club ("NJC") contends that the document is protected from disclosure by the work product doctrine and the attorney-client privilege. Because the work product doctrine applies, the Court need not reach the question of whether the attorney-client privilege applies. Defendants' Motion to Compel [59-1] is denied.

DISCUSSION

Federal Rule of Civil Procedure 26(b)(1) prescribes the scope of matters upon which a party may seek discovery. "Parties may obtain discovery regarding any matter, not privileged, that is relevant to the claim or defense of any party ... Relevant information need not be admissible at trial if the discovery appears reasonably calculated to lead to the discovery of admissible evidence." Fed.R.Civ.P. 26(b)(1). A document may be protected by the work-product privilege if it is created by an attorney "in anticipation of litigation." Fed.R.Civ.P. 26(b)(3); Logan v. Commercial Union Ins. Co., 96 F.3d 971,

976 (7th Cir.1996). An assertion of work-product privilege may be overcome upon a showing of "substantial need" and "undue hardship," but the courts are cautioned to give even greater protection to attorney opinions which include mental impressions, conclusions, or legal theories concerning prospective litigation. Logan, 96 F.3d at 976, n. 4 (stating Fed.R.Civ.P. 26(b)(3) "expressly admonishes courts to give even greater protection against disclosure of opinion work product, meaning 'the mental impressions, conclusion, opinions, or legal theories of an attorney or other representative of a party concerning the litigation.'").

"Prudent parties anticipate litigation, and begin preparation prior to the time suit is formally commenced." Brinks Mfg. Co. v. Nat'l Presto Indus. Inc., 709 F.2d 1109, 1118 (7th Cir.1983). The test for determining whether the work product doctrine protects materials from disclosure is "whether, in light of the nature of the document and the factual situation in the particular case, the document can fairly be said to have been prepared or obtained because of the prospect of litigation." ' Id. at 1118 (7th Cir.1983) (quoting 8 Wright & Miller, Federal Practice & Procedure, Civil, Section 2024). The work product doctrine encompasses documents prepared in anticipation of litigation by a party's representative or agent. See Fed.R.Civ.P. 26(b)(3) (covering material "prepared in anticipation of litigation or for trial by or for another party or by or for that other party's representative (including the other party's attorney, consultant, surety, indemnitor, insurer, or agent)...."). Moreover, "[t]he work-product privilege protects documents prepared in anticipation of litigation regardless of whether the anticipated litigation ever occurs." In re: Sealed Case, 146 F.3d 881, 888 (D.C.Cir.1998).

*2 The document at issue is a single spaced, two-page legal research memorandum prepared by an attorney in George Lalich's firm (Kate Spoto) and is addressed to George Lalich for the purpose of advising Charles Bidwill III, one of NJC's members, regarding legal rights and a potential cause of action against defendant Floyd Ganassi. The legal memorandum is dated January 4, 1999. NJC's privilege log discloses that the subject matter of the memorandum relates to an oral agreement between Bidwill and Ganassi. Lalich's firm apparently represented NJC as well as CMS. NJC points out that

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 Not Reported in F.Supp.2d, 2006 WL 733549 (N.D.Ill.)
 (Cite as: Not Reported in F.Supp.2d)

the CMS operating agreement was not executed until March, 1999.

Defendants assert that NJC has failed to establish that the memorandum was prepared in anticipation of litigation. The Court has reviewed the memorandum *in camera* and concludes that it may be withheld as work product because it was prepared in anticipation of litigation. It is clear from the nature of the document that the primary motivation behind the creation of the legal memorandum was to assist in determining whether to pursue litigation and to aid in possible future litigation. Brinks, 709 F.2d at 1119. The legal memorandum provides the attorney's analysis of the merits of a potential claim by Charles Bidwill III against Floyd Ganassi regarding an oral agreement. Contrary to Defendants' assertion, the legal memorandum was not prepared in the ordinary course of CMS' business endeavors. Moreover, the bill of the Lalich firm submitted by Defendants does not establish that Defendants or CMS paid for the legal memorandum. On its face, the bill indicates on page one that \$11,875.60 was attributable to work done for NJC and \$13,622.05 was attributable to work performed for CMS. Finally, Defendants have made no claim of substantial need for the materials. Fed.R.Civ.P. 26(b)(3).

Defendants alternatively argue that NJC owes a fiduciary duty of loyalty, care, good faith, and fair dealing to Defendants and cannot withhold documents from them related to CMS. In 1998, NJC and Ganassi Group formed CMS as an Illinois limited liability company. Defendants state that NJC was the controlling member of CMS. Defendants cite Monfardini v. Dwight, et al., 2004 WL 533132 (N.D.Ill. March 15, 2004), for the proposition that a fiduciary cannot withhold communications with an attorney from persons to whom he has a fiduciary responsibility. *Monfardini* dealt with the fiduciary exception to the attorney-client privilege. This exception recognizes that a communication between a client and its attorney may not be privileged from those to whom a client owes a fiduciary duty where the party claiming the exception demonstrates a fiduciary relationship and good cause for overcoming the privilege. Defendants argue that NJC cannot, consistent with its fiduciary duties as a member of CMS, withhold documents from Defendants related to the CMS venture on the basis of the work product doctrine.

It is not clear that the fiduciary exception to the attorney-client privilege applies to the work-product doctrine, and Defendants have failed to provide any

analysis demonstrating its applicability. See Donovan v. Fitzsimmons, 90 F.R.D. 583, 587-88 (N.D.Ill.1981) (noting that the fiduciary exception to the attorney-client privilege "cannot be readily applied to defeat the work-product rule."). In any event, Defendants have not made a good cause showing. The Court recognizes that Defendants have not seen the document and can only speculate as to its contents, but the mere assertion of a fiduciary relationship does not overcome the privilege. Moreover, it does not appear from the record that good cause exists. NJC states that Mr. Bidwill decided not pursue the potential claim discussed in the legal memorandum. The memorandum contains the results of legal research by counsel and her opinions and analysis of a potential claim by Mr. Bidwill against Mr. Ganassi relating to an oral agreement. There has been no showing that counsel's opinions, analysis, or advice regarding an oral agreement between these gentlemen are at issue with respect to any claim, affirmative defense, or counterclaim in this lawsuit. Even if the Court was wrong about the relevance of the potential claim relating to the oral agreement, the Court would not find good cause. If necessary, Defendants could obtain the information contained in the legal memorandum by conducting their own legal research and analysis. This is not a situation where the withheld document contains the only existing proof of a fact that is not available elsewhere.

N.D.Ill.,2006.

National Jockey Club v. Ganassi

Not Reported in F.Supp.2d, 2006 WL 733549 (N.D.Ill.)

Briefs and Other Related Documents ([Back to top](#))

- [2005 WL 3286751](#) (Trial Motion, Memorandum and Affidavit) Plaintiff's Reply on Status of Discovery Issues (Oct. 20, 2005) Original Image of this Document (PDF)
- [2005 WL 2241113](#) (Trial Motion, Memorandum and Affidavit) Opposition to Defendants' Motion to Compel (Jul. 6, 2005) Original Image of this Document with Appendix (PDF)
- [2004 WL 2814583](#) (Trial Pleading) Answer to Counterclaim (Sep. 14, 2004) Original Image of this Document (PDF)
- [2004 WL 2814580](#) (Trial Pleading) Answer, Affirmative Defenses and Counterclaim (Aug. 16, 2004) Original Image of this Document (PDF)
- [2004 WL 2814574](#) (Trial Pleading) Complaint (Jun. 1, 2004) Original Image of this Document with Appendix (PDF)
- [1:04cv03743](#) (Docket) (Jun. 01, 2004)

Not Reported in F.Supp.2d

Page 3

Not Reported in F.Supp.2d, 2006 WL 733549 (N.D.Ill.)

(Cite as: Not Reported in F.Supp.2d)

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TAB 7

LEXSEE

**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**

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiff, an employee, sued defendant, her former employer and a munitions manufacturer, for retaliation when she "blew the whistle" by making an internal report of falsification of ammunition test data at the employer's arsenal plant. She alleged constructive discharge by her supervisors' threats of physical harm to her. The employer objected to a magistrate judge's grant to the employee of her motion to compel the production of documents.

OVERVIEW: The contested motion related to the employer's disclosure of privileged documents to the Department of Defense and later disclosure of other privileged documents to the U.S. Attorney. The employer then claimed attorney-client privilege in regards to other documents and refused to turn them over to the U.S. Attorney. The magistrate judge had ruled that voluntary disclosure constituted a waiver of the attorney-client privilege because the employer had waived the privilege by disclosing the documents to the Defense Department and the U.S. Attorney, both of which were adversarial to the employer. On appeal, the court held that the magistrate judge's holding that the employer's voluntary disclosure to the government constituted 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. The court also concluded that the magistrate judge's determination that the employer must disclose all materials subject to the attorney work-product doctrine was contrary to law to the extent it required the employer to disclose its attorneys' mental impressions, conclusions, opinions, and legal theories.

OUTCOME: The court set aside only that portion the magistrate judge's order, as clearly erroneous or contrary

to law, which required the employer to produce documents, not previously produced to the government, containing the mental impressions, conclusions, opinions, and legal theories of its attorneys.

CORE TERMS: disclosure, attorney-client, subject matter, privileged, voluntary disclosure, work-product, legal theories, impressions, interview, work product, waived, waive, internal investigation, contrary to law, disclose, withhold, motion to compel, confidentiality, cooperation, certain point, confidence, disclosing, briefing, election, tactical advantage, outside counsel, indictment, thirty-two, falsified, anticipation of litigation

LexisNexis(R) Headnotes

Civil Procedure > Discovery > Privileged Matters > General Overview

Evidence > Privileges > Attorney-Client Privilege > Waiver

Legal Ethics > Client Relations > Confidentiality of Information

[HN1] 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.

Civil Procedure > Discovery > Privileged Matters > General Overview

Evidence > Privileges > Attorney-Client Privilege > Waiver

Legal Ethics > Client Relations > Confidentiality of Information

[HN2] 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.

Civil Procedure > Judicial Officers > General Overview
Civil Procedure > Discovery > Privileged Matters > Work Product > General Overview
Civil Procedure > Appeals > Standards of Review > Clearly Erroneous Review

[HN3] The courts may modify or set aside any portion of the magistrate judge's order found to be clearly erroneous or contrary to law under Fed. R. Civ. P. 72(a).

Civil Procedure > Appeals > Standards of Review > Clearly Erroneous Review

Evidence > Privileges > Attorney-Client Privilege > Waiver

Legal Ethics > Client Relations > Confidentiality of Information

[HN4] 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 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.

Civil Procedure > Discovery > Privileged Matters > General Overview

Evidence > Privileges > Attorney-Client Privilege > General Overview

Legal Ethics > Client Relations > Confidentiality of Information

[HN5] A party cannot selectively divulge privileged 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.

Civil Procedure > Discovery > Privileged Matters > General Overview

Legal Ethics > Client Relations > Confidentiality of Information

[HN6] 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 a certain point his election must remain final.

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 docu-

ments 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 " [HN1] 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 [HN2] 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, [HN3] 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 adver-

saries 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,

[HN4]

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:

" [HN5] 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:

[HN6]

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 publishes 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] bifurca-

tion 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 8

LEXSEE

SECURITIES & EXCHANGE, COMMISSION, Plaintiff, v. GREGORY A. BRADY, et al., Defendant.

Civil Action No. 3:05-CV-1416-M

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS, DALLAS DIVISION

2006 U.S. Dist. LEXIS 74979

**October 16, 2006, Decided
October 16, 2006, Filed**

PRIOR HISTORY: Sec. & Exch. Comm'n. v. Brady, 2006 U.S. Dist. LEXIS 73000 (N.D. Tex., Oct. 6, 2006)

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiff Securities and Exchange Commission (SEC) brought suit against defendant former corporate officer alleging accounting improprieties. The officer filed a motion under Fed. R. Civ. P. 26(b)(1) to compel the production of documents by the corporations' audit committee and its law firm. The committee and firm filed a motion under Rule 26(b)(3) for protection and return of privileged materials, the firm's investigative report.

OVERVIEW: The report did not exist when the officer allegedly committed the accounting improprieties, but the SEC's complaint alleged acts made during the period covered by the report; the report was relevant. As to other documents, the firm estimated it would spend 226 hours to review files for responsiveness and privilege and 16,111 hours to review electronic data. Producing those documents would be unduly burdensome and most of the documents were held by the SEC. There had been a pending shareholder lawsuit and other suits were threatened; the investigation documents were created in anticipation of litigation. The report was suffused with legal conclusions and documents reviewed or relied upon in preparing the report would reveal the mental impressions of both the firm and the accounting firm the firm hired. The documents and the report were protected as opinion work product. The disclosure of work product to the SEC did not amount to full subject matter waiver. Any copies of the report held by the officer or his attorneys had to be returned, except for the part of the report containing an accounting firm's report that was produced to the SEC by another accounting firm.

OUTCOME: The officer's motion to compel was denied. The motion by the corporation's audit committee and the firm for protection and return of the firm's report was granted, with the exception of a portion of the report that contained a report by an accounting firm that was produced to the SEC by another accounting firm.

CORE TERMS: work product, attorney-client, discovery, interview, disclosure, immunity, impressions, legal advice, privileged, waived, undue hardship, confidentiality, burdensome, selective, responsive, subject matter, relevance, presentation, subpoena, confidential communications, deposition, unduly, accounting, anticipation of litigation, privileged information, work product doctrine, confidentiality agreement, compelling need, waiver doctrine, confidential

LexisNexis(R) Headnotes

Civil Procedure > Discovery > Methods > Requests for Production & Inspection

Civil Procedure > Discovery > Protective Orders

Civil Procedure > Discovery > Relevance

Civil Procedure > Discovery > Undue Burdens

Evidence > Procedural Considerations > Burdens of Proof > Allocation

[HN1] The burden is on the party who opposes its opponent's request for production to show specifically how each request is not relevant or how each request is overly broad, burdensome, or oppressive.

Civil Procedure > Discovery > Methods > Requests for Production & Inspection

Civil Procedure > Discovery > Relevance

[HN2] See Fed. R. Civ. P. 26(b)(1).

Civil Procedure > Discovery > Methods > Requests for Production & Inspection

Civil Procedure > Discovery > Relevance

Evidence > Procedural Considerations > Burdens of Proof > Allocation

[HN3] Relevancy is broadly construed, and a request for discovery should be considered relevant if there is any possibility that the information sought may be relevant to the claim or defense of any party. Unless it is clear that the information sought can have no possible bearing on the claim or defense of a party, the request for discovery should be allowed. When the discovery sought appears relevant, the party resisting the discovery has the burden to establish the lack of relevance by demonstrating that the requested discovery either does not come within the broad scope of relevance as defined under Fed. R. Civ. P. 26(b)(1) or is of such marginal relevance that the potential harm occasioned by discovery would outweigh the ordinary presumption in favor of broad disclosure.

Civil Procedure > Discovery > Methods > Requests for Production & Inspection

Civil Procedure > Discovery > Protective Orders

Civil Procedure > Discovery > Undue Burdens

Evidence > Procedural Considerations > Burdens of Proof > Allocation

[HN4] A party opposing discovery on the basis that the request is overbroad and unduly burdensome bears the burden of showing why discovery should be denied.

Civil Procedure > Discovery > Methods > Requests for Production & Inspection

Civil Procedure > Discovery > Relevance

Civil Procedure > Discovery > Undue Burdens

Civil Procedure > Pretrial Matters > Subpoenas

[HN5] In determining whether a subpoena is unduly burdensome, courts consider (1) the relevance of the information requested; (2) the need of the party for the documents; (3) the breadth of the document request; (4) the time period covered by the request; (5) the particularity with which the party describes the requested documents; and (6) the burden imposed. Another factor to consider is whether subpoena was issued to a non-party to the litigation and the expense and inconvenience of compliance to the non-party. A facially overbroad subpoena is unduly burdensome. The court must balance the need for discovery by the requesting party and the relevance of the discovery to the case against the harm, prejudice, or burden to the other party. Modification of a subpoena is preferable to quashing it.

Civil Procedure > Discovery > Methods > Interrogatories > General Overview

Civil Procedure > Discovery > Methods > Requests for Production & Inspection

Civil Procedure > Discovery > Protective Orders

Civil Procedure > Discovery > Undue Burdens

Civil Procedure > Pretrial Matters > Subpoenas

[HN6] In order to satisfy its burden of showing that a subpoena is unduly burdensome, the objecting party must make a specific, detailed showing of how a request is burdensome. A mere statement by a party that a request is "overly broad and unduly burdensome" is not adequate to voice a successful objection. Broad-based, non-specific objections are almost impossible to assess on their merits, and fall woefully short of the burden that must be borne by a party making an objection to an interrogatory or document request. A party asserting undue burden typically must present an affidavit or other evidentiary proof of the time or expense involved in responding to the discovery request.

Civil Procedure > Discovery > Privileged Matters > Attorney-Client Privilege

Evidence > Privileges > Attorney-Client Privilege > Scope

Legal Ethics > Client Relations > Confidentiality of Information

[HN7] The attorney-client privilege protects from disclosure confidential communications made to obtain a lawyer's professional advice and assistance. The exercise of the attorney-client privilege is a question of fact, to be determined in the light of the purpose of the privilege and guided by judicial precedents.

Civil Procedure > Discovery > Privileged Matters > Attorney-Client Privilege

Evidence > Privileges > Attorney-Client Privilege > Elements

Legal Ethics > Client Relations > Confidentiality of Information

[HN8] In order to establish the attorney-client privilege, the party claiming the privilege must show that all of the following conditions have been met: (1) the asserted holder of the privilege is or sought to become a client; (2) the person to whom the communication was made (a) is a member of a bar of a court, or his subordinate and (b) in connection with this communication was acting as a lawyer; (3) the communication relates to a fact of which the attorney was informed (a) by his client (b) without the presence of strangers (c) for the purpose of serving primarily either (i) an opinion on law or (ii) legal

service or (iii) assistance in some legal proceeding, and not (d) for the purpose of committing a crime or tort; and (4) the privilege has been claimed and not waived by the client.

Civil Procedure > Discovery > Privileged Matters > Attorney-Client Privilege

Evidence > Privileges > Attorney-Client Privilege > Scope

Evidence > Procedural Considerations > Burdens of Proof > Allocation

Legal Ethics > Client Relations > Confidentiality of Information

[HN9] The attorney-client privilege protects two related, but different, communications: (1) confidential communications made by a client to his lawyer for the purpose of obtaining legal advice; and (2) any communication from an attorney to his client when made in the course of giving legal advice, whether or not that advice is based on privileged communications from the client. The privilege applies even when a client is a corporation. However, the attorney-client privilege does not protect against discovery of underlying facts from their source merely because those facts have been communicated to an attorney. The burden is on the party asserting the privilege to demonstrate how each document satisfies all the elements of the privilege.

Civil Procedure > Discovery > Privileged Matters > Attorney-Client Privilege

Evidence > Privileges > Attorney-Client Privilege > Waiver

Legal Ethics > Client Relations > Confidentiality of Information

[HN10] Waiver of a privilege may occur when there is a breach of confidentiality. For example, disclosure of attorney-client communications to a third party lacking a common legal interest will result in a waiver of the attorney-client privilege. Moreover, the confidentiality of a client's communications may be compromised either through the publication of evidence of the communications themselves or through the publication of evidence of attorney statements or documents that disclose the client's confidential communications. Even disclosure of privileged information directly to a client's independent auditor, accountant, or tax analyst destroys confidentiality.

Civil Procedure > Discovery > Privileged Matters > Attorney-Client Privilege

Evidence > Privileges > Attorney-Client Privilege > Waiver

Legal Ethics > Client Relations > Confidentiality of Information

[HN11] Disclosure of confidential communications or documents to auditors for purposes other than seeking legal advice destroys confidentiality and with it, the right to claim the attorney-client privilege.

Civil Procedure > Discovery > Privileged Matters > Attorney-Client Privilege

Evidence > Privileges > Attorney-Client Privilege > Waiver

Legal Ethics > Client Relations > Confidentiality of Information

[HN12] The client cannot be permitted to pick and choose among his opponents, waiving the attorney-client privilege for some and resurrecting the claim of confidentiality to obstruct others, or to invoke the privilege as to communications whose confidentiality he has already compromised for his own benefit. Rather, the attorney-client privilege should be available only at the traditional price: a litigant who wishes to assert confidentiality must maintain genuine confidentiality. Selective waiver does not serve the purpose of encouraging full disclosure to one's attorney in order to obtain informed legal assistance; it merely encourages voluntary disclosure to government agencies, thereby extending the privilege beyond its intended purpose.

Civil Procedure > Discovery > Privileged Matters > Attorney-Client Privilege

Evidence > Privileges > Attorney-Client Privilege > Waiver

Legal Ethics > Client Relations > Confidentiality of Information

[HN13] The disclosure of any significant portion of a confidential communication waives the privilege as to the whole. Moreover, waiver of an attorney-client communication waives the privilege as to all other communications relating to the same subject matter.

Civil Procedure > Discovery > Privileged Matters > Attorney-Client Privilege

Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers

Evidence > Privileges > Attorney-Client Privilege > Waiver

Legal Ethics > Client Relations > Confidentiality of Information

[HN14] Waiver of attorney-client privilege does not necessarily mean that work product immunity over the same documents has also been waived.

Civil Procedure > Discovery > Privileged Matters > Work Product > Scope

Evidence > Privileges > Attorney-Client Privilege > Scope

Evidence > Procedural Considerations > Burdens of Proof > Allocation

Legal Ethics > Client Relations > Confidentiality of Information

[HN15] The work product doctrine protects from discovery materials prepared by an attorney in anticipation of litigation. Fed. R. Civ. P. 26(b)(3). Qualified protection extends to documents and tangible things including a lawyer's research, analysis of legal theories, mental impressions, notes, and memoranda of witnesses' statements. The party who asserts work product protection must show that the materials warrant work product protection by establishing the following elements: (1) the materials sought are documents or tangible things; (2) the materials sought were prepared in anticipation of litigation or for trial; (3) the materials were prepared by or for a party's representative; (4) if the party seeks to show that the material is opinion work product, that party must show that the material contains the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party. Id.

Civil Procedure > Discovery > Privileged Matters > Work Product > Scope

Evidence > Privileges > Attorney-Client Privilege > Scope

Legal Ethics > Client Relations > Confidentiality of Information

[HN16] The work product privilege can apply where litigation is not imminent, as long as the primary motivating purpose behind the creation of the document was to aid in possible future litigation.

Civil Procedure > Discovery > Privileged Matters > Work Product > Opinion Work Product

Evidence > Privileges > Attorney-Client Privilege > Scope

Legal Ethics > Client Relations > Confidentiality of Information

[HN17] The Federal Rules of Civil Procedure protects as work product documents prepared in anticipation of litigation or for trial. Fed. R. Civ. P. 26(b)(3). If the party seeking discovery can show that it has substantial need of the materials in the preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means, the court may order production of work product. However, even when the requisite showing has been

made, the court shall protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party concerning the litigation.

Civil Procedure > Discovery > Privileged Matters > Work Product > Opinion Work Product

Evidence > Privileges > Attorney-Client Privilege > Scope

Legal Ethics > Client Relations > Confidentiality of Information

[HN18] The United States Court of Appeals for the Fifth Circuit has recognized "opinion work product" and noted that some courts have provided an almost absolute protection for such materials.

Civil Procedure > Discovery > Privileged Matters > Work Product > Opinion Work Product

Evidence > Privileges > Attorney-Client Privilege > Scope

Legal Ethics > Client Relations > Confidentiality of Information

[HN19] Examples of opinion work product include notes and memoranda created by an attorney or his agent, regarding witness interviews, because they contain mental impressions. Investigatory reports that contain summaries of witness interviews are also opinion work product because the reports are "suffused" with the investigator's mental impressions and conclusions. Case reserve figures and audit letters are considered opinion work product. Additionally, documents, including business records, that were specifically selected and compiled by a party or its representative in preparation for litigation are opinion work product because the mere acknowledgment of their selection would reveal mental impressions concerning the potential litigation.

Civil Procedure > Discovery > Privileged Matters > Work Product > Scope

Civil Procedure > Discovery > Undue Burdens

Evidence > Privileges > Attorney-Client Privilege > Scope

Evidence > Procedural Considerations > Burdens of Proof > Allocation

Legal Ethics > Client Relations > Confidentiality of Information

[HN20] If a party meets its burden and proves that the materials sought warrant work product protection, the party seeking discovery must prove why those materials should still be produced. If the materials are ordinary work product then a court may still compel discovery if the party seeking the materials demonstrates a substantial

need for the information and an inability to obtain the substantial equivalent without undue hardship.

Civil Procedure > Discovery > Privileged Matters > Work Product > Fact Work Product

Civil Procedure > Discovery > Undue Burdens

Evidence > Privileges > Attorney-Client Privilege > Exceptions

Evidence > Privileges > Attorney-Client Privilege > Scope

Legal Ethics > Client Relations > Confidentiality of Information

[HN21] Work product immunity only protects the documents and not the underlying facts, thus, if a party can procure the information sought through other avenues, such as depositions, then undue hardship has not been shown. A party may demonstrate undue hardship if a witness cannot recall the events in question, or is unavailable for deposition; however, broad unsubstantiated assertions of unavailability or faulty memory are insufficient to show undue hardship. Courts may also factor-in unusual expense into their undue hardship analysis. As for substantial need, some cases have found substantial need by emphasizing the importance of the documents themselves. For example, if material facts known by the opposite party can only be ascertained through privileged documents, then that may suffice as substantial need of those documents. Alternatively, if the materials sought are opinion work product then a court may compel discovery only if the party seeking the materials demonstrates a compelling need for the information. This heightened burden is nearly an absolute protection of opinion work product.

Civil Procedure > Discovery > Privileged Matters > Work Product > Scope

Evidence > Privileges > Attorney-Client Privilege > Exceptions

Legal Ethics > Client Relations > Confidentiality of Information

[HN22] Undue hardship for purposes of Fed. R. Civ. P. 26(b)(3) can be found if witnesses cannot recall the events in question, or are unavailable for deposition, or a showing of unusual expense.

Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers

Evidence > Privileges > Attorney-Client Privilege > Waiver

Evidence > Procedural Considerations > Burdens of Proof > Allocation

Legal Ethics > Client Relations > Confidentiality of Information

[HN23] Waiver of work product protection only results if the work product is disclosed to an adversary or treated in a manner that substantially increases the likelihood that an adversary will come into possession of that material. Even if confidential work product is produced to a potential adversary under a confidentiality agreement, that will not alter the objective fact that confidentiality has voluntarily been breached. Under those circumstances, the disclosure is still a waiver of work product immunity. Unlike the attorney-client privilege, the burden of proving waiver of work product immunity falls on the party asserting waiver. If the party is successful, waiver of work product immunity will be limited to the materials actually disclosed.

Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers

Evidence > Privileges > Attorney-Client Privilege > Waiver

Legal Ethics > Client Relations > Confidentiality of Information

[HN24] Subject matter waiver of work product immunity occurs when it would be inconsistent with the purposes of the work product privilege to limit the waiver to the actual documents disclosed, for example when the facts relevant to a narrow issue are in dispute and have been disclosed in such a way that it would be unfair to deny the other party access to other facts relevant to the same subject matter.

Civil Procedure > Discovery > General Overview

Civil Procedure > Sanctions > Misconduct & Unethical Behavior > General Overview

[HN25] A court's authority to control discovery pursuant to Fed. R. Civ. P. 26 is limited to formal discovery. However, the court's power to remedy unfair litigation practices and preserve judicial integrity is broader in scope. Federal courts have authority to remedy litigation practices that threaten judicial integrity and the adversary processes. Such inherent authority includes the ability to exclude "proprietary" documents obtained unfairly and outside the context of formal discovery.

Civil Procedure > Discovery > Privileged Matters > General Overview

[HN26] An attorney who receives on an unauthorized basis materials of an adverse party should, upon recognizing the privileged or confidential nature of the materials: (1) either refrain from reviewing such materials or review them only to the extent required to determine how

appropriately to proceed; (2) notify the adverse party's attorney that he or she has such materials; and (3) either follow instructions of the adversary's attorney with respect to the disposition of the materials, or refrain from using the materials until a definitive resolution of the proper disposition of the materials is obtained from a court.

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For i2 Technologies Committee [*2] and Baker Botts, L.L.P., Movant: Timothy S Durst, Baker Botts - Dallas, Dallas, TX.

Max M Wayman & Associates Incorporated, Max M Wayman, Movants: Mark S Werbner, Sayles Werbner, Dallas, TX.

JUDGES: IRMA CARRILLO RAMIREZ, UNITED STATES MAGISTRATE JUDGE.

OPINION BY: IRMA CARRILLO RAMIREZ

OPINION:

AMENDED MEMORANDUM OPINION AND ORDER

Pursuant to the District Court's *Orders of Reference*, filed May 26, 2006 and June 1, 2006, the following pleadings are before the Court for determination:

1. *Defendant Gregory A. Brady's Motion to Compel the Production of Documents of the Audit Committee of i2 Technologies, Inc. and Baker Botts L.L.P., Request for In Camera Review, and Supporting Brief ("Mot. to Compel") and Appendix to Defendant Gregory A. Brady's Motion to Compel the Production of Documents of the Audit Committee of i2 Technologies, Inc. and Baker Botts L.L.P., Request for In Camera Review, and Supporting Brief*, both filed May 26, 2006;

2. *Motion of the i2 Audit Committee and Baker Botts for Protection and Return of Privileged Materials and Brief in Support ("Mot. for Protection") and Appendix in Support of the i2 Audit Committee and Baker Botts' Motion* [*3] *for Protection and Return of Privileged Materials and Brief in Support*, both filed May 31, 2006;

3. *Defendant Gregory A. Brady's Response to the i2 Audit Committee and Baker Botts' Motion for Protection and Return of Privileged Materials ("Resp. to Mot. for Protection") and Appendix in Support of Defendant Gregory A. Brady's Response to the i2 Audit Committee and Baker Botts' Motion for Protection and Return of Privileged Materials*, both filed June 15, 2006;

4. *Response of the i2 Audit Committee and Baker Botts to Brady's Motion to Compel and Brief in Support ("Resp. to Mot. to Compel") and Appendix in Support of Response of the i2 Audit Committee and Baker Botts to Brady's Motion to Compel and Brief in Support*, both filed June 15, 2006;

5. *Defendant Gregory A. Brady's Motion for Leave to File a Supplemental Brief and Appendix in Support of Motion to Compel the Production of Documents of the Audit Committee of i2 Technologies, Inc. and Baker Botts L.L.P.*, filed July 25, 2006; and

6. *Response to Brady's Motion for Leave to File a Supplemental Brief, and Appendix in Support of Response to Brady's Motion for Leave to File a Supplemental* [*4] *Brief*, both filed August 7, 2006.

A hearing on the matter was held on June 21, 2006. After consideration of the pleadings, evidence, oral argument, and applicable law, the Court determines that *Defendant Gregory A. Brady's Motion to Compel the Production of Documents of the Audit Committee of i2 Technologies, Inc. and Baker Botts L.L.P., Request for In Camera Review, and Supporting Brief* should be **DENIED**, that *Motion of the i2 Audit Committee and Baker Botts for Protection and Return of Privileged Materials and Brief in Support* should be **GRANTED**, and that *Defendant Gregory A. Brady's Motion for Leave to File a Supplemental Brief and Appendix in Support of Motion to Compel the Production of Documents of the Audit Committee of i2 Technologies, Inc. and Baker Botts L.L.P.* should be **GRANTED**.

I. FACTUAL BACKGROUND

Defendant Gregory A. Brady ("Brady") is a former president, CEO, and director of i2 Technologies ("i2"), a billion dollar company that provides software for the supply chain management industry. (Compl. at PP 8, 12). The Securities and Exchange Commission ("SEC") brought suit against Brady and two other former officers of i2, alleging, [*5] *inter alia*, that Brady caused i2 to report revenues on software sales in violation of Generally Accepted Accounting Principles between 1999 and 2001. (See Compl. at PP 12-129).

A. Phase I Investigation

In April 2001, a series of shareholder lawsuits were filed against i2. (Resp. to Mot. to Compel (June 15, 2006 Aff. of Craig N. Adams at P 3)). Subsequently, two former i2 officers contacted the company and made allegations of wrongful conduct, including improper accounting and revenue recognition in financial statements, inadequate financial controls, and gross negligence or potential fraud. (App. to Mot. to Compel, Ex. 10 at 238). The former officers also threatened to bring their own litigation related to those issues. (App. to Resp. to Mot. to Compel (June 15, 2006 Aff. of Craig N. Adams at P 3)).

Because of the looming shareholder lawsuits and the threats of litigation by the former i2 officers, i2's Audit Committee hired the law firm of Baker Botts to conduct an internal investigation and give legal advice concerning the potential claims against i2. (Resp. to Mot. to Compel at 3). Baker Botts then engaged the accounting firm of KPMG, LLP to assist in the [*6] investigation. (App. to Resp. to Mot. to Compel (June 15, 2006 Aff. of

Craig N. Adams at P 6)). During the course of the investigation, Baker Botts attorneys reviewed approximately 40,000 pages of documents and conducted 70 interviews with current and former i2 employees and representatives of Arthur Andersen, i2's previous independent auditor. (Mot. to Compel at 4).

Upon completion of Baker Botts' investigation into the initial allegations of i2 misconduct, Baker Botts submitted a lengthy detailed report ("the Phase I Report"), a part of which was created by KPMG, to i2's board. *Id.* As a member of i2's Board of Directors, Brady was provided with a copy of the Phase I Report. (Mot. for Protection at 1.) Based on the results of the investigation, i2's board of directors concluded that no adjustments were necessary to i2's prior revenue recognition, that there were no indications of material deficiencies in i2's financial controls, and that there were no indications to support the allegations concerning gross negligence or potential fraud. (App. to Mot. to Compel, Ex. 10 at 238).

B. Phase II Investigation

In August and September 2002, the former officers brought [*7] additional allegations of improper revenue recognition. (App. to Resp. to Mot. to Compel (June 15, 2006 Aff. of Craig N. Adams at P 7)). These additional allegations prompted i2's board to resume the investigation ("Phase II"). (App. to Resp. to Mot. to Compel (i2 Form 10-Q for period ending September 30, 2002)). As a result of the additional allegations, i2 decided to notify the SEC of the ongoing investigation, and thereafter, the SEC opened an informal inquiry. (App. to Resp. to Mot. to Compel (September 19, 2005 Aff. of Craig N. Adams at P 9)).

According to an October 17, 2002 in-house memorandum of Deloitte and Touche, i2's new independent auditors, Baker Botts attorneys met with two Deloitte and Touche partners on October 14, 2006, to discuss the investigation. (App. to Mot. to Compel, Ex. at 337). The memorandum specifically states that the Deloitte partners reviewed the Phase I Report with the Baker Botts attorneys, and that the KPMG portion of the Phase I Report had been disclosed to Deloitte for review the previous week. *Id.* at 338. The meeting concluded with a conference call between the Deloitte partners, the Baker Botts attorneys, and i2 management to discuss the [*8] additional allegations and the need to update the Phase I Report. *Id.*

Subsequently, the i2 Audit Committee engaged Baker Botts to begin the second portion of the internal investigation regarding revenue recognition. (Mot. to Compel at 6). i2 also requested that Deloitte and Touche re-audit their financial statements for fiscal years 2000 and 2001; the audit results subsequently led to i2's deci-

sion to restate those financial statements. (Resp. to Mot. to Compel at 7).

During Phase II, Baker Botts attorneys reviewed additional documents and conducted additional interviews of current and former i2 officers, directors, and employees. *Id.* The Baker Botts lawyers prepared summaries of their observations and thoughts with respect to each interview and stamped each written summary as privileged and confidential. *Id.* In June 2003, Baker Botts completed the Phase II portion of the investigation and communicated its findings and legal advice to i2's Board and Audit Committee by way of a confidential oral and power point presentation. (App. to Resp. to Mot. to Compel (September 19, 2005 Aff. of Craig N. Adams at P 14)).

C. SEC Investigation

As a result of the SEC's [*9] informal inquiry into the alleged i2 improprieties, the SEC concluded that a formal investigation was warranted. (App. to Resp. to Mot. to Compel (September 19, 2005 Aff. of Craig N. Adams at P 12)). i2 cooperated with the investigation and entered into a confidentiality agreement with the SEC wherein the SEC agreed to maintain the confidentiality of any materials provided to it by i2 and its Audit Committee throughout the investigation. *Id.* at P 13.

In July 2003, Baker Botts reviewed the results of the Phase II investigation with the SEC and presented the same confidential oral and power point presentation that had been shown to the Audit Committee in June 2003. *Id.* at P 15. Baker Botts also provided the SEC copies of the interview observations and summaries, exhibits used during witness interviews, and other documents uncovered during its Phase II investigation. *Id.* at P 16. However, Baker Botts did not produce any information concerning the Phase I investigation, including the Phase I Report. (Mot. to Compel at 7).

During the SEC's formal investigation, it served a subpoena duces tecum on Brady. (App. to Mot. to Compel, Ex. 15 at 261). In response, Brady produced documents [*10] that he had obtained while on i2's board, including the Phase I Report, because he believed that the Report would exculpate him from any liability. (Mot. to Compel at 8). Upon receipt of the Phase I Report, the SEC noticed that it bore a stamp claiming attorney-client communication and work product, so the SEC forwarded the Phase I Report to Baker Botts without reading it. (App. to Mot. to Compel, Ex. 17 at 265). Baker Botts, in turn, demanded that Brady and his counsel return all copies of privileged documents that Brady had received while on i2's board and retained. (Mot. to Compel at 8-9). While not agreeing that the Phase I Report was subject to any privilege, Brady's attorney acquiesced to

Baker Botts' request and returned the Phase I Report. (App. to Mot. for Protection at 8.) Brady's attorney represented that any remaining copies of the Report retained by other counsel at the firm would be destroyed. *Id.* However, one of the copies of the Phase I report was not destroyed and remains in the possession of Brady's counsel.

D. Documents at Issue

In the motion to compel, Brady moves to compel production of the following categories of documents:

1. All documents [*11] produced or shown to government investigators, including representatives of the SEC, Department of Justice, U.S. Postal Inspector, or any other government entity in response to any formal or informal request concerning i2 or any of its current or former officers, directors, or employees.
2. All correspondence with the SEC, Department of Justice, or U.S. Postal Inspector concerning i2 or any of its current or former officers, directors, or employees.
3. The Report to the Audit Committee of the Board of Directors of i2 dated July 3, 2002 (the Phase I Report).
4. All documents reviewed or relied upon in the preparation of the Report
5. All transcripts, interview memoranda or other summaries, and documents used as exhibits in any interview by the Audit Committee, Baker Botts, KPMG LLP, or Deloitte and Touche LLP with any current or former i2 employee, officer, director, customer, prospective customer, supplier, consultant, auditor, accountant, attorney or agent concerning defendants, i2's products, i2's sales practices or i2's accounting, including any written acknowledgments or clarifications received from the witness.
6. All documents reviewed or prepared by [*12] KPMG LLP in connection with the Audit Committee's investigation.

Although the above categories are not in the format used in the subpoena at issue, at the hearing the parties agreed

that use of these categories would be the most efficient method of dealing with the motion to compel. At the June 21, 2006 hearing, the attorney for i2 and Baker Botts amended his response to the requests for documents in Category 1 to state that all responsive documents had been produced with the exception of power point presentations, which would shortly be produced. (Tr. of June 21, 2006 hrg. at 51-52.) Therefore, Brady's counsel stated that there was no need for a court ruling on Category 1. *Id.* at 52. Accordingly, the only documents subject to the motion to compel to be considered by the Court are those in Categories 2 through 6.

In the motion for protective order, i2 and Baker Botts seek the return of the Phase I Report in Brady's possession (except for the KPMG portion that was produced by Deloitte & Touche to the SEC, D&T 42608-42619). Brady submitted for *in camera* review the Phase I Report, the Baker Botts power point presentation originally shown to the Audit Committee in June [*13] 2003 and later given to the SEC, and a Baker Botts e-mail string.

II. ANALYSIS

A. Relevance

i2 and Baker Botts object to Category 3, production of the Phase I Report, on the basis of relevance. [HN1] The burden is on the "party who opposes its opponent's request for production to 'show specifically how . . . each [request] is not relevant or how each [request] is overly broad, burdensome or oppressive.'" *Merrill v. Waffle House, Inc.*, 227 F.R.D. 475, 477 (N.D. Tex. 2005) (quoting *McLeod, Alexander, Powel and Appfel, P.C. v. Quarles*, 894 F.2d 1482, 1485 (5th Cir. 1990)).

Pursuant to FED. R. CIV. P. 26(b)(1), [HN2] "[p]arties may obtain discovery regarding any matter, not privileged, that is relevant to the claim or defense of any party . . . For good cause, the court may order discovery of any matter relevant to the subject matter involved in the action. Relevant information need not be admissible at the trial if the discovery appears reasonably calculated to lead to the discovery of admissible evidence." [HN3] "Relevancy is broadly construed, and a request for discovery should be considered relevant [*14] if there is 'any possibility' that the information sought may be relevant to the claim or defense of any party." *Merrill v. Waffle House, Inc.*, 227 F.R.D. 467, 470 (N.D. Tex. 2005) (quoting *Sheldon v. Vermonty*, 204 F.R.D. 679, 689 (D. Kan. 2001)). Unless it is clear that the information sought can have no possible bearing on the claim or defense of a party, the request for discovery should be allowed. *Id.* "When the discovery sought appears relevant, the party resisting the discovery has the burden to establish the lack of relevance by demonstrating that the

requested discovery either does not come within the broad scope of relevance as defined under FED.R.CIV.P. 26(b)(1) or is of such marginal relevance that the potential harm occasioned by discovery would outweigh the ordinary presumption in favor of broad disclosure." *Id.* (quoting *Scott v. Leavenworth Unified School Dist. No. 453*, 190 F.R.D. 583, 585 (D. Kan. 1999)).

Here, i2 and Baker Botts argue that the Phase I Report is not relevant to Brady's case because Brady could not have relied on the Report since it did not exist when he [*15] committed the alleged accounting improprieties. However, the SEC's complaint against Brady includes a myriad of improper accounting and revenue recognition acts conducted during 1999 and 2001. This is the same time period reviewed by Baker Botts during Phase I, which prompted i2 to state in its September 30, 2002 Form 10-Q that no adjustments were necessary to i2's prior financial statements. Because relevancy is to be construed broadly, this court finds that there is a possibility that the discovery sought could be relevant to Brady's defense. Baker Botts and i2 have failed to meet their burden, and this objection is overruled.

B. Overbreadth and Undue Burden

i2 and Baker Botts also argue that the subpoena at issue is overbroad and unduly burdensome in totality. (Resp. at 8-10.) [HN4] A party opposing discovery on this basis bears the burden of showing why discovery should be denied. *Wiwa v. Royal Dutch Petroleum Co.*, 392 F.3d 812, 818 (5th Cir. 2004). [HN5] In determining whether a subpoena is unduly burdensome, courts consider "(1) relevance of the information requested; (2) the need of the party for the documents; (3) the breadth of the document request; (4) [*16] the time period covered by the request; (5) the particularity with which the party describes the requested documents; and (6) the burden imposed." *Id.* Another factor to consider is whether subpoena was issued to a non-party to the litigation and the expense and inconvenience of compliance to the non-party. *Id.* A facially overbroad subpoena is unduly burdensome. *Id.* The court must balance the need for discovery by the requesting party and the relevance of the discovery to the case against the harm, prejudice, or burden to the other party. *Cmedia, LLC v. LifeKey Healthcare, LLC*, 216 F.R.D. 387, 389 (N.D. Tex. 2003) (citing *Truswal Systems Corp. v. Hydro-Air Engineering, Inc.*, 813 F.2d 1207, 1210 (Fed. Cir. 1987)). Modification of a subpoena is preferable to quashing it. *Id.* (citing *Tiberi v. CIGNA Ins. Co.*, 40 F.3d 110, 112 (5th Cir. 1994)).

[HN6] In order to satisfy its burden, the objecting party must make a specific, detailed showing of how a request is burdensome. *Alexander v. FBI*, 192 F.R.D. 50, 53 (D.D.C. 2000). A mere statement by a party that a

request is "overly broad and unduly burdensome" is not [*17] adequate to voice a successful objection. St. Paul Reinsurance Co. v. Commercial Financial Corp., 198 F.R.D. 508, 511-12 (N.D. Ia. 2000). Broad-based, non-specific objections are almost impossible to assess on their merits, and fall woefully short of the burden that must be borne by a party making an objection to an interrogatory or document request. Harding v. Dana Transport Inc., 914 F. Supp. 1084, 1102 (D. N.J. 1996). "A party asserting undue burden typically must present an affidavit or other evidentiary proof of the time or expense involved in responding to the discovery request." Waddell & Reed Financial, Inc. v. Torchmark Corp., 222 F.R.D. 450, 454 (D. Kan. 2004); see also U.S. ex rel. Fisher v. Network Software Associates, 217 F.R.D. 240, 246 (D.D.C. 2003); Wagner v. Dryvit Sys., Inc., 208 F.R.D. 606, 610 (D. Neb. 2001); St. Paul Reinsurance Co., Ltd. v. Commercial Fin. Corp., 198 F.R.D. 508, 513 (N.D. Iowa 2000).

In support of their assertion that the subpoena is overbroad and unduly burdensome, i2 and Baker Botts provide affidavits of two Baker Botts associates. (App. to Resp. [*18] at 30-34.) Therein, Gail Foster states that Baker Botts IT staff captured all documents from the firm's document management system using billing numbers for various i2 matters as well as the email boxes of all individuals who billed time to i2 matters. *Id.* at 30. Foster estimates that the amount of potentially responsive electronic data amounts to 32,222,000 pages. *Id.* at 31. Stuart L. Cochran states that Baker Botts has 226 boxes containing evidence produced to the SEC, among other internal working files, and that individuals at the firm have additional personal files as well. *Id.* at 32-33. Cochran estimates that 226 hours to review the files for responsiveness and privilege. *Id.* at 33. In addition, Cochran estimates that 16,111 hours would be required to review the electronic data for responsiveness and privilege. *Id.* at 33-34.

At the hearing, i2 and Baker Botts made specific representations as to the burdensomeness of producing the documents sought in Category 2. (Tr. at 59-61.) With respect to Category 2, counsel for i2 and Baker Botts represented that the vast majority of responsive documents were in the possession of the SEC and had either already been produced [*19] by the SEC to Brady, or would shortly be produced by the SEC. *Id.* at 53-54. Brady's counsel stated that the only documents at issue were transmittal letters or other correspondence. *Id.* at 58. However, according to counsel for i2 and Baker Botts, searching Baker Botts' electronic data for such documents would involve a substantial burden. *Id.* at 60. Because i2 and Baker Botts have demonstrated that it would be unduly burdensome for them to produce the documents sought in Category 2, and because the vast

majority of the responsive documents, if not all, are in the possession of the SEC, a party to this case, the Court sustains the objection to Category 2.

C. Attorney-Client Privilege

i2 and Baker Botts contend that all of the discovery sought in Brady's motion is protected by the attorney-client privilege and thus not discoverable. Brady contends that documents in Categories 3 and 4 are not subject to the attorney-client privilege and that any privilege as to documents responsive to other categories has been waived.

1. Existence of the privilege

Brady alleges that the Phase I Report was prepared in the context of rendering business advice, rather [*20] than legal advice. (Mot. to Compel at 13-14.) For this reason, Brady asserts that the attorney-client privilege does not apply to Categories 3 and 4. *Id.* [HN7] The attorney-client privilege protects from disclosure confidential communications made to obtain a lawyer's professional advice and assistance. Dabney v. Investment Corp. of America, 82 F.R.D. 464, 465 (E.D. Pa.1979). The exercise of the attorney-client privilege is a "question of fact, to be determined in the light of the purpose of the privilege and guided by judicial precedents." In re Auclair, 961 F.2d 65, 68 (5th Cir. 1992). [HN8] In order to establish the attorney-client privilege, Defendant must show that all of the following conditions have been met: (1) the asserted holder of the privilege is or sought to become a client; (2) the person to whom the communication was made (a) is a member of a bar of a court, or his subordinate and (b) in connection with this communication was acting as a lawyer; (3) the communication relates to a fact of which the attorney was informed (a) by his client (b) without the presence of strangers (c) for the purpose of serving primarily either (i) an opinion on law [*21] or (ii) legal service or (iii) assistance in some legal proceeding, and not (d) for the purpose of committing a crime or tort; and (4) the privilege has been claimed and not waived by the client. U.S. v. Mobil Corp., 149 F.R.D. 533, 536 (N.D. Tex. 1993). [HN9] "The attorney-client privilege protects two related, but different, communications: (1) confidential communications made by a client to his lawyer for the purpose of obtaining legal advice; and (2) any communication from an attorney to his client when made in the course of giving legal advice, whether or not that advice is based on privileged communications from the client." U.S. v. Mobil Corp., 149 F.R.D. 533, 536 (N.D. Tex. 1993). The privilege applies even when a client is a corporation. Upjohn Co. v. U.S., 449 U.S. 383, 390, 101 S. Ct. 677, 66 L. Ed. 2d 584 (1981). However, the attorney-client privilege does not protect against discovery of underlying facts from their source merely because those facts have been communicated to an attor-

ney. *Id.* at 395-96. The burden is on the party asserting the privilege to demonstrate how each document satisfies all the elements of the privilege. *Hodges, Grant & Kaufmann v. U.S.*, 768 F.2d 719, 721 (5th Cir. 1985). [*22]

In asserting the privilege, i2 and Baker Botts claim that i2 hired Baker Botts to deliver legal advice regarding the former officers' allegations of accounting improprieties and threats of litigation. They rely on *Diversified Indus., Inc. v. Meredith*, which quotes Wigmore on Evidence and states that "[i]t is not easy to frame a definite test for distinguishing legal from nonlegal advice. . . . [T]he most that can be said by way of generalization is that a matter committed to a professional legal adviser is prima facie so committed for the sake of the legal advice which may be more or less desirable for some aspect of the matter, and is therefore within the privilege unless it clearly appears to be lacking in aspects requiring legal advice." 572 F.2d 596, 610 (8th Cir. 1977) (quoting 8 Wigmore, Evidence § 2296 (McNaughton rev. 1961)). Additionally, i2 and Baker Botts contend that even though the Phase I Report includes some business considerations, the primary purpose of the Report was to provide legal advice.

An *in camera* review of the Phase I Report revealed that it is laced with underlying facts, legal opinions, and business advice. Additionally, the fact [*23] that the Report was the result of many i2 officer and director interviews with Baker Botts leads the court to conclude that the interviews were confidential communications between the corporate client and its counsel. The court also finds that the presentation of the Phase I Report from Baker Botts to the i2 Audit Committee was, in essence, a written communication and the equivalent of a confidential communication between an attorney and his client. Thus, i2 and Baker Botts have met their burden to establish attorney-client privilege as to Categories 3 and 4. In his motion, Brady does not argue that the attorney-client privilege is inapplicable to Categories 5 and 6.

2. Waiver of attorney-client privilege as to Phase I Report

Brady contends that even if the Phase I Report is privileged, i2 and Baker Botts waived the privilege by intentionally disclosing it to third parties. (Mot. to Compel at 15-20.) [HN10] Waiver of a privilege may occur when there is a breach of confidentiality. See *Ferko v. Nat'l Ass'n For Stock Car Auto Racing, Inc.*, 218 F.R.D. 125, 134 (E.D. Tex. 2003). For example, disclosure of attorney-client communications to a third party lacking a [*24] common legal interest will result in a waiver of the attorney-client privilege. *In re Auclair*, 961 F.2d 65, 69 (5th Cir. 1992); *Ferko*, 218 F.R.D. at 134. Moreover, the confidentiality of a client's communications may be compromised either through the publication of evidence

of the communications themselves or through the publication of evidence of attorney statements or documents that disclose the client's confidential communications. *Indus. Clearinghouse, Inc. v. Browning Mfg.*, 953 F.2d 1004, 1007 (5th Cir. 1992). Even disclosure of privileged information directly to a client's independent auditor, accountant, or tax analyst destroys confidentiality. See *U.S. v. El Paso Co.*, 682 F.2d 530, 539 (5th Cir. 1983); see also *Ferko*, 218 F.R.D. at 134-35.

In this case, it appears that i2 and Baker Botts made significant disclosures of privileged information to third parties who lacked a common legal interest. First, the October 17, 2002 Deloitte and Touche memorandum provides evidence that on October 14, 2002, two of their partners met with Baker Botts attorneys to discuss the investigation and review the [*25] Phase I Report. Additionally, the KPMG portion of the Phase I Report was disclosed to Deloitte and Touche for review the previous week. Further, the meeting concluded with a conference call with i2 management to discuss the additional allegations and the need to update the Phase I Report. Federal case law makes it clear that [HN11] disclosure of confidential communications or documents to auditors for purposes other than seeking legal advice destroys confidentiality and with it, the right to claim the attorney-client privilege. *El Paso Co.*, 682 F.2d at 539-41; *Ferko*, 218 F.R.D. at 134. For this reason, the Court concludes that due to the disclosure of the privileged Phase I Report to Deloitte and Touche, and confidential communications between i2 and Baker Botts while Deloitte and Touche partners were present, attorney-client privilege over the Phase I Report, the subject of Category 3, has been waived.

3. Selective waiver of attorney-client privilege as to Phase II materials

Brady asserts that materials related to the Phase II investigation were provided to the SEC, thereby waiving the attorney-client privilege as to Categories 5 and 6. (Mot. [*26] to Compel at 15-16.) With regard to the Phase II materials, i2 and Baker Botts concede that they disclosed to the SEC the same oral report and power point presentation given to the Audit Committee concerning Phase II, in addition to interview observations and summaries, exhibits used during witness interviews, and other documents uncovered during its Phase II investigation. Indeed, they state that pursuant to a confidentiality agreement with Brady, he will receive all of the materials presented to the SEC. (Resp. to Mot. to Compel at 15-16.) i2 and Baker Botts contend that despite the disclosure of Phase II materials to the SEC, they did not waive the attorney-client privilege; however, to the extent they have waived attorney-client privilege, they urge the court to adopt the Eighth Circuit's selective waiver doctrine.

In Diversified Indus., Inc. v. Meredith 572 F.2d 596 (8th Cir. 1977), the Eighth Circuit established the selective waiver doctrine, which provides that a party may waive the attorney-client privilege to governmental agencies conducting an investigation without waiving the privilege to others. See 572 F.2d at 611. The Eighth Circuit [*27] reasoned that selective waiver was necessary because it encourages "corporations to employ independent outside counsel to investigate and advise them in order to protect stockholders, potential stockholders, and customers." *Id.*

The Fifth Circuit has not yet considered this doctrine. However, an overwhelming amount of authority has found this argument wholly unpersuasive and rejected the selective waiver doctrine. See e.g. In re Qwest Comm'n Int'l, Inc. v. New England Health Care Employees Pension Fund, 450 F.3d 1179, 1201 (10th Cir. 2006); In re Columbia/HCA Healthcare Corp. Billing Practices Litigation, 293 F.3d 289 (6th Cir. 2002); Westinghouse Elec. Corp. v. Republic of Philippines, 951 F.2d 1414, 1424-25 (3rd Cir. 1991); Genentech, Inc. v. U.S. Int'l Trade Comm'n, 122 F.3d 1409, 1417 (Fed. Cir. 1997); U.S. v. Mass. Inst. of Tech., 129 F.3d 681, 686 (1st Cir. 1997); In re Martin Marietta Corp., 856 F.2d 619, 623-24 (4th Cir. 1988); In re John Doe Corp., 675 F.2d 482, 489 (2d Cir. 1982); Permian Corp. v. U.S., 214 U.S. App. D.C. 396, 665 F.2d 1214, 1220 (D.C. Cir. 1981). [*28] In Permian, the D.C. Circuit stated that [HN12] "[t]he client cannot be permitted to pick and choose among his opponents, waiving the privilege for some and resurrecting the claim of confidentiality to obstruct others, or to invoke the privilege as to communications whose confidentiality he has already compromised for his own benefit." Permian, 665 F.2d at 1222. Rather, "the attorney-client privilege should be available only at the traditional price: a litigant who wishes to assert confidentiality must maintain genuine confidentiality." *Id.* In Martin, the Fourth Circuit stated that "selective waiver does not serve the purpose of encouraging full disclosure to one's attorney in order to obtain informed legal assistance; it merely encourages voluntary disclosure to government agencies, thereby extending the privilege beyond its intended purpose." Martin Marietta, 856 F.2d 623-24.

As noted, the Fifth Circuit has yet to adopt the selective waiver doctrine. Moreover, this court is persuaded by the reasoning of the great weight of authority which has declined to adopt the selective waiver doctrine. Therefore, the court finds that i2 and Baker Botts [*29] waived the attorney-client privilege as to Categories 5 and 6 by disclosing Phase II privileged information to a third-party.

4. Subject matter waiver of attorney-client privilege

Brady argues that i2 and Baker Botts' waiver of attorney-client privilege as to the Phase I Report and the Phase II investigation extends to the entire subject matter related to the disclosures. (Mot. to Compel at 16-18.)

[HN13] The "disclosure of any significant portion of a confidential communication waives the privilege as to the whole." Nguyen v. Excel Corp., 197 F.3d 200, 208 (5th Cir. 1999). Moreover, waiver of an attorney-client communication waives the privilege as to all other communications relating to the same subject matter. Southern Scrap Material Co. v. Fleming, 2003 U.S. Dist. LEXIS 10815, 2003 WL 21474516, *7 (W.D. La. June 18, 2003). Here, Brady disclosed the Phase I Report, which summed up Baker Botts' entire Phase I investigation, to Deloitte and Touche. Additionally, they disclosed to the SEC the same oral report and power point presentation given to the Audit Committee concerning the ultimate findings of Phase II, interview observations and summaries, and exhibits used during [*30] witness interviews. Based on that evidence, the court finds that these disclosures amount to a significant portion of attorney-client privileged information, and thus, the waiver of attorney-client privilege extends to all responsive documents relating to the Phase I and Phase II subject matter. Accordingly, the attorney-client privilege has been waived as to all documents responsive to Categories 3, 4, 5, and 6.

D. Work Product Doctrine

i2 and Baker Botts argue that the investigation materials sought in Brady's motion to compel are still protected from discovery by the work product doctrine because they concern mental impressions, conclusions, opinions, or legal theories. (Resp. to Mot. to Compel at 21-22.) [HN14] Waiver of attorney-client privilege does not necessarily mean that work product immunity over the same documents has also been waived. See Freeport-McMoran Sulphur, LLC v. Mike Mullen Energy, 2004 U.S. Dist. LEXIS 10048, 2004 WL 1237450, *8 (E.D. La. June 2, 2004); In re Broadcom Corp. Securities Litigation, 2005 WL 1403513 *3 (C.D. Cal) (citing Handgards, Inc. v. Johnson & Johnson, 413 F. Supp. 926, 929 (N.D. Cal. 1976)); Key vs. U.S. Bancorp Disability Income Plan, 1988 U.S. Dist. LEXIS 11954, 1988 WL 114929 [*31] *3 (D. Or. Oct. 27, 1988). Thus, this Court must now consider whether the materials sought are still protected by the work product doctrine.

[HN15] The work product doctrine protects from discovery materials prepared by an attorney in anticipation of litigation. FED. R. CIV. P. 26(b)(3); In re Grand Jury Proceedings, 601 F.2d 162, 171 (5th Cir. 1979). Qualified protection extends to documents and tangible things including a lawyer's research, analysis of legal theories, mental impressions, notes, and memoranda of witnesses' statements. Ferko, 218 F.R.D. at 136 (citing

Dunn v. State Farm Fire & Cas. Co., 927 F.2d 869, 875 (5th Cir. 1991). The party who asserts work product protection must show that the materials warrant work product protection by establishing the following elements: (1) the materials sought are documents or tangible things; (2) the materials sought were prepared in anticipation of litigation or for trial; (3) the materials were prepared by or for a party's representative; (4) if the party seeks to show that the material is opinion work product, that party must show that the material [*32] contains the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party. *Id.* The parties do not dispute elements (1) and (3); thus i2 and Baker Botts must prove elements (2) and (4) to assert opinion work product protection over the documents at issue.

1. Anticipation of litigation

i2 and Baker Botts argue that the entire investigation (Phase I and Phase II) was primarily conducted as a result of the allegations of accounting impropriety, and thus everything produced was in anticipation of litigation. The law of our circuit is that [HN16] the privilege can apply where litigation is not imminent, "as long as the primary motivating purpose behind the creation of the document was to aid in possible future litigation." El Paso, 682 F.2d at 542. Here, the affidavits establish that there was a pending shareholder lawsuit, and that two former officers had also threatened litigation. As a result, i2 hired outside counsel to investigate the officers' allegations and to advise i2 of its potential liabilities. For these reasons, the Court finds sufficient evidence that the investigation documents in question were created [*33] in anticipation of litigation.

2. Ordinary vs. Opinion Work Product

i2 and Baker Botts next argue that the documents sought by Brady are opinion work product and are not discoverable. [HN17] The Federal Rules of Civil Procedure protects as work product documents "prepared in anticipation of litigation or for trial." FED. R. CIV. P. 26(b)(3). If the party seeking discovery can show that it has "substantial need of the materials in the preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means," the court may order production of work product. *Id.* However, even when the requisite showing has been made, the court "shall protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party concerning the litigation." *Id.*

Many courts have defined this second category of work product as "opinion work product." See e.g. In re Qwest Commc'ns Int'l, 450 F.3d 1179, 1186 (10th Cir. 2006); In re EchoStar Commc'ns Corp., 448 F.3d 1294,

1302 (Fed. Cir. 2006); [*34] Tenn. Laborers Health & Welfare Fund v. Columbia/HCA Healthcare Corp., 293 F.3d 289, 294 (6th Cir. 2002); Baker v. General Motors Corp., 209 F.3d 1051, 1054 (8th Cir. 2000); Better Gov't Bureau v. McGraw, 106 F.3d 582, 607 (4th Cir. 1997); Sporck v. Peil, 759 F.2d 312, 316 (3d Cir. 1985). [HN18] The Fifth Circuit has recognized "opinion work product" and noted that "some courts have provided an almost absolute protection for such materials." In re Int'l Sys. and Controls Corp. Sec. Litig., 693 F.2d 1235, 1240 (5th Cir. 1982) (citing In re Murphy, 560 F.2d 326, 336 (8th Cir. 1977); In re Doe, 662 F.2d 1073, 1080 (4th Cir. 1981)). See also Robinson v. Texas Auto. Dealers Ass'n, 214 F.R.D. 432, 441 (E.D. Tex. 2003), *vacated in part on other grounds*, 2003 WL 21911333 (5th Cir. Jul. 25, 2003) ("A court cannot order production of opinion work-product absent a showing of even higher necessity, which is a rare situation if it exists at all."); Conoco Inc. v. Boh Bros. Const. Co., 191 F.R.D. 107, 118 (W.D. La. 1998) ("[O]pinion work [*35] product becomes subject to disclosure when (1) 'mental impressions are at issue in a case and the need for the material is compelling' and (2) pursuant to the crime-fraud exception to discovery.") (internal citations omitted).

[HN19] Examples of opinion work product include notes and memoranda created by an attorney or his agent, regarding witness interviews, because they contain mental impressions. Dunn v. State Farm Fire & Cas. Co., 927 F.2d 869, 875 (5th Cir. 1991); Baker, 209 F.3d at 1054. Investigatory reports that contain summaries of witness interviews are also opinion work product because the reports are "suffused" with the investigator's mental impressions and conclusions. Smith v. Diamond Offshore Drilling, Inc., 168 F.R.D. 582, 585 (S.D. Tex. 1996). Case reserve figures and audit letters are considered opinion work product. Ohio Management, LLC v. James River Ins. Co., 2006 U.S. Dist. LEXIS 47516, 2006 WL 1985962, *2, n.10 (E.D. La. 2006); Southern Scrap Material Co. v. Fleming, 2003 U.S. Dist. LEXIS 10815, 2003 WL 21474516, *9 (E.D. La. June 18, 2003). Additionally, documents, including business records, that were specifically selected and compiled [*36] by a party or its representative in preparation for litigation are opinion work product because the mere acknowledgment of their selection would reveal mental impressions concerning the potential litigation. See Petersen v. Douglas County Bank & Trust Co., 967 F.2d 1186, 1189 (8th Cir. 1992).

In camera review of the Phase I report (Category 3) reveals that it contains information obtained from numerous Baker Botts interviews with i2 officers, directors, and employees. It is also "suffused" with legal conclusions and mental impressions regarding the interviews as

well as legal advice regarding the former officers' allegations. Smith, 168 F.R.D. at 585 (S.D. Tex. 1996).

As for the documents reviewed or relied upon in the preparation of the Report (Category 4) and all of the documents reviewed or prepared by KPMG in connection with the Audit Committee's investigation (Category 6), those documents were specifically selected by Baker Botts or its agent, KPMG, to analyze the allegations and create the Phase I Report. i2 and Baker Botts argue, and the Court agrees, that the production of these documents would reveal the mental impressions of both Baker [*37] Botts and its agent, KPMG. Thus, the Court finds that these documents are protected as opinion work product. See Petersen, 967 F.2d at 1189.

Additionally, request for Category 5 requests all transcripts, interview memoranda or other summaries, and documents used as exhibits in any interview. The breadth of these particular documents seem to be documents that Baker Botts, its agent, its client, or its client's agent specifically selected as part of their strategy in interviewing people during the investigation. Similar to Categories 4 and 6, the selection of these documents involved strategy and mental impressions regarding potential litigation. Thus, the court agrees with i2 and Baker Botts that the documents responsive to Categories 3, 4, 5, and 6 constitute opinion work product and are not discoverable.

3. Substantial need and undue hardship/compelling need

i2 and Baker Botts next assert that because the documents sought are opinion work product, they are not discoverable without a showing of compelling need by Brady. [HN20] If a party meets its burden and proves that the materials sought warrant work product protection, the party seeking discovery must prove [*38] why those materials should still be produced. Ferko, 219 F.R.D. at 396. If the materials are ordinary work product then a court may still compel discovery if the party seeking the materials demonstrates a substantial need for the information and an inability to obtain the substantial equivalent without undue hardship. In re Int'l Systems & Controls Corp. Sec. Litig., 693 F.2d 1235, 1240 (5th Cir. 1982). The Court notes that [HN21] work product immunity only protects the documents and not the underlying facts, thus, if a party can procure the information sought through other avenues, such as depositions, then undue hardship has not been shown. *Id.* A party may demonstrate undue hardship if a witness cannot recall the events in question, or is unavailable for deposition; however, broad unsubstantiated assertions of unavailability or faulty memory are insufficient to show undue hardship. *Id.* Courts may also factor-in unusual expense into their undue hardship analysis. *Id.* As for substantial need,

some cases have found substantial need by emphasizing the importance of the documents themselves. *Id.* at 1241. For example, if material [*39] facts known by the opposite party can only be ascertained through privileged documents, then that may suffice as substantial need of those documents. See *id.*

Alternatively, if the materials sought are opinion work product then a court may compel discovery only if the party seeking the materials demonstrates a compelling need for the information. Varel v. Banc One Capital Partners, Inc., 1997 U.S. Dist. LEXIS 4711, 1997 WL 86457 *5 (N.D. Tex. Feb. 25, 1997); see In re Int'l Systems & Controls Corp. Sec. Litig., 693 F.2d 1235, 1240 (5th Cir. 1982) (implying that discovery of opinion work product requires a higher showing of need than required for an order to produce ordinary work product). As noted above, this heightened burden is nearly an absolute protection of opinion work product. See Robinson v. Texas Auto. Dealers Ass'n, 214 F.R.D. 432, 441 (E.D. Tex. 2003).

Here, Brady failed to argue a compelling need for the documents and only alleged undue hardship and substantial need. Even assuming that the documents sought were merely ordinary work product, which they are not, Brady still failed to prove undue hardship and substantial need. Specifically, Brady [*40] asserts that the witnesses that were relied upon in the Report would likely take the Fifth Amendment and not answer relevant fact questions in a deposition, but that is mere conjecture. [HN22] Undue hardship can be found if witnesses cannot recall the events in question, or are unavailable for deposition, or a showing of unusual expense. Brady has not provided any evidence of the unavailability of witnesses or evidence of deponents asserting their Fifth Amendment rights. Additionally, Brady did not assert any argument regarding unusual expense. As for substantial need, Brady only argues that the discovery sought is of the utmost importance to his case. Nevertheless, the facts and information that Brady seeks are not exclusively available in the documents he seeks. Work product immunity only protects the documents, not the underlying facts. Moreover, Brady is free to discover underlying facts through other avenues of the discovery process, i.e. depositions. Thus, because Brady failed to argue compelling need and alternatively could not make the lesser showing of undue hardship and substantial need, required of ordinary work product, the Court denies Brady's Motion to Compel with respect to [*41] Categories 3, 4, 5 and 6.

4. Waiver of work product immunity

Lastly, Brady argues that i2's disclosure of documents to the government constituted a waiver of work product immunity because the government was either a potential adversary or actual adversary when the docu-

ments were exchanged. [HN23] Waiver of work product protection only results if the work product is disclosed to an adversary or treated in a manner that substantially increases the likelihood that an adversary will come into possession of that material. Ferko, 218 F.R.D. at 136. Even if confidential work product is produced to a potential adversary under a confidentiality agreement, that will not alter the objective fact that confidentiality has voluntarily been breached. Republic of Philippines v. Westinghouse Elec. Corp., 132 F.R.D. 384, 390 (D. N.J. 1990). Under those circumstances, the disclosure is still a waiver of work product immunity. See Chubb Integrated Sys. Ltd. v. Nat'l Bank of Wash., 103 F.R.D. 52, 67-68 (D.C. Cir. 1984). Unlike the attorney-client privilege, the burden of proving waiver of work product immunity falls on the party asserting waiver. [*42] Ferko, 218 F.R.D. at 136. If the party is successful, waiver of work product immunity will be limited to the materials actually disclosed. See Varel, 1997 U.S. Dist. LEXIS 4711, 1997 WL 86457 at *4.

Here, the affidavits show that i2 and Baker Botts were on notice that the SEC had begun an informal investigation that later developed into a formal investigation by March 26, 2003. Yet i2 and Baker Botts still disclosed privileged information and documents to government investigators, albeit under a confidentiality agreement. Nevertheless, this disclosure under a confidentiality agreement constituted a waiver of work product immunity, but waiver is limited to the documents actually disclosed. See Chubb, 103 F.R.D. at 67-68. Thus, Brady has met his burden to demonstrate that work product immunity was waived as to all documents produced by i2 and Baker Botts to the government. As noted above, these documents were subject to Category 1 and have already been produced.

Brady argues that the waiver of work product immunity as to the documents disclosed to the SEC warrants full subject matter waiver of all documents pertaining to the investigation. [HN24] Subject matter waiver [*43] of work product immunity occurs when

... it would be inconsistent with the purposes of the work product privilege to limit the waiver to the actual documents disclosed, . . . [for example] when the facts relevant to a narrow issue are in dispute and have been disclosed in such a way that it would be unfair to deny the other party access to other facts relevant to the same subject matter.

1997 U.S. Dist. LEXIS 4711 at 8, [WL] at *3 (citing U.S. v. Nobles, 422 U.S. 225, 228, 95 S. Ct. 2160, 45 L. Ed. 2d 141 (1975); In re United Mine Workers, 159 F.R.D. 307, 310-12 (D.D.C. 1992)).

Here, "the facts relevant to a narrow issue" are not in dispute in this case. Additionally, it would not be unfair to limit the waiver to the actual documents disclosed because Brady is not being denied full access to the facts of the investigation. In fact, this Court has already stated that work product immunity protects documents not underlying facts. Brady still has the opportunity to use proper discovery tactics, such as depositions, to ascertain the underlying facts pertaining to both Phase I and Phase II of the investigation. Thus, the disclosure of work product to the SEC does not amount to full subject matter [*44] waiver.

E. Return of Phase I Report

Noting that Brady's counsel retains a copy of the Phase I Report despite earlier representations that all copies had been returned to Baker Botts or destroyed, i2 and Baker Botts request the Court order Brady to return all remaining copies of the Report (except for the KPMG portion that was produced by Deloitte & Touche to the SEC, D&T 42608-42619). (Mot. for Protection at 1.)

[HN25] "A court's authority to control discovery pursuant to [FED. R. CIV. P.] 26 is limited to formal discovery." Lahr v. Fulbright & Jaworski, L.L.P., 1996 U.S. Dist. LEXIS 20133, at *7 (July 10, 1996) (Fitzwater, J.). However, "the court's power to remedy unfair litigation practices and preserve judicial integrity is broader in scope." *Id.* "Federal courts have authority to remedy litigation practices that threaten judicial integrity and the adversary processes." In re Shell Oil Refinery, 143 F.R.D. 105, 108 (E.D. La. 1992) amended 144 F.R.D. 73 (1992). Such inherent authority includes the ability to "exclude 'proprietary' documents obtained unfairly and outside the [*45] context of formal discovery." n1 Lahr, 1996 U.S. Dist. LEXIS 20133, at *5-6 (citing Shell Oil, 143 F.R.D. at 108).

n1 The majority of the cases which deal with evidence obtained outside of the discovery process consider whether to admit or exclude such evidence at trial. In this case, the only issue before the Court is whether Brady may maintain possession of and use the Phase I Report, which was obtained outside of the formal discovery process and retained after attorney-client privilege and the work product doctrine had been asserted. Nevertheless, the foregoing cases are instructive.

[HN26] An attorney who receives on an unauthorized basis materials of an adverse party should, upon recognizing the privileged or confidential nature of the materials: (1) either refrain from reviewing such materials or review them only to the extent required to determine how appropriately to proceed; (2) notify the adverse party's attorney that he or she has such materials; and (3) either follow instructions [*46] of the adversary's attorney with respect to the disposition of the materials, or refrain from using the materials until a definitive resolution of the proper disposition of the materials is obtained from a court. ABA Comm. on Ethics and Professional Responsibility, Formal Op. 94-382 (1994).

Brady's sole response to the demand to return the Phase I Report is that he contends the Report is not privileged or that the privilege was waived. (Resp. to Mot. for Protection at 6.) That contention has been adequately addressed above and Brady's arguments are not persuasive. The Phase I Report is privileged work product and the privilege has not been waived. The Court is more concerned about the ethical implications of an attorney failing to alert opposing counsel of his continued possession of a document which had purportedly been destroyed. Brady's counsel is strongly cautioned that such conduct is inadvisable and reminded that, in the future, the late discovery of privileged documents should be immediately reported to opposing counsel. If the existence of privilege is contested, the issue should be promptly brought to the court for determination. For the foregoing reasons, the motion for [*47] protection is granted and Brady is to return all copies of the Phase I Report (except for the KPMG portion that was produced by Deloitte & Touche to the SEC, D&T 42608-42619) in his possession or in the possession of counsel.

III. CONCLUSION

For the foregoing reasons, *Defendant Gregory A. Brady's Motion to Compel the Production of Documents*

of the Audit Committee of i2 Technologies, Inc. and Baker Botts L.L.P., Request for In Camera Review, and Supporting Brief, filed May 26, 2006 is **DENIED**.

The *Motion of the i2 Audit Committee and Baker Botts for Protection and Return of Privileged Materials and Brief in Support*, filed May 31, 2006, is **GRANTED**. Within two weeks of the date of this order, Brady's counsel shall return all copies of the Phase I Report in the possession of counsel or Brady (except for the KPMG portion that was produced by Deloitte & Touche to the SEC, D&T 42608-42619). In addition, Brady's counsel shall certify to the Court, **no later than 5:00 p.m. on October 30, 2006**, that (1) a diligent, good faith effort has been made to identify all persons involved in Brady's representation who have had access to the Phase I Report, either in [*48] original, duplicate, or summary form; (2) all such persons have been made aware of this Court's order; (3) all copies of the Phase I Report have been delivered to opposing counsel; and (4) any documents making reference to the privileged contents of the Phase I Report have been destroyed. This Order shall not be interpreted to require the return or destruction of the copy of the KPMG portion of the "Phase I Report" that was produced by Deloitte & Touche to the SEC (document number D&T 42608-42619) or any work product related to that document prepared by Brady or anyone acting on his behalf (including Brady's counsel, consultants, and expert witnesses).

Defendant Gregory A. Brady's Motion for Leave to File a Supplemental Brief and Appendix in Support of Motion to Compel the Production of Documents of the Audit Committee of i2 Technologies, Inc. and Baker Botts L.L.P., filed July 25, 2006, is **GRANTED**.

SO ORDERED, on this 16th day of October, 2006.

IRMA CARRILLO RAMIREZ

UNITED STATES MAGISTRATE JUDGE

TAB 9

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Not Reported in F.Supp.2d, 2001 WL 1397876 (N.D.Ill.)
(Cite as: Not Reported in F.Supp.2d)

Page 1

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Briefs and Other Related Documents

SmithKline Beecham Corp. v. Pentech Pharmaceuticals, Inc. N.D.Ill., 2001. Only the Westlaw citation is currently available.

United States District Court, N.D. Illinois, Eastern Division.

SMITHKLINE BEECHAM CORPORATION and BEECHAM GROUP, p.l.c., Plaintiffs,

v.

PENTECH PHARMACEUTICALS, INC. and ASAHI GLASS CO., LTD. Defendants.

No. 00 C 2855.

Nov. 6, 2001.

MEMORANDUM OPINION AND ORDER

NOLAN, Magistrate J.

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

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

DISCUSSION

I. Attorney-Client Privilege

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

Circuit applies. The Seventh Circuit test to determine attorney-client privilege is: (1) Where legal advice of any kind is sought (2) from a professional legal advisor in his capacity as such, (3) the communications relating to that purpose, (4) made in confidence (5) by the client, (6) are at his instance permanently protected from disclosure by himself or by the legal advisor, (8) except the protection may be waived. United States v. Evans, 113 F.3d 1457, 1461 (7th Cir.1997).

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

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

*2 In this case, Pentech claims the following documents are protected from disclosure by the attorney-client privilege: ^{EN1} PN11-14, 16-24; IO(P)6; and OR(P)2-4. ^{EN2} Asahi claims the privilege applies to all of its withheld documents, AS1-11.

Not Reported in F.Supp.2d

Page 2

Not Reported in F.Supp.2d, 2001 WL 1397876 (N.D.Ill.)
(Cite as: Not Reported in F.Supp.2d)

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

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

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

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

II. Work Product Doctrine

The work product doctrine is distinct from, and broader than, the attorney-client privilege. Blanchard, 192 F.R.D. at 237; Allendale Mut. Ins. Co. v. Bull Data Sys., Inc., 145 F.R.D. 84, 86 (N.D.Ill.1992). The work product doctrine protects "documents and tangible things ... prepared in anticipation of litigation or for trial by or for another party or by or for that other party's representative (including the other party's attorney, consultant, surety, indemnitor, insurer, or agent)." Fed.R.Civ.P. 26(b)(3).

The threshold determination of work product generally is "whether, in light of the nature of the document and the factual situation in the particular case, the document can fairly be said to have been prepared for or obtained because of the prospect of litigation." North Shore Gas Co. v. Elgin, Joliet &

Eastern Ry. Co., 164 F.R.D. 59, 61 (N.D.Ill.1995) (quoting Binks Mfg. Co. v. National Presto Indus., Inc., 709 F.2d 1109, 1119 (7th Cir.1983)) (emphasis added); Allendale, 145 F.R.D. at 86. Therefore, documents that were prepared for other reasons, such as documents created in the ordinary course of business, cannot be withheld as work product. See Allendale, 145 F.R.D. at 87 (holding that documents prepared in the ordinary course of business are not work product even if litigation is imminent or ongoing); see also In re General Instrument Corp., 190 F.R.D. 527, 530 (N.D.Ill.2000) ("[A] document prepared for both legal and non-legal review is not privileged."); IBJ Whitehall, 1999 WL 617842, at *4 (quoting Loctite Corp. v. Fel-Pro, Inc., 667 F.2d 577, 582 (7th Cir.1981)) (holding that only documents " 'primarily concerned with legal assistance' " are cloaked with immunity).

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

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

An opponent may discover a party's work product "only upon a showing that the party seeking discovery has substantial need of the materials in the preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means." Fed.R.Civ.P. 26(b)(3). Furthermore, if the work product involves "the mental impressions, conclusions, opinions, or legal theories of an attorney

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

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

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

III. Findings

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

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

Documents PN1-10, 15, 17, 20-23, 25-27, 29-31 ^{FN4},

IO(P)2-5, 7-26, 28-38, 40-42:

^{FN4}. Document PN31 (and one page of Document PN29) were not included in the materials submitted to the Court. The Court's decision is based on its review of similar documents and of the descriptions included in Pentech's privilege log.

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

Document PN11:

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

Document PN12:

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

Document PN13:

The letter is a communication from the client to his

Not Reported in F.Supp.2d
Not Reported in F.Supp.2d, 2001 WL 1397876 (N.D.Ill.)
(Cite as: Not Reported in F.Supp.2d)

Page 4

attorney for the purpose of legal advice and may be withheld as privileged.

Documents PN14, 16:

The communications are from attorney to client, not client to attorney, and are merely transmissions of technical information, not legal advice. Therefore, the documents are not privileged and should be produced. See McCook, 192 F.R.D. at 252.

Document PN18:

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

Document PN19:

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

Document PN24:

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

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

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

experiments and analyses created or performed by Pentech, its attorneys, and/or its consultants after the ANDA was filed, are subject to work product immunity and may be withheld.

Document OR(P)1:

*5 The document may be withheld as work product because it reveals an attorney's litigation strategy. The work product immunity was not waived by disclosing the information to a third party, because disclosure to Oread did not increase the opportunity for potential adversaries to obtain the information and was not inconsistent with the maintenance of secrecy. The nature of the document, coupled with the parties' relationship, indicate that Pentech intended to maintain the confidentiality of the document. Moreover, while not dispositive, Pentech's claim that the parties had executed a confidentiality agreement "militates against a finding of a waiver [of work product immunity]." Blanchard, 192 F.R.D. at 237.

Document OR(P)2:

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

Documents OR(P)3-4:

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

Documents ASI-5:

These documents are apparently communications between Asahi Tokyo and its Japan-based attorneys at Morrison & Foerster LLP. If the documents are privileged under Japanese law, "comity requires us to apply that country's law to the documents at issue." McCook, 192 F.R.D. at 256. The defendants have the burden to establish that under Japanese law, the communications contained in Documents ASI-5 are protected by the attorney-client privilege. See *id.* at 256-58. Pentech's Memorandum in Opposition to Plaintiffs' Motion to Compel provides no support for

Not Reported in F.Supp.2d
Not Reported in F.Supp.2d, 2001 WL 1397876 (N.D.Ill.)
(Cite as: Not Reported in F.Supp.2d)

Page 5

the argument that these documents are privileged under the applicable law of Japan. Pentech must submit to the Court proof that the documents are privileged, through case law and/or an affidavit of an attorney familiar with Japanese law regarding attorney-client privilege, stating the relevant law and applying it to the communications at issue. If Pentech cannot meet its burden of proving the documents are privileged within 21 days, they must be produced.

Additionally, several pages from these documents and others withheld by Asahi are wholly or partly in Japanese. Because the Court cannot review the contents of the documents, Pentech has not met its burden of showing the attorney-client privilege applies to these pages. Unless Pentech provides the Court with English translations of the Japanese portions of the documents within 21 days, those pages must be produced. The pages include: AS1; AS2 (page number AGC6040); AS3 (pages 1 and 3-5 of the document; the Japanese language pages are not numbered); AS4; and AS5 (AGC6044).

Document AS6:

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

Document AS7:

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

Document AS8:

Page AGC6067 is in Japanese and must be produced if Pentech does not provide the Court with an English translation. Pages AGC6068-69 are privileged communications with an American attorney regarding patent issues and therefore may be withheld. Pages AGC6070-84 are documents prepared for submission to the United States Patent & Trademark Office. Because there is no expectation of

confidentiality in these documents, they are not privileged and must be produced. See *McCook*, 192 F.R.D. at 252.

Documents AS9-10:

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

Document AS11:

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

CONCLUSION

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

N.D.Ill.,2001.

SmithKline Beecham Corp. v. Pentech Pharmaceuticals, Inc.

Not Reported in F.Supp.2d, 2001 WL 1397876 (N.D.Ill.)

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- [2006 WL 740098](#) (Trial Motion, Memorandum and Affidavit) SKB's Memorandum Regarding Apotex'S Motion to Intervene to Modify Protective Order (Feb. 3, 2006) Original Image of this Document with Appendix (PDF)
- [2003 WL 23417029](#) (Trial Motion, Memorandum and Affidavit) Motion to Dismiss Pending Counterclaims (Jul. 22, 2003) Original Image of this Document (PDF)
- [2003 WL 23417018](#) (Trial Motion, Memorandum and Affidavit) Asahi Glass Company's Memorandum in Opposition to Plaintiffs' Motion to Dismiss All Claims and Counterclaims, and These Actions, Between SB and AGC (May 30, 2003) Original

Not Reported in F.Supp.2d

Page 6

Not Reported in F.Supp.2d, 2001 WL 1397876 (N.D.Ill.)

(Cite as: Not Reported in F.Supp.2d)

Image of this Document (PDF)

- [2003 WL 23831790](#) (Trial Motion, Memorandum and Affidavit) Asahi Glass Company's Memorandum in Opposition to Plaintiffs' Motion to Dismiss all Claims and Counterclaims, and These Actions, Between SB and AGC (May 30, 2003) Original Image of this Document (PDF)
- [2003 WL 23417350](#) (Trial Motion, Memorandum and Affidavit) Motion to Dismiss All Claims and Counterclaims, and These Civil Actions, Between SB and Asahi (May 19, 2003) Original Image of this Document (PDF)
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- [2003 WL 23417345](#) (Trial Motion, Memorandum and Affidavit) AGC's Memorandum in Opposition to the Motion by the Frommer Law Firm to Withdraw from its Representation of AGC (Apr. 29, 2003) Original Image of this Document with Appendix (PDF)
- [2003 WL 23417339](#) (Trial Motion, Memorandum and Affidavit) Motion for Temporary Protective Order to Seal Settlement Agreements Submitted for in Camera Review (Apr. 23, 2003) Original Image of this Document (PDF)
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- [2003 WL 23831789](#) (Trial Motion, Memorandum and Affidavit) Response by Defendant and Counterclaim Plaintiff Asahi Glass Co., Ltd., to Questions Raised by Court on April 17, 2003, Regarding Motion to Dismiss (Apr. 2003) Original Image of this Document (PDF)
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- [2002 WL 32450815](#) (Trial Motion, Memorandum and Affidavit) Defendants' Submission of Non-Confidential Version of Defendants' Motion to

Amend the Answer and Counterclaim (Dec. 13, 2002) Original Image of this Document with Appendix (PDF)

- [2002 WL 32450809](#) (Trial Motion, Memorandum and Affidavit) Defendants' Motion for Leave to File Oversize Brief (Dec. 10, 2002) Original Image of this Document (PDF)
- [2002 WL 32450805](#) (Trial Motion, Memorandum and Affidavit) Defendants' Motion to Reopen Limited Fact Discovery (Dec. 6, 2002) Original Image of this Document (PDF)
- [2002 WL 32450798](#) (Trial Motion, Memorandum and Affidavit) Plaintiffs' Memorandum in Support of Their Motion to Compel Rule 34 Inspections of Sampling of Paroxetine Materials (Dec. 3, 2002) Original Image of this Document with Appendix (PDF)
- [2002 WL 32692922](#) (Trial Motion, Memorandum and Affidavit) Plaintiffs' Memorandum in Support of their Motion to Compel Rule 34 Inspections of Sampling of Paroxetine Materials (Dec. 3, 2002) Original Image of this Document with Appendix (PDF)
- [2002 WL 32692926](#) (Trial Motion, Memorandum and Affidavit) Plaintiffs' Reply in Support of Their Motion to Compel Rule 34 Inspections of Sampling of Paroxetine Materials (Dec. 3, 2002) Original Image of this Document with Appendix (PDF)
- [2002 WL 32450824](#) (Trial Motion, Memorandum and Affidavit) Plaintiffs' Motion to Extend Stay on FDA Approval of Pentech's ANDA, Because the Defendants Breached Their Duty to Reasonably Cooperate in Expediting the Litigation (Nov. 18, 2002) Original Image of this Document (PDF)
- [2002 WL 32450793](#) (Trial Motion, Memorandum and Affidavit) Motion for Leave to File Additional Appearances of Counsel (Nov. 4, 2002) Original Image of this Document (PDF)
- [2002 WL 32450737](#) (Trial Motion, Memorandum and Affidavit) Plaintiffs' Memorandum in Support of Their Motion to Compel Production of an Unsolicited Document (Jun. 28, 2002) Original Image of this Document with Appendix (PDF)
- [2002 WL 32450744](#) (Trial Motion, Memorandum and Affidavit) Pentech Pharmaceuticals, Inc.'s Memorandum in Opposition to Plaintiffs' Motion to Compel Production of an Unsolicited Document (Jun. 28, 2002) Original Image of this Document with Appendix (PDF)
- [2002 WL 32450750](#) (Trial Motion, Memorandum and Affidavit) Pentech Pharmaceuticals, Inc.'s "Omnibus" Memorandum in Opposition to Plaintiffs' Motion to Compel Defendant to Provide Discovery About its R&D and in Support of Defendant's Motion for A Protective Order Under

Rule 26(c)(4) (Jun. 28, 2002) Original Image of this Document with Appendix (PDF)

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- [2002 WL 32450761](#) (Trial Motion, Memorandum and Affidavit) Defendants Memorandum In Support of Their Motion for Summary Judgment Under Fed. R. Civ. P. 56(c) (Jun. 28, 2002) Original Image of this Document (PDF)
- [2002 WL 32450767](#) (Trial Motion, Memorandum and Affidavit) Defendants' Reply Memorandum in Support of Their Motion for Summary Judgment Under Fed. R. Civ. P. 56(c) (Jun. 28, 2002) Original Image of this Document (PDF)
- [2002 WL 32450772](#) (Trial Motion, Memorandum and Affidavit) Defendants' Memorandum in Support of Their Opposition to Plaintiffs' Motion to Modify the January 11, 2001 Order (Jun. 28, 2002) Original Image of this Document with Appendix (PDF)
- [2002 WL 32450775](#) (Trial Motion, Memorandum and Affidavit) Plaintiffs' Motion for Leave to Amend Their Complaint to Deem Case Exceptional and Recover Attorney Fees (Jun. 28, 2002) Original Image of this Document with Appendix (PDF)
- [2002 WL 32450781](#) (Trial Motion, Memorandum and Affidavit) Pentech's Memorandum in Opposition to Smithkline's ""Motion to Compel Pentech's Production of X-Ray Testing and Samples of 30 mg Dosage Capsules Made with the Same Formulation as Pentech's Anda Capsules" (Jun. 28, 2002) Original Image of this Document with Appendix (PDF)
- [2002 WL 32450787](#) (Trial Motion, Memorandum and Affidavit) Pentech's Memorandum in Reply to SB's Opposition to Pentech's ""Motion to Compel Plaintiffs to Produce the Documents and/or Things Sought by Pentech's Request No. 247" (Jun. 28, 2002) Original Image of this Document with Appendix (PDF)
- [2002 WL 32692876](#) (Trial Motion, Memorandum and Affidavit) Plaintiffs' Memorandum in Support of Their Motion to Compel Production of an Unsolicited Document (Jun. 28, 2002) Original Image of this Document with Appendix (PDF)
- [2002 WL 32692884](#) (Trial Motion, Memorandum and Affidavit) Pentech Pharmaceuticals, Inc.'s ""Omnibus" Memorandum in Opposition to Plaintiffs' Motion to Compel Defendant to Provide Discovery About its R&D and in Support of Defendant's Motion for a Protective Order Under Rule 26(c)(4) (Jun. 28, 2002) Original Image of this

Document with Appendix (PDF)

- [2002 WL 32692886](#) (Trial Motion, Memorandum and Affidavit) Pentech Pharmaceutical Inc.'s Memorandum in Opposition to Plaintiffs' Motion to Compel Production of Documents from Third Parties that Defendant Pentech is Blocking on Relevance Grounds (Jun. 28, 2002) Original Image of this Document with Appendix (PDF)
- [2002 WL 32692890](#) (Trial Motion, Memorandum and Affidavit) Defendants' Memorandum in Support of their Motion for Summary Judgment Under Fed. R. Civ. P. 56(c) (Jun. 28, 2002) Original Image of this Document (PDF)
- [2002 WL 32692892](#) (Trial Motion, Memorandum and Affidavit) Defendants' Reply Memorandum in Support of their Motion for Summary Judgment Under Fed. R. Civ. P. 56(c) (Jun. 28, 2002) Original Image of this Document with Appendix (PDF)
- [2002 WL 32692896](#) (Trial Motion, Memorandum and Affidavit) Defendants' Memorandum in Support of their Opposition to Plaintiffs' Motion to Modify the January 11, 2001 Order (Jun. 28, 2002) Original Image of this Document with Appendix (PDF)
- [2002 WL 32692905](#) (Trial Motion, Memorandum and Affidavit) Memorandum in Support of ""Pentech's Motion to Compel Plaintiffs to Produce the Documents and/or Things Sought by Pentech's Request No. 247" (Jun. 28, 2002) Original Image of this Document (PDF)
- [2002 WL 32692912](#) (Trial Motion, Memorandum and Affidavit) Pentech's Memorandum in Opposition to Smithkline's ""Motion to Compel Pentech's Production of X-Ray Testing and Samples of 30 MG Dosage Capsules Made with the same Formulation as Pentech's Anda Capsules" (Jun. 28, 2002) Original Image of this Document (PDF)
- [2002 WL 32692918](#) (Trial Motion, Memorandum and Affidavit) Pentech's Memorandum in Reply to SB's Opposition to Pentech's ""Motion to Compel Plaintiffs to Produce the Documents and/or Things Sought by Pentech's Request No. 247" (Jun. 28, 2002) Original Image of this Document with Appendix (PDF)
- [2002 WL 32692870](#) (Trial Motion, Memorandum and Affidavit) Plaintiffs' Reply to Defendants' Opposition to Plaintiffs' Motion for a Protective Order for Deposition of Plaintiffs' In-House Counsel, Charles M. Kinzig, Esq. (Jun. 23, 2002) Original Image of this Document with Appendix (PDF)
- [2002 WL 32450730](#) (Trial Motion, Memorandum and Affidavit) Plaintiffs' Motion to Close Fact Discovery and Defer Expert Discovery Pending an Election by Pentech (Jun. 4, 2002) Original Image of this Document (PDF)
- [2002 WL 32692880](#) (Trial Motion, Memorandum

and Affidavit) Pentech Pharmaceuticals, Inc.'s Memorandum in Opposition to Plaintiffs' Motion to Compel Production of an Unsolicited Document (Jun. 2002) Original Image of this Document with Appendix (PDF)

• [2002 WL 32450723](#) (Trial Motion, Memorandum and Affidavit) Plaintiffs' Motion for A Protective Order for Deposition of Plaintiffs' In-House Counsel, Charles M. Kinzig, Esq. (May 31, 2002) Original Image of this Document (PDF)

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• [2002 WL 32692864](#) (Trial Motion, Memorandum and Affidavit) Pentech's Memorandum in Opposition to Smithkline's "Motion to Compel Pentech's Production of X-Ray Testing and Samples of 30 Mg Dosage Capsules Made with the Same Formulation as Pentech's Anda Capsules" (May 13, 2002) Original Image of this Document with Appendix (PDF)

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• [2002 WL 32450708](#) (Trial Motion, Memorandum and Affidavit) Notice of Defendant Asahi Glass Company, Ltd.'s Motion to Submit an Oversized Memorandum in Opposition to Plaintiffs' Motion for Leave to Amend Their Complaint to Deem Case Exceptional and Recover Attorney Fees (May 10, 2002) Original Image of this Document (PDF)

• [2002 WL 32450691](#) (Trial Motion, Memorandum and Affidavit) Plaintiffs' Motion for Leave to Amend Their Complaint to Deem Case Exceptional and Recover Attorney Fees (Mar. 29, 2002) Original Image of this Document (PDF)

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• [2001 WL 34483670](#) (Trial Motion, Memorandum and Affidavit) Plaintiffs' Motion to Compel Production of Additional Communications for Which Defendant Asahi Asserts Attorney-Client Privilege or Work Product Immunity (Nov. 29, 2001) Original Image of this Document (PDF)

• [2000 WL 34304588](#) (Trial Pleading) Complaint (May 11, 2000) Original Image of this Document with Appendix (PDF)

• [2000 WL 34442519](#) (Trial Pleading) Complaint (May 11, 2000) Original Image of this Document with Appendix (PDF)

• [1:00CV02855](#) (Docket) (May. 11, 2000)

END OF DOCUMENT

TAB 10

LEXSEE

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

CASE SUMMARY:

PROCEDURAL POSTURE: Defendant doctor filed a motion to compel the production of documents and disclosure of information that was withheld, on the basis of the attorney-client privilege and work product doctrine, by plaintiff company. Doctor contended that company placed the information that was sought "at issue" and therefore waived any privilege.

OVERVIEW: Company brought an action under the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C.S. § 1962(c)-(d), et seq., alleging that defendants, including doctor, implemented a scheme to defraud it through the filing of fraudulent hearing loss claims with the state Workmen's Compensation Board. Doctor contended that because company was required to show that it reasonably relief on defendants' purported misrepresentations, the withheld information was directly relevant and critical to his defense. The court agreed, at least in part. The court held that company's claims directly and significantly implicated the knowledge of its claims adjuster and that there was no legitimate basis to withhold file notes written by him or memoranda of hearing that were not sent to company, but merely placed in the relevant claims files. However, the memoranda and correspondence from the attorneys and the claims adjuster to company's representatives were properly withheld because the communications between company and its attorneys were protected work product and privileged communication; and, other sources of information were available for doctor to learn how the claims were settled.

OUTCOME: The court granted doctor's motion to compel information reflecting on the knowledge of company's claims adjuster because company placed such information "at issue." However, the communications between company and its attorneys was protected infor-

mation that was not placed "at issue" and could be discovered by other means.

CORE TERMS: attorney-client, work product, hearing loss, conversation, settling, waived, disclosure, settlement, withheld, privileged, deposition, claimant, settle, privileged communications, discovery, waive, work product doctrine, handling, oral argument, purported, impressions, legal advice, preparation, undertook, staff, required to disclose, disclose, disclosing, exposure, noise

LexisNexis(R) Headnotes

Civil Procedure > Discovery > Methods > General Overview

Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers

[HN1] The work product doctrine, which is embodied in Fed. R. Civ. P. 26(b)(3), 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. It does not protect from disclosure underlying facts known to an attorney or party, even if acquired in preparation for litigation. 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.

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

[HN2] Work product developed in one case retains its protection in other litigation, particularly where the cases are closely related.

Civil Procedure > Discovery > Methods > General Overview

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

[HN3] Work product 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, that is, 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. 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.

Evidence > Privileges > Attorney-Client Privilege > Scope

[HN4] The attorney-client privilege affords confidentiality to communications among clients, their attorneys, 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. 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. The burden of breaching the privilege is thus particularly high. 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.

Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers

Evidence > Privileges > Attorney-Client Privilege > Waiver

Evidence > Privileges > Government Privileges > Waiver

[HN5] 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. In con-

trast, where the attorney's work product is in issue, the attorney may waive protection of the material.

Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers

Evidence > Privileges > Attorney-Client Privilege > Waiver

Evidence > Privileges > Government Privileges > Waiver

[HN6] 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 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.

Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers

Evidence > Privileges > Attorney-Client Privilege > Waiver

Evidence > Privileges > Government Privileges > Waiver

[HN7] Privileges may 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. 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 non-prejudicial to an adversary, there may be no waiver or only a narrow one.

Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers

Criminal Law & Procedure > Counsel > General Overview

Evidence > Privileges > Attorney-Client Privilege > Waiver

[HN8] 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. 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.

Constitutional Law > Bill of Rights > Fundamental Rights > Criminal Process > Assistance of Counsel Evidence > Privileges > Attorney-Client Privilege > Elements

Evidence > Privileges > Attorney-Client Privilege > Waiver

[HN9] The waiver test applied by the Second Circuit to determine whether there has been an implied or "at issue" waiver 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.

Evidence > Privileges > Government Privileges > Waiver

[HN10] 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.

Civil Procedure > Counsel > General Overview Civil Procedure > Discovery > Privileged Matters > Work Product > Waivers

Evidence > Privileges > Attorney-Client Privilege > Waiver

[HN11] 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 Fed. R. Civ. P. 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 becomes moot.

Evidence > Privileges > Attorney-Client Privilege > Waiver

Evidence > Privileges > Government Privileges > Waiver

[HN12] Defendants cannot justify breaching plaintiffs' privileges based on defenses they choose to assert.

Evidence > Privileges > Attorney-Client Privilege > General Overview

Torts > Business Torts > Fraud & Misrepresentation > General Overview

[HN13] What was said between client and counsel may be useful for an adversary to know, but may not be particularly relevant, no less essential, 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.

Civil Procedure > Discovery > Privileged Matters > General Overview

Evidence > Privileges > Attorney-Client Privilege > Waiver

Torts > Business Torts > Fraud & Misrepresentation > General Overview

[HN14] The client in a fraud or similar action, may be required to disclose its thoughts 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.

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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 employed 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. Purciogliotti; (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 dis-

pute 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 Purciogliotti 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. [HN1] 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 Amer-

ica, 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). [HN2] 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).

[HN3] 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).

[HN4] 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.

[HN5] 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). [HN6] 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.

[HN7] 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 non-prejudicial 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. [HN8] 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 constitutional rights, and that the need for this information out-

weighed the policy behind the attorney-client privilege. [HN9] 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:

[HN10] 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. [HN11] 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 -- [HN12] 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).

[HN13] 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, [HN14] 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. Purciogliotti; 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 misled 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'

conduct.'")(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 adjuster 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 misled 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 adjuster 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 11

Westlaw

Not Reported in F.Supp.2d
Not Reported in F.Supp.2d, 2000 WL 1898518 (N.D.Ill.)
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Page 1

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Briefs and Other Related Documents

Trustmark Ins. Co. v. General & Cologne Life Re of America N.D.Ill., 2000. Only the Westlaw citation is currently available.

United States District Court, N.D. Illinois, Eastern Division.

TRUSTMARK INSURANCE COMPANY.,
Plaintiff,

v.

GENERAL & COLOGNE LIFE RE OF AMERICA,
Formerly known as Cologne Life Reinsurance
Company Defendant.
No. 00 C 1926.

Dec. 20, 2000.

MEMORANDUM OPINION AND ORDER

KEYS.

*1 Before the Court is Defendant General Cologne Life Re of America's ("Cologne") Motion to Compel Production of Documents By Plaintiff Trustmark Insurance Company ("Trustmark"). Trustmark claims that the documents at issue in this case are protected by the attorney-client privilege and/or the work product doctrine. Cologne, conversely, maintains that Trustmark's Privilege Log, describing the documents at issue in this case, is vague, and otherwise insufficient to justify the alleged privileged nature of the documents. Cologne further argues that any privilege that does exist has been waived. The documents at issue in this case have been submitted to the Court for an *in camera* review. For the reasons set forth below, the Court grants in part and denies in part Defendant Cologne's Motion to Compel Production of Documents.

BACKGROUND

The underlying dispute between Trustmark and Cologne concerns whether there was a "joint venture" between the parties in which they were to acquire a block of Individual Disability Income policies ("the IDI block" or "Hartford block") from Hartford Life Insurance Company and Hartford Life and Accident Insurance Company (collectively "Hartford Life"). Trustmark's Complaint, which was removed to the Northern District of Illinois on March 30, 2000, alleges that, on October 28, 1998,

Trustmark entered into a "binding letter of intent" with Hartford Life to purchase the IDI block, and that Cologne, as a joint venturer, was to bear 50% of Trustmark's risk arising out of the IDI block, or alternatively, that Cologne was contractually obligated to reinsure 50% of Trustmark's risks on those insurance policies.^{FN1}

^{FN1.} While there was no written joint venture agreement or reinsurance contract between Trustmark and Cologne, Trustmark bases its Complaint on allegations of oral contracts and promissory estoppel.

However, on September 3, 1999, Cologne advised Trustmark, by letter, that it did not want to participate in the proposed transaction with Hartford Life, and ultimately, decided not to go forward with the transaction.^{FN2} Nonetheless, in December 1999, Trustmark entered into an agreement with Hartford Life. Trustmark maintains that, after September 3, 1999, when it received what it deemed a repudiation of Cologne's agreement to participate in the joint venture, it organized a group of employees (including two in-house attorneys), and one independent contractor, to form a "control group" to deal with the anticipated litigation over Cologne's September 3, 1999 refusal to participate in the joint venture.^{FN3}

^{FN2.} Specifically, the September 3, 1999 letter stated, in relevant part: "We [Cologne] know you [Trustmark] have attempted for many months to resolve outstanding issues on this reinsurance deal, principally the question of whether previously existing reinsurance on the block would continue, and problems with the data that had been provided prior to the letter of intent. Having waited many months for finalization of the agreements, and with no clear progress to resolve those issues, the conditions of the letter of intent are not met and we are forced to conclude that no agreement is in effect." (See Plaintiff's Memorandum in Response to Defendant's Motion to Compel ["Pl's Memo"], Ex. 2 of Ex. A.)

^{FN3.} Whether each member of Trustmark's supposed "control group" is truly a member

Not Reported in F.Supp.2d

Page 2

Not Reported in F.Supp.2d, 2000 WL 1898518 (N.D.Ill.)

(Cite as: Not Reported in F.Supp.2d)

of the "control group," as understood in Illinois, is one of the issues before the Court. As explained *supra*, the Court finds that two Trustmark employees were not properly part of Trustmark's "control group."

During the ensuing litigation, Trustmark has withheld a series of memos and notes regarding seven meetings occurring on September 7, October 4, 11, 18 and 25, and November 1, 22 and 29, 1999. Trustmark maintains that these documents are protected by attorney-client privileged communications and/or the work product doctrine, as they were all created after Cologne's September 3rd repudiation of the joint venture. Cologne contends that Trustmark's Privilege Log does not specify who attended these meetings or the specific subject matter discussed. Furthermore, Cologne believes that these meetings were either between Hartford Life and Trustmark employees regarding their renegotiation of their proposed agreement, or meetings among Trustmark employees about the Hartford Life negotiation, and consequently, did not concern anticipated litigation with Cologne and/or legal advice. Hence, according to Cologne, these documents are not privileged, and even if they were, the privilege has been waived because (1) Trustmark showed the documents to employees outside the "control group"; and (2) Trustmark has waived any privilege concerning documents relating to its contractual relationship with Hartford Life by injecting that issue into the case.^{FN4}

^{FN4}. As explained *supra*, this argument is based on the "at issue" waiver of privileged communications.

DISCUSSION

*2 The matter immediately before the Court involves the applicability of the work product doctrine and attorney-client privilege to Document Nos. 1,3,4,5,6,7,8,11,12,13,14,15, and 19 on Trustmark's Privilege Log.^{FN5} "Because the attorney-client privilege and work-product doctrine obscure the search for truth, both should be confined to their narrowest possible limits to minimize the impact upon the discovery process."^{FN6} Ziemack v. Centel Corp., No. 92 C 3551, 1995 WL 314526, at * 2 (N.D.Ill. May 19, 1995) (citations omitted).

^{FN5}. In Cologne's Motion to Compel, it asked for Document Nos. 2,9,10 and 16 on

Trustmark's Privilege Log, as well as the documents listed above. However, Trustmark provided Document Nos. 2,9,10 and 16 to Cologne sometime before its Response to Cologne's Motion to Compel. Therefore, Document Nos. 2,9,10, and 16 are no longer at issue in this case, and the Court will not address Cologne's arguments with respect to their production.

^{FN6}. Trustmark contends that the attorney-client privilege applies to all documents at issue in this case, and that the work product doctrine applies to all document nos. except Document No. 6 (where the attorney-client privilege only applies.)

A. Attorney-Client Privilege^{FN7}

^{FN7}. In diversity cases, such as the case *sub judice*, Illinois law determines the applicability and scope of the attorney-client privilege. Caremark, Inc. v. Affiliated Computer Services, Inc., 192 F.R.D. 263, 265 (N.D.Ill.2000).

The attorney-client privilege is designed to protect, from discovery, documents which reflect communications made in confidence by the client. Ziemack supra, 1995 WL 314526, at * 3 (citation omitted). The privilege applies to communications by a client to a lawyer and vice versa. Certain Underwriters at Lloyds v. Fidelity and Cas. Co. of New York, No. 89 C 0876, 1997 WL 769467, at * 2 (N.D.Ill.Dec.9, 1997). Under the attorney-client privilege, (1) Where legal advice of any kind is sought (2) from a professional legal adviser in his capacity as such, (3) the communications relating to that purpose, (4) made in confidence (5) by the client, (6) are at his instance permanently protected (7) from disclosure by himself or by the legal adviser, (8) except the protection be waived. United States v. White, 950 F.2d 426, 430 (7th Cir.1991). The party seeking to invoke the attorney-client privilege bears the burden of establishing all essential elements of the privilege. *Id.*

Not every disclosure from client to attorney is entitled to protection from discovery. Ziemack supra, 1995 WL 314526, at * 3 (citation omitted). The attorney-client privilege "... protects only those disclosures-necessary to obtain informed legal advice-which might not have been made absent the privilege." *Id.* (citation omitted). "Thus,

Not Reported in F.Supp.2d

Page 3

Not Reported in F.Supp.2d, 2000 WL 1898518 (N.D.Ill.)

(Cite as: Not Reported in F.Supp.2d)

communications from the attorney to the client should be privileged only if the statements do in fact reveal, directly or indirectly, the substance of a confidential communication by the client." *Id.* at *4 (citation omitted). Furthermore, the attorney-client privilege does not protect communications primarily regarding business advice. "Thus, for the privilege to apply, counsel must be involved in a legal, not business, capacity, and the confidential communications must be primarily legal in nature." *Id.* (citation omitted).

B. Work Product Doctrine ^{FN8}

^{FN8} Unlike the attorney-client privilege, the work product doctrine is governed by a uniform federal standard even in diversity cases. *Dawson v. New York Life Ins. Co.*, 901 F.Supp. 1362, 1367 (N.D.Ill.1995).

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

*3 For documents prepared prior to the filing of a lawsuit, as is the case at bar, the "prospect of litigation" must be identifiable because of specific claims that have already arisen. *Panter v. Marshall Field & Co.*, 80 F.R.D. 718, 725, fn. 6 (N.D.Ill.1978) (citation omitted). The test is "whether in light of the factual context the document can fairly be said to have been prepared or obtained because of the prospect of litigation." *Wsol v. Fiduciary Management Associates, Inc.*, No. 99 C 1719, 1999 WL 1129100, at *2 (N.D.Ill.Dec.7, 1999) (citation omitted). Although the prospect of litigation need not be imminent, it must, nevertheless, appear that the primary motivating purpose behind the creation of a document must be to aid in possible future litigation. *Dometic Sales Corp. v. Intertherm, Inc.*, Civ. No. S87-81, 1988 WL 492342, at * 11 (N.D.Ind. March 28, 1988) (quotation and citation omitted). Additionally, a document is only considered work-product if it is primarily concerned with legal assistance. *In re Stern Walters Partners, Inc.*, No. 94

C 5705, 1996 WL 115290, at * 4 (N.D.Ill. March 13, 1996) (citation omitted). ^{FN9}

^{FN9} It is important to note that the work product doctrine extends to documents prepared by a party's representative or agent and not just the attorney. *See, e.g., Ventre v. Datronic Rental Corp.*, No. 92 C 3289, 1993 WL 524377, at *3 (N.D.Ill.Dec.13, 1993).

A party may obtain access to an opponent's work product only upon establishing a "substantial need of the materials in the preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means." *Fed. R. Civ.P. 26(b)(3)*. This is a difficult burden to meet, and is likely to be satisfied only in "rare situations, such as those involving witness unavailability." *Scurto v. Commonwealth Edison Co.*, No. 97 C. 7508, 1999 WL 35311, at *2 (N.D.Ill. Jan. 11, 1999) (citation and quotations omitted). Moreover, even if a party satisfies that burden, the door is not opened to all attorney work product. Rather, *Rule 26* draws a distinction between "opinion" work product and ordinary work product. *Rule 26(b)(3)* provides that, even when a showing has been made sufficient to require production of attorney work product, "the court shall protect against disclosure of the mental impressions, conclusions, opinions or legal theories of an attorney or other representative of a party concerning the litigation." *Fed. R. Civ.P. 26(b)(3)*; *see also Ziemack, supra*, 1995 WL 314526, at * 6 (holding that *Rule 26* specifically protects "opinion" work product from disclosure even in the face of undue hardship). This suggests that the protection of opinion attorney work product (as opposed to ordinary work product) is for "all intents and purposes absolute." *Scurto*, 1999 WL 35311, at *2 (citation omitted). In the case *sub judice*, Defendant has made no showing of substantial need sufficient to invade the work product immunity. Therefore, the Court need not address what portions of the documents at issue in this case, protected by work product, involve "opinion" work product as opposed to ordinary work product. ^{FN10}

^{FN10} Cologne's only discussion of "substantial need" concerns Document Nos. 2 and 16, which have since been produced, and consequently, are no longer at issue in this case. (*See* Cologne's Memorandum in Support of its Motion to Compel at 13-14.)

C. Waiver of Applicable Privileges

*4 As a preliminary matter, it must be stressed (because neither party addresses this point in their motions) that there are different standards applied for waiver of work product protected communications as compared to attorney-client communications. As explained in *Wsol, supra*, unlike the attorney-client privilege, which is based on protecting the confidentiality of communications between lawyers and clients, the work product doctrine is based on promoting the adversary system, by protecting the confidentiality of materials prepared by an attorney in anticipation of litigation. 1999 WL 1129100, at * 6 (citation omitted). Hence, waiver of the work product doctrine only occurs if the disclosure to a third party is "inconsistent with the maintenance of secrecy for the disclosing party's adversary." *Minnesota School Boards, supra*, 183 F.R.D. at 631 (citation omitted); see also *Bramlette v. Hyundai Motor Co.*, No. 91 C 3635, 1993 WL 338980, at *3 (N.D.Ill. Sept. 1, 1993) ("While any voluntary disclosure by the holder of the attorney-client privilege is inconsistent with the confidential relationship and thus waives the privilege, it is not inconsistent with work product protection to disclose information in the pursuit of trial preparation, so long as the information is maintained in secrecy against the opponent.").

Here, and as explained in more detail *supra*, there has been no waiver of the work product doctrine, since Trustmark clearly intended and expected that its communications at meetings with its alleged "control group" would remain confidential and protected from adversaries such as Cologne. Each document at issue is labeled as confidential and privileged, and the Court has no reason to disbelieve Trustmark's assertion that it created, what it considered a "control group", after September 3, 1999, to investigate and strategize about Cologne's repudiation of what Trustmark considered a binding joint venture agreement. Thus, even if Trustmark showed these documents to members who were not properly part of its "control group," as long as those members were adversaries to Cologne, the work product privilege would not be waived.

With respect to the attorney-client privilege, however, the law on waiver is not as forgiving. Because Illinois follows the "control group" test to determine whether an employee's communications with corporate counsel are protected by the attorney-client privilege, Cologne correctly contends that, if Trustmark showed its attorney-client privileged communications to employees outside Trustmark's

"control group," then the attorney-client privilege would be waived (or would not apply). See, e.g., *Archer Daniels Midland Co. v. Koppers Co., Inc.*, 138 Ill.App.3d 276, 93 Ill.Dec. 91, 485 N.E.2d 1301 (Ill.App.Ct.1985) (finding engineer's report not attorney-client privileged because engineer was not a member of employer's "control group").

Cologne asserts that, at least three members of Trustmark's supposed "control group", are not properly members of the "control group", and that therefore, the attorney-client privilege has been waived with respect to all documents that were shown to these non-control group individuals. While the Court finds that independent contractor Christopher Kinback was properly a member of Trustmark's control group, the Court has concerns about employees Bill Blohm, Second Vice President of Administration, and Steve Schattner, Manager of Policyholder Services, who according to Raymond Lester, Vice President and Associate General Counsel for Trustmark, appear to have merely supplied information to Frederick Schick, Executive Vice President of Personal Insurance, about nonlegal issues, and did not contribute, or have the ability, to make any final decisions concerning legal issues. (See Pl.'s Memo, Ex. A, Lester Aff. at ¶ 5.)

1. Mr. Kinback is a Member of the "Control Group".

*5 The Court finds that independent contractor Mr. Kinback was properly part of Trustmark's "control group", because he was an agent of Trustmark who served as an advisor to top management and was "consulted for the purpose of determining what legal action the corporation" would pursue. *Consolidation Coal Co. v. Bucyrus-Erie Co.*, 89 Ill.2d 103, 59 Ill.Dec. 666, 432 N.E.2d 250, 258 (Ill.1982). According to Trustmark, Mr. Kinback was initially hired on August 13, 1999, by Trustmark's senior management, to build a new, individual disability claims organization, but, following Cologne's September 3, 1999 repudiation of the joint venture, Trustmark expanded Mr. Kinback's role to include evaluating Cologne's assertions about the claims-handling process regarding the Hartford block, and to ultimately advise senior management. According to Mr. Lester's affidavit, no management decision regarding Cologne's assertions about Trustmark's claims-handling practices would be made without Mr. Kinback's advice and recommendation. (See Pl.'s Memo, Ex. A, Lester Aff. at ¶ 5(F).)

The recent case, *Caremark, Inc. v. Affiliated*

Not Reported in F.Supp.2d

Page 5

Not Reported in F.Supp.2d, 2000 WL 1898518 (N.D.Ill.)

(Cite as: Not Reported in F.Supp.2d)

Computer Services, Inc., 192 F.R.D. 263 (N.D.Ill.2000), fully supports this Court's conclusion that Mr. Kinback was properly included in Trustmark's "control group". *Caremark* held that the attorney-client privilege in Illinois may protect communications between a non-employee agent, such as Mr. Kinback, and a corporation, if the corporation can show: (1) the non-employee agent served as an advisor to top management of the corporate client; (2) this advisory role was such that the corporate principal would not normally have made a decision without the agent's advice; and (3) the agent's opinion or advice in fact formed the basis of the final decision made by those with actual authority within the corporate principal.^{FN11} *Caremark*, 192 F.R.D. at 267 (citing *Consolidation Coal, supra*, 59 Ill.Dec. 666, 432 N.E.2d at 258).

FN11. Cologne argues in its Reply that the holding in *Caremark* was confined to "the narrow situation where the corporation gives express authority to a non-employee agent to communicate with attorneys on behalf of the corporate principal for the purpose of receiving legal advice," (see Defendant's Reply Memorandum at 7, quoting *Caremark*, 192 F.R.D. at 267), and that this limited holding does not accurately describe Mr. Kinback. The Court disagrees and notes that, with respect to Document No. 1, for instance, Trustmark's in-house attorney, Mr. Lester, specifically requested Mr. Kinback's advice regarding the IDI block and Cologne's apparent repudiation of the joint venture.

The Court finds that the foregoing criteria have been met, and that Mr. Kinback was a part of Trustmark's control group. While Cologne compares Mr. Kinback's role to the engineer in *Archer Daniels, supra*, who merely supplied technical data and opinions to senior management, and was not found to be a member of the control group, this Court finds, after its *in camera* review of the documents, that Mr. Kinback played an integral part in Trustmark's decision-making process with respect to the IDI block and ensuing litigation with Cologne, and that a decision about this litigation would "not normally be made without his [Mr. Kinback's] advice or opinion ..." *Consolidation Coal, supra*, 59 Ill.Dec. 666, 432 N.E.2d at 258.

2. Employees Mr. Blohm and Mr. Schattner Are Not

Members of the "Control Group."

According to Mr. Lester, employees Bill Blohm and Steve Schattner served as direct advisors to Frederick Schick, and had direct contact with Lincoln National and Swiss Re, which reinsured significant portions of the Hartford block. (See Pl.'s Memo, Ex. A, Lester Aff. at ¶ 5.) According to Mr. Lester, Mr. Schick headed the business unit at Trustmark that had direct responsibility for the Hartford block after January 1, 1999, and, collectively with two other Trustmark highlevel employees (Mark McKinlay and Jack Eckert, respectively), made final management decisions. (*Id.*) In other words, Mr. Blohm and Mr. Schattner advised Mr. Schick about the status of reinsurance arrangements, and then Mr. Schick, along with two other high-level individuals, made final management decisions.

*6 While the "control group" test is generally satisfied only by management level employees with the ability to make final decisions (such as Mr. Schick), individuals "whose advisory role to top management in a particular area is such that a decision would not normally be made without [their] advice or opinion, and whose opinion in fact forms the basis of any final decision by those with actual authority, [are] properly within the control group." *Consolidation Coal*, 59 Ill.Dec. 666, 432 N.E.2d at 257-58. "Thus, if an employee of the status described is consulted for the purpose of determining what legal action the corporation will pursue, his communication is protected from disclosure." *Id.* at 258.

In the case at bar, the Court is unable to conclude, based on the information that Trustmark has provided, that Mr. Blohm and Mr. Schattner were proper members of Trustmark's "control group." Significantly, it is the party who claims the privilege that has the burden of showing the facts which give rise to the privilege. *Consolidation Coal*, 59 Ill.Dec. 666, 432 N.E.2d at 257-58. Here, there is no evidence that Mr. Blohm or Mr. Schattner occupied an advisory role in an area that such a decision would not normally be made without their advice or opinion, or that they otherwise contributed to decisionmaking on a legal (as opposed to business) issue. While they may have provided facts about reinsurance arrangements to senior management, the focus of the Court for finding privilege is "on individual people who substantially influenced decisions, not on facts that substantially influenced decisions." *Archer Daniels, supra*, 93 Ill.Dec. 91, 485 N.E.2d at 1304. Indeed, in *Consolidation Coal* and

Archer Daniels, for example, the court found that employees who provided the technical information about accidents and safety features to opinion makers, were not themselves in the control group and, therefore, their communications were not privileged. Similarly, the Court finds that Mr. Blohm and Mr. Schattner's information about reinsurance arrangements, provided to senior management, is akin to providing technical information, and does not make them part of the "control group." In sum, an employee is not a member of the control group if top management merely relies upon him for supplying information.

Particularly telling is that, in Mr. Lester's affidavit, of the twelve employees that are described as being part of the "control group," only Mr. Blohm and Mr. Schattner are not depicted as being consulted before management decisions were made. Furthermore, as pointed out by Cologne in its Reply, Trustmark has failed to explain how information pertaining to reinsurance and third party reinsurers (that of which Mr. Blohm and Mr. Schattner advised Mr. Schick) has any connection to Trustmark's claims against Cologne.^{FN12}

^{FN12.} Also informative is deposition testimony of Michael Plazony, Trustmark's Vice-President of Administration, who said that he, essentially, could not explain how the issue of reinsurance had any connection to Trustmark's claims against Cologne. (Defendant's Reply Memorandum, Ex. 1, Plazony Dep. at 169-75.)

However, as explained *supra*, because the Court finds that Documents Nos. 1,3,4,5,7,8,11,12,13,15 and 19 are protected by the work product doctrine, showing these documents to employees Mr. Blohm and Mr. Schattner, non-control group employees, does not waive the work product privilege. "While the mere showing of a voluntary disclosure to a third party will generally suffice to show waiver [sic] of the attorney-client privilege, it should not suffice in itself for waiver of the work product privilege." *Chamberlain Mfg. Corp. v. Maremont Corp.*, No. 90 C 7127, 1993 WL 625511, at * 3 (N.D.Ill. July 21, 1993) (citation omitted). Therefore, regardless of whether employees Mr. Blohm and Mr. Schattner were truly part of Trustmark's "control group", Document Nos. 1,3,4,5,7,8,11,12,13,15 and 19 remain privileged based on the work product doctrine.^{FN13}

^{FN13.} Although Cologne asserts in its Reply that showing work product protected documents to non-control group employees waives the work product doctrine, Cologne cites no cases for this proposition. (See Defendant's Reply Memorandum at 4.) Indeed, as explained *infra*, the work product doctrine is not as easily waived as the attorney-client privilege.

3. The "At-Issue" Waiver Does Not Apply.

*7 Cologne argues that the December 1998 letter of intent was not binding on Trustmark, and therefore not binding on Cologne. Cologne maintains that, as part of Trustmark's case in chief, Trustmark must prove that it was bound by the letter of intent to complete the transaction with Hartford Life. Consequently, Cologne argues that, to the extent that any documents on the Privilege Log relate to the legal issue of whether or not Trustmark was legally bound by the letter of intent with Hartford Life, any applicable privilege has been waived. This argument is based on the "at issue" waiver of privileged communications.

While this argument may have surface appeal, the Court finds that the "at issue" waiver does not apply in this context, because Trustmark has not put its communications with its counsel or its work product at issue in this litigation. As explained in *Certain Underwriters, supra*, 1997 WL 769467, at * 3, a party must affirmatively try to use the privileged communication to defend itself or attack its opponent in the lawsuit before the "at issue" waiver may apply. In addition, *Certain Underwriters* held that this exception can only apply if allowing privileged communications to protect against disclosure would be "manifestly unfair" to the opposing party. *Id.*

A review of cases applying this principle further illustrates that the "at issue" waiver is not applicable to the present controversy. For instance, in *Pyramid Controls, Inc. v. Siemens Indus. Automations, Inc.*, 176 F.R.D. 269, 272 (N.D.Ill.1997) (citation omitted), the court held that the implied waiver (or "at issue" waiver) of privileged communications occurs "where a party voluntarily injects either a factual or legal issue into the case, the truthful resolution of which requires the examination of the confidential communications." Furthermore, in *In re JMP Newcor Intern., Inc.*, 204 B.R. 963, 965 (N.D.Ill.1997), the court explained that the at-issue waiver exception to privileged communications is most frequently applied when (1) the attorney is a

defendant against a charge of professional negligence or breach of duty, or (2) in "bad faith" insurance litigation, where the insurer is sued for the position taken in the underlying coverage litigation. In Hearn v. Rhay, 68 F.R.D. 574, 581 (E.D.Wash.1975), a case relied on by Cologne, the court held that defendants who raised an affirmative defense of qualified immunity, in an action brought under 42 U.S.C. § 1983, waived the attorney-client privilege with respect to legal advice relating to the issues of malice or knowledge of plaintiff's legal rights. See also Scurto, supra, 1999 WL 35311, at *5 (holding that a party can waive attorney-client or work product immunity by placing at issue the advice or work product of counsel); Johnson v. Rauland-Borg Corp., 961 F.Supp. 208, 211 (N.D.Ill.1997) (finding privilege waived, in Title VII case, where employer "intends to argue that it is not liable because it acted reasonably by employing the outside attorney to investigate the matter."); Hucklo v. City of Oak Forest, 185 F.R.D. 526, 529 (N.D.Ill.1999)(holding that advice of counsel is placed in issue where the client "asserts a claim or defense, and attempts to prove that claim or defense by disclosing or describing an attorney client communication."); Panter, supra, 80 F.R.D. 718 (N.D.Ill.1978)(finding that the at-issue waiver applied where defendants asserted as an essential element of their defense reliance upon advice of counsel).

*8 The aforementioned cases show that the "at issue" waiver is used where the activities of counsel are directly at issue. Here, Trustmark has not placed, or affirmatively relied on, advice of counsel or counsel's work product to establish any element of its case in chief. Significantly, the truthful resolution of whether the letter of intent with Harford Life was legally binding does not require the disclosure of privileged communications. Merely because Trustmark's counsel may have discussed this element of Trustmark's case, and embodied those discussions in privileged documents, does not mean that Cologne has a right to those communications. Such a rule would undermine the very protection offered by the attorney-client privilege or work product doctrine.^{FN14} As eloquently stated in Hucklo, supra, "[a]dvice is not in issue merely because it is relevant ..." 185 F.R.D. at 529.

^{FN14} Even in the case Cologne cites, Medical Waste Technologies L.L.C. v. Alexian Bros. Medical Center, Inc., No 97. C 3805, 1998 WL 387705, at *1 (N.D.Ill. June 24, 1998), the court held that the

waiver of privileged communications via the "at issue" doctrine normally occurs by the assertion of an "affirmative defense." In Medical Waste, the defendant raised a "new" affirmative defense, and the plaintiff requested privileged material concerning this "new" affirmative defense. In the case *sub judice*, there is no affirmative defense or "new" issue that has been injected into the case. While the "control group" that Trustmark assembled may have discussed the letter of intent, these conversations *per se* are not what is at issue here. Plaintiff is not affirmatively marshaling these communications to its advantage, and therefore the "at issue" waiver does not apply.

D. Application of Privileges to Documents

While unable to disclose the specific facts contained in each respective document, the Court finds that Document Nos. 1,3,4,5,7,8,11,12,13,15 and 19 are all protected by the work product doctrine, and that Document Nos. 1, 3 and 19 are further protected by the attorney-client privilege. The Court finds that Document Nos. 6 and 14 are not protected, and therefore must be produced to Cologne.

With respect to the work product doctrine, the initial inquiry is whether Trustmark can demonstrate that the documents were prepared because of possible litigation. After carefully reviewing the documents at issue, the Court finds that there are "objective facts establishing an identifiable resolve to litigate." Allendale Mut. Ins. Co. v. Bull Data Systems, Inc., 145 F.R.D. 84, 87 (N.D.Ill.1992) (citation omitted).

Mr. Lester stated in his affidavit that, from the date of the September 3, 1999 letter, Trustmark anticipated litigation with Cologne over the existence of Cologne's obligation, as co-joint venturer, to assume an equal share of the risk when Trustmark purchased the IDI block from Hartford. (See Pl.'s Memo, Ex. A, Lester Aff. at ¶ 5.) Furthermore, according to Mr. Lester, after the September 3rd repudiation of the joint venture, Trustmark formed a "working group to evaluate, formulate and access Trustmark's ongoing strategy in light of the anticipated litigation with Cologne ." (*Id.*) An *in camera* review of the documents corroborates Mr. Lester, and Trustmark's, assertion that the documents this Court finds to be protected by the work product doctrine were, indeed, prepared in anticipation of potential litigation with Cologne.

Not Reported in F.Supp.2d

Page 8

Not Reported in F.Supp.2d, 2000 WL 1898518 (N.D.Ill.)

(Cite as: Not Reported in F.Supp.2d)

Document No. 1 is an October 27, 1999 memorandum, authored by Trustmark's independent contractor Mr. Kinback, and requested by in-house counsel Mr. Lester, to evaluate Cologne's assertions about the claims handling process concerning the IDI block, and to discuss JHA's review of the Hartford claims.^{FN15} Not only was this document specifically requested by Trustmark's in-house attorney, it reveals client communications (from Trustmark's agent Mr. Kinback) for the purpose of securing legal advice for Trustmark, and, consequently, clearly represents attorney-client privileged communications. Additionally, it also contains Mr. Kinback's mental impressions, conclusions, and opinions concerning anticipated litigation with Cologne. As explained *infra*, work product protection may extend to documents prepared by clients, or agents of clients, and not just documents prepared by an attorney. See *Caremark, Inc. v. Affiliated Computer Services, Inc.*, 195 F.R.D. 610, 615 (N.D.Ill.2000) ("Under Rule 26 ... materials prepared in anticipation of litigation by any representative of the client are protected, regardless of whether the representative is acting for the lawyer... Thus, whether a document is protected depends on the motivation behind its preparation, rather than on the person who prepares it.").

^{FN15} According to Cologne, JHA is a third party consultant that performed a claims audit for Trustmark and reviewed the Hartford block.

*9 Finally, although Cologne contends that Document No. 1 contains a business-related analysis of insurance claims, and therefore is not protected communications, the Court finds that there are, in fact, references to Cologne, and its attempt to remove itself from the Hartford risk. While there might be some general business analysis contained in this memorandum, the Court, nonetheless, finds that it is protected, because the document primarily concerns facts and strategies for Trustmark's continuing negotiations with Cologne, in light of Cologne's repudiation of the "joint venture." "[W]here a document is prepared because of the prospect of litigation, analyzing the likely outcome of that litigation, it does not lose protection merely because it is also created in order to assist with a business decision." *Caremark, supra*, 195 F.R.D. at 614. Hence, Document No. 1 is protected by both the attorney-client privilege and work product doctrine.^{FN16}

^{FN16} Employees Mark McKinlay and Frederick Schick, as well as Attorney Lester, received Document No. 1. Because Mr. McKinlay and Mr. Schick are "control group" employees, the attorney-client privilege is not waived.

Document No. 3 is a October 7, 1999 memorandum, requested by Trustmark attorneys Mr. Lester and Mr. Gramm, authored by Trustmark employee Mark McKinlay, concerning the Hartford assumption and Cologne's decision to exit the partnership. Because this document primarily relays factual information and includes a chronology of key events and does not concern or request legal advice *per se* the Court finds that it is not protected by the attorney-client privilege. Nonetheless, the Court finds that it is protected by the work product doctrine, as it is a "tangible" document that was prepared because of anticipated litigation with Cologne. While it does not contain legal strategies or mental impressions, and therefore is not "opinion" work product, it remains ordinary work product that is, nevertheless, protected, unless there is a showing of "substantial need", which there is not in this case. The Court finds that, whatever facts are contained in this memorandum and chronology, could be obtained through traditional discovery avenues.

Document Nos. 4,5,7,8,11,12,13, and 15 are all protected by the work product doctrine. They all contain either meeting assignments or meeting notes (or both), and clearly reflect Trustmark's strategy in dealing with the IDI block and Cologne's exit from the partnership. While non-control group employees Bill Blohm and Steve Schattner received all of these documents (except doc. no. 5), this fact, as discussed *infra*, does not waive work product protection. See, e.g., *Wsol, supra*, 1999 WL 1129100, at *6 ("Disclosure of materials protected by the work product doctrine to a third party does not automatically waive the protection. For waiver, the disclosure must be to an adversary.") While Mr. Blohm and Mr. Schatter are not "control group" employees, as understood in Illinois, they are, nonetheless, employees of Trustmark who participated in the meetings concerning the Hartford block and Cologne's repudiation, and certainly not adversaries of Trustmark. Thus, the work product privilege applies, and is not waived.^{FN17}

^{FN17} The Court does not analyze whether any of these documents involve privileged

Not Reported in F.Supp.2d

Page 9

Not Reported in F.Supp.2d, 2000 WL 1898518 (N.D.Ill.)

(Cite as: Not Reported in F.Supp.2d)

attorney-client communications, as all of these documents (except Doc. No. 5, which was only sent to the file) went to non-control group employees, Mr. Blohm and Mr. Schattner, and therefore any attorney-client privilege would be waived.

*10 *Document No. 6* is a September 8-9, 1999 memorandum titled "Individual Disability Claims, Update and Action Plan", authored by Trustmark employees Mr. McKinlay and Mr. Plazony, and requested by attorneys Mr. Lester and Mr. Gramm. Trustmark only contends that this document is protected by the attorney-client privilege-not the work product doctrine. After a review of this document, the Court finds that, although it was requested by in-house counsel, it does not concern legal advice, or reveal facts for securing legal advice concerning Cologne, and thus is not attorney-client privileged. Rather, Document No. 6 concerns, as the title accurately depicts, a factual update and strategic action plan for the Hartford block individual disability claims. Cologne is not even mentioned in the document.^{FN18} Accordingly, Document No. 6 is not protected and must be produced to Cologne.

^{FN18}. Arguably, this document might have been protected under the work product doctrine, as it contains an "action plan." However, since Trustmark did not assert the work product privilege, the Court need not address whether Document No. 6 would have been shielded from discovery by the work product doctrine.

Document No. 14 is a November 2, 1999 memorandum authored by attorney Mr. Lester to Trustmark employees, including non-control group employees Mr. Blohm and Mr. Schattner, and therefore any attorney-client privilege is waived. Additionally, the Court finds that this document is not protected by the work product doctrine, because it does not concern Cologne, or anticipated litigation with Cologne, and therefore fails the threshold inquiry of the work product doctrine. Instead, this document describes legal language for dealing with an objection by one of Trustmark's reinsurers, Lincoln National, to the settlement of claims. Trustmark fails to explain how communications concerning its reinsurer Lincoln National relate to possible litigation with Cologne. Accordingly, this document is not privileged and must be produced to Cologne.

Document No. 19 are handwritten notes, dated September 7, 1999, by Trustmark's attorney, Mr. Lester, concerning his communications with Trustmark employees about Hartford Life and Cologne's repudiation. These notes were placed in a file, and non-control group employees did not receive them. After a review of this document, the Court concludes that this document is clearly protected by the attorney-client privilege and the work product doctrine. See *Sanner v. Board of Trade of City of Chicago*, 181 F.R.D. 374 (N.D.Ill.1998)(finding that general counsel's meeting notes constituted protected work product).

CONCLUSION

The Court, having carefully considered the matter, and for the reasons set forth above, finds that Documents Nos. 1,3,4,5,7,8,11,12,13,15 and 19 are privileged, and that Document Nos. 6 and 14 are not privileged, and consequently, must be turned over to Cologne. Therefore, the Court grants in part and denies in part Defendant's Motion. Accordingly,

IT IS HEREBY ORDERED that Defendant's Motion To Compel Production of Documents by Plaintiff be, and the same hereby is, granted in part and denied in part.

N.D.Ill.,2000.

Trustmark Ins. Co. v. General & Cologne Life Re of America
Not Reported in F.Supp.2d, 2000 WL 1898518 (N.D.Ill.)

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Not Reported in F.Supp.2d

Page 10

Not Reported in F.Supp.2d, 2000 WL 1898518 (N.D.Ill.)

(Cite as: Not Reported in F.Supp.2d)

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- [2001 WL 34866655](#) () (Partial Testimony) (Apr. 19, 2001) Original Image of this Document (PDF)

- [2001 WL 34866654](#) () (Partial Testimony) (Apr. 9, 2001) Original Image of this Document (PDF)

- [2001 WL 34882435](#) () Expert Witness Report of Michael B. Koopersmith (Feb. 13, 2001) Original Image of this Document (PDF)

- [2001 WL 34882434](#) () Expert Witness Report of James W. Schacht (Feb. 12, 2001) Original Image of this Document (PDF)

- [2000 WL 34561566](#) () Expert Witness Report of Christopher D.Zuiker (Dec. 1, 2000) Original Image of this Document (PDF)

- [2000 WL 34590153](#) () (Partial Testimony) (Dec. 1, 2000) Original Image of this Document (PDF)

- [2000 WL 34590183](#) () Expert Wintness Report of Christopher D. Zuiker (Dec. 1, 2000) Original Image of this Document (PDF)

- [2000 WL 34590184](#) () (Transcript) (Aug. 12, 2000) Original Image of this Document (PDF)

- [2000 WL 34605644](#) (Trial Pleading) General & Cologne Life Re of America's Answer (Apr. 6, 2000) Original Image of this Document (PDF)

- [1:00cv01926](#) (Docket) (Mar. 30, 2000)

- [2000 WL 34590121](#) () (Partial Testimony) (2000) Original Image of this Document (PDF)

- [2000 WL 34590122](#) () (Partial Testimony) (2000) Original Image of this Document (PDF)

- [2000 WL 34590152](#) () (Partial Testimony) (2000) Original Image of this Document (PDF)

- [2000 WL 34590182](#) () Expert Witness Report of William J. Bossi, Fsa, Maaa (2000) Original Image of this Document (PDF)

- [2000 WL 34590185](#) () (Transcript) (2000) Original Image of this Document (PDF)

- [2000 WL 34590186](#) () (Transcript) (2000) Original Image of this Document (PDF)

Not Reported in F.Supp.2d

Page 11

Not Reported in F.Supp.2d, 2000 WL 1898518 (N.D.Ill.)

(Cite as: Not Reported in F.Supp.2d)

- [1999 WL 33986175 \(\)](#) (Report or Affidavit) (Jun. 28, 1999) Original Image of this Document (PDF)

END OF DOCUMENT

TAB 12

LEXSEE

WASHINGTON BANCORPORATION, et al., Plaintiffs, Counterclaim Defendants. v. WAFIC R. SAID, et al., Defendants, Counterclaim & Cross-Claim Plaintiffs v. LUTHER H. HODGES, JR., et al., Cross-Claim Defendants

Civil Action No. 88-3111 (RCL)

UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA

1989 U.S. Dist. LEXIS 5135

May 10, 1989, Decided and Filed

CASE SUMMARY:

PROCEDURAL POSTURE: Defendant shareholders filed a motion to compel production of documents and testimony from plaintiff corporation.

OVERVIEW: The corporation established a special committee in response to the filing of schedules by certain shareholders that disclosed an intent to seek the resignation of the chairman of the corporation. The corporation and the majority of directors contended that any communications that took place during a special committee meeting were protected by the attorney-client privilege. The court ordered the corporation to submit the minutes from the special committee meetings to the court for in camera inspection within 15 days of the date of the opinion and order so that the court could have determined what portions merited protection. The court held that the report by the corporation's counsel to the full board regarding the special committees' activities could not have constituted a waiver to the extent that factual disclosures were made to that board, since the corporation board members were sufficiently high-ranking officers of the same corporate client.

OUTCOME: The court ordered that the corporation's motion to compel production of documents and testimony was denied with respect to certain documents, and further ordered that the shareholders' motion was denied in part and granted in part with respect to documents that related to attorney fees expended by the corporation.

CORE TERMS: attorney-client, shareholder, work product doctrine, motion to compel, disclosure, federal agencies, documents relating, inspection, advice, media, billing, in camera, interviews, minutes, anticipation of

litigation, amount of fees, law firm, interrogatories, stockholder, redact, disclosing, confidential information, legal advice, billed, stock, documents presented, compel testimony, work product, good cause, memorandum

LexisNexis(R) Headnotes

Evidence > Privileges > Attorney-Client Privilege > Scope

Legal Ethics > Client Relations > Confidentiality of Information

[HN1] The attorney-client privilege protects communications made primarily for the purpose of obtaining legal advice or assistance, reasonably believed by the client to be necessary for the purpose, and intended to be confidential. The privilege does not protect from disclosure facts that an attorney conveys to his client that he receives from other persons or sources. The attorney-client privilege does extend to a confidential communication from an attorney to a client, but only if that communication is based on confidential information provided by the client.

Business & Corporate Law > Corporations > Shareholders > General Overview

Legal Ethics > Client Relations > Confidentiality of Information

[HN2] The factors the court should look to in determining whether shareholders show good cause why the attorney client privilege should not be invoked are, the number of shareholders and the percentage of stock and the percentage of stock they represent; the bona fides of the shareholders; the nature of the shareholders' claim and whether it is obviously colorable; the apparent ne-

cessity or desirability of the shareholders having the information and the availability of it from other sources; whether, if the shareholders' claim is of wrongful action by the corporation, it is of action criminal, or illegal but not criminal, or of doubtful legality; whether the communication related to past or prospective actions; whether the communication is of advice concerning the litigation itself; the extent to which the communication is identified versus the extent to which the shareholders are blindly fishing; the risk of revelation of trade secrets or other information in whose confidentiality the corporation has an interest for independent reasons.

***Criminal Law & Procedure > Interrogation > Miranda Rights > Right to Counsel During Questioning
Legal Ethics > Client Relations > Confidentiality of Information***

[HN3] The attorney-client privilege only protects disclosure of communications; it does not protect disclosure of the underlying facts by those who communicate with the attorney.

***Civil Procedure > Discovery > Privileged Matters > Work Product > General Overview
Criminal Law & Procedure > Counsel > Effective Assistance > General Overview
Governments > Federal Government > Claims By & Against***

[HN4] The attorney work product doctrine protects an attorney's work product prepared in anticipation of litigation.

Civil Procedure > Discovery > Methods > Requests for Production & Inspection

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

[HN5] The work product doctrine may in some cases be overcome by a showing of "substantial need." Under Fed. R. Civ. P. 26(b) (3), a party may obtain discovery of documents and tangible things prepared in anticipation of litigation only upon a showing that the party seeking discovery has substantial need of the materials in the preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means.

OPINION BY: [*1]

LAMBERTH

OPINION:

MEMORANDUM OPINION AND ORDER

ROYCE C. LAMBERTH, UNITED STATES DISTRICT JUDGE

This case comes before the court on Holdings Defendants' n1 motion to compel production of documents and testimony, Washington Defendants' n2 memorandum in support of the motion to compel, the oppositions of plaintiffs and of Majority Directors, n3 and Holdings Defendants' reply, as well as the arguments by counsel at a hearing on all outstanding motions held on April 17, 1989, plaintiffs and Holdings Defendants having arrived at a settlement of their claims against each other, n4 Washington Defendants at the hearing on April 17, 1989 orally adopted the motion to compel originally brought by Holdings Defendants.

n1 Holdings Defendants are Wafic Said, Richard S Bodman, Ziad H. Idilby, and Washington National Holdings, N.V.

n2 Washington Defendants are Robert B. Washington, Jr. Washington Investors Limited partnership, and RBW Investment Limited partnership V.

n3 The Majority Directors are Luther H. Hodges, Jr., Duff Kennedy, Peter Del Col, Theodore Pedas, Edmund B. Cronin, Jr., Wallace F. Holliday, Sr., Thomas Hale Boggs, Jr., Douglas W. Hawes, Harry Huge, and Fitzgerald S. Hudson.

n4 The court has not yet approved dismissal of Holdings Defendants' derivative cause of action.

[*2]

Defendants seek to compel testimony and documents relating to the proceedings of the Special Committee of plaintiff Washington Bancorporation (hereinafter "WBC") which among other things authorized the institution of this case. More specifically, they wish to compel testimony relating to the matters discussed at certain Special Committee meetings as well as the documents presented by counsel to plaintiff during those meetings. n5 Plaintiffs and the Majority Directors contend that the communications and documents sought are protected by the attorney-client privilege and by the attorney work product doctrine. Defendants argue that no attorney-client or work product doctrine protects those communications or documents, and, alternatively, that any attorney-client or work product privilege has been waived by certain disclosures to federal regulatory agencies, and to the media. Finally, defendants argue that as shareholders

of WBC they may surmount any attorney-client privilege for good cause shown. During the hearing held on April 17, 1989, defendants withdrew the part of their motion to compel relating to their proposed "White knight" privilege.

n5 In an affidavit, plaintiffs' counsel represents that pertinent meetings of the Special Committee took place on October 13, 17, 21 and 26 of 1988. Plaintiffs' Opposition To Motion To Compel Production Of Documents And Testimony [hereinafter "Plaintiffs' Opposition"], Exhibit 1.

[*3]

In brief, the WBC "Special committee" was established on October 12, 1988 in response to the filing of amended Schedules 13D by certain of the defendants disclosing an intent to seek the resignation of the chairman of WBC, Luther H. Hodges, Jr. Upon the advice of plaintiffs' counsel, that Special Committee among other things approved the institution of this case as well as communications with certain federal agencies concerning possible violations of federal law by defendants, and contact with the media.

Plaintiffs and the Majority Directors contend that any communications that took place during Special Committee meetings are protected by the attorney-client privilege. [HN1] The attorney-client privilege protects communications made primarily for the purpose of obtaining legal advice or assistance, reasonably believed by the client to be necessary for the purpose, and intended to be confidential. United States v. American Telephone and Telegraph Company, 86 F.R.D. 603, 612 (D.D.C. 1980) (citations omitted). However, as defendants correctly point out, the privilege does not protect from disclosure facts which an attorney conveys to his client that he received from other persons or [*4] sources. Brinton v. Department of State, 636 F.2d 600, 604 (D.C. Cir. 1980), cert. denied, 452 U.S. 905 (1981). In other words, "the attorney-client privilege does extend to a confidential communication from an attorney to a client, but only if that communication is based on confidential information provided by the client." Mead Data Central, Inc. v. U.S. Department of the Air Force, 566 F.2d 242, 254 (D.C. Cir. 1977).

Review of the evidence submitted by the parties leaves some doubt as to what portions of the Special Committee meetings held on October 13, 17, 21 and 26 merit protection under the attorney-client privilege. It is true that topics of discussion included the proposed institution of this case, review of draft pleadings, and the possible adoption to a Shareholder Rights plan as a defense against possible hostile takeover. plaintiffs' Oppo-

sition, Exhibits 1, 1A, and 1B (filed under seal). Moreover, plaintiffs' counsel appear to have grounded much of their advice on interviews of corporate officers and directors of plaintiffs. n6 In his affidavit, plaintiffs' counsel represents that all information provided to counsel during interviews with officers of WBC for [*5] the purposes of providing legal advice to the Special Committee was provided in confidence. plaintiffs' Opposition, Exhibit I, at 3. Review of the Special Committee agendas and the list of documents presented to the Special Committee by plaintiffs' counsel indicates that plaintiffs' counsel presented to the committee several memoranda memorializing the information garnered at the interviews with plaintiffs' corporate officers and that these memoranda and the information contained in them were to some extent relied on by plaintiffs' counsel in formulating their advice. Id., Exhibits 1, 1A & 1B. Since, however, it remains unclear what portions of the meetings of October 13, 17, 21 and 26 merit protection under the attorney-client privilege, the court shall order plaintiffs to submit the minutes from these meetings to the court for in camera inspection within 15 days of the date of this memorandum opinion and order.

n6 Although plaintiff does not specifically identify which corporate officers and directors were interviewed, the court has been given no reason to believe that these interviewees were not part of the corporate "client" for the purposes of the attorney-client privilege. See Upjohn Co. v. United States, 449 U.S. 383, 389-97 (1981).

[*6]

Defendants further contend that plaintiffs have waived any attorney-client privilege as a result of their contacts with the media, federal agencies, and the WBC board of directors. The report by plaintiffs' counsel to the full WBC board regarding the Special Committees' activities could not constitute a waiver to the extent that factual disclosures were made to that board, since the WBC board members are sufficiently high-ranking officers of the same corporate client. n7 Moreover, the minutes of that meeting indicate that plaintiffs' counsel did not address the Special Committee deliberations in any significant detail. Memorandum In Support of Holdings Defendants' Motion To Compel Production of Documents And Testimony [hereinafter "Holdings' Memorandum"], Exhibit E. Further, defendants have not cited any convincing case law in support of the proposition that the type of limited disclosures made to the media and to federal agencies could constitute a waiver as to all matters discussed at the Special Committee meetings. The information offered the media was sparse at best, and contained pose conclusions rather than any significant factual material. holdings' Memorandum, Exhibit B. Defen-

dants [*7] do not refute plaintiffs' contention that the letters dispatched to federal agencies were produced to defendants and contained no confidential information protected by the attorney-client privilege. Accordingly, the court finds that plaintiffs have not waived their attorney-client privilege with respect to the communications between plaintiffs and their counsel at the Special Committee meetings in question.

n7 See Mead Data Central Inc., 566 F.2d at 253 n.24.

Citing Garner V. Wolfenbarger, 430 F.2d 1093 (5th Cir. 1970), cert. denied, 401 U.S. 974 (1971), defendants argue alternatively that even if the communications sought are protected by the attorney-client privilege, defendants may surmount that privilege if they show cause why those communications should not be protected under the circumstances. Since the court concludes that defendants have not shown cause why the communications should be disclosed under Garner, it need not address whether the doctrine enunciated in that case is valid law in this Circuit.

In Garner, plaintiffs sought to discover communications and documents relating to the advice defendant-corporation's counsel offered concerning that [*8] corporation's issuance and sale of its shares. plaintiffs alleged that defendants violated certain federal securities laws and other laws in issuing and selling those shares. While the court reaffirmed that the attorney-client privilege remains available to a corporation in a suit between the corporation and its shareholders, it held that "where the corporation is in a suit against its stockholders on charges of acting inimically to stockholder interests, protection of those interests as well as those of the corporation require that the availability of the privilege be subject to the right of the stockholders to show cause why it should not be invoked in the particular instance." Garner, 430 F.2d at 1103-04. [HN2] Significantly, the Garner court set out factors the court should look to in determining whether the shareholders have shown good cause. A court should look to

the number of shareholders and the percentage of stock and the percentage of stock they represent; the bona fides of the shareholders; the nature of the shareholders' claim and whether it is obviously colorable; the apparent necessity or desirability of the shareholders having the information and the availability [*9] of it from other sources; whether, if the shareholders' claim is of wrongful action by the corporation, it is of action criminal, or illegal but not criminal, or of doubtful legality; whether the communication related to past or prospective actions; whether the communication is of advice concerning the

litigation itself; the extent to which the communication is identified versus the extent to which the shareholders are blindly fishing; the risk of revelation of trade secrets or other information in whose confidentiality the corporation has an interest for independent reasons.

Garner, 430 F.2d at 1104.

Defendants in this case have not shown cause why the privileged communications should be disclosed under Garner. In this case, defendants seek information from plaintiffs regarding this case, information which would quite probably reveal plaintiffs' litigation strategy in this case. Thus, the injury to plaintiffs as a result of disclosure of the communications sought could be substantial. Moreover, defendants can obtain the same factual information directly from the same source that plaintiffs' counsel obtained it from; indeed defendants have already obtained much of that [*10] information directly through written interrogatories. n8 [HN3] The attorney-client privilege "only protects disclosure of communications; it does not protect disclosure of the underlying facts by those who communicated with the attorney[.]" Upjohn Co., 449 U.S. at 395. Finally, not only have defendants failed to identify a specific need for the communications sought, but they have not focused with sufficient specificity on what information is desired. Accordingly, the defendants have not in this instance shown good cause why the communications in question should lose protection under the attorney-client privilege.

n8 Defendants' complaint that the answers to their interrogatories were insufficient because they were probably drafted by an attorney is not pertinent to the resolution of this discovery dispute. If defendants are not satisfied with the answers to these interrogatories, they may depose directly the same sources of information relied on by the special Committee, questioning them on personal knowledge rather than on information funneled through the special Committee.

Defendants also seek discovery of the documents which the Special Committee reviewed during its meetings, [*11] as well as documents relating to expenditures by plaintiffs in connection with this litigation, with the Special Committee's communications with federal agencies, and with the adoption of the shareholder Rights plan. [HN4] The attorney work product doctrine protects an attorney's work product prepared in anticipation of litigation. Coastal States Gas Corp. v. Department of Energy, 617 F.2d 854, 864 (D.C. Cir. 1980). The purpose of the doctrine is to protect the integrity of the adversary system, by "encourag[ing] effective legal representation . . . by removing counsel's fears that his thoughts and in-

formation will be invaded by his adversary." Coastal States Gas Corp., 617 F.2d at 864 (quoting Jordan v. United States Department of Justice, 591 F.2d 753, 775 (D.C. Cir. 1978) (en banc)). Central to the attorney work product doctrine is protection of an attorney's weighing of the relevant facts; accordingly, the doctrine at its core protects "interviews, statements, memoranda, correspondence, briefs. . . ." mental impressions, personal beliefs. . . ." Hickman v. Taylor, 329 U.S. 495, 511 (1946). As this Circuit has pointed out, "even the factual material segregated from [*12] attorney work product is likely to reveal some of the attorney's tactical and strategic thoughts." Mervin v. F.T.C., 591 F.2d 821, 826 (D.C. Cir. 1978). n9

n9 [HN5] The work product doctrine may in some cases be overcome by a showing of "substantial need." Rule 26(b)(3) of the Federal Rules of Civil Procedure further provides in pertinent part that

a party may obtain discovery of documents and tangible things . . . prepared in anticipation of litigation . . . only upon a showing that the party seeking discovery has substantial need of the materials in the preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means.

Fed. R. Civ. P. Rule 26(b)(3) (1988). Defendants have not demonstrated such a "substantial need."

Plaintiffs have provided a list of 20 documents identified by letters a" through "t" presented to the Special Committee which plaintiffs' counsel represents in an affidavit to be a complete list. Plaintiffs' Opposition, Exhibits 1 & 1B (filed under seal). Plaintiffs' counsel, moreover, represents that plaintiffs have already produced certain of those documents identified by letters [*13] a, d, n, o & s. The court finds that other of the documents, identified by letters e, k, p, and q are protected by the work product doctrine, since by their description they must have been prepared in anticipation of litigation or record information protected by the attorney-client privilege. However, it is unclear merely by the descriptions provided whether the documents identified as b, f, g, h, i, j, l, and r are protected by the attorney work product doctrine. The court shall order plaintiffs to provide the court with copies of each of the documents identified by those letters for in camera inspection. With regard to the documents collectively identified by letter "l," plaintiffs may if they wish provide sufficiently detailed descriptions of those documents in lieu of providing the court with copies of each of those documents.

The court shall withhold judgment with regard to the documents identified as c, m, and t, which are the minutes of Special Committee meetings held on October 13, 17, and 21 pending the court's determination of whether the deliberations at those meetings are protected by the attorney-client privilege.

Defendants also seek to compel all documents relating [*14] to the costs incurred by plaintiffs in prosecuting this case, contacting various federal agencies, and in implementing the Shareholder Rights plan. Plaintiffs' counsel represents in affidavit that the only documents responsive to this request are individual attorney time records and law firm billing statements, which "set forth itemization of persons contacted, research conducted, and amounts of attorney time spent on identified issues." Plaintiffs' Exhibits, Exhibit 1, at 4. Time records are protected by the attorney work product doctrine. Indian Law Resources Center v. Department of Interior, 477 F. Supp. 144, 148 (D.D.C. 1979). Accordingly, defendants' motion to compel shall be denied with respect to plaintiffs' time records. However, documents indicating the amount of fees paid without the additional information normally contained in time records is not necessarily protected by the attorney work product doctrine. In re Wasserman, 198 F. Supp. 564, 566 (D.D.C. 1961). Accordingly, the court shall order plaintiffs to produce to defendants copies of the law firm billing statements relating to the prosecution of this case; plaintiffs may redact any part of those statements disclosing [*15] information other than the amount of fees billed. For example, plaintiffs may redact indications of hours spent and related written explanations.

Upon consideration of the foregoing, as well as the entire record in this case, it hereby is

ORDERED, that pursuant to the requests of the counsel at the hearing on this motion held on April 17, 1989 and the orders made orally by the judge at that hearing, the motion of the Holdings Defendants to compel production of documents and testimony filed on February 22, 1989 shall be considered the motion of Washington Defendants rather than that of Holdings Defendants, and it hereby further is

ORDERED, that plaintiffs shall provide the court within 15 days of the date of this order a copy of the minutes of the Special Committee meetings held on October 13, 17, 21 and 26 1988 for in camera inspection, and it hereby further is

ORDERED, that plaintiffs' motion to compel is DENIED with respect to the documents identified by letters e, k, p, and q in Exhibit 1B of the exhibits attached to plaintiffs' opposition, and it hereby further is

ORDERED, that plaintiffs shall within 15 days of the date of this order provide the court with copies of the documents [*16] identified by letters b, f, g, h, i, j, l, and r in that exhibit for in camera inspection, although with regard to the documents collectively identified by the letter "l," plaintiffs may if they wish provide sufficiently detailed descriptions of those documents in lieu of providing the court with copies of each, and it hereby further is

ORDERED, that defendants' motion is DENIED IN PART and GRANTED IN PART with respect to documents relating to attorney fees expended by plaintiffs in this case: defendants motion to compel is denied with respect to the attorney time records relating to this case,

but it is granted with respect to the law firm billing statements relating to the prosecution of this case; plaintiffs may redact any part of those billing statements disclosing information other than the amount of fees billed, and it further hereby is

ORDERED, that defendants' motion to compel now stands DENIED IN PART and GRANTED IN PART pending the court's inspection of certain documents ordered produced to the court in this memorandum opinion and order.

SO ORDERED.

DATE: MAY 10, 1989