

2008 WL 9396387

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United States District Court,
C.D. California.DIAGNOSTICS SYSTEMS
CORPORATION, Plaintiff,

v.

SYMANTEC CORPORATION; Fsecure, Inc.;
Netiq Corporation; Quest Software, Inc.; Netscout
Systems, Inc.; Oracle Corporation; Sas Institute,
Inc.; Business Objects Americas f/k/a Business
Objects Inc.; BMC Software, Inc.; Cognos
Corporation; International Business Machines
Corporation; Sap America, Inc.; Microstrategy, Inc.
d/b/a Msimicrostrategy Incorporated; Information
Builders, Inc.; Aspen Technology, Inc. d/b/a
Massachusetts Aspen Technology, Inc., Defendants.

No. SA CV 06-1211 DOC (ANx).

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Aug. 12, 2008.**ORDER** ADOPTING REPORT OF SPECIAL MASTER/
DISCOVERY REFEREE WITH SOME MODIFICATIONS

DAVID O. CARTER, District Judge.

*1 Before the Court is NetScout Systems, Inc.'s Motion to Compel Documents ("Motion"). The Court issued an Order on April 4, 2008, resolving all pending motions, with the exception of the attorney-client privilege and work product doctrine claims made by Plaintiff. In that Order, the Court appointed Hon. James L. Smith of JAMS as a Special Master ("Special Master") to review documents for which DSC asserts the attorney-client privilege and/or the work product doctrine. The Special Master has provided the Report and Recommendation of Special Master/Discovery Referee ("R & R") to the Court, and the parties have been provided a copy. The Court gave the parties the opportunity to make oral arguments regarding their objections to the R & R. After considering the papers filed by the parties, oral argument by the parties, and the R & R, the Court hereby ADOPTS the R & R with some modifications.

I. BACKGROUND

The present lawsuit involves two patents for which Plaintiff alleges infringement by Defendants.

On December 23, 1997, the U.S. Patent & Trademark Office issued U.S. Letters Patent No. 5,701,400 ("the '400 patent") entitled "Method and apparatus for applying if-then-else rules to data sets in a relational database and generating from the results of application of said rules a database of diagnostics linked to said data sets to aid in executive analysis of financial data." Plaintiff Diagnostic Systems Corporation ("DSC") alleges that it is the owner by assignment of all rights and interests in the '400 patent.

On July 16, 1996, the U.S. Patent & Trademark Office issued U.S. Letters Patent No. 5,537,590 ("the '590 patent") entitled "Apparatus for applying rules to data sets in a relational database to generate a database of diagnostic records linked to the data sets." DSC alleges that it is the owner by assignment of all rights and interests in the '590 patent.

The '590 and '400 patents came into DSC's possession after tracing a circuitous path. Carlos Armando Amado ("Amado") is the named inventor of the '590 Patent, the 400 Patent, and U.S. Patent No. 5,293,615 ("615 Patent"). On March 7, 2003, Amado filed a patent infringement action against Microsoft Corporation ("Microsoft"), claiming that Microsoft had infringed the '590, '400, and '615 patents. Amado dismissed his causes of action against Microsoft arising from the '590 Patent and the '400 Patent on September 13, 2004, after receiving the Court's claim construction ruling and before the summary judgment hearing. The '615 Patent was not dismissed and was litigated to a verdict.

Amado assigned the '590 Patent and '400 Patent to Acacia Patent Acquisition Corporation ("APAC") on December 6, 2005. Pursuant to this assignment, Amado retained a 50% royalty for any proceeds obtained from enforcement of the patents. In addition, Amado agreed in the assignment to "execute and deliver all papers" and "generally do everything possible to aid ASSIGNEE [APAC] to obtain and enforce proper patent protection for said inventions in all countries." APAC assigned its interest in the '590 Patent and '400 Patent to DSC on September 6, 2006. In this Assignment and Assumption Agreement, DSC assumed all of APAC's "rights, obligations, interests and liabilities under the Amado Assignment Agreement." Furthermore, APAC agreed in the assignment to "execute and deliver all papers" and "generally do everything possible to aid ASSIGNEE [DSC] to obtain and enforce proper patent protection." In the same month, DSC

allegedly contacted over 100 companies to seek licenses on these patents and offered to disclose details of the patents, explain the due diligence process, and discuss the reasons DSC believed that the other companies' products infringed the patents.

*2 Both DSC and APAC are wholly-owned subsidiaries of Acacia Research Corporation (“Acacia”) and are in the business of acquiring, licensing, and enforcing patented technologies. Furthermore, APAC and DSC share the same officers, directors, and address.

On December 14, 2006, DSC filed its initial Complaint in this action. Subsequently, on November 8, 2007, DSC filed its Consolidated First Amended Complaint, adding additional defendants. DSC alleges that Defendants have directly infringed and continue to directly infringe the '400 and '590 patents (collectively, “the Patents”). DSC also alleges Defendants have indirectly infringed the Patents by providing non-staple articles of commerce to others for use in an infringing system and by inducing others to infringe. DSC alleges that Defendants' acts of infringement include making, using, selling, or offering for sale numerous products. DSC claims Defendants' infringement of the Patents has been willful and deliberate.

DSC is seeking a declaration, decree, damages, a preliminary injunction, a permanent injunction, costs, expenses, and pre and postjudgment interest on DSC's damages, and attorneys' fees. DSC alleges infringement by the following remaining defendants in the action: Symantec Corporation (“Symantec”); NetIQ Corporation (“NetIQ”); NetScout Systems, Inc. (“NetScout”); Oracle Corporation (“Oracle”); Business Objects Americas f/k/a Business Objects Inc. (“BOA”); Cognos Corporation (“Cognos”); International Business Machines Corporation (“IBM”); SAP America, Inc. (“SAP”); Microstrategy, Inc. d/b/a MSIMicroStrategy Incorporated (“Microstrategy”); and Information Builders, Inc. (“Information Builders”).

DSC has reached settlement agreements with numerous defendants who were previously named in the case. The action against Motive, Inc. was dismissed pursuant to a settlement agreement on August 9, 2007. The action against CA, Inc. was dismissed pursuant to a settlement and licensing agreement on August 15, 2007. The action against BMC Software, Inc. was dismissed pursuant to a stipulated dismissal on March 24, 2008. Finally, the actions against SAS Institute, Inc., Aspen Technology, Inc. d/b/a Massachusetts

Aspen Technology, Inc., FSecure, Inc., and Quest Software, Inc. were dismissed pursuant to stipulated dismissals on March 25, 2008.

NetScout's Motion to Compel was originally scheduled for hearing on September 25, 2007. The week of the September 25, 2007 hearing, the parties discussed their discovery disputes and conducted depositions. They ultimately resolved the majority of their discovery disputes through an agreement reported to the Court on September 27, 2007. In addition, the Court's Order on April 4, 2008 resolved other issues in NetScout's Motion to Compel. Accordingly, only one remaining unresolved issue exists in NetScout's Motion to Compel, which the Court addresses in this Order. The remaining unresolved issue is the discovery of documents for which DSC claims the attorney-client privilege and/or work product doctrine. NetScout seeks to compel discovery of certain documents for which DSC claims the attorney-client privilege and work product doctrine.

*3 The Court assigned a Special Master to review, *in camera*, the documents at issue. The Special Master reviewed each of the 1,302 documents identified in “PLAINTIFF'S PRIVILEGE LOG 10–29–2007” (“Privilege Log”) for the purposes of determining whether the listed documents are protected by the attorney-client privilege and/or work product doctrine. The Special Master provided a copy of the Privilege Log with two additional columns on the right hand side of the spreadsheet labeled “Sustained” and “Produce.” For each of the 1,302 documents, the Special Master indicated his recommendation to sustain the attorney-client privilege or work product doctrine or to produce the document.

In the R & R, the Special Master made special note of the fact that, during the relevant time period, the management team of DSC included 5 attorneys. However, in addition to acting as attorneys, these individuals also functioned in the capacity of corporate executives to further the business goals of DSC, primarily in regard to the licensing of the technology that is the subject of this action. Accordingly, the Special Master recommended that communications related primarily to these business functions should generally not be protected by the privileges asserted. The Special Master determined that over 550 of the documents were mislabeled in the privilege log and should be produced.

The Court gave the parties the opportunity to conduct oral arguments regarding the Special Master's recommendations on May 23, 2008. Plaintiff and NetScout each submitted

supplemental briefing following that hearing. Briefing in this matter is now complete, and the Court addresses the Special Master's R & R in the instant Order.

II. LEGAL STANDARD

A party may serve on another party a request to produce all relevant and non-privileged documents in the possession, custody or control of the party served. [Fed.R.Civ.P. 34\(a\)](#). The party receiving the request shall serve a written response within 30 days, either stating that inspection will be permitted or objecting to the request and stating the reasons for the objection. [Fed.R.Civ.P. 34\(b\)](#). The party making the request may seek a court order to compel disclosure when the responding party objects to the requests or otherwise fails to respond to the request or to produce the documents. *Id.*

“The attorney-client privilege is the oldest of the privileges for confidential communications known to the common law. [Upjohn Co. v. U.S.](#), 449 U.S. 383, 389, 101 S.Ct. 677 (1981) (citing 8 J. Wigmore, *Evidence* § 2290 (McNaughton rev.1961)). The elements of the attorney-client privilege are:

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

*4 8 J. Wigmore, *Evidence* § 2292, at 554.

The work product doctrine is set forth in [Fed.R.Civ.P. 26\(b\)\(3\)](#). Pursuant to [Rule 26\(b\)\(3\)](#), “[o]rdinarily, a party may not discover documents and tangible things that are prepared in anticipation of litigation or for trial by or for another party or its representative.” The United States Supreme Court has set forth the essential nature of the doctrine as follows:

In performing his various duties ... it is essential that a lawyer work with a certain degree of privacy, free from unnecessary intrusion by opposing parties and their counsel. Proper preparation of a client's case demands that he assemble information, sift what he considers to be the relevant from the irrelevant facts, prepare his legal theories and plan his

strategy without undue and needless interference. That is the historical and the necessary way in which lawyers act within the framework of our system of jurisprudence to promote justice and to protect their clients' interests. This work is reflected, of course, in interviews, statements, memoranda, correspondence, briefs, mental impressions, personal beliefs, and countless other tangible and intangible ways—aptly though roughly termed ... as the ‘Work product of the lawyer.’ Were such materials open to opposing counsel on mere demand, much of what is now put down in writing would remain unwritten. An attorney's thoughts, heretofore inviolate, would not be his own. Inefficiency, unfairness and sharp practices would inevitably develop in the giving of legal advice and in the preparation of cases for trial.

[Hickman v. Taylor](#), 329 U.S. 495, 510–11, 67 S.Ct. 385 (1947).

III. DISCUSSION

Upon referral of this matter to the Special Master, the Special Master conducted a thorough and comprehensive review of all 1,302 documents in the Privilege Log. After analyzing and reviewing each document, the Special Master denoted whether the privilege asserted should be sustained, or whether the document should be produced. The following findings were crucial to the Special Master's determinations:

It should be noted that during the time period reflected in the documents the management team of Plaintiff Diagnostic Systems Corporation (DSC) included 5 attorneys. All of these individuals, in addition to being designated as ‘General Counsel’ or ‘Counsel’ carried other titles including ‘Director,’ ‘Chief Operating Officer,’ and ‘Vice-President.’ In reviewing the documents it became

clear these individuals were at times functioning primarily as attorneys representing DSC and at other times were functioning in the capacity of corporate executives furthering the business goals of DSC, primarily in regard to the licensing of the technology that is the subject of this action. Communications relating primarily to these business functions were generally found not to be protected by the privileges asserted.

R & R at 2:9–2:17.

In response, Plaintiff objects to many of the findings in the Special Master's R & R. For the majority of these objections, Plaintiff argues that these documents were created in anticipation of litigation, even if the documents were also generated for, or also serve, a business purpose. Plaintiff further argues that the documents relate to the Rule 11 investigation for the instant lawsuit, and that any discovery of the documents would be premature. Plaintiff asks the Court to reverse the Special Master and sustain Plaintiff's assertion under the attorney-client privilege, work product doctrine, and/or common-interest doctrine for the following privilege 6997 entry numbers: 1144; 855; 797; 942; 794–796; 730; 776; 784; 12–13; 1061; 1067–1068; 1097–1112; 1114–1117; 1118; 1120–1121; 1272–1273; 1284–1287; 1289–1298; 40–43; 433–434; 443; 526–527; 553–588; 594; 596–609; 612–623; 626–699; 701–706; 708–730; 738–747; 749–759; 765–771; 775–777; 779–780; 784; 789–790; 793–800; 802–805; 807–896; 957; 960; 962–963; 969–970; 975–981; 983–984; 989; 991; 994–1007; 1009; 1011–1022; 1026–1056; 1058; 1278–1280; 1288; and 1300–1301.

*5 Defendants argue that the Court should order production of the documents marked “Produce” by the Special Master. In addition, Defendants argue that the Special Master did not go far enough. Although Defendants do not have access to the *in camera* documents for the purposes of making specific objections, Defendants object to the privilege being sustained as to documents such as privilege entry number 917, as well as communications between Amado and his counsel in the Microsoft action, Morrison & Foerster, and between Amado and his patent attorney, Ronald Fish.

At the outset, the Court notes that Plaintiff, through its business structure, attempts to sweep wide swaths of documents within the scope of the privileges asserted. Plaintiff has set up its business in such a way to allow Plaintiff to argue that many documents, including those central to Plaintiff's primary business, are privileged documents. “[T]he burden is on a party claiming the protection of a privilege to establish those facts that are the essential elements of the privileged relationship.” *von Bulow v. von Bulow*, 811 F.2d 136, 144 (2d Cir.1987) (citation omitted). Although Plaintiff has met its burden with respect to many of the documents for which the protected status is sustained, Plaintiff has failed to do so with respect to a substantial number of documents. As such, the Court adopts the Special Master's report in large part, with some modifications to the Special Master's findings. Applying a *de novo* standard of review, *see Fed.R.Civ.P. 53(f)*, the Court finds the vast majority of the Special Master's recommendations to be well reasoned and correct.

The Court upholds the distinction drawn by the Special Master between documents created when DSC employees were functioning primarily as attorneys representing DSC and documents created when the DSC employees were functioning in the capacity of corporate executives furthering the business goals of DSC. The latter category should not fall within the scope of the broad protection to which DSC claims entitlement. Further, the record is replete with evidence demonstrating the DSC employees' dual roles as both attorneys and business executives. This evidence is affirmed by an *in camera* review of the documents contained within the privilege log.

DSC's only business is to analyze, investigate, and attempt to enforce the patents-in-suit. While much of DSC's activities relate to litigation and legal advice, for which the protection asserted by DSC is proper, much of DSC and the related entities' activities center on their business objectives to license and acquire patents and do not bestow the same protections on related documents. Acacia's business “is to acquire rights and patents and monetize them.” Vella Dep. at 17. APAC, a subsidiary of Acacia was created to acquire patents and portfolios on behalf of Acacia, which are subsequently assigned to additional subsidiaries because the “economic interests in those portfolios varied.” Vella Dep. at 18, 21. DSC is a subsidiary whose only business is “the business of monetizing the patents in suit.” *See* Vella Dep. at 18, 64, 177. DSC does not make any products and the patents are its only asset. *Id.* at 64, 173, 194. DSC's purpose is to either attempt to license the patents or enforce them through litigation and

judgment. *Id.* at 64, 177. In this vein, some of DSC, Acacia, and APAC's employees' functions do occur in anticipation of litigation, but not all. In addition some of the employees' communications are subject to the attorney-client privilege, but not all.

*6 As explained by the Special Master, the DSC entities' employees take multiple roles, both business and legal. This distinction is evidenced by examining the activities of Matthew Vella ("Vella"), DSC's corporate representative who is also an attorney. When asked about the company's financial reporting, Vella explained that DSC is a public company and further stated, "I'm the person that tells the rest of the company what might or might not happen with DSC's business.... And what I do is meet with them ... and I give them a state of DSC and a state of other subsidiaries address, if you will. [Lately,] the reporting was so simple that I think I had to create a spreadsheet for DSC." Vella Dep. at 170–174. Vella also prepared a presentation titled "Next Generation Patent Appraisal (Buying Patents)" for the Ocean Tomo Spring 2008 Live IP Auction held in San Francisco at the end of March 2008. *See* Fossum Decl., Ex. A. The presentation is focused on the business of how to identify patents to acquire and "targets" to assert them against, how to "assess value," and how to develop an "assertion plan." *See id.* The presentation details the extensive process and analysis Vella goes through when evaluating patents to acquire and targets to assert those patents against. *See id.* These functions are clearly business functions, and documents resulting from these functions cannot be categorized in sweeping assertions of privileges and protection in order shield the documents from discovery simply because Vella is a lawyer.

Just as distinctions can be drawn between specific employees' roles, distinctions can also be drawn between the relevant time periods. Plaintiff attempts to make the time period during which litigation was anticipated as broad as possible. However, Plaintiff's business model does not allow it to claim such broad privileges. The events leading up to the instant litigation demonstrate the distinctions based on relevant time periods. DSC sent out letters to over 100 potential licensees in September 2006, seeking to obtain licenses of the patents-in-suit. Vella Dep. at 64. As explained by Vella, during the period leading up to the issuance of these letters, "there [was] a bunch of evidence flying around. We're trying to figure out not only who's getting letters, but who's likely to get sued." Vella Dep. at 127. When speaking about these September 2006 letters, DSC's counsel stated that "none of these letters are accusations of infringement. They're offers to license."

Id. at 299. Vella further explains, "We merely offer that they might want to evaluate taking a license. That's very different [from an accusation of infringement]. And many of them said no thanks." *Id.* at 304. Such offers to license are a central aspect of DSC's business model. Thus, although DSC claims that litigation was anticipated related to many potential defendants during this time period, the record negates such a claim. It would be illogical for the Court to conclude that DSC anticipated litigation against all of these companies to whom DSC sent letters. After sending the letters, DSC waited several months to sue the Defendants in this action, then waited another ten months to add additional Defendants. The anticipation of litigation was a developing process and varied as to the relevant Defendants. DSC initially pursued its business to monetize the patents, and had not yet formalized specific litigation plans in order to allow it to claim such broad, sweeping protections.

*7 These facts negate the broad claims to the work product doctrine and attorney-client privilege that DSC asks the Court to uphold. With respect to the work product doctrine, numerous authorities have drawn a line between documents created in anticipation of litigation and those not subject to work product protections based on the use of those documents in activities related to the ordinary course of a company's business. The advisory committee's note to Rule 26(b)(3) explains that "materials assembled in the ordinary course of business ... are not under the qualified immunity provided by this subdivision." Rule 26(b)(3), advisory committee's note. One court explained that "patent infringement investigations, tests or analyses ... would not be protected from disclosure as work product if they were prepared in the normal course of plaintiff's business." *Phillips Elecs. North Am. Corp. v. Universal Elecs. Inc.*, 892 F.Supp. 108, 110 (D.Del.1995). Further, "[a] more or less routine investigation ... is not sufficient to immunize an investigative report developed in the ordinary course of business." *Green v. Baca*, 2004 WL 1151649, at *5 (C.D.Cal. May 19, 2004) (citation omitted). "There is no protection for documents prepared in the ordinary course of business, even if they may be useful in litigation." *Clavo v. Zarrabian*, 2003 WL 24272641, at *2 (C.D.Cal. Sep. 24, 2003); *see also L.H. v. Schwarzenegger*, 2007 WL 2009807, at *8–9 (E.D.Cal. Jul. 6, 2007) (holding that documents prepared as part of "routine" procedures are not protected by work product doctrine); *Kintera, Inc. v. Convio, Inc.*, 219 F.R.D. 503, 507 (S.D.Cal.2003) (holding that, in order for a document to be protected, it must be one "that would not have been generated but for the pendency or imminence of litigation"). If the Court were to adopt DSC's

position with respect to the work product doctrine, virtually all activities engaged in by a company premised entirely on licensing and/or enforcing patents via litigation would be classified as “in anticipation of litigation” and would therefore be work product; such a sweeping application of the work product doctrine is unsupported. In this case, many of DSC's business activities are distinguishable from DSC's activities in anticipation of litigation. The Special Master properly excluded documents deriving from these business activities from the scope of the work product doctrine.

A similar conclusion is reached with respect to DSC's claims of the attorney-client privilege. In order for the attorney-client privilege to apply, among other factors, legal advice must be sought from a professional legal adviser in his capacity as such, and the communications must relate to that legal advice. 8 J. Wigmore, *Evidence* § 2292, at 554. “The mere fact that outside counsel was copied with the e-mail will not shield communication not made for the purpose of securing legal advice.” *United States v. ChevronTexaco Corp.*, 241 F.Supp.2d 1065, 1075 (N.D.Cal.2002). As further explained by the Court in *ChevronTexaco*:

*8 Corporations may not conduct their business affairs in private simply by staffing a transaction with attorneys. Because in-house counsel may operate in a purely or primarily business capacity in connection with many corporate endeavors, the presumption that attaches to communications with outside counsel does not extend to communications with in-house counsel.

With respect to internal communications involving in-house counsel, Chevron must make a ‘clear showing’ that the ‘speaker’ made the communications for the purpose of obtaining or providing legal advice. In order to show that a communication relates to *legal* advice, the proponent of the privilege must demonstrate that the ‘primary purpose’ of the communication was securing legal advice. Extending protection to communications primarily and sufficiently animated by some other purpose would not be necessary to encourage forthright disclosures by clients to lawyers-so such communications should not be privileged.

...

[W]here ... the attorneys not only served as legal advisors but also helped implement the business transaction, we cannot simply assume that every communication involving in-house counsel that related to this transaction was made primarily for the purpose of securing legal advice.

Id. at 1076 (internal citations omitted).

Here, DSC properly claims the attorney-client privilege in some instances. However, DSC is not entitled to protection by the privilege simply because in house counsel were involved in the transactions. The management team of DSC and the related entities consisted of five attorneys during the relevant time period, and these attorneys fulfill important business roles for the companies. In those instances where DSC has failed to make a clear showing that the primary purpose of the communication was securing legal advice, the assertion of the privilege is overturned. The Court does not support an assertion of the privilege that will allow DSC to hide behind communications involving its in-house counsel to protect broad swaths of documents, where those communications are not clearly related to a primary purpose of securing legal advice. The Special Master was correct to construe the attorney-client privilege strictly, and to only apply protections where there was a clear showing that the communication was directed specifically toward legal advice.

In sum, the Special Master properly parsed the specific roles of the employees and the relevant time periods to determine which communications were related purely to DSC's business and which were subject to the attorney client privilege and work product doctrine. Furthermore, DSC's arguments regarding the Rule 11 pre-filing investigation discovery being premature do not preclude production of the documents that the Special Master has recommended be produced. These documents are not the Rule 11 pre-filing investigation; instead, they are documents generated in the ordinary course of DSC and the related entities' line of business. For these reasons, the Court adopts the Special Master's R & R with modifications set forth below.

*9 Prior to setting forth this Court's modifications to the R & R, however, the Court first addresses the recent arguments made by the parties related to waiver of the privilege between Amado and Ronald Fish (“Fish”) and between Amado and Morrison & Foerster (“MoFo”), as well as the Petition to Make Special “search report” (“PTMS Report”).

Defendants argue that Amado waived any attorney client privilege due to the fact that DSC has listed communications between Amado and Fish and between Amado and MoFo on its privilege log. This argument fails for several reasons. At the outset, the evidence indicates that Amado provided these documents to Shore Chan Bragalone LLP (“SCB”), the law firm providing counsel to both DSC and Amado

in this action. Amado cannot have waived the privilege by providing this information to his counsel, SCB. Furthermore, there is no indication that Amado provided this information to DSC himself. Defendants ask the Court to infer that Amado provided the information to DSC based on its inclusion on the privilege log. However, if anything, the evidence would likely lead to an inference that SCB provided the information to DSC. An inference that SCB shared these documents with DSC is insufficient to waive Amado's privilege, and it would require inference upon inference to conclude that Amado waived his privilege as to these documents to which the attorney-client privilege clearly applies.

Even if DSC possesses this information, DSC is entitled to protection based on the common interest privilege. “[W]here the same attorney represents two parties having a common interest, and each party communicates with the attorney, the communications are privileged from disclosure at the instance of a third person.” *Simpson v. Motorists Mutual Ins. Co.*, 494 F.2d 850, 855 (7th Cir.1974). Under the joint client or common interest doctrine, “communications among joint clients and their counsel are not privileged in disputes between the joint clients, but are protected from disclosure to others.” *Griffith v. Davis*, 161 F.R.D. 687, 693 (C.D.Cal.1995). “[T]he joint client doctrine typically has been applied to overcome what would otherwise have constituted a waiver of confidentiality because a communication has been shared between two clients.” *Id.* Defendants argue that the common interest doctrine does not apply between Amado and DSC because the shared interest is only a financial interest. However, in this case, the shared interest is greater than simply financial. Amado and DSC share an interest in the outcome of the instant litigation. Amado has been substantially involved in this litigation through depositions and numerous court appearances, through which he has been represented by SCB. Although he is not a named party, he is nearly a Plaintiff in the instant action. His clear common goal and involvement in the instant action, as well as his shared counsel with DSC, create a common interest privilege. For these reasons, the Special Master was correct in sustaining the privilege as to those communications between MoFo and Amado and Fish and Amado arising from the prior action.

*10 Plaintiff argues in its recent briefing that the Special Master erred in recommending that privilege entry numbers 1272 and 1273 be produced. These documents constitute a Petition to Make Special “search report” (“PTMS Report”) and associated invoice, conducted by Patent Agent Matt

Kasap (“Kasap”). A petition to make special is a procedural device available to applicants to accelerate and review prosecution of a patent application. Manual of Patent Examination Procedure (8th ed. Rev. 5 2007) § 708.02 (“MPEP”). Section 708.02 requires that the applicant “[s]ubmit[] a statement(s) that a pre-examination search was made, listing the field of search by class and subclass, publication ... [and] [s]ubmit[] one copy each of the references deemed most closely related to the subject matter encompassed by the claims if said references are not already of record....” *Id.*

Plaintiff argues that the “search report” and invoice constitute communications between Kasap (a non-lawyer patent agent), Amado, and Fish (Amado's patent attorney), subject to the attorney-client privilege. The Court finds the reasoning in *Gorman v. Polar Electro, Inc.*, 137 F.Supp.2d 223 (E.D.N.Y.2001), to be directly on point. There, the Court reached a correct holding in explaining that “the attorney-client privilege applies to confidential communications with patent agents acting under the authority and control of counsel, when the communications relate to the prosecution of a patent application in the United States.” *Id.* at 227 (internal citations omitted). Thus, it is necessary to determine whether the patent agent was “acting under the authority and control of an attorney when he obtained the information sought to be disclosed.” *Id.* at 228.

Here, the evidence indicates that Kasap was not acting under the authority and control of Fish. It was Amado himself who sent a letter by facsimile to Kasap requesting performance of the PTMS search report. The letter indicates that Amado had been referred to Kasap by Fish. Kasap then provided the search report to Amado and billed Amado for the services, as evidenced by an *in camera* review of privilege entry numbers 1272 and 1273. The facts that Fish referred Amado to Kasap and was copied on the invoice and the search report are insufficient to support a finding that Kasap was acting under Fish's authority and control. Instead, Kasap was acting under the authority and control of Amado directly. Under these authorities and this evidence, the Court finds that this was an unprivileged patent agent-client relationship. Thus, DSC has failed to meet its burden as to the attorney-client privilege for these documents. Accordingly, the Special Master was correct in his recommendation that privilege entry numbers 1272 and 1273 be produced.

With this analysis and perspective in mind, the Court adopts the Special Master's R & R with the following modifications

after reviewing, *in camera*, each of the documents pertaining to the parties' objections:

- *11 • Privilege entry number 1144 is hereby sustained. Both the “Sustained” and “Produce” boxes were inadvertently checked. This is a communication between Amado and outside counsel.
- Privilege entry number 849 is hereby ordered to be produced. This is consistent with the finding as to privilege entry number 855. The document pertains to licensing activities in the ordinary course of DSC's business.
- Privilege entry number 797 is hereby sustained. This is consistent with the finding as to privilege entry numbers 800 and 801. The document includes communication with outside counsel for the purposes of obtaining legal advice.
- Privilege entry number 940 is hereby ordered to be produced. This is consistent with the finding as to privilege entry number 942. This is a communication between Amado and DSC regarding DSC's ordinary course of business and licensing plans.
- Privilege entry numbers 795 and 796 are hereby sustained. These documents are draft claim constructions prepared by outside litigation counsel. This is consistent with the findings as to privilege entry numbers 541, 542, and 986.
- Privilege entry number 730 is hereby sustained. This document was prepared by outside legal counsel and compares claims of patent and infringer products. This is consistent with the findings as to privilege entry numbers 541, 542, and 986.
- Privilege entry number 776 is hereby sustained. This is consistent with the findings as to privilege entry numbers 541, 542, and 986.
- Privilege entry number 778 is hereby ordered to be produced. This is consistent with the finding as to privilege entry number 784. This is a communication between Amado and DSC regarding DSC's ordinary course of business and licensing plans.
- Privilege entry number 443 is hereby sustained. The communication between counsel clearly demonstrates specific considerations related to anticipated litigation.

DSC has failed to meet its burden to show that the privileges asserted apply to all other documents for which the Special Master has recommended production. All other objections by DSC and Defendants are hereby OVERRULED. DSC is hereby ORDERED to produce all documents in compliance with the findings contained in the REPORT OF SPECIAL MASTER / DISCOVERY REFEREE subject to the above modifications. DSC shall produce these documents no later than August 27, 2008.

IV. DISPOSITION

For the above mentioned reasons, the Court hereby adopts the Report of the Special Master with modifications. DSC is hereby ORDERED to PRODUCE the documents denoted by the following privilege entry numbers:

- 12–13;
- 40–43;
- 204;
- 234–235;
- 431–436;
- 444;
- 479;
- 481;
- 526–527;
- 553–729;
- 731–775;
- 777–794;
- 798–799;
- 802–842;
- 845;
- 849–852;
- 854;
- 856–896;
- 925;

- 940–985;
 - 1024–1121;
 - 1272–1273;
 - 1278–1280; and
 - 1282–1302.
- 1024–1121;
 - 1272–1273;
 - 1278–1280; and
 - 1282–1302.
- 940–985;
 - *12 • 987–991;
 - 993–1022;
 - 1024–1121;
 - 1272–1273;
 - 1278–1280; and
 - 1282–1302. 925;
 - 940–985;
 - 987–991;
 - 993–1022;

These documents shall be produced no later than August 27, 2008.

IT IS SO ORDERED.

All Citations

Not Reported in F.Supp.2d, 2008 WL 9396387



KeyCite Yellow Flag - Negative Treatment

Distinguished by [Waymo LLC v. Uber Technologies, Inc.](#), N.D.Cal., June 8, 2017

2016 WL 427363

Only the Westlaw citation is currently available.
United States District Court, N.D. California.[REMBRANDT PATENT INNOVATIONS, LLC](#),
and [Rembrandt Secure Computing, LP](#), Plaintiffs,

v.

APPLE INC, Defendant.

Nos. C 14-05094 WHA, C 14-05093 WHA

|
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**ORDER GRANTING IN PART AND DENYING
IN PART APPLE'S MOTION TO COMPEL**[WILLIAM ALSUP](#), UNITED STATES DISTRICT JUDGE**INTRODUCTION**

*1 In this patent infringement action, the accused infringer filed a discovery request seeking to compel the production of numerous entries on the patent owner's privilege log. After discovery into the patent owner's privilege assertions, the accused infringer has filed a motion to compel. For the reasons stated below, the accused infringer's motion is **GRANTED IN PART AND DENIED IN PART**.

STATEMENT

This action concerns [United States Patent Number 6,185,678](#) (“the '678 patent”), which issued in 2001. The '678 patent identified William A. Arbaugh, David J. Farber, Angelos D. Keromytis, and Jonathan M. Smith as the named inventors. The named inventors were all students or employees of the University of Pennsylvania at the time of the invention, so pursuant to Penn's patent policy, they assigned their rights in the then-pending application to Penn in exchange for certain royalties on revenues realized from the invention. Pursuant to its patent policy, Penn had the option, but no obligation, to return title to the '678 patent to the named inventors (Arbaugh Decl., Exhs. A–B). Otherwise, Penn could convey the patent to others only “in extreme or unusual circumstances” subject to “approval by the President of the University” (*id.*, Exh. B ¶ 2.2.2).

Penn's written patent policy obligated the named inventors to “cooperate fully with the University in the preparation and prosecution of patents” in proceedings before the United States Patent and Trademark Office (*id.*, Exh. B ¶ 2.0). The contract governing the assignment of the patent rights to Penn further obligated the named inventors to “execute all papers necessary in connection with the application(s) and any continuing (continuation, divisional, or continuation-in part), reissue, reexamination or corresponding application(s) thereof” as well as “in connection with any interference or patent enforcement action (judicial or otherwise) related to the application(s)” (*id.*, Exh. A at 1).

The United States also claimed certain rights in the patent because at the time of the invention Dr. Arbaugh worked for the National Security Agency full time, while also enrolled as a Ph.D. student at Penn, and Dr. Smith's research was funded by government grants (Arbaugh Decl. ¶ 3).

Penn returned title to the '678 patent to the named inventors in October 2010. It retained a royalty-free non-exclusive license to the patent along with a right to fifteen percent of the

first one million dollars in future royalties and ten percent of royalties in excess of one million dollars. Finally, Penn retained the right to recover for any infringement pre-dating the assignment (*id.*, Exh. E).

Plaintiffs Rembrandt Patent Innovations, LLC, and Rembrandt Secure Computing, LP, (collectively, “Rembrandt”) are non-practicing entities in the business of acquiring and suing on patents. In February 2011, Rembrandt met with the named inventors to discuss forming a relationship for the purpose of “shar[ing] in the proceeds of the enforcement of the ‘678 Patent” (*id.* ¶ 19). That meeting was supposedly subject to a verbal non-disclosure agreement, which Rembrandt and the named inventors later reduced to writing (*id.*, Exh. D). At the meeting, Rembrandt “identified instances of infringement of the ‘678 Patent and proposed a joint business relationship between the inventors and Rembrandt where Rembrandt would help [the named inventors] enforce the ‘678 Patent” and also identified certain issues with third-party rights (such as the United States) that remained to be resolved, among other items that might arise in litigation (*id.* ¶¶ 19–20).

*2 In June 2011, Rembrandt acquired an exclusive option to purchase the named inventors' rights to the '678 patent and retained the named inventors as consultants. In December 2012, Rembrandt and the named inventors jointly retained Attorneys Steven Kelber and Stewart Baker to provide legal advice regarding ownership of the patent (Golub Decl. ¶¶ 17–18).

In April 2013, Dr. Arbaugh assigned to the NSA all rights in the '678 patent he was obligated to assign to it, and then the NSA, in turn, assigned its rights to Penn. The assignments were made retroactive to the date the '678 patent issued (Arbaugh Decl. ¶¶ 35–36).

In July 2013, the named inventors assigned the '678 patent to Rembrandt in exchange for a right to a portion of any proceeds from litigation. In 2014, Penn conveyed the right to recover for infringement prior to October 2010 to the named inventors (Schroeder Decl., Exhs. 4, 7–8; Scarsi Decl., Exh. 9).

Rembrandt commenced the first of the two now-consolidated actions herein in the Eastern District of Texas in January 2014. In March 2015, after the consolidated cases were transferred here, Apple challenged over eight hundred entries on Rembrandt's privilege log. Rembrandt produced more than two hundred documents on the log after receiving

Apple's challenge, but continued to withhold the remaining documents. Apple sent a discovery request to the Court in October 2015 (Dkt. No. 104). The Court ordered Rembrandt to provide a sworn record for each of its assertions of privilege and to make the declarants available for deposition. Rembrandt then produced another set of previously withheld documents. This motion concerns the 226 entries that remain on Rembrandt's privilege log, unproduced.

Apple seeks a ruling on three legal challenges to Rembrandt's privilege assertions and an order compelling Rembrandt to produce withheld documents consistent with that ruling. To the extent Rembrandt continues to withhold documents, Apple seeks *in camera* review of the remaining documents.

In an effort to simplify the discussion of the different sets of disclosures at issue herein, the Court provided the parties with the following chart at the hearing on this matter:

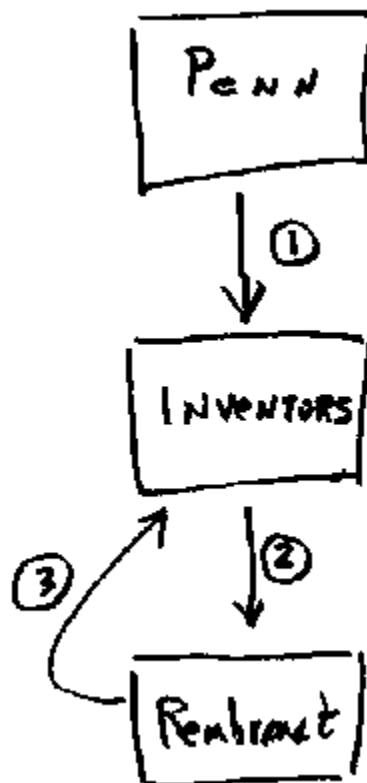


Figure Used at Hearing

Our dispute concerns disclosures made by Penn and its counsel to the inventors (indicated by the number “1”), and disclosures made by Rembrandt and its counsel to the inventors (indicated by the number “3”). The latter set of disclosures can be further subdivided into disclosures made

before Rembrandt acquired an exclusive option to purchase the patent, and disclosures made after Rembrandt acquired that option (referred to as “3A” and “3B,” although not indicated as such on the chart). (The motion does not seek disclosures indicated by the number “2.”)

Following a brief from Apple and a response from Rembrandt, the Court held oral argument on this matter. At oral argument, the Court asked each side to designate a single privilege log entry from each of period 1, 3A, and 3B, for which Rembrandt then produced the documents for *in camera* review. This was a total of six items (to assist the judge in understanding the nature of the documents at issue).

ANALYSIS

Apple has not specifically challenged any of the 226 remaining privilege log entries but broadly asserts that Rembrandt has improperly withheld documents in three categories, derived from the chart depicted above. Category 1 includes communications between Penn and its counsel, which Penn disclosed to the named inventors after the '678 patent issued, but before it returned the rights to the patent to the named inventors. Category 3A includes communications between Rembrandt and its counsel that Rembrandt disclosed to the named inventors prior to its acquisition of an exclusive option to purchase the '678 patent. Category 3B includes communications between Rembrandt and its counsel that it disclosed to the named inventors after Rembrandt acquired the exclusive option. Apple did not specifically argue that Rembrandt improperly withheld documents from Category 2 (documents disclosed by the named inventors to Rembrandt), accordingly, this order does not address those documents.¹

¹ Rembrandt notes that sixty-two of the challenged documents are solely in the named inventors' custody. The subpoenas served on the named inventors identified the place of compliance as New York or Washington, D.C. Pursuant to Rule 37(a) (2), “[a] motion for an order [compelling disclosure or discovery] to a nonparty must be made in the court where the discovery is or will be taken.” Pursuant to Rule 45(f), “[w]hen the court where compliance is required did not issue the subpoena it may transfer a motion under this rule to the issuing court if the person subject to a subpoena consents or if the court finds exceptional circumstances.”

The named inventors are not parties in this action, and Apple has not filed motions in the respective courts of compliance for subpoenas issued to the named inventors. Until such motions are filed and transferred here, this Court lacks jurisdiction to order the named inventors to produce the sixty-two documents in their possession.

*3 Rembrandt asserts that the documents in Categories 1 and 3B are subject to attorney-client privilege, inasmuch as any disclosures were made pursuant to a common legal interest. Rembrandt further asserts that documents in Categories 1, 3A, and 3B are subject to work-product immunity. Each argument is now addressed.

1. ATTORNEY-CLIENT PRIVILEGE AND COMMON LEGAL INTEREST.

“Issues concerning application of the attorney-client privilege in the adjudication of federal law are governed by federal common law.” *United States v. Ruehle*, 583 F.3d 600, 607 (9th Cir. 2009) (citation omitted). Privilege is generally demonstrated by satisfying an eight-part test:

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

Ibid. A party asserting a privilege bears the burden of proving each element of the privilege. *Id.* at 607–08. “Because it impedes full and free discovery of the truth, the attorney-client privilege is strictly construed.” *Id.* at 607 (citation omitted). A party may make a *prima facie* showing of privilege by submitting a privilege log that identifies:

- (1) the attorney and client involved,
- (2) the nature of the document,
- (3) all persons or entities shown on the document to have received or sent the document,
- (4) all persons or entities

known to have been furnished the document or informed of its substance, and (5) the date the document was generated, prepared, or dated.

In re Grand Jury Investigation, 974 F.2d 1068, 1071 (9th Cir. 1992). Once a party has made a *prima facie* showing that a document is privileged, a party challenging privilege must “show a factual basis sufficient to support a reasonable, good faith belief that *in camera* inspection may reveal evidence that information in the materials is not privileged.” *Id.* at 1075.

Here, Rembrandt has provided sworn declarations that each document withheld included confidential communication pertaining to the request or provision of legal advice from a lawyer, acting in his or her legal capacity, to his or her client (or the conveyance of legal advice by someone authorized to do so by an attorney), and that the custodian has maintained its confidence. Thus, it is Apple's burden to show a factual basis sufficient to demonstrate that *in camera* inspection may reveal that the materials are not privileged. Apple argues that privilege as to the withheld documents was waived by the disclosure of those documents to the named inventors, and it attempts to do so on a group basis (*i.e.*, for Category 1 and Category 3B), rather than as to any particular documents.

Generally, if a party discloses privileged documents to a third party, that disclosure constitutes a waiver of privilege as to that subject matter. *Hernandez v. Tanninen*, 604 F.3d 1095, 1100 (9th Cir. 2010). Our court of appeals has not directly addressed the scope of a common legal interest with regard to transactions between the inventors of a patent and partners or potential partners in business ventures seeking to monetize that patent. Accordingly, this order considers the problem in light of the policy underlying the attorney-client privilege:

*4 Its purpose is to encourage full and frank communication between attorneys and their clients and thereby promote broader public interests in the observance of law and administration of justice. The privilege recognizes that sound legal advice or advocacy serves public ends and that such advice

or advocacy depends upon the lawyer's being fully informed by the client.

Upjohn Co. v. United States, 449 U.S. 383, 389 (1981). Moreover, “the privilege exists to protect not only the giving of professional advice to those who can act on it but also the giving of information to the lawyer to enable him to give sound and informed advice.” *Id.* at 390.

In *Upjohn*, an employer asserted privilege over questionnaires submitted by lower-echelon employees to the employer's counsel for the purpose of gathering information that would form the basis of legal advice for the employer. The questionnaires concerned matters “within the scope of the employees' corporate duties, and the employees themselves were sufficiently aware that they were being questioned in order that the corporation could obtain legal advice.” *Id.* at 394. Specifically, the questionnaires identified the sender as the general counsel and indicated the legal implications of the underlying investigation. Moreover, the questionnaires were considered “highly confidential” when made and kept confidential by the employer. *Id.* at 395. In light of these facts, the Supreme Court held that the attorney-client privilege applied to the questionnaires.

A. Disclosures by Penn (Category 1).

With regard to Category 1 (communications between Penn and its counsel disclosed to the named inventors), Penn had an interest in monetizing its own patent through litigation or licensing, and the inventors shared Penn's interest in developing those strategies, inasmuch as they had a right to royalties from the patent. Penn's efforts to enforce and license the patent plainly needed to be informed by the named inventors' understanding of the scope of the patent. Similarly, Penn held an interest in ensuring the patent remained strong and valid, which interest also turned on the named inventors' understanding of the patent and the prior art. Indeed, the named inventors remained obligated to cooperate with Penn in any proceedings before the PTO with regard to the patent. Finally, Penn had an interest in ensuring it had full title to the patent, so it would have standing to enforce it, which required discussions with the named inventors about their respective duties to assign their patent rights to the government and the procedures for recovering those rights.

Given their rights to royalties from the patent, and their interest as possible assignees of the patent, the named inventors shared Penn's interest in engaging in "full and frank" discussions with Penn's counsel about legal questions involved in licensing and enforcement opportunities, perfecting title in the patent, and defending the patent's validity. Moreover, recognizing privilege in these circumstances serves the purpose of the "giving of information to [Penn's] lawyer to enable [her] to give sound and informed advice" with regard to the parties' joint interests in the patent. *Ibid.*

The decision in *Research Institute for Medicine and Chemistry, Inc. v. Wisconsin Alumni Research Foundation*, 114 F.R.D. 672, 678 (W.D. Wisc. 1987) ("*RIMC*"), reached the same conclusion. That decision held that because "the inventors share proportionately with [the patent owner] in the fruits of the patents it is clear that in the performance of the agreement a community of interest exists." Apple contends that our named inventors lacked the continuing obligation to cooperate with the named inventors contemplated in *RIMC*, but Penn's patent policy obligated the named inventors to "cooperate fully with the University in the preparation and prosecution of patents," which would include post-issue procedures before the PTO (Donohue Decl., Exh A).

*5 Apple argues that the named inventors and Penn shared only *commercial* interests in generating revenue; however, Penn and the named inventors' joint interest in generating revenue through licensing and litigation and maintaining the strength and validity of the patent inherently relied on the joint pursuit of *legal* objectives. Rembrandt has made a sufficient showing that the withheld documents pertained to these legal interests, and Apple has failed to refute Rembrandt's case.

Apple further contends that Rembrandt has failed to carry its burden to justify privilege, inasmuch as many of the privilege logs did not include any attorneys as senders or recipients of the documents in question, but instead indicated the documents reflected legal advice "from Penn attorney(s)," conveyed by non-legal employees at Penn. Apple cites the fact that Attorney Kathryn A. Donohue, counsel for Penn, could not recall which specific attorney provided the advice in question for each document at her deposition, but Apple never gave Attorney Donohue the opportunity to review individual documents during her deposition. Attorney Donohue cannot be faulted for lacking comprehensive memory as to dozens of documents. This order holds that Rembrandt has made a sufficient *prima facie* showing that the withheld documents in

Category 1 are subject to attorney-client privilege, and Apple has failed to overcome Rembrandt's case.²

2 The better procedure would have been for the deponent to have the withheld materials before her so that she could have named names and dates (even though the materials would not have been shown to examining counsel). The Court would have ordered this procedure had Apple requested it, and Rembrandt notes that Apple adopted this procedure in subsequent depositions.

Although this order finds that disclosure to the inventors — in and of itself — was not a waiver of that privilege, a further problem concerns whether adequate steps occurred to protect the confidentiality of the records in the hands of the inventors. When evaluating whether an attorney-client privilege attached, we should check to see if the parties treated it as such, for example by marking the communications "privileged" and storing them in a special file, by entering into an agreement to maintain the confidentiality of the documents, and/or by avoiding disclosure to yet further parties. Here, the record is not developed well enough to answer this question, although the two documents submitted for *in camera* review from Category 1 lacked any "privileged" or "confidential" marking. This question might well have to be litigated inventor by inventor and maybe even document by document. Apple has chosen to rest its challenge on the omnibus absence of a common legal interest. Now that this challenge has been rejected, the Court finds that the record is too underdeveloped to allow a blanket determination, as Apple seeks, to sweep away the privilege on the other grounds. In light of our new emphasis on "proportionality," the Court doubts that any such exercise would be worthwhile.

In any case, the named inventors averred that they understood the nature of their communications with Penn to be confidential and privileged pursuant to their common interests (Arbaugh Decl. ¶ 10; Keromytis Decl. ¶ 19). Furthermore, the privilege log indicates that the named inventors maintained the confidentiality of the documents in question.

Accordingly, Apple's motion to compel the production of the documents from Category 1 that Rembrandt withheld as privileged is **DENIED**.

B. Disclosures by Rembrandt (Category 3B).

*6 Rembrandt asserts attorney-client privilege as to Category 3B, disclosures made to the named inventors after it acquired an exclusive option to purchase the patent. It does *not* assert attorney-client privilege as to Category 3A, the disclosures made before it acquired that option (it only asserts work-product immunity as to those disclosures).

Rembrandt argues that after it acquired the exclusive option to purchase the patent, its disclosures to the named inventors occurred pursuant to a common interest, namely, conducting due diligence, perfecting title in the patent, identifying targets for litigation, and developing specific legal strategies. At this point, the named inventors and Rembrandt had ceased dealing at arms length, and they had taken the first formal step towards effecting a joint litigation strategy. Rembrandt and the named inventors, then, had a joint need to engage in “full and frank” discussions with counsel about the legal issues that informed the pursuit of their obligations.

In re Regents of the University of California, 101 F.3d 1386, 1390 (Fed. Cir. 1996), is instructive with regard to this category of disclosures. That decision held that a company with an exclusive option to purchase a pending patent did not waive attorney-client privilege by disclosing legal advice to the inventor because the parties had “allied in a common legal cause” — patent prosecution at the PTO — and “[b]oth parties had the same interest in obtaining strong and enforceable patents.” Here, Rembrandt acquired the same interest in the ‘678 patent — an exclusive option to purchase — and shared the inventors’ interest in pursuing joint litigation, preserving the validity of the patent, and perfecting title in the patent.

Apple relies on *Thought, Inc. v. Oracle Corp.*, No 12-5601, 2014 WL 3940294, at *3 (N.D. Cal. Aug. 11, 2014) (Judge Maria-Elena James), which held that a non-practicing entity waived privilege by disclosing “patent background investigations or evaluations” to a patent owner during a due diligence period as part of a tentative assignment agreement, because the parties had not engaged in a joint *legal* enterprise:

Further, even if some of the [non-practicing entity]

communications are privileged, the dominant interests between Thought and the [non-practicing entities] were deciding whether to become business partners in monetizing the patent portfolio. As the negotiations were not made *in an effort to formulate a joint defense*, this is

a non-privileged business decision. This is true even if the correspondence had potential relevance to a hypothetical litigation — such interest is secondary to the immediate business decision of whether to purchase the patents. The interests of the parties were thus commercial and not eligible for common-interest privilege.

Ibid. (internal citations omitted) (emphasis added).

Thought is distinguishable because it involved disclosures that solely served the interest of “evaluating patents to acquire and targets to assert those patents against[,]” which is clearly a “business” function. *Ibid.* The reasoning of *Thought* applies to the disclosures in Category 3A, discussed below, but it does not apply to Category 3B, which includes disclosures made pursuant to a joint enterprise that Rembrandt had already formalized with the objective of perfecting title in the patent and engaging in a joint litigation strategy, well beyond merely evaluating a patent to acquire.

*7 The undersigned judge has previously held that a “common interest” or “joint defense” exception (to waiver) applies as follows:

[An exception to the waiver of privilege] applies where parties are represented by separate counsel but engage in a common legal enterprise. The interests of the parties involved in a common defense need not be identical, and, indeed may even be adverse in some respects. The joint-defense exception, however, protects *only* those communications that are part of an on-going and joint effort to set up a common defense strategy.

Holmes v. Collection Bureau of Am., Ltd., No. 09-02540, 2010 WL 143484, at *3 (N.D. Cal. Jan. 8, 2010). Here, once Rembrandt had acquired an exclusive option to purchase the patent, it was already “engage[d] in a common legal enterprise” with the named inventors and communications between them were “part of an on-going and joint effort to set up a common ...strategy” for perfecting title in the patent and enforcing it through litigation.

Indeed, the documents submitted for *in camera* review from Category 3B support the conclusion that once Rembrandt acquired the option to purchase the patent, the parties' interests aligned and they began to pursue joint legal interests. The extension of the attorney-client privilege to disclosures in furtherance of that interest plainly serves the goal of *Upjohn* to enable “full and frank” discussion with attorneys and ensuring attorneys can collect the information they need to provide accurate legal advice.

Accordingly, Apple's motion to compel the production of documents in Category 3B is **DENIED**.

2. WORK-PRODUCT IMMUNITY (CATEGORY 3A).

To the extent attorney-client privilege does not apply, Rembrandt contends its disclosures were also protected by attorney work-product immunity and that any disclosure to the named inventors occurred pursuant to a common legal interest. Because this order has already held that attorney-client privilege applies to disclosures in Category 1 and Category 3B, it only considers work-product immunity as to Category 3A.

Pursuant to Rule 26(b)(3), attorney work product “prepared in anticipation of litigation or for trial by or for another party or its representative” is subject to a qualified privilege. The Advisory Committee Note on Rule 26 further clarifies that “[m]aterials assembled in the ordinary course of business...or for other nonlitigation purposes are not” entitled to work-product immunity. For so-called “dual purpose” documents created both in anticipation of litigation and for non-litigation purposes, a document is eligible for work-product immunity if “in light of the nature of the document and the factual situation in the particular case, 'the document can be fairly said to have been prepared or obtained because of the prospect of litigation, and would not have been created in substantially similar form but for the prospect of that litigation[.]’” *In re Grand Jury Subpoena (Mark Torf/Torf Environmental Management)*, 357 F.3d 900, 908 (9th Cir. 2003) (quoting *United States v. Adlman*, 134 F.3d 1194, 1195 (2d. Cir. 1998)).

This order assumes, for the sake of argument, that each of the documents in Category 3A constituted work product created “because of” the prospect of litigation. Even under this assumption, however, Rembrandt's assertion of work-product immunity fails, inasmuch as it waived that protection by disclosing the documents to the named inventors before they shared a common legal interest.

*8 As with attorney-client privilege, work-product immunity may be waived upon disclosure to a third party “who is not bound by the privilege.” *Bittaker v. Woodford*, 331 F.3d 715, 719, 722 n.6 (9th Cir. 2003) (noting its holding applied equally to attorney-client privilege and work-product immunity). Before Rembrandt acquired an exclusive option to purchase the patent, it lacked a common legal interest with the named inventors. At that point, Rembrandt's interest was in pitching the value of a business partnership to the named inventors and possibly in highlighting concerns about invalidity and title in order to drive down the price. Any discussion of litigation at that stage remained hypothetical and incidental to the arms length evaluation of the prospect of a business relationship. As in *Thought*, 2014 WL 3940294, at *3, “[t]he interests of the parties were thus commercial and not eligible for common-interest privilege.”

Rembrandt argues that its disclosure of documents to the named inventors during the time period represented by Category 3A did not constitute a waiver because the named inventors had verbally agreed to a non-disclosure agreement with regard to those disclosures. The presence of a non-disclosure agreement covering these disclosures weighs in favor of finding a common legal interest, but it is not conclusive. Rembrandt may not extend the scope of work-product immunity by asserting that a common legal interest existed according to a contract where one does not otherwise exist under the law. Here, insufficient common legal interest existed and considerable adversity existed, so Rembrandt waived any work-product immunity as to Category 3A by disclosing documents in that category to the named inventors.

The documents submitted for *in camera* review from Category 3A support this conclusion. The document selected by Apple was a presentation to the named inventors about the *business case* for entering into a joint venture for the '678 patent, although the business opportunities contemplated arose from Rembrandt's analysis of the patent and broad identification of litigation targets. The document selected by Rembrandt included one named inventor's reaction to Rembrandt's potential litigation targets. Both documents demonstrate that the communications between Rembrandt and the named inventors during the period covered by Category 3A focused on exploring a business relationship, albeit one that might ultimately require the joint pursuit of legal advice. Apple's motion to compel the production of documents disclosed to the inventors before Rembrandt

acquired an exclusive option to purchase the '678 patent is therefore **GRANTED**.

CONCLUSION

For the reasons stated above, Apple's motion to compel is **GRANTED IN PART** and **DENIED IN PART**. Rembrandt must produce the withheld documents from Category 3A that are in its custody by **FEBRUARY 17**.

To be clear, at trial, the full extent of the business deal involving the inventors will surely be fully explored (in order to test the full extent of the inventors' bias). The Court in no way blesses the withholding of such documents and understands they already have been produced.

IT IS SO ORDERED.

All Citations

Not Reported in Fed. Supp., 2016 WL 427363

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2016 WL 720977

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United States District Court, D. Delaware.

DELAWARE DISPLAY GROUP LLC and
Innovative Display Technologies, Plaintiffs,

v.

LENOVO GROUP LTD., LENOVO HOLDING CO.,
INC., and Lenovo (United States) Inc., Defendants.

Delaware Display Group LLC and
Innovative Display Technologies, Plaintiffs,

v.

LG Electronics, Inc., LG Electronics
U.S.A., Inc., [LG Display Co., Ltd.](#), and
LG Display America, Inc., Defendants.

Delaware Display Group LLC and Innovative
Display Technologies LLC, Plaintiffs,

v.

VIZIO, Inc., Defendant.

Civil Action Nos. 13–2108–RGA,
13–2109–RGA, 13–2112–RGA

|

Signed February 23, 2016

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MEMORANDUM OPINION

ANDREWS, U.S. DISTRICT JUDGE:

*1 Presently before the Court is Defendants' Motion to Compel Compliance with Subpoenas Issued to Rambus, Inc. and Rambus Delaware LLC (D.I.107)¹ and Plaintiffs' Motion to Amend Complaint (D.I.159). The issues have been fully briefed (D.I.107, 135, 136, 155, 159, 180, 193).² The Court heard oral argument on December 22, 2015. (D.I.190). For the reasons stated herein, the motion to compel is **GRANTED IN PART** and **DENIED IN PART** with respect to Plaintiffs. It is **DENIED** with respect to Rambus. The motion for leave to amend is **DENIED**.

¹ All citations are to Civil Action No. 13–2108, unless otherwise indicated.

² The motion to amend was briefed separately in the actions against LG (C.A. No. 13–2109, D.I.204, 217, 224) and Vizio (C.A. No. 13–2112, D.I.142, 155, 159).

I. PROCEDURAL BACKGROUND

On December 31, 2013, Plaintiffs Delaware Display Group LLC (“DDG”) and Innovative Display Technologies LLC (“IDT”) filed patent infringement lawsuits against Defendants. (D.I. 1; C.A. No. 13–2109, D.I. 1; C.A. No. 13–2112, D.I. 1). Plaintiffs allege that Defendants infringe U.S. Patent Nos. 7,434,974 (the “’974 patent”) and 7,537,370

(the “’370 patent”) (collectively “patents-in-suit”). On July 9, 2015, Defendants served document subpoenas on non-parties Rambus, Inc. and Rambus Delaware LLC (collectively “Rambus”) pursuant to Fed.R.Civ.P. 45. (D.I.108, Exs.4, 5). On November 4, 2015, Defendants moved to compel compliance with the subpoenas. (D.I.107). The subpoenas dealt with several categories of documents. (*Id.*). Defendants sought discovery of teardown reports created by Rambus after a March 25, 2013 consulting agreement, unredacted royalty reports received by Rambus from Plaintiff IDT, and email communications “between Rambus and Acacia and/or Plaintiffs from 2013 to present.”³ (*Id.* at 7, 13–15). Both Plaintiffs and Rambus opposed the motion. (D.I.135, 136).

³ “Acacia” refers to Acacia Research Group LLC.

At the December 22, 2015 discovery dispute hearing, the Court heard argument on the motion to compel. (D.I. 190 at 5–19). Finding that the unredacted royalty reports, the post-March 2013 teardown reports, and the emails between Rambus and Acacia and/or Plaintiffs were also in the possession of Plaintiffs, the Court relieved Rambus of any obligation to produce the requested documents. (*Id.* at 6, 15–16, 18–19). The Court took under advisement the issue of whether Plaintiffs may be compelled to produce these documents. (*Id.* at 74). While the motion to compel briefing is directed primarily at Rambus, I find that the legal analysis applicable to Rambus is similar or identical to the analysis applicable to Plaintiffs.

On December 4, 2015—the deadline for “[a]ny motions to amend the pleadings to allege inequitable conduct and/or willfulness”—Plaintiffs moved to amend the complaint in each action to add allegations of willful infringement. (D.I.30, 159). All defendants opposed the motion.

II. FACTUAL BACKGROUND

Non-party Rambus owned the patents-in-suit for a period of approximately three years, from December 2009 until January 2013. (D.I. 139, Ex. 1 at 31–32). On January 30, 2013, Rambus sold the patents-in-suit to Acacia. (D.I.108, Ex. 2). According to the sale agreement, Rambus would not retain any legal interests in the patents-in-suit, but would receive a certain percentage of any proceeds collected through licensing or litigation. (D.I.108, Ex. 2). Shortly after the sale, on March 25, 2013, Acacia retained Rambus as a consultant to perform certain services “requested by COMPANY counsel, Eric Lucas, in anticipation of potential litigation.” (D.I.108,

Ex. 3).⁴ Pursuant to the consulting agreement, Rambus would perform technical analyses on products supplied to Rambus by Acacia. (*Id.*). These analyses are referred to generally as “teardowns” and involved disassembling the products, taking photographs and measurements, and preparing a report. (D.I. 136 at 9; D.I. 190 at 16–18; D.I. 107 at 5). These teardowns were to be performed “[f]rom time to time and upon request by Eric Lucas or other inhouse legal counsel of the COMPANY.” (D.I. 108, Ex. 3 at 7). The work performed by Rambus pursuant to the consulting agreement was performed at a Rambus facility located in Brecksville, Ohio. (D.I. 139, Ex. 1 at 12). The physical remains of any teardowns remain in a storage facility in Ohio. (D.I. 190 at 15).

⁴ “COMPANY” refers to “Acacia Research Group LLC,” (D.I. 108, Ex. 3 at 2).

*2 IDT was formed on March 13, 2013. (D.I.108, Ex. 11). On July 26, 2013, Acacia assigned “all of the right, title and interest in the” patents-in-suit to IDT. (D.I. 19 21–22). DDG was formed on December 20, 2013. (D.I.108, Ex. 12). One day later, IDT assigned “all of the right, title and interest in the” ’196 patent to DDG. (D.I. 19 ¶¶ 20, 23).

III. LEGAL STANDARD

Fed. R. Civ. P. 37 applies to motions to compel discovery, providing that “[o]n notice to other parties and all affected persons, a party may move for an order compelling ... discovery.” Fed.R.Civ.P. 37(a)(1). Generally, “[p]arties may obtain discovery regarding any nonprivileged matter that is relevant to any party’s claim or defense and proportional to the needs of the case.” Fed.R.Civ.P. 26(b)(1) (as amended Dec. 1, 2015). While it is well-settled that the Federal Rules permit broad discovery, a party’s right to discovery is not without limits. *Bayer AG v. Betachem, Inc.*, 173 F.3d 188, 191 (3d Cir.1999) (citations omitted). Generally, a party moving to compel discovery bears the burden of demonstrating the relevance of the requested information. *Inventio AG v. ThyssenKrupp Elevator Am. Corp.*, 662 F.Supp.2d 375, 381 (D.Del.2009). However, when a party claims protection from discovery by asserting the existence of an evidentiary privilege, the party seeking such protection bears the burden of establishing the privilege. *Leader Techs., Inc. v. Facebook, Inc.*, 719 F.Supp.2d 373, 377 (D.Del.2010).

IV. ANALYSIS

In resisting discovery of the post-March 2013 teardown reports, Plaintiffs raise three arguments. First, they contend that the reports are attorney work product. (D.I. 135 at 12–14). Second, they argue that the reports were prepared by a non-testifying expert and are therefore protected by Fed.R.Civ.P. 26(b)(4)(D). (*Id.*). Third, they argue that the teardown reports are protected by the common interest privilege. (*Id.* at 16–23). Regarding the unredacted royalty reports, Plaintiffs assert that they contain non-testifying expert information protected by Fed.R.Civ.P. 26(b)(4)(D), as well as “irrelevant and highly sensitive information” about attorney fees “paid in conjunction with licensing and litigating the patents-in-suit.” (*Id.* at 24). Regarding the emails, Plaintiffs argue that Defendants should comply with procedures outlined in the Discovery Order. (*Id.* at 23–24; *see* D.I. 190 at 8–11). Each of these issues is addressed separately below.

A. Work Product Protection for Teardown Reports

The work product doctrine, as codified in Fed.R.Civ.P. 26(b)(3), provides that “a party may not discover documents and tangible things that are prepared in anticipation of litigation or for trial by or for another party or its representative,” unless the party seeking discovery has (1) “substantial need for the materials” and (2) “cannot, without undue hardship, obtain their substantial equivalent by other means.” Fed.R.Civ.P. 26(b)(3)(A). The party asserting protection under the work product doctrine “has the burden of demonstrating that the disputed documents were prepared by or for the party or its attorney and prepared in anticipation of litigation or for trial.” *Novartis Pharms. Corp. v. Abbott Labs.*, 203 F.R.D. 159, 163 (D.Del.2001). In order “to satisfy that burden, the party must establish that the material ... [was] prepared in anticipation of litigation for that party.” *Id.* If the document sought “is prepared for a nonparty to the litigation, work product protection does not apply, even if the nonparty is a party to closely related litigation.” 6 James Wm. Moore et al., *Moore's Federal Practice* § 26.70 (3d ed.2015); *see also In re Cal. Pub. Utils. Comm'n*, 892 F.2d 778, 781 (9th Cir.1989); *LG Elecs., Inc. v. Motorola, Inc.*, 2010 WL 4513722, at *3–4 (N.D.Ill. Nov. 2, 2010).

*3 Here, the teardown reports were prepared by Rambus pursuant an agreement with Acacia. (D.I. 135 at 10–11; D.I. 108, Ex. 3). Neither Rambus nor Acacia is a party to this case. Despite the existence of a patent assignment agreement between Acacia and Plaintiffs, Acacia is neither DDG nor IDT.⁵ Therefore, it is unclear to me how Plaintiffs could possibly claim work product protection in documents

prepared by a third party for another third party. *See, e.g., LG Elecs.*, 2010 WL 4513722, at *3–4. Plaintiffs have not established, nor could they, “that the material ... was prepared in anticipation of litigation for ... [Plaintiffs].” *Novartis Pharms.*, 203 F.R.D. at 163. Since the teardown reports were not prepared for another party to this litigation, they cannot be protected by the work product doctrine. *In re Cal. Pub. Utils. Comm'n*, 892 F.2d at 781; 6 James Wm. Moore et al., *Moore's Federal Practice* § 26.70 (3d ed.2015); *see also FTC v. Grolier Inc.*, 462 U.S. 19, 25 (1983) (dicta) (“[T]he literal language of the Rule protects materials prepared for ... litigation ... as long as they were prepared by or for a party to the subsequent litigation.”).

5 Plaintiffs themselves have asserted this throughout this litigation. For instance, in objecting to LG's Third Set of Interrogatories, Plaintiffs stated the following: “Plaintiffs object to Defendants' inclusion of third parties Acacia Research Group LLC, Acacia Research Corporation, parents, affiliates, predecessors, and successors in [the] definition [of “Plaintiffs”] because these entities are separate and distinct from Plaintiffs.” (D.I. 108, Ex. 13 at 2). Plaintiffs also stated that the knowledge of these entities was “not attributable to Plaintiffs.” (*Id.*).

Plaintiffs argue that “[u]nder the terms of the consulting agreement, Rambus performed teardown analyses at the express direction of Eric Lucas, acting initially as counsel for Acacia and later as counsel for IDT and DDG.” (D.I. 135 at 11). It is not entirely clear what Plaintiffs mean by this statement, but it is clear that while Mr. Lucas may serve as counsel for IDT and DDG, he did not request teardowns from Rambus in that capacity. Mr. Lucas has supplied a declaration that states: “Under the Consulting Agreement ..., I directed Rambus to perform teardown analyses of certain LCD display products.” (D.I. 137, Ex. K ¶ 7). The consulting agreement itself provides that “CONSULTANT's engagement and the Services have been requested by COMPANY counsel, Eric Lucas, in anticipation of potential litigation. CONSULTANT'S work product will be used by the COMPANY'S litigation counsel in evaluating potential litigation.” (D.I. 108, Ex. 3 ¶ 2.1; *see also* D.I. 137, Ex. O at 6–8). In other words, Mr. Lucas asked for teardowns for Acacia pursuant to an agreement between Acacia and Rambus. Plaintiffs' reference to the role of Eric Lucas with respect to IDT and DDG⁶ does not suffice to contradict Mr.

Lucas' declaration that the teardown reports were prepared in anticipation of litigation by Rambus for Acacia.

⁶ And, as noted, DDG did not even exist at the time of the agreement. (D.I.137, Ex. E).

Therefore, I conclude that Plaintiffs cannot claim work product protection in the teardown reports.

B. Non-Testifying Expert Protection for Teardown Reports

[Fed.R.Civ.P. 26\(b\)\(4\)\(D\)](#) provides that “a party may not ... discover facts known or opinions held by an expert who has been retained or specially employed by another party in anticipation of litigation or to prepare for trial and who is not expected to be called as a witness at trial,” except as provided in [Fed.R.Civ.P. 35\(b\)](#), or unless the requesting party makes a “showing [of] exceptional circumstances under which it is impracticable for the party to obtain facts or opinions on the same subject by other means.” [Fed.R.Civ.P. 26\(b\)\(4\)\(D\)](#).

The documents at issue were prepared by Rambus as a consultant for Acacia. (D.I. 135 at 10–11; D.I. 108, Ex. 3). Acacia is not a party to this litigation. Therefore, [Fed.R.Civ.P. 26\(b\)\(4\)\(D\)](#) cannot apply as Defendants are not seeking “facts known or opinions held by an expert who has been retained or specially employed by another party in anticipation of litigation.” [Fed.R.Civ.P. 26\(b\)\(4\)\(D\)](#) (emphasis added). The rule protecting non-testifying experts “is designed to promote fairness by precluding unreasonable access to an opposing party's diligent trial preparation.” [Durflinger v. Artiles](#), 727 F.2d 888, 891 (10th Cir.1984); see also [Plymovent Corp. v. Air Tech. Solutions, Inc.](#), 243 F.R.D. 139, 143 (D.N.J.2007) (discussing several policy considerations, including “preventing unfairness that would result from allowing an opposing party to reap the benefits from another party's efforts and expense”); [Ramsey v. NYP Holdings, Inc.](#), 2002 WL 1402055, at *7 (S.D.N.Y. June 27, 2002) (in the context of work product protection, stating that the Advisory Committee notes to [Rule 26](#) “make clear that the focus of the rule is on the competitive balance between the litigants, a concern not directly implicated by discovery from a non-party”). The Rule itself distinguishes between experts that are “not expected to be called as a witness at trial” and “expert[s] whose opinions may be presented at trial.” [Fed.R.Civ.P. 26\(b\)\(4\)\(A\)](#). Neither the text nor the policy of the Rule applies to a situation where a party seeks protection of documents prepared by a “consultant” on behalf of a non-party. As explained in the previous section, that Eric Lucas

may now serve as counsel to IDT and DDG does not alter this conclusion.

*4 Therefore, I conclude that Plaintiffs cannot claim the protections of [Fed.R.Civ.P. 26\(b\)\(4\)\(D\)](#) for the teardown reports.

C. Common Interest Privilege Protection for Teardown Reports

“The attorney-client privilege protects communications between attorneys and clients from compelled disclosure.” [In re Teleglobe Commc'ns Corp.](#), 493 F.3d 345, 359 (3d Cir. 2007). In order for the privilege to apply, there must be “(1) a communication (2) made between privileged persons (3) in confidence (4) for the purpose of obtaining or providing legal assistance for the client.” *Id.* (quoting [Restatement \(Third\) of the Law Governing Lawyers § 68 \(Am.Law.Inst.2000\)](#)). The party asserting the privilege bears the burden of establishing the requisite elements. [In re Grand Jury](#), 705 F.3d 133, 160 (3d Cir.2012). A communication is only privileged if made in confidence. [Teleglobe](#), 493 F.3d at 361. Therefore, if “persons other than the client, its attorney or their agents are present, the communication is not made in confidence.” *Id.* Further, “if a client subsequently shares a privileged communication with a third party, then it is no longer confidential.” *Id.* The common interest doctrine is an exception to the general rule that voluntary disclosure to a third party of purportedly privileged information waives the privilege. [Leader Techs., Inc. v. Facebook, Inc.](#), 719 F.Supp.2d 373, 376 (D.Del.2010); see also [Corning Inc. v. SRU Biosystems, LLC](#), 223 F.R.D. 189, 190 (D.Del.2004). The privilege protects “all communications shared within a proper ‘community of interest.’” [Teleglobe](#), 493 F.3d at 364 (internal citations omitted). To show that there is a proper community of interest, the interests “must be ‘identical, not similar, and be legal, not solely commercial.’” [Leader Techs.](#), 719 F.Supp.2d at 376 (quoting [In re Regents of the Univ. of Cal.](#), 101 F.3d 1386, 1390 (Fed. Cir.1996)). Additionally, to show that the members of the community are “allied in a common legal cause,” the party asserting the privilege bears the burden of showing “that the disclosures would not have been made but for the sake of securing, advancing, or supplying legal representation.” See [In re Regents of the Univ. of Cal.](#), 101 F.3d at 1389 (quoting [In re Grand Jury Subpoena Duces Tecum](#), 406 F.Supp. 381, 386 (S.D.N.Y.1975)); see also [In re Beville, Bresler & Schulman Asset Mgmt. Corp.](#), 805 F.2d 120, 126 (3d Cir.1986).

Here, the parties dispute whether there is a common interest between Acacia and Rambus.⁷ (D.I. 135 at 16–17; D.I. 107 at 9). Plaintiffs argue that Rambus and Acacia (as well as Plaintiffs) have a common legal interest in the “enforcement and the validity of the patents-in-suit.” (D.I. 135 at 16). Plaintiffs also argue that the written agreements between Acacia and Rambus were executed “to facilitate their joint legal strategy.” (*Id.*). Defendants argue that the assignment agreement and the consulting agreement indicate that Rambus and Acacia, at most, “share a commercial interest related to the performance of the Consulting Agreement.” (D.I. 107 at 9–10). Defendants further contend that because Rambus retained no legal interest in the patents-in-suit, no common interest relationship exists. (*Id.*).

⁷ The common interest doctrine is an exception to attorney-client privilege; it is not a stand-alone basis for claiming privilege. See *Corning Inc. v. SRU Biosystems, LLC*, 223 F.R.D. 189, 190 (D.Del.2004). Neither party explains how the attorney-client privilege applies in the first place. Plaintiffs seem to argue that because the reports were requested by Eric Lucas, from Rambus, on behalf of Acacia, the reports are subject to the attorney-client privilege by virtue of the common interest relationship between Acacia and Rambus. Since Defendants only dispute the existence of a common interest relationship, the Court will assume, without deciding, that if the requisite common interest relationship exists, the attorney-client privilege applies.

*5 There is no common interest between Acacia and Rambus. Rambus assigned the entirety of its legal interests to the patents-in-suit when it entered into the assignment agreement with Acacia. The agreement provides that Rambus assigns to Acacia: “the entire right, title, and interest in and to the Patents.” (D.I. 108, Ex. 2 ¶ 1.1). The agreement further provides that Acacia “in its sole judgment decide[s] to institute enforcement actions ... [and] reserves the sole right to select counsel, direct the litigation, and to negotiate and determine the terms of any settlement or other disposition.” (*Id.* ¶ 6.1). Since Rambus possesses no legal interest in the patents-in-suit, it seems unlikely that Rambus and Acacia have an identical legal interest. See *Leader Techs.*, 719 F.Supp.2d at 376; *In re Rivastigmine Patent Litig.*, 2005 WL 2319005, at *4 (S.D.N.Y. Sept. 22, 2005) (holding that the patent rights of the assignors were extinguished and that despite having a right to receive royalties, “[s]uch economic

rights ... are generally not sufficient to support application of the common interest doctrine”), *aff’d*, 2005 WL 31159665 (S.D.N.Y. Nov. 22, 2005). Another district court reached the same conclusion when examining this exact assignment agreement. See *Microsoft Corp. v. Acacia Research Corp.*, 2014 WL 6450254, at *2–3 (S.D.N.Y. Nov. 17, 2014).⁸ Plaintiffs argue that this conclusion runs contrary to easelaw in Delaware and in the Federal Circuit. (D.I. 135 at 23). The cases cited by Plaintiffs are unavailing. For instance, in *In re Regents of the Univ. of Cal.*, 101 F.3d 1386 (Fed.Cir.1996), the parties had “substantially identical” legal interests because of an “ultimately exclusive ... license agreement.” *Id.* at 1390. In *MobileMedia Ideas, LLC v. Apple Inc.*, 890 F.Supp.2d 508 (D.Del.2012), the sellers retained “reversionary rights” and remained “licensees” under the agreement at issue. *Id.* at 516–17. Further, the sellers served on the board of the buyer entity — which they had formed “to acquire, develop, administer and manage [i]ntellectual [p]roperty rights” of the sellers — and retained “veto power” over any sales by the buyer entity. *Id.* at 511, 516. (alterations in original). In *Rembrandt Techs., L.P. v. Harris Corp.*, 2009 WL 402332 (Del.Super.Ct. Feb. 12, 2009), the seller was on a “patent assertion team” with the other members of the community of interest. *Id.* at *3. That team had an “[A]ssertion Management Committee ... which would manage the licensing and litigation activities of the venture.” *Id.* (alterations in original). In these cases, the members of the communities of interest were engaged in a common legal strategy. Disclosures were made in furtherance of that legal strategy. Plaintiffs have not identified any ease which holds that a mere right to receive a royalty, along with the obvious “interest” in receiving that royalty, suffices to create a shared, identical legal interest. Plaintiffs argue that Acacia and Rambus share “the same interest in obtaining strong and enforceable patents.” See *In re Regents of the Univ. of Cal.*, 101 F.3d at 1390. This proves too much. Plaintiffs’ logic would find that any seller with rights to royalty payments is engaged in a common legal cause with its buyer. The only interest Rambus retained in the patents is a commercial one.⁹ Thus, Plaintiffs have failed to show that teardown reports “would not have been made but for the sake of securing, advancing, or supplying legal representation.” See *In re Grand Jury Subpoena Duces Tecum*, 406 F.Supp. at 386. Therefore, the common interest privilege does not apply.

⁸ Plaintiffs argue that the “primary authority on which the *Microsoft* discovery order relied,” *United States v. Schaeffler*, 2014 WL 2208057 (S.D.N.Y. May 28, 2014), was vacated by the Second Circuit.

(D.I. 135 at 22); see *Schaeffler v. United States*, 806 F.3d 34 (2d Cir.2015). This is a mischaracterization of the district court's reliance on *Schaeffler*, which was cited for a basic explanation of the common interest doctrine, and for the proposition that the “mere recital [of a common interest in an agreement] is hardly conclusive or compelling on whether such an interest exists.” *Microsoft Corp.*, 2014 WL 6450254, at *1–2. The Second Circuit vacated *Schaeffler* on the grounds that, based on the tax documents at issue, a joint legal enterprise existed. *Schaeffler*, 806 F.3d at 41–42. The principles upon which the *Microsoft* district court relied were not disturbed. *Id.*

9 The patent assignment agreement does contain a “Grant Back License.” (D.I. 108, Ex. 2 §§ 2.1). This is a non-exclusive, royalty-free license that is granted in the event that Acacia “transfers or assigns its interest” in the agreement. *Id.* This does not in any way align the legal interests of Acacia and Rambus in a joint legal strategy.

D. Unredacted Royalty Reports

Plaintiffs have produced redacted versions of royalty reports which disclose the distribution of funds between Rambus and Plaintiff IDT. Following the Court's request, Plaintiffs produced the unredacted versions to the Court for *in camera* review. (See D.I. 190 at 6–7). Plaintiffs contend that the unredacted reports include two classes of information; “information about Plaintiffs' non-testifying consultants that is not discoverable under Rule 26(b)(4)(D) ..., and information about attorney's fees paid in conjunction with licensing and litigating the patents-in-suit against other companies, which is irrelevant and highly sensitive information.” (D.I. 135 at 24).

From the Court's review, it is not evident how the documents reveal any information about Plaintiffs' non-testifying experts. The reports do not appear to reveal the identities of any consultants. Even if they did, however, that information is discoverable without showing exceptional circumstances.¹⁰ Therefore, the information in the royalty reports is not subject to protection under Fed.R.Civ.P. 26(b)(4)(D).

10 The Court acknowledges that there is a split of authority regarding whether a party seeking the identity of a non-testifying expert must show

“exceptional circumstances.” See *In re Welding Fume Prods. Liab. Litig.*, 534 F.Supp.2d 761, 767–69 (N.D. Ohio 2008) (discussing split between *Ager v. Stormont*, 622 F.2d 496 (10th Cir.1980) and *Baki v. B.F. Diamond Constr. Co.*, 71 F.R.D. 179 (D.Md.1976)). District courts in the Third Circuit, however, have generally embraced the view of *Baki*, and held that the “disclosure of [an] expert's identity ... is not subject to a heightened showing of ‘exceptional circumstances.’ ” *Eisai Co. v. Teva Pharms. USA, Inc.*, 247 F.R.D. 440, 442 (D.N.J.2007); see also *Arco Pipeline Co v. S/ S Trade Star*, 81 F.R.D. 416, 417 (E.D.Pa.1978); *Butler v. Harrah's Marina Hotel Casino*, 1987 WL 16691, at *2–3 (E.D.Pa. Sept. 8, 1987).

*6 Plaintiffs do not, and likely could not, assert attorney-client privilege with respect to the attorneys' fees disclosed in the reports. See *Montgomery Cty. v. MicroVote Corp.*, 175 F.3d 296, 304 (3d Cir.1999); *Hayes v. Am. Int'l Grp.*, 2013 WL 2414005, at *3 (E.D. Pa. June 4, 2013) (“[T]he attorney-client privilege is not a basis for ... refusal to share fee information so long as nothing is revealed about the services performed.”). Plaintiffs instead argue that the information about attorney's fees is “irrelevant and highly sensitive.” (D.I. 135 at 24). This may be true, but such a fact does not entitle Plaintiffs to redact information, which they deem irrelevant, from otherwise relevant documents. The Protective Order does not obligate a party to produce “documents, information or other material that a Party contends is protected from disclosure” by reason of some “privilege, doctrine, or immunity.” (D.I. 58 ¶ 10). In the absence of such an assertion of protection, however, a party may not redact information that it unilaterally deems sensitive, embarrassing, or irrelevant. See Fed.R.Civ.P. 34(b)(2)(E); *Orion Power Midwest, L.P. v. Am. Coal Sales Co.*, 2008 WL 4462301, at *1–2 (W.D.Pa. Sept. 30, 2008).¹¹ If Plaintiffs felt the Protective Order was inadequate, they could have moved to modify it.

11 The Court acknowledges that there is a split of authority on the question of whether relevance is a proper ground for redactions. Compare *Spano v. Boeing Co.*, 2008 WL 1774460, at *2 (S.D.Ill.Apr.16, 2008) (holding that redaction is appropriate); *Schiller v. City of New York*, 2006 WL 3592547, at *7 (S.D.N.Y. Dec. 7, 2006) (same) with *ArcelorMittal Cleveland Inc. v. Jewell Coke Co.*, 2010 WL 5230862, at *2–3 (N.D. Ohio Dec. 16, 2010) (holding that redaction

is not permitted under Fed.R.Civ.P. 34); *Beverage Distributions, Inc. v. Miller Brewing Co.*, 2010 WL 1727640, at *4 (S.D. Ohio Apr. 28, 2010) (same); *Medtronic Sofamor Danek, Inc. v. Michelson*, 2002 WL 33003691, at *4–5 (W.D. Term. Jan. 30, 2002) (same). The Court finds the interpretation disallowing redaction to be more persuasive. Since the producing party is ordinarily “not harmed by producing irrelevant information or by producing sensitive information which is subject to a protective order,” redactions are unnecessary and, as this motion demonstrates, disruptive. See *Beverage Distributions*, 2010 WL 1727640, at *4. The Court should be “burdened with an *in camera* inspection of redacted documents ... only when necessary to protect privileged material whose production might waive the privilege.” *Id.*

I have reviewed the documents at issue here and am skeptical of the relevance of the redacted portions of the documents. Further, I recognize that the information sought is sensitive. If the documents at issue were configured in another manner, perhaps the result here would be different. As it stands, the documents are relevant and there is no basis upon which Plaintiffs can make redactions. The sensitive information is protected from further disclosure by the Protective Order. Therefore, I reluctantly conclude that Plaintiffs must produce unredacted versions of the royalty reports.

E. Emails Between Rambus and Acacia and/or Plaintiffs

Defendants sought production of all emails between Rambus and Acacia and/or Plaintiffs during the period of 2013 to present. (D.I. 98 at 15). At oral argument, Defendants narrowed the request to cover the period of March 2013 to present, and requested only emails “concerning the [t]eardown work that Rambus did for Acacia.” (D.I. 190 at 8–11). Since all the requested emails are in the possession of Plaintiffs, they must first be sought from Plaintiffs. (See *id.* at 18–19). The Court notes that it has rejected Plaintiffs’ assertions of protection for the teardown reports. Since the requested emails pertain to the same subject matter, Plaintiffs cannot rely on those bases in objecting to the discovery of the requested emails. (See *id.* at 10). When seeking the production of these emails from Plaintiffs, however, Defendants must comply with the procedures outlined in the Discovery Order. (See D.I. 59, D.I. 190 at 7, 18–19). To the extent the motion seeks to compel the production of emails, without complying

with the procedures outlined in the Discovery Order, the motion is denied.

F. Motion to Amend the Complaint

*7 Plaintiffs move for leave to amend the complaint in each action. (D.I.159, C.A. No. 13–2109, D.I.204, C.A. No. 13–2112, D.I.142). Plaintiffs seek to add allegations of willfulness. Defendants object on grounds that motion for leave to amend has been brought with undue delay, and that granting leave to amend would be both prejudicial and futile.

Fed.R.Civ.P. 15(a)(2) provides that a court should “freely give leave [to amend] when justice so requires.” The “grant or denial of an opportunity to amend is within the discretion of the District Court.” *Shane v. Fauver*, 213 F.3d 113, 115 (3d Cir.2000) (quoting *Foman v. Davis*, 371 U.S. 178, 182 (1962)). Leave to amend should generally be granted absent a showing of “undue delay, bad faith or dilatory motive on the part of the movant, repeated failure to cure deficiencies by amendments previously allowed, undue prejudice to the opposing party by virtue of the allowance of the amendment, futility of amendment, etc.” *Foman v. Davis*, 371 U.S. at 182. If the complaint, as amended, would not survive a motion to dismiss, leave to amend may be denied as futile. See *Shane v. Fauver*, 213 F.3d at 115. Unfair prejudice exists when an unfair burden would be placed on the opposing party. *Invensas Corp. v. Renesas Elecs. Corp.*, 2013 WL 1776112, at *3 (D.Del. Apr. 24, 2013). In assessing that issue, courts look to factors including “whether allowing an amendment would result in additional discovery, costs, and preparation to defend against new facts or new theories.” *Jang v. Boston Sci. Scimed, Inc.*, 2012 WL 3106753, at *2 (D.Del. July 31, 2012) (internal quotation marks omitted). The non-moving party “must show that it was unfairly disadvantaged or deprived of the opportunity to present facts or evidence which it would have offered had the amendments been timely.” *Bechtel v. Robinson*, 886 F.2d 644, 652 (3d Cir.1989). “[T]he question of undue delay requires [that the court] focus on the movant’s reasons for not amending sooner.” *Cureton v. Nat’l Collegiate Athletic Ass’n*, 252 F.3d 267, 273 (3d Cir.2001).

Defendants have not made an adequate showing of unfair prejudice. Lenovo states that Plaintiffs have not supplied adequate infringement contentions and now seek to “further prejudice Lenovo” by adding “a wholly new infringement theory.” (D.I. 180 at 4). LG Display claims prejudice is evident because “there is no question that Plaintiffs are expanding the case and adding a new theory of liability in alleging willful infringement against LGD, when Plaintiffs

have not fully alleged direct infringement.” (C.A. No. 13–2109, D.I. 217 at 12). Vizio writes: “it appears Plaintiffs elected to delay the motion until the last conceivable day, so as to hide the fact that they were pursuing a willful infringement claim, and thus prejudice VIZIO’s ability to timely prepare its defense.” (C.A. No. 13–2112, D.I. 155 at 16). These are conclusory claims of prejudice.¹² None of these claims of prejudice amounts to a showing that any defendant was “unfairly disadvantaged or deprived of the opportunity to present facts or evidence which [Defendants] would have offered had the amendments been timely.” *Bechtel*, 886 F.2d at 651. I am therefore not persuaded that leave should be denied due to unfair prejudice.

¹² The motions to amend were filed on the last day of fact discovery. Since discovery relating to willfulness primarily concerns Defendants’ knowledge, and Defendants likely do not need formal discovery to learn their own knowledge, it is not obvious that there would be prejudice.

*8 The Court next addresses futility. To state a claim for willfulness, “the complaint must adequately allege factual circumstances in which the patents-in-suit are called to the attention of the defendants,” and “must plead facts giving rise to at least a showing of objective recklessness of the infringement risk.” *MONEC Holding AG v. Motorola Mobility, Inc.*, 897 F.Supp.2d 225, 236 (D.Del.2012) (internal quotations and alterations omitted); see also *In re Seagate Tech., LLC*, 497 F.3d 1360, 1374 (Fed.Cir.2007).

For each of the asserted patents-in-suit, Plaintiffs allege two facts relating, or purporting to relate, to willfulness. One is that Rambus met with Lenovo in 2012, during which time Lenovo expressed interest in Rambus’s “display technology.”¹³ At the time, Rambus’s patent portfolio “included the patents-in-suit and/or their applications.” (The ‘974 patent issued in 2008 and the ‘370 patent issued in 2009.) (D.I. 159, Ex. 1 ¶¶ 10–11). Plaintiffs assert that, “[u]pon information and belief, Lenovo continued to meet and correspond with Rambus to discuss licensing the patent portfolio that included the patents-in-suit.” (*Id.* ¶¶ 30, 43). The other fact is that Plaintiffs sued Lenovo on December 31, 2013, asserting infringement of the patents-in-suit. (*Id.* ¶¶ 32, 45). From this, Plaintiffs assert willful infringement since the date when Rambus and Lenovo met. The second fact cannot be the basis for a willfulness allegation. See *Callwave Commc’ns LLC v. AT & T Mobility LLC*, 2014 WL 5363741, at *1 (D.Del. Jan. 28, 2014). The first fact, taken in the light

most favorable to Plaintiffs, could be the basis for an assertion of willful infringement, since it could be interpreted to say, Rambus advised Lenovo of its technology and the patent licenses supporting it, and Lenovo took the technology but not the license. Since the complaint as amended would survive a motion to dismiss, leave is not denied as futile. See *Shane v. Fauver*, 213 F.3d at 115.

¹³ This discussion relates to Lenovo, but the allegations against LG and Vizio are similar. All the allegations involve actions undertaken by Rambus in 2012 and 2013. Plaintiffs allege that Vizio notified LG Display of Rambus’ allegations of patent infringement in January 2013. (See, e.g., C.A. No. 13–2109, D.I. 204, Ex. 1 ¶¶ 33–34). Further, Plaintiffs allege that Rambus sent a letter, with a licensing offer, to LG in February 2013. (*Id.* ¶ 35). With respect to Vizio, Plaintiffs allege that Rambus contacted Vizio in 2012, to “presento a licensing offer ..., making an allegation that accused display products infringed Rambus’s patent portfolio.” (See, e.g., C.A. No. 13–2112, D.I. 142, Ex. 1 ¶¶ 31–33).

Plaintiffs, however, offer nothing as to why they waited until nearly two years after filing the complaint to assert willfulness. This is particularly hard to understand, since it seems that the only legitimate basis for the willfulness assertion was something that Plaintiffs undoubtedly knew before ever filing the original complaint. The patents came from Rambus to Acacia to Plaintiffs. Acacia did “due diligence” before acquiring the patents. (D.I. 108, Ex. 2 §§ 1.2, 1.3). The only discovery on the docket of Rambus is by Defendants. It is apparent that Plaintiffs have obtained Rambus’s relevant documents without a subpoena.

In arguing that the motion for leave to amend is timely, Plaintiffs assert that “[t]he parties’ prior agreement to the deadline for filing motions to amend to plead willfulness is dispositive.” (C.A. No. 13–2112, D.I. 159 at 5). I disagree. The Court’s discretion to grant or deny leave to amend is not limited in such mechanistic ways. The question of whether a motion for leave to amend is timely under the scheduling order is certainly relevant to the question of whether there has been undue delay. They are not, however, the same question. Just as a motion filed after the deadline could be filed without undue delay, so too could undue delay exist when a motion is filed before the deadline.¹⁴

14 If a motion is untimely under the scheduling order, the moving party must first show good cause before seeking amendment under [Rule 15, Fed.R.Civ.P. 16\(b\)](#); *E. Minerals & Chems. Co. v. Mahan*, 225 F.3d 330, 339–40 (3d Cir.2000).

*9 The Third Circuit has advised that “[d]elay becomes ‘undue’, and thereby creates grounds for the district court to refuse leave, when it places an unwarranted burden on the court or when the plaintiff has had previous opportunities to amend.” *Bjorgung v. Whitetail Resort, LP*, 550 F.3d 263, 266 (3d Cir.2008). When “a party fails to take advantage of previous opportunities to amend, without adequate explanation, leave to amend is properly denied.” *Arthur v. Maersk, Inc.*, 434 F.3d 196, 204 (3d Cir.2006). Plaintiffs have already amended the complaint once in the actions against Lenovo and LG, and amended it twice in the action against Vizio. Plaintiffs provide no explanation for why they did not seek leave earlier or why the allegations of willfulness were not included in earlier amendments. Plaintiffs’ only “reason[] for not amending sooner” appears to be that the scheduling order’s deadline had not yet elapsed. *See Cureton v. Nat’l Collegiate Athletic Ass’n*, 252 F.3d 267, 273 (3d Cir.2001). Given that this motion was filed on the last possible day, which was also the date that fact discovery was scheduled to close, and the delay in filing appears to have been an intentional effort to wait until the last moment, that does not suffice. I find that there was undue delay by Plaintiffs in seeking leave to amend. Leave to amend is denied.

V. CONCLUSION

For the reasons set forth above, Defendants’ motion to compel is **GRANTED IN PART** and **DENIED IN PART** with

respect to Plaintiffs. The motion is **DENIED** with respect to Rambus. Plaintiffs’ motion to amend is **DENIED**. An appropriate order will be entered.

ORDER

For the reasons discussed in the accompanying Memorandum Opinion, **IT IS HEREBY ORDERED**:

Defendants’ Motion to Compel (C.A. No. 13–2108, D.I.107, C.A. No. 13–2109, D.I.144, C.A. No. 13–2112, D.I.98) is **GRANTED IN PART** with respect to Plaintiffs. Plaintiffs are hereby ordered to produce the teardown reports and the unredacted royalty reports. To the extent the motion seeks to compel the production of emails, without complying with the procedures outlined in the Discovery Order, the motion is **DENIED**.

The motion is **DENIED** with respect to Rambus for the reasons stated on the record at oral argument. (C.A. No. 13–2108, D.I. 190, C.A. No. 13–2109, D.I. 241, C.A. No. 13–2112, D.I. 165).

Plaintiffs’ Motion to Amend Complaint (C.A. No. 13–2108, D.I.159, C.A. No. 13–2109, D.I.204, C.A. No. 13–2112, D.I.142) is **DENIED**.

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MATTEL, INC.

v.

MGA ENTERTAINMENT, INC.

Case No. CV 04-9049 DOC (RNBx)

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PROCEEDING (IN CHAMBERS): ORDER GRANTING
IN PART AND DENYING IN PART MATTEL'S
MOTION TO COMPEL MGA ENTERTAINMENT,
INC. TO PRODUCE 30(B)(6) WITNESSES

THE HONORABLE [DAVID O. CARTER](#), JUDGE

*1 Before the Court is Mattel, Inc. ("Mattel")'s Motion to Compel MGA Entertainment, Inc. To Produce 30(b)(6) Witnesses (the "Motion"). The Court finds the matter appropriate for decision without oral argument. [Fed R. Civ. P. 78](#); Local R. 7-15. After considering the moving, opposing, and replying papers, the Court GRANTS IN PART AND DENIES IN PART the Motion.

I. Background

The sufficiency of 30(b)(6) designees has long been a bone of contention between Mattel and MGA. In part because the issues in this litigation span almost every act or omission by either party, the challenge of preparing and producing a 30(b)(6) witness(es) as to every relevant issue has been daunting. Even the Chief Executive Officers, Isaac Larian and Robert

Eckert, understandably lack knowledge about every aspect of their companies over long stretches of time.

The instant Motion represents the latest episode in this ongoing conflict between the parties. Mattel initially served MGA with a Notice of Deposition that contained 150 topics. MGA balked. Then, MGA's counsel informed the Court of MGA's inability to produce a knowledgeable witness about 150 topics and the Court instructed the parties to meet and confer. The Court further restricted the provision of 30(b)(6) witness testimony to 3 days, at the end of which the Court would review the deposition transcripts and determine whether Mattel was entitled to further deposition.

On March 2, 2010, Mattel wrote to MGA with a revised list of topics. The list was twenty eight topics long—much shorter than its 150 topic predecessor. But topic 12 contained 15 subtopics, topic 26 contained 17 sub-topics. In all, the list was comprised of sixty topics and sub-topics.

Many of the topics and sub-topics listed by Mattel were quite broad. For example, sub-topic 26(q) encompasses: "[t]he bases for MGA's remaining claims and allegations, including *without limitation* alleged pressure or intimidation of retailers and others, the alleged concerns of advertising executives, the alleged shortage of doll hair, alleged tampering of retail displays, and other alleged unfair or anticompetitive conduct." *See* Ex. 1 to Docket 7892 at 7 (emphasis added). Topic 16 manages to seek even more expansive discovery: "MGA's investigation into allegations or issues in this action."

On March 21, 2010, MGA responded to the list by unilaterally narrowing Mattel's list of topics. *See* Ex. 3 to Docket 7892. Mattel responded two days later and accused MGA of having disregarded the Court, which "ruled that the deposition would proceed for three days on Mattel's Topics and that [the Court] would [] review the transcript to decide how to further proceed once the three days were completed." *See id.*, Ex. 5. Mattel then demanded a corporate designee knowledgeable about all of the topics listed in the March 2, 2010 letter. MGA responded one day later without addressing any of the points raised in Mattel's letter.

*2 The depositions commenced on March 24, 2010. Since the parties' never resolved their disagreements about the topics, conflicts predictably ensued. Witnesses were unprepared as to certain topics. And they were underprepared as to others.

II. Legal Standard

A party may notice a corporation for deposition pursuant to Fed. R. Civ. P. 30(b)(6). The notice of deposition must describe with “reasonable particularity” the topics subject to examination. *Id.* Depositions sought under Rule 30(b)(6) are subject to the limitations of Fed. R. Civ. P. 26(b)(2)(C), which provides that a court shall limit the frequency or extent of discovery that: (i) is unreasonably cumulative, duplicative, or burdensome; (ii) is dilatory; or (iii) fails a balancing test that weighs the burden or expense of the discovery sought against its benefit, in light of the specific facts of the case. *See Fed. R. Civ. P. 26(b)(2)(C)(i)-(iii)*. District courts enjoy broad discretion to fashion discovery such that a proper balance between Rule 26's broad discovery mandates and appropriate restrictions on such discovery is achieved. *See Laub v. U.S. Dep't of Interior*, 342 F.3d 1080, 1093 (9th Cir. 2003).

III. Discussion

At the outset, the Court notes that it only permitted Mattel to depose MGA's 30(b)(6) witnesses for three days as to *all* Mattel's proposed topics. Thus, while the Court may grant Mattel's motion as to some of the topics, it will budget the time available to Mattel in light of the fact that Mattel exhausted its allotment of time on a small fraction of the original topics identified in Mattel's notice of deposition.

Mattel categoriess that the Court compel MGA to designate a witness on the following topics, each of which will be evaluated separately. It should be noted that each topic summarizes topics contained in two other Notices of Deposition that Mattel has served MGA with in Phase 2.

Category 1 seeks testimony as to MGA's spoliation and/or concealment of documents in relation to this litigation. It appears to incorporate three other topics in separate Notices of Deposition concerning document destruction, spoliation, concealment, and/or preservation. Though the topic is littered with legal terms of art, the actual topic does not necessarily solicit legal conclusions. More difficult is determining how MGA can educate a designee about all acts of spoliation that occurred within MGA's walls or by MGA employees. Spoliation of evidence occurs when evidence is destroyed, significantly altered, or is not preserved “for another's use as evidence, in pending or future litigation.” *Lewis v. J.C. Penny, Inc.*, 12 F. Supp. 2d 1083, 1086 (E.D. Cal. 1998). Under California law, it is a tort to commit either intentional or negligent spoliation, with the latter requiring only a negligent conduct. *Id.*

However, any acts of spoliation by MGA are only relevant as to Mattel's spoliation/concealment of evidence RICO predicate, which arises under 18 U.S.C. § 1512(c), which requires that the act have occurred “corruptly.” Subsection (c) (1) of the statute requires that the alteration, mutilation, or concealment of evidence be done “with the intent to impair the object's integrity or availability for use in an official proceeding.” 18 U.S.C. § 1512(c)(1). The Court finds it unduly burdensome and unnecessary for MGA to investigate every instance in which a document was destroyed. It is sufficient for MGA to seek information about instances of intentional spoliation—that is, instances in which documents in relation to this litigation were destroyed *in order to* impair the object's integrity or availability for use in this proceeding.

*3 Accordingly, the Court GRANTS IN PART AND DENIES IN PART the Motion as to Category 1.

Category 3 seeks testimony as to MGA's use of any design or other work product created by former Mattel employees, including Bryant, Salazar, Morales and Cabrera. The category is based upon Topic 94 in Mattel's January 9, 2008 Notice of Deposition. The prior Discovery Master, Judge Infante, granted MGA's Motion for a Protective Order as to that topic. Mattel argues that circumstances have changed since Judge Infante granted MGA's Protective Order. Mattel further argues that the language in its Mach 2, 2010 letter tightens the language of the prior overbroad category.

The latter argument is incorrect. Judge Infante considered the following topic overbroad: “[t]he identity of each doll, accessory, product, work or item produced, developed, manufactured, licensed, sold or offered for sale by or for YOU or on YOUR behalf that was BASED ON any BRATZ DESIGN or any design derivative of any BRATZ DESIGN.” *See* Docket 3564 at 9. The expansive definitions of the terms “BRATZ” and “DESIGN” were of particular concern to Judge Infante.

Mattel's present category is just as broad, if not broader. First, instead of being limited to production, development, manufacturing, licensing, or sale related activities by MGA, the present category encompasses all “use” by MGA. Second, unlike its predecessor, the present category extends not just to Bratz, but to “any design or other work product” created by former Mattel employees. Third, the present category also encompasses “designs” created by former Mattel employees. Perhaps the category is somewhat narrowed because it is

restricted to the use of design or work prepared by individuals “while employed by Mattel,” but this hardly makes up for the other expansive language.

Nor was the topic identified in Mattel's March 2, 2010 letter ever formally included in a Notice of Deposition.

Nevertheless, the testimony sought by the topic as reconstituted in Mattel's March 2, 2010 letter is to some extent relevant to Mattel's RICO claims and trade secret misappropriation claims. MGA does not meaningfully dispute the relevance of such information. And neither party has submitted briefing as to whether the topic is duplicative or burdensome.

Accordingly, the Court HOLDS IN ABEYANCE the Motion as to Category 3 and ORDERS the parties to submit supplemental briefing as to the issues raised in the instant Order on or before June 21, 2010.

Category 5 concerns “MGA's knowledge of and communications relating to the obligations of Mattel employees to Mattel, including without limitation with respect to confidentiality and ownership of inventions.” The category is related to topic 61 of Mattel's January 9, 2008 Notice of Deposition. MGA moved for a Protective Order as to the topic at that time; the motion was held in abeyance by Judge Larson.

The testimony sought is plainly relevant to Mattel's claim that MGA acted with knowledge and wilfulness when recruiting Mattel employees. In the context of Bryant's obligations to Mattel in connection with the conception of Bratz, the prior Discovery Master ruled that deposition testimony was duplicative of Mattel's written discovery requests. But the interrogatories at issue were narrower than MGA's knowledge about the duties owed by *all* Mattel employees to Mattel. Moreover, it is reasonable to conclude that MGA's knowledge about Mattel employees' obligations to Mattel would evolved, especially in light of Mattel's lawsuit against Carter Bryant. Accordingly, the Motion is GRANTED as to category 5 in Mattel's March 2, 2010 letter.

*4 **Category 6** seeks testimony concerning “MGA's alleged understanding or belief that the Bryant/MGA agreement and its use of Bryant's Bratz works is or was lawful, documents and communications relating thereto, and any investigation or inquiry undertaken by MGA in connection therewith.” The Court HOLDS IN ABEYANCE the Motion as to this

topic pending its review of certain supplemental briefing previously ordered to be submitted by the parties as to the subject of pending claims concerning Bratz.

Category 7 seeks testimony concerning “MGA's communications with law enforcement.” MGA argues that the category seeks testimony that is cumulative of testimony provided by MGA Mexico's 30(b)(6) witness. However, MGA has provided no proof that MGA Mexico's two 30(b)(6) designees, Mr. Small and Ms. Kuemmerle, were educated on MGA's contacts with law enforcement. The Court recognizes the potential that the topic is cumulative and therefore restricts it as follows: “MGA's communications with law enforcement—excluding any communications between MGA Mexico and MGA Mexico's past and present employees, concerning the alleged theft of trade secrets from MGA Mexico's offices.” The Court therefore GRANTS IN PART AND DENIES IN PART the Motion as to Category 7.

Category 8 seeks testimony concerning “MGA's payments to or through vendors, attorneys and others in Mexico relating to any actual or potential investigation or prosecution of MGA or its employees.” MGA again argues the topic is cumulative of MGA Mexico's 30(b)(6) testimony. The topic as drafted concerns MGA's payments, not MGA Mexico's. The Motion is therefore GRANTED in full as to Category 8.

Category 9 seeks testimony concerning “MGA's actual or contemplated payments to government officials or entities or law enforcement officials.” MGA argues that the topic is cumulative of MGA Mexico's 30(b)(6) testimony. The Court has disposed of this argument above. The Motion is therefore GRANTED as to Category 9.

Category 10 seeks testimony concerning “[t]he search and seizure of documents by Mexican authorities from MGA's Mexico City offices and related communications.” MGA argues the topic is cumulative of MGA Mexico's 30(b)(6) testimony. While the argument is better suited to this category than category 7-9, the Court nevertheless rejects it. There is no evidence that MGA Mexico's 30(b)(6) designees interviewed any individuals other than former and present MGA Mexico employees. MGA's knowledge of the events at its subsidiary's office remains undiscovered. The Court therefore GRANTS the Motion as to Category 10.

Category 11 seeks testimony concerning “MGA's fee, indemnity and joint defense/common interest agreements and payments (including dates and amounts) in connection with

this action and related communications, including without limitation with respect to Vargas, Trueba and Machado or their counsel.” MGA argues that the topic is cumulative of MGA Mexico's 30(b)(6) testimony. But there is no reason MGA Mexico's 30(b)(6) designee possesses knowledge about the circumstances of MGA's fee and indemnification agreements.

The Court nevertheless questions whether the testimony sought is cumulative of the actual agreements, to which the Court has granted Mattel unfettered access. The agreements presumably speak for themselves. Accordingly, the Court HOLDS IN ABEYANCE the Motion as to this topic and grants Mattel leave to either withdraw the topic or submit supplemental briefing on or before June 15, 2010 that clarifies for the Court the need for testimony concerning the agreements.

*5 **Category 13** seeks testimony concerning MGA's document preservation and search efforts, including search terms applied to the Larian hard drives. Mattel is well aware of the search terms applied to the Larian hard drives, since Mattel drafted those search terms. Moreover, Mattel's expectation that the topic encompasses the “withholding [of] the Larian-O'Connor email” strains the reading of the topic (as well as the underlying topics). In any event, the Court has restricted discovery of the circumstances surrounding the withholding of the purported Larian-O'Connor email. Important issues of privilege must be resolved before Mattel can seek discovery into the circumstances surrounding the withholding of the email.

With the instruction that Mattel is restricted from inquiring into the Larian-O'Connor email, the Court GRANTS the Motion as to Category 13.

Category 14 seeks testimony concerning “[t]he origins, creation and development of MGA's 2005 and 2006 product lines.” This topic is duplicative and cumulative of other Phase 2 discovery. To the extent it concerns “MGA's claims and affirmative defenses” it is cumulative of topic 26 identified in Mattel's counsel's March 2, 2010 letter. And to the extent it concerns “Larian and MGA ... luring Mattel employees into providing MGA with Mattel's trade secret information,” it is duplicative of category 12 in Mattel's counsel's March 12, 2010 letter. Mattel has identified no other compelling information obtained by the overbroad category. The Motion is therefore DENIED as to category 14.

Category 15 seeks testimony concerning “MGA's copying or use of Mattel products, packaging or designs, and MGA's knowledge of any Mattel product prior to its disclosure to the public or retailers.” MGA argues the topic is irrelevant to the claims in Mattel's Fourth Amended Answer and Counterclaims. Mattel responds that “even assuming *arguendo* that Bratz trade secret misappropriation was not at issue,”¹ the topic is still relevant to Mattel's trade secret misappropriation and unfair competition claims. The Court finds the topic narrowly tailored and relevant. The Motion is therefore GRANTED as to Category 15.

¹ The argument ended two days after Mattel filed its Reply. *See* Order Denying Mattel's Motion to Confirm Pendency of Bratz Trade Secret Claims.

Category 16 seeks testimony concerning “MGA's investigations into allegations or issues in this action.” Mattel argues the topic is relevant to its “trade secret theft allegations” and cites the Court's April 12, 2010 Order in support. But that Order plainly stated that discovery into MGA's investigation of trade secret theft was not itself relevant, and likely breached the attorney-client privilege. Instead the Court restricted such discovery into “responsive documents uncovered during or in connection with the purported internal investigations.” Those documents concern the actual theft of trade secrets. And Mattel has already sought discovery into MGA's knowledge, including knowledge discovered during MGA's internal investigations, about the theft of trade secrets. *See, e.g.* Category 12. The Motion is therefore DENIED as to category 16.

Category 17 seeks testimony concerning “[t]he actual or contemplated assignment of IP rights to Omni or any Bratz rights to any person.” MGA claims its prior 30(b)(6) designee provided testimony on this subject, but his testimony was admittedly ill-informed on the topic of whether intellectual property served as collateral under the original Wachovia loan or pursuant to the purported side letter agreement. The relevant testimony is found between pages 843 to 845 of Woolard's deposition transcript. This is not a difficult or burdensome issue on which to prepare a witness. The circle of individuals involved in the negotiation, purchase, and re-negotiation of the Wachovia debt is a small one. Either MGA's intellectual property was discussed with Omni as collateral or it was not. MGA knows the answers. And it should produce a 30(b)(6) designee forthwith. Accordingly, the Motion is GRANTED as to category 17.

*6 **Category 20** seeks testimony concerning “MGA's uses of the instrumentalities of interstate commerce.” MGA argues the discovery sought is burdensome. Yet, MGA has used the same argument to fight discovery as to Mattel's efforts to obtain information about the travel schedules of MGA Mexico's employees. Mattel is entitled to this discovery in some form. Accordingly, the Motion is GRANTED as to category 20. The testimony shall be limited to one (1) hour on this topic.

Category 21 seeks testimony as to “Bratz sales and profits.” MGA argues its prior 30(b)(6) witness, Mr. Schultz, was deposed on this topic. Mr. Schultz's deposition transcript suggests otherwise. MGA also argues that it does not keep records of Bratz profits and sales. The Court nevertheless considers this topic ill suited for deposition and better addressed through other methods of discovery. The topic also appears of tenuous relevance to Phase 2 claims. The Motion is therefore DENIED as to Category 21.

Category 22 seeks testimony concerning “MGA's support for and investment in Bratz, including as compared to before and after the acquisition of Little Tikes, Zapf and Smoby and before and after the development of Moxie and BFC, and any cannibalization of actual or planned Bratz designs, shelf space, licenses or other resources for Moxie.” Mattel argues the topic is relevant to its claim for breach of constructive trust, which alleges that MGA violated the Court's Order to maintain the viability of the Bratz brand after Phase 1. The Court HOLDS IN ABEYANCE Category 22.

Category 27 seeks testimony concerning “MGA's claims of damage, injury, loss or lost opportunities, for disgorgement or any other monetary relief.” MGA argues that the topic will be the province of expert testimony, but Mattel argues that MGA should still produce “a factual witness who can testify to the underlying facts known to MGA and on which the expert will rely.” Mot. at 10. This is another example of a topic that re-packages other topics in an improper manner. *See also* Category 16. Testimony as to “MGA's claims” almost certainly solicits legal conclusions and/or expert testimony. Yet, Mattel is correct that the substance of MGA's damages, injury, loss or lost opportunities, for disgorgement or any other monetary relief constitutes fact discovery relevant to MGA's Phase 2 claims. The problem almost certainly is that MGA is engaged in its own discovery to determine what its claims of damage, injury, loss or lost opportunities encompass. The Court considers the topic improper at this stage, and better suited for expert discovery. Mattel can seek

(and has sought) discovery as to MGA's underlying damages through other means. The Motion is DENIED as to Category 27.

Category 28 seeks “[t]he factual basis for MGA's affirmative defenses.” MGA argues it will produce a witness but asks the Court to deny as premature. But Mattel noticed the topic for deposition for a date on which MGA failed to produce a prepared witness. The Court finds the motion neither untimely nor inappropriate and GRANTS the Motion as to Category 28. MGA shall produce a 30(b)(6) designee as to this topic on or before June 21, 2010. The deposition shall be limited to three (3) hours.

Category 4 seeks testimony concerning “MGA's communications relating to Vargas, Machado, Trueba, Brisbois, Alice Kao, Castilla, Cooney, Contreras, Susan Kim and Brawer prior to their resignations from Mattel, and their job duties (excluding Kim) after joining MGA.” The topic incorporates topics 38, 43, 44, 45, 46, 47, and 99 of Mattel's January 9, 2008 Notice of Deposition. MGA produced a witness as to the topic, but did not prepare the witness as to communications with Vargas, Machado, Trueba and Brisbois. MGA argues that testimony about Vargas, Machado, and Trueba is cumulative of testimony offered by MGA Mexico's 30(b)(6) designee. MGA further argues that testimony as to Brisbois is cumulative of MGA Canada's 30(b)(6) designee. This mirrors the dispute concerning category 7. As before, MGA's communications relating to the employees at issue is discoverable and not cumulative of prior testimony, as long as MGA Mexico and MGA Canada communications are excluded. Accordingly, the Motion is GRANTED IN PART AND DENIED IN PART as to category 4. MGA shall produce a 30(b)(6) designee educated on the following topic: “MGA's communications relating to Vargas, Machado, Trueba, and Brisbois prior to their resignation from Mattel, and their job duties after joining MGA. The topic excludes any communications by MGA Mexico and MGA Canada that do not involve MGA.” The deposition on this topic shall be limited to three (3) hours and shall take place on or before June 21, 2010.²

² The Court notes that MGA does not have license to unilaterally limit topics in a Notice of Deposition directed to it. MGA should have moved for a protective order.

*7 **Category 12** seeks testimony concerning “Mattel's trade secret claims” and includes 15 sub-topics. Mattel argues that

MGA improperly limited the topic by excluding testimony concerning Machado, Trueba, Vargas, Brisbois, Bryant, Salazar, Cabrera, and Morales. MGA claims that testimony concerning Machado, Trueba, Vargas, and Brisbois would be duplicative of testimony supplied by MGA Mexico's 30(b)(6) designee(s) and MGA Canada's 30(b)(6) designee. MGA contends that the alleged theft of trade secrets by Bryant, Salazar, Cabrera, and Morales is not relevant to the allegations in Mattel's Fourth Amended Answer and Counterclaims.

Neither of MGA's arguments is convincing. The first has been discussed above in the context of MGA's communications about the departing Mattel Mexico employees. The second ignores MGA's alleged role in the misappropriation of Mattel trade secrets—whether performed by Bryant, Salazar, Cabrera, and Morales, or other Mattel employees. Such claims are also relevant to Mattel's claims against MGA for aiding and abetting breach of contract and breach of the duty of loyalty.

MGA also failed to provide a witness “on the steps and measures it has taken and lawsuits it has filed or threatened based on the perceived misappropriation of its trade secrets or confidential information.” Mattel argues that such discovery seeks information relevant to MGA's “understanding of the importance of trade secrets” which is relevant to wilfulness. The Court considers testimony as to this issue duplicative of other discovery and unreasonably burdensome.

The Court therefore GRANTS IN PART AND DENIES IN PART the Motion as to category 12. MGA shall produce a witness prepared only as to the theft of trade secrets by Machado, Trueba, Vargas, Brisbois, Bryant, Salazar, Cabrera, and Morales. The deposition testimony shall be limited to four (4) hours and shall occur on or before June 21, 2010.

Category 2 seeks testimony concerning “payments by MGA or its vendors to or for any former Mattel employees, or to or for any person while employed by Mattel, MGA's knowledge thereof, the reasons therefor and communications relating thereto.” MGA failed to produce a witness as to payments by third-party vendors to Mattel employees on the grounds that “third party payments are not known or reasonably available to MGA.” Opp. at 13. MGA's argument is a red-herring. All third party payments to Mattel employees may not be known or reasonably known to MGA. But some third party payments made by MGA vendors may have involved, flowed from, or been directed by MGA. Others may have been made with MGA's input. Still others may have been made with MGA's

knowledge and approval and expectation of reimbursement by MGA.

Finally, MGA erroneously turns Rule 30(b)(6)'s limitation on testimony not “known or reasonably available” into a theoretical hurdle—*i.e.*, MGA argues that even if the information is known or reasonably available as a *matter of fact*, if the information is not of a type generally known or reasonably available, then it cannot be discovered. See Opp. at 13 (implying that Mattel must make preliminary showing that “third parties or vendors are or were acting as agents of MGA”). *Contra* MGA, Rule 30(b)(6) requires that the party that serves the notice of deposition only identify the topics for deposition “with reasonable particularity.” It is the persons designated who must “testify about information known or reasonably available to the organization.” Fed. R. Civ. P. 30(b)(6). If information about third party vendor payments to Mattel employees is known or reasonably available to MGA, then its designee must testify about such information.

*8 The Motion is therefore GRANTED as to category 2. MGA shall produce a witness prepared only as to the payments by vendors to Mattel employees on or before June 21, 2010. The deposition shall be limited to three (3) hours.

Categories 23 and 24 seek testimony concerning *inter alia* MGA's financial condition, net worth, and potential insolvency. MGA's witness failed to provide testimony as to MGA's solvency. MGA argues that any discussions about MGA's solvency involved MGA's outside bankruptcy counsel and are therefore protected by the attorney-client privilege.

An instruction to the witness to not testify may have been appropriate. However, Mattel points out that MGA refused to even produce a witness educated about MGA's solvency (or lack thereof). As discussed in footnote 2, *supra*, MGA should have moved for a protective order instead of deciding to limit the topic on its own.

Accordingly, the Motion is GRANTED as to categories 23 and 24. MGA shall prepare a witness only as to “MGA's solvency or lack thereof” at or around the time of Omni 808 Investors, LLC's purported purchase of the Wachovia debt. The testimony as to this subject shall be limited to one (1) hour and shall occur on or before June 21, 2010.

Category 26 seeks testimony concerning “[t]he factual bases supporting or contradicting MGA's claims and allegations.” MGA produced a witness as to this topic. However, MGA

also limited the scope of the topic, but has since promised to produce a knowledgeable witness. The Court therefore HOLDS IN ABEYANCE the Motion as to category 26 until June 26, 2010, by which date the parties shall submit supplemental briefing as to whether MGA has produced a 30(b)(6) witness as to the issues encompassed in category 26.

Unprepared Witness: Mattel argues that MGA's witness were unprepared as to topics 2, 12, 18, 19, 23, 24, and 26, even to the extent that those categories were not limited by MGA. Having reviewed the transcripts, the Court considers it premature to consider this issue until the terms of the instant order have been complied with.

It is so ORDERED. All deposition testimony compelled by the instant Order shall be completed on or before June 25, 2010.

The Clerk shall serve this minute order on all parties to the action.

All Citations

Not Reported in Fed. Supp., 2010 WL 11463909

End of Document

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2019 WL 2330863

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United States District Court, D. Maryland.

IN RE: SMITH & NEPHEW BIRMINGHAM
HIP RESURFACING (BHR) HIP IMPLANT
PRODUCTS LIABILITY LITIGATION
This Document Relates to All Tracks

MDL No. 2775

Master Docket No. 1:17-md-2775

Signed 05/31/2019

Memorandum

Catherine C. Blake, United States District Judge

*1 Pending before the court are the plaintiffs' two letter motions to compel (ECF Nos. 1204 & 1475). The plaintiffs seek to obtain various documents from Smith & Nephew, which Smith & Nephew has alleged are covered by either attorney-client privilege, work-product protection, or both. The issues have been briefed fully and oral argument was heard.

Background

The plaintiffs seek to compel production of several documents from Smith & Nephew. These documents include: (1) the "Metal-on-Metal Hip [Arthroplasty](#), a Briefing Document" [the "Briefing Document"]; (2) Board of Director Meeting Minutes ["Meeting Minutes"] from April 12, 2012, October 31, 2012, and July 31, 2013; and (3) eight copies of a PowerPoint presentation that was presented to the Board of Directors in conjunction with the Briefing Document.

As background, in 2012, litigation was both pending and anticipated against Smith & Nephew related to its "Metal-on-Metal" ("MoM") hip replacement devices. (See Def.'s Resp. Opp'n Pls.' Mot. Ex A Campo Decl. ¶ 4, ECF No. 1317-1; *id.* Ex B Austin Decl. ¶ 4, ECF No. 1317-2).¹ The Briefing Document originated from a request by internal Smith & Nephew counsel to outside counsel at Freshfields Bruckhaus Deringer LLP ("Freshfields") for assistance and

legal advice to the Smith & Nephew Board of Directors regarding current and anticipated litigation issues. Freshfields drafted a document, which was marked "legally privileged and confidential." (Def.'s Resp. at 7, ECF No. 1317 (citing Campo Decl. ¶ 4)). Smith & Nephew, in consultation with Freshfields, decided to expand this document into what became the Briefing Document. (See Austin Decl. ¶ 9). It appears that Blair Fraser of Smith & Nephew was involved with the collection and incorporation of additional information, including clinical summaries, into the document. (See Pls.' Letter Brief Ex D ["Fraser Dep.,"] at 12-14, ECF No. 1205-1). Drafts were circulated to in-house and outside counsel for comments. (See Austin Decl. ¶¶ 9-10). In its final form, the Briefing Document consists of sixty-two pages, prefaced by an Executive Summary. It is dated March 4, 2012.

¹ These exhibits are partially redacted. In conducting its analysis, the Court also reviewed unredacted versions of the Campo and Austin Declarations, submitted *ex parte*. (ECF Nos. 1235-1 and 1235-2).

The Meeting Minutes range in length from six to nine pages. Most of the contents of the Meeting Minutes were redacted from Smith & Nephew's *in camera* submission as non-responsive.² A portion of the April 12, 2012, minutes, however, summarize a presentation by Chief Legal Officer John W. Campo, Jr., related to the Briefing Document. (Pls.' Letter Brief Ex E at 4, ECF No. 1205-2; Campo Decl. ¶ 6). Mr. Campo called on Dr. A Weymann to present a PowerPoint summary of certain aspects of the Briefing Document. (*Id.*). The October 31, 2012, and July 31, 2013, minutes also reflect legal presentations by Mr. Campo. (Campo Decl. ¶ 7).

² The court reviewed all the disputed documents *in camera* and *ex parte*.

*2 Finally, the eight copies of the PowerPoint presentation are virtually identical. Seven are identical and one is identical but for the addition of two slides not found in the seven other copies of the presentation.

Analysis

"The work-product privilege protects from discovery 'an attorney's work done in preparation for litigation.'" *In re Grand Jury Subpoena*, 870 F.3d 312, 316 (4th Cir. 2017) (quoting *In re Grand Jury Proceedings #5*, 401 F.3d 247, 250 (4th Cir. 2005)). The protection extends to both "fact"

work product and ‘opinion’ work product,” *Proceedings #5*, 401 F.3d at 250, though opinion work product is afforded “greater protection” than fact work product, *Grand Jury Subpoena*, 870 F.3d at 316. Opinion work product “represents the actual thoughts and impressions of the attorney,” and “can be discovered only in very rare and extraordinary circumstances.” *Id.* (citing *In re John Doe*, 662 F.2d 1073, 1080(4th Cir. 1981)). Fact work product, on the other hand, “is a transaction of the factual events involved and may be obtained upon a mere showing of both a substantial need and an inability to secure the substantial equivalent of the materials by alternate means without undue hardship.” *Grand Jury Subpoena*, 870 F.3d at 316 (citing *In re Grand Jury Proceedings, John Doe*, 102 F.3d 748, 750 (4th Cir. 1996)).

The attorney-client privilege protects “[c]onfidential disclosures by a client to an attorney made in order to obtain legal assistance,” and the burden is on the party asserting the privilege to establish that it applies. *In re Grand Jury Subpoena: Under Seal*, 415 F.3d 333, 338–39 (4th Cir. 2005). The privilege also protects “an attorney’s advice provided to a client,” 102 F.3d at 750; it aims to safeguard and encourage “full and frank communications between attorney and their clients and thereby promote broader public interest in the observance of law and the administration of justice,” *Proceedings #5*, 401 F.3d at 250 (quoting *Upjohn Co. v. United States*, 449 U.S. 383, 389 (1981)). If a party is able to establish that the attorney-client privilege applies, “the privilege affords all communications between attorney and client absolute and complete protection from disclosure.” *In re Allen*, 106 F.3d 582, 600 (4th Cir. 1997).

The Fourth Circuit has adopted the “classic test” for attorney-client privilege:

The privilege applies only if (1) the asserted holder of the privilege is or sought to become a client; (2) the person to whom the communication was made (a) is a member of the bar of a court, or his subordinate and (b) in connection with this communication is acting as a lawyer; (3) the communication relates to a fact of which the attorney was informed (a) by his client (b) without the presence of strangers (c) for the purpose of securing primarily either

(i) an opinion on law or (ii) legal services or (iii) assistance in some legal proceeding, and not (d) for the purpose of committing a crime or tort; and (4) the privilege has been (a) claimed and (b) not waived by the client.

Under Seal, 415 F.3d at 338 n.3 (citing *United States v. Jones*, 696 F.2d 1069, 1072 (4th Cir. 1982)); see also *Allen*, 106 F.3d at 600.

The Fourth Circuit also has explained that the privilege extends to investigations conducted for the purpose of providing legal advice. See *In re Allen*, 106 F.3d at 601–02. The privilege “exists to protect not only the giving of professional advice to those who can act on it but also the giving of information to the lawyer to enable him to give sound and informed advice.” *In re Allen*, 106 F.3d at 601 (quoting *Upjohn*, 449 U.S. at 390). And the “retention of outside counsel indicates that [a company] wanted someone who could collect and ‘sift [] through the facts with an eye to the legally relevant,’ ” *In re Allen*, 106 F.3d at 602 n.9 (quoting *Upjohn*, 449 U.S. at 390–91), though “a lawyer’s status as in-house counsel ‘does not dilute the privilege,’ ” *In re Kellogg Brown & Root, Inc.*, 756 F.3d 754, 758 (D.C. Cir. 2014) (quoting *In re Sealed case*, 737 F.2d 94, 99 (DC. Cir. 1984)).³ Further, courts recognize that organizations’ internal investigations may often serve more than one purpose. *In re Kellogg*, 756 F.3d at 759–60. But regardless, the privilege will continue to apply so long as “one of the significant purposes of the internal investigation was to obtain or provide legal advice.” *Id.* at 760.

³ Further, “communications made by and to non-attorneys serving as agents of attorneys in internal investigations are routinely protected by the attorney-client privilege.” *Kellogg*, 756 F.3d at 758 (citing *FTC v. TRW, Inc.*, 628 F.2d 207, 212 (D.C. Cir. 1980)).

1. The Briefing Document

*3 Smith & Nephew argues that the Briefing Document is covered by both the work-product protection and the attorney-client privilege. (Def. ’s Resp. at 2, 5–12, ECF No. 1317). The court agrees.

Outside counsel at Freshfields spearheaded the creation of the Briefing Document, and its primary aim was to provide legal advice to Smith & Nephew's Board of Directors. (See Austin Decl. ¶¶ 9–10). The Briefing Document's Executive Summary sets forth the company's legal position and litigation strategy. The plaintiffs have suggested that portions of the Briefing Document are purely factual and, therefore, should be subject to discovery. But, by the court's reading, the clinical information provided in the Briefing Document is interwoven with counsel's legal advice. The factual information informs the legal strategy and was likely compiled in order to assist in the provision of legal advice and to provide context to facilitate the Board of Director's understanding of the legal advice. See *In re Allen*, 106 F.3d 582; see also *Kellogg Brown*, 756 F.3d 754. Because it appears that the primary purpose of the Briefing Document was to provide legal advice to the Board of Directors, the attorney-client privilege attaches to the Briefing Document.

The Briefing Document also is covered by the work-product protection. The Document details both pending and anticipated litigation and sets forth a litigation strategy for Smith & Nephew. As the Document was prepared in anticipation of litigation, the work-product protection applies. *Grand Jury Subpoena*, 870 F.3d at 316. Further, the plaintiffs have not set forth any argument of substantial need or undue hardship that would justify compelling production of the factual portions of the Document. *Id.*⁴

⁴ They may still obtain this factual information by the ordinary discovery process, but are not entitled to the Document itself.

2. The Board Meeting Minutes

The attorney-client privilege and work-product protection also apply to the Meeting Minutes. As detailed above, the Briefing Document was created in order to provide legal advice to the Board of Directors. The Meeting Minutes summarize the presentation of this information to the Board and detail the current state of pending and anticipated litigation against Smith & Nephew. (See Campo Decl. ¶¶ 6–7). Accordingly, both the work-product protection and the attorney-client privilege apply. See *Grand Jury Subpoena*, 870 F.3d at 316; *Under Seal*, 415 F.3d at 338.

3. The PowerPoint Presentations

Smith & Nephew alleges that the PowerPoint presentations are covered by the attorney client privilege and the work-

product protection. (Def.'s Resp. Opp'n Pl.'s Mot ["Def.'s Resp. II"] at 8, ECF No. 1500). The court's consideration of the PowerPoint presentation is complicated by two factors: (1) the presentation was inadvertently produced by Smith & Nephew and by M Squared, a third-party organization, during discovery; and (2) Smith & Nephew shared the presentation with M Squared in order to assist M Squared in its work supporting a presentation Smith & Nephew was making to the FDA.⁵ The court first considers whether the attorney-client privilege and the work-product protection apply to the PowerPoint presentation and then considers these two complicating factors in turn.

⁵ Smith & Nephew has not argued that the attorney-client privilege continued to apply to the presentation that Smith & Nephew shared with M Squared. (See ECF No. 1500 at 9–10).

*4 The PowerPoint presentation was developed to facilitate the presentation of the Briefing Document to the Board of Directors. During the April 12, 2012, meeting of the Board, Mr. Campo introduced the presentation and advised the Board that the Briefing Document, a legally privileged and confidential document, had been prepared upon counsel's request. (Pls.' Letter Brief Ex E at 4, ECF No. 1205-2). Dr. Weymann then presented the PowerPoint presentation, which dovetailed with the Briefing Document and summarized its main conclusions. (*Id.*; Def.'s Resp. II Ex A ["Weymann Decl.,"] ¶ 4, ECF 1500-1). The PowerPoint presentation contains clinical information regarding the MoM devices, which appears to have been intended to provide necessary background for the Briefing Document's discussion of pending and anticipated litigation. Presentations or documents often have multiple purposes but the attorney-client privilege continues to apply so long as the primary purpose of the document was the provision of legal advice. *In re Kellogg*, 756 F.3d at 760. Because the Briefing Document and the PowerPoint presentation appear to have been developed in conjunction with each other in order to provide legal advice to the board and in anticipation of pending litigation, both the attorney client privilege and the work-product protection apply. See *Grand Jury Subpoena*, 870 F.3d at 316, *Under Seal*, 415 F.3d at 338.

Next, the court considers whether the inadvertent production of the PowerPoint presentation constitutes waiver. During the course of discovery, Smith & Nephew inadvertently produced five copies of the presentation and M Squared produced two copies of the PowerPoint presentation. (Def.'s Resp. II

at 4). [Federal Rule of Evidence 502](#) governs limitations on waiver. [Fed. R. Evid. 502](#). Specifically, [Rule 502\(b\)](#) states that disclosure during the course of a federal proceeding will not operate as a waiver if “(1) the disclosure is inadvertent; (2) the holder of the privilege or protection took reasonable steps to prevent disclosure; and (3) the holder promptly took reasonable steps to rectify the error, including (if applicable) following [Federal Rule of Civil Procedure 26\(b\)\(5\)\(B\)](#).” *Id.* In some instances, an agreement between the parties, such as the ESI Order in this case, may supplant [Rule 502](#). An agreement between the parties will supplant [Rule 502](#), however, only if the agreement “provide[s] concrete directives regarding each prong of [Rule 502\(b\)](#).” *Maxtena, Inc. v. Marks*, 289 F.R.D. 427, 444 n. 16 (D. Md. 2012). In this case, the party’s ESI order appears to be coextensive with [Rule 502](#). The ESI agreement states “[t]his Order shall be interpreted to provide the maximum protection allowed by [Federal Rule of Evidence 502](#).” (ESI Order at 9, ECF No. 492, 494).

Smith & Nephew’s efforts prior to and subsequent to the inadvertent disclosures satisfy [Rule 502\(b\)](#). The plaintiffs do not dispute that the disclosures were inadvertent. And Smith & Nephew took reasonable steps to prevent disclosure. Specifically, Smith & Nephew retained UnitedLex, a document vendor, to facilitate the discovery process. (Def.’s Resp. II at 5–6; *id.* Ex E [“Stone Decl.”] ¶ 5, ECF No. 1500-5). Smith & Nephew and UnitedLex, in conjunction with Smith & Nephew’s outside counsel, implemented quality control measures to safeguard against the inadvertent disclosure of documents. (Stone Decl. ¶¶ 7–10). These quality control measures include training for UnitedLex employees, who conduct the first-level of review, a “second-level review for purposes of quality control,” and the provision of sample documents to Smith & Nephew’s outside counsel for additional review. (*Id.*). Thus far, UnitedLex has assisted Smith & Nephew in producing more than 95,000 documents. (*Id.* ¶ 6). The court is convinced that these quality control measures rise to the level of “reasonable steps to prevent disclosure” under [Rule 502\(b\)](#). [Fed. R. Evid. 502\(b\)](#). Finally, upon learning of the disclosure, Smith & Nephew promptly clawed the documents back. (Def.’s Resp. II Ex. F, ECF No. 1500-6). Accordingly, the inadvertent production of documents by Smith & Nephew and M Squared did not constitute waiver.

Next, the Court considers whether Smith & Nephew waived its work-product protection by sharing the PowerPoint presentation with M Squared. M Squared is a consulting firm. (Def.’s Resp. II Ex C [“Velez-Duran Decl.”] ¶ 2, ECF No. 1500-3). Smith & Nephew hired M Squared to assist Smith & Nephew in preparing for a presentation to a panel of the United States Food and Drug Administration. (Velez-Duran Decl. ¶ 3; *id.* Ex B [“Fraser Decl.”] ¶ 4, ECF 1500-2). Smith & Nephew shared this information with the agreement that M Squared would not provide the information to any other parties without Smith & Nephew’s consent. (Velez-Duran Decl. ¶ 3; Fraser Decl. ¶ 5). “Disclosure to a person with an interest common to that of the attorney or the client normally is not inconsistent with an intent to invoke the work product doctrine’s protection and would not amount to such a waiver.” *In re Doe*, 662 F.2d 1073, 1081 (4th Cir. 1981); *see also In re Martin Marietta Corp.*, 856 F.2d 619, 625 (1988) (concluding that there had been an implied waiver of the work-product protection because information had been shared with a third-party with whom there was no “community of interest”).

*5 Here, M Squared was hired to assist Smith & Nephew in preparing for its presentation to the FDA. There is no indication that M Squared’s interests departed from Smith & Nephew’s. Further, the court has not been presented with any evidence that suggests the information Smith & Nephew shared with M Squared was included in any public presentation to the FDA. Finally, upon learning that these documents had been produced by M Squared, Smith & Nephew clawed them back. (Def.’s Resp. II Ex. D, ECF No. 1500-4). Accordingly, sharing the PowerPoint presentation with M Squared did not constitute a waiver of work-product protection.

Conclusion

For the reasons stated above, the court will deny the plaintiffs’ motions. A separate order follows.

All Citations

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Declined to Extend by [United Access Technologies, LLC v. AT&T Corp.](#),
D.Del., June 12, 2020

2018 WL 798731

Only the Westlaw citation is currently available.
United States District Court, D. Delaware.

ACCELERATION BAY LLC, Plaintiff,

v.

ACTIVISION BLIZZARD, INC. Defendant.

Acceleration Bay LLC, Plaintiff,

v.

Electronic Arts Inc. Defendant.

Acceleration Bay LLC, Plaintiff,

v.

Take-Two Interactive Software, Inc., Rockstar
Games, Inc., and 2K Sports, Inc. Defendants.

Civil Action No. 16-453-RGA, Civil Action No.
16-454-RGA, Civil Action No. 16-455-RGA

|
Signed 02/09/2018

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MEMORANDUM ORDER

[Richard G. Andrews](#), United States District Judge

*1 Presently before the Court are Plaintiff's objections to Special Master Order No. 13 (No. 16-453, D.I. 361; No. 16-454, D.I. 327, No. 16-455, D.I. 322). The parties have submitted briefing. (D.I. 379; D.I. 394).¹ For the reasons that

follow, I overrule Plaintiff's objections (D.I. 379) and adopt the Special Master's Order No. 13 (D.I. 361).

¹ All citations to the docket are to No. 16-453.

I. BACKGROUND

As explained by the Special Master, this Order concerns "emails" and "documents that Plaintiff provided to Hamilton Capital and/or [Hamilton Capital's] counsel, Reed Smith, during their negotiation of a litigation financing agreement in 2014 and 2015." (D.I. 361 at 4). Plaintiff asserts that these communications were provided to Hamilton Capital in "connection with diligence for the funding of" this litigation. (D.I. 379 at 2). The communications were exchanged "before any agreement was reached between Plaintiff and Hamilton Capital, and before any litigation was filed." (D.I. 361 at 7).

II. ANALYSIS

Defendants seek to exclude these communications on three grounds: the communications are "non-discoverable attorney work product;" Plaintiff and Hamilton Capital "share a common legal interest in the successful enforcement of the asserted patents" such that the communications are subject to attorney-client privilege; and the communications are not relevant. (D.I. 379 at 1-2). The Court reviews the Special Master's order *de novo* as to factual findings and legal conclusions, and for abuse of discretion as to procedural matters. [Fed. R. Civ. P. 53\(f\)](#).

a. Work Product Privilege

The work product doctrine, codified in [Federal Rule of Civil Procedure 26\(b\)](#), provides that "a party may not discover documents and tangible things that are prepared in anticipation of litigation or for trial by or for another party or its representative." [Fed. R. Civ. P. 26\(b\)\(3\)](#). The party asserting work product immunity bears the burden of showing that the sought documents were prepared "in the course of preparation for possible litigation." [Holmes v. Pension Plan of Bethlehem Steel Corp.](#), 213 F.3d 124, 138 (3d Cir. 2000). If the party claiming work product immunity meets this burden, then the party seeking production may obtain discovery "only upon a showing that the party ... has a substantial need of the materials in 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." *Id.*; [Fed. R. Civ. P. 26\(b\)\(3\)](#). The test employed by courts is whether "in light

of the nature of the document and the factual situation of the case, the document can fairly be said to have been prepared or obtained because of the prospect of litigation.” *U.S. v. Rockwell Int’l*, 897 F.2d 1255, 1265–66 (3d Cir. 1990). A document will be granted protection from disclosure if the court finds that the “primary” purpose behind its creation was to aid in possible future litigation. *Id.* at 1266.

Here, Plaintiff has characterized the communications as being created “for the purpose of obtaining funding to assert [the] patents.” (D.I. 379 at 3). The communications were exchanged before Hamilton Capital had agreed to fund Plaintiff’s litigation, and before Plaintiff filed any litigation. (D.I. 361 at 7; D.I. 380–1, Exh. C).

*2 The documents were thus prepared with a “primary” purpose of obtaining a loan, as opposed to aiding in possible future litigation. For that reason alone, the communications are not work product.

Furthermore, if a document sought “is prepared for a nonparty to the litigation, work product protection does not apply, even if the nonparty is a party to closely related litigation.” 6 James Wm. Moore et al., *Moore’s Federal Practice* § 26.70 (3d ed. 2015); see also *In re Cal. Pub. Utils. Comm’n*, 892 F.2d 778, 781 (9th Cir. 1989). Here, Hamilton Capital is not a party to the litigation. For that separate reason, the communications are not work product.

I accordingly overrule Plaintiff’s objection to the Special Master’s Order on the ground that the communications are non-discoverable attorney work product. (D.I. 379 at 1).

b. Common Interest Privilege

“The attorney-client privilege” is a common-law privilege that “protects communications between attorneys and clients from compelled disclosure.” *In re Teleglobe Commc’ns Corp.*, 493 F.3d 345, 359 (3d Cir. 2007). In order for the privilege to apply, there must be “(1) a communication (2) made between privileged persons (3) in confidence (4) for the purpose of obtaining or providing legal assistance for the client.” *Id.* (quoting *Restatement (Third) of the Law Governing Lawyers* § 68 (Am. Law. Inst. 2000)). The party asserting the privilege bears the burden of establishing the requisite elements. *In re Grand Jury*, 705 F.3d 133, 160 (3d Cir. 2012). A communication is only privileged if made in confidence. *Teleglobe*, 493 F.3d at 361. Therefore, if “persons other

than the client, its attorney, or their agents are present, the communication is not made in confidence.” *Id.* Further, “if a client subsequently shares a privileged communication with a third party, then it is no longer confidential, and the privilege ceases to protect it.” *Id.*

The common interest doctrine is an exception to the general rule that voluntary disclosure to a third party of purportedly privileged information waives the privilege. *Leader Techs., Inc. v. Facebook, Inc.*, 719 F. Supp. 2d 373, 376 (D. Del. 2010); see also *Corning Inc. v. SRU Biosystems, LLC*, 223 F.R.D. 189, 190 (D. Del. 2004). The privilege protects “all communications shared within a proper ‘community of interest.’ ” *Teleglobe*, 493 F.3d at 364 (internal citations omitted). To show that there is a proper community of interest, the interests “must be ‘identical, not similar, and be legal, not solely commercial.’ ” *Leader Techs.*, 719 F. Supp. 2d at 376 (quoting *In re Regents of the Univ. of Cal.*, 101 F.3d 1386, 1390 (Fed. Cir. 1996)). Additionally, to show that the members of the community are “allied in a common legal cause,” the party asserting the privilege bears the burden of showing “that the disclosures would not have been made but for the sake of securing, advancing, or supplying legal representation.” See *In re Regents of the Univ. of Cal.*, 101 F.3d at 1389 (quoting *In re Grand Jury Subpoena Duces Tecum*, 406 F. Supp. 381, 386 (S.D.N.Y. 1975)); see also *In re Beville, Bresler & Schulman Asset Mgmt. Corp.*, 805 F.2d 120, 126 (3d Cir. 1986).

Plaintiff argues that “[I]tigation funders provide funds ‘for the sake of securing, advancing, or supplying legal representation,’ and thus have a common legal interest with the plaintiffs they fund.” (D.I. 379 at 6; citing *In re Regents of the Univ. of Cal.*, 101 F.3d at 1389). Therefore, argues Plaintiff, because “Hamilton Capital [was] [P]laintiff’s litigation funder with a financial interest in [Plaintiff’s] successful enforcement of the patents,” Plaintiff and Hamilton Capital had a common legal interest when the communications were exchanged. (D.I. 379 at 6). Plaintiff also cites an unpublished Court of Chancery opinion, *Carlyle Inv. Mgmt. L.L.C. v. Moonmouth Co. S.A.*, 2015 WL 778846, at *7 (Del. Ch. Feb. 24, 2015), for the proposition that “there is a community of legal interest between a patent owner and its litigation funder.” (D.I. 379 at 5). *Carlyle* is about work product privilege, not common interest attorney-client privilege. 2015 WL 778846, at *7.

*3 However, as explained by the Special Master, “even accepting Plaintiff’s representation” of the confidential

relationship between Plaintiff's counsel and Hamilton Capital's counsel, "it [does not] appear that there was any written agreement at [the time of the communications] to have a legally 'common interest' in whatever was provided by Plaintiff." (*Id.*). Furthermore, the Special Master explained that the "documents were provided before any agreement was reached between Plaintiff and Hamilton Capital, and before any litigation was filed." (D.I. 361 at 7). Thus, Plaintiff has not shown that Plaintiff and Hamilton Capital possessed identical legal interests in the patents-in suit or were otherwise "allied in a common legal cause" at the time of the communications. *Leader Techs.*, 719 F. Supp. 2d at 376; *In re Regents of the Univ. of Cal.*, 101 F.3d at 1389. Because Plaintiff has not carried its burden of establishing a common legal interest, the privilege does not apply, and Plaintiff's objection falls short. (D.I. 379 at 2).

c. Relevance

Defendants contend that these documents "may be relevant to central issues like validity and infringement, valuation, damages, royalty rates, pre-suit investigative diligence, and whether [Plaintiff] is an operating company," and that "[c]ommon sense confirms the emails' relevance" because Plaintiff "would not have been providing irrelevant information about the patents to its prospective litigation financier to secure money to bring this case." (D.I. 394 at 8). Defendants note that Plaintiff agrees that the emails "relate[] to the asserted patents." (D.I. 394 at 8; D.I. 379 at 2).

Plaintiff, on the other hand, argues that the communications are "irrelevant to the limited scope of discovery permitted by the Court" in a past Order. (D.I. 379 at 6–7; D.I. 285).

I agree with Defendants that the communications are relevant. Accordingly, I adopt the Special Master's Order requiring Plaintiff "to produce what it provided in writing to Hamilton Capital or its counsel at the time of Hamilton's Capital's due diligence." (D.I. 361 at 7). My conclusion is the same, regardless of whether the standard of review is *de novo*, as Plaintiff argues is the case, or abuse of discretion, as Defendants argue is the case.² (D.I. 379 at 1; D.I. 394 at 8).

² Defendants argue that the relevance of the communications concerns the "scope of discovery," which is a procedural matter.

III. CONCLUSION

For the reasons discussed above, the Special Master's Order No. 13 (D.I. 361) is **ADOPTED**.

IT IS SO ORDERED this 9 day of February 2018.

All Citations

Not Reported in Fed. Supp., 2018 WL 798731

2018 WL 6584122

Only the Westlaw citation is currently available.
United States District Court, D. Delaware.

TC TECHNOLOGY LLC, Plaintiff,

v.

SPRINT CORPORATION and
Sprint Spectrum, L.P., Defendants.

No. 16-cv-153-RGA

Signed 12/13/2018

Attorneys and Law Firms

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MEMORANDUM ORDER





Richard G. Andrews, United States District Judge

*1 Presently before the Court is the motion to compel production of non-privileged documents filed by Defendants Sprint Corporation and Sprint Spectrum, L.P. (collectively “Sprint”). (D.I. 161). I have considered the parties’ briefing. (D.I. 162, 172, 183).

I. BACKGROUND


Plaintiff TC Technology LLC (“TC Tech”) is jointly owned by cable companies Time Warner Cable LLC (“TWC”) and Cox Communications, Inc. (“Cox”) and has no separate employees. (D.I. 172 at 2). TC Tech filed this action against Sprint alleging infringement of  U.S. Patent No. 5,815,488



(“the ’488 patent”) on March 10, 2016. (D.I. 1). The relevant timeline, however, starts well before TC Tech filed suit.








In December of 2011, Sprint sued TWC and Cox, among others, for infringement of Voice over Internet Protocol (“VoIP”) patents. (D.I. 162 at 2). In early 2012, TWC and Cox began to consider joint acquisition of the  ’488 patent from CableLabs, a consortium of U.S. cable companies. (D.I. 172 ¶ 10; D.I. 175 ¶ 7). On March 26, 2012, TWC and Cox formed TC Tech to acquire and monetize the  ’488 patent. (D.I. 175, ex. A). On March 30, 2012, TC Tech purchased the  ’488 patent from CableLabs. (*Id.*, ex. B). In the spring of 2013, TC Tech, TWC, and Cox began to hear pitches from outside counsel for potential litigation asserting the  ’488 patent. (D.I. 173 ¶ 30; D.I. 175 ¶ 26). TWC and Cox met with Latham & Watkins LLP in October of 2015, and all three entities formally retained the firm in January of 2016. (D.I. 173 ¶ 33; D.I. 175 ¶ 30). In March of 2017, after this suit was filed, Sprint won a \$140 million verdict against TWC. (D.I. 162 at 3).¹ Sprint settled its suit against Cox later that year. (*Id.*).


Sprint brought this motion to compel the production of various pre-2013 communications between TC Tech, TWC, and Cox.² The disputed documents can be sorted into two, overlapping categories—(1) communications including third parties (D.I. 183 at 4 n.l, ex. A), and (2) communications alleged to be likely to contain relevant business information (D.I. 162, app. 2). In regard to the first category, the parties dispute whether TC Tech can claim attorney-client privilege via the common-interest exception to third-party disclosures.³ (D.I. 183, ex. A; D.I. 162 at 8–15; D.I. 183 at 4–10). In regard to the second category, Sprint argues that, even if the communications are privileged in part, TC Tech should be required to produce the portions that contain non-privileged business information. (D.I. 162 at 7–8; D.I. 183 at 1–4).



II. LEGAL STANDARD**A. Common Interest Privilege**


*2 “The attorney-client privilege” is a common-law privilege that “protects communications between attorneys and clients from compelled disclosure.”  *In re Teleglobe Commc'ns Corp.*, 493 F.3d 345, 359 (3d Cir. 2007). In order for the privilege to apply, there must be “(1) a communication

(2) made between privileged persons (3) in confidence (4) for the purpose of obtaining or providing legal assistance for the client.” *Id.* (quoting *Restatement (Third) of the Law Governing Lawyers* § 68 (Am. Law. Inst. 2000)). The party asserting the privilege bears the burden of establishing the requisite elements.  *In re Grand Jury*, 705 F.3d 133, 160 (3d Cir. 2012). A communication is only privileged if made in confidence.  *Teleglobe*, 493 F.3d at 361. If “persons other than the client, its attorney, or their agents are present, the communication is not made in confidence.” *Id.* Further, “if a client subsequently shares a privileged communication with a third party, then it is no longer confidential, and the privilege ceases to protect it.” *Id.*

The common interest doctrine is an exception to the general rule that voluntary disclosure to a third party of purportedly privileged information waives the privilege.  *Acceleration Bay LLC v. Activision Blizzard*, 2018 WL 798731, at *4 (D. Del. Feb. 9, 2018);  *Leader Techs., Inc. v. Facebook, Inc.*, 719 F. Supp. 2d 373, 376 (D. Del. 2010). The privilege protects “all communications shared within a proper ‘community of interest.’ ”  *Teleglobe*, 493 F.3d at 364 (citations omitted). The interests “must be ‘identical, not similar, and be legal, not solely commercial.’ ”  *Leader Techs.*, 719 F. Supp. 2d at 376 (quoting  *In re Regents of the Univ. of Cal.*, 101 F.3d 1386, 1390 (Fed. Cir. 1996)).⁴ Additionally, to show that the members of the community are “allied in a common legal cause,” the party asserting the privilege bears the burden of showing “that the disclosures would not have been made but for the sake of securing, advancing, or supplying legal representation.”  *In re Regents of the Univ. of Cal.*, 101 F.3d at 1389 (quoting *In re Grand Jury Subpoena Duces Tecum*, 406 F. Supp. 381, 386 (S.D.N.Y. 1975)); see also  *In re Beville, Bresler & Schulman Asset Mgmt. Corp.*, 805 F.2d 120, 126 (3d Cir. 1986).




The parties dispute whether the common interest doctrine also requires communications be made through separate counsel. In *Teleglobe*, the Third Circuit provided that “to be eligible for continued protection, the communication must be shared with the attorney of the member of the community of interest,” meaning that “separate attorneys share information (and not the clients themselves).”  493 F.3d at 364–65.

TC Tech argues that this language is dicta. (D.I. 172 at 11); see *TD Bank, N.A. v. Hill*, 2014 WL 12617548, at *3 (D.N.J. Aug. 20, 2014). Although the Third Circuit does state that its common interest opinion “may seem surplusage,” it is not clear that the opinion is dicta.  *Teleglobe*, 493 F.3d at 365 n.18 (noting that the district court erroneously found a community of interest, and that existing caselaw was confused, making it important to distinguish between the common interest privilege and the joint-client privilege). But, regardless, *Teleglobe* applied state law and is thus not controlling authority. See  *id.* at 363–65.

*3 This Court has previously found that requiring separate counsel is “too narrow” of an application of the common interest doctrine. See *Intellectual Ventures I LLC v. Altera Corp.*, 2013 WL 12311005, at *5–6 (D. Del. July 25, 2013). “The Third Circuit has stated, ‘[t]he presence of a third party will not vitiate the attorney-client privilege, if the third party is the attorney’s or client’s agent or possesses a commonality of interest with the client.’ ” *Id.* (quoting  *In re Grand Jury Investigation*, 918 F.2d 374, 386 (3d Cir. 1990)). In *Intellectual Ventures*, the third party to whom the privileged communications was disclosed was a non-attorney consultant. *Id.* at *5. The defendants argued that the common interest doctrine did not apply because, among other things, “there is no evidence that [the third party] was represented by an attorney.” *Id.* This Court rejected that argument and found a “sufficient common interest” between the plaintiffs and the third party. *Id.* at *6.

In light of *Intellectual Ventures* and *In re Grand Jury Investigation*, I find that the common interest doctrine does not strictly require that communications be between separate attorneys. It is sufficient to show that the client and third parties shared an interest that is “identical, not similar,” and “legal, not solely commercial.”

B. Business Advice

The attorney-client privilege requires that a communication be made “for the purpose of obtaining or providing legal assistance for the client.”  *Teleglobe*, 493 F.3d at 359. “Where a lawyer provides non-legal business advice, the communication is not privileged.”  *Wachtel v. Health Net, Inc.*, 482 F.3d 225, 231 (3d Cir. 2007). Courts have recognized that “business and legal advice may often be inextricably interwoven.”  *Hercules, Inc. v. Exxon Corp.*, 434 F. Supp.

136, 147 (D. Del. 1977). For this reason, courts look to the documents' primary purpose to determine whether attorney client privilege applies. [Id.](#) at 147; *Immersion Corp. v. HTC Corp.*, 2014 WL 3948021, at *1 (D. Del. Aug. 7, 2014).

III. ANALYSIS

A. Communications Including Third Parties⁵

TC Tech does not dispute that TWC and Cox are third parties for purposes of attorney-client privilege. The question is whether TC Tech, TWC, and Cox shared an identical legal interest such that the disputed communications fall under the common interest privilege.

TC Tech argues that all three entities shared a common legal interest “in seeking and receiving legal advice related to (1) obtaining a strong and enforceable patent, (2) forming a legal entity to obtain and enforce that patent, and (3) engaging outside counsel to litigate Sprint's infringement of that patent.” (D.I. 172 at 7). TC Tech cites to *Rembrandt Technologies, L.P. v. Harris Corp.*, where the court found the parties shared a “common legal interest in the exploitation and enforcement of [the patent at issue].” [2009 WL 402332, at *8](#) (Del. Super. Ct. Feb. 12, 2009). Likewise, in *In re Regents of University of California*, the court held the patentee, University of California, and a nonexclusive licensee shared the identical legal interest of “seeking valid and enforceable patents.” [101 F.3d at 1390](#). The University of California did so “to support royalty income,” and the licensee did so “to support commercial activity.” *Id.*

Sprint argues that any common interest between TC Tech, TWC, and Cox was commercial, rather than legal. (D.I. 162 at 10–11; D.I. 183 at 5). Sprint likens the shared interest to “an agreement to share litigation expenses,” which “could be viewed as more consistent with a financial oriented decision.” (D.I. 162 at 10 (quoting *King Drug Co. of Florence, Inc. v. Cephalon, Inc.*, 2011 WL 2623306, at *5 (E.D. Pa. July 5, 2011))). In support, Sprint cites several cases that it says find similar interests are not legal interests. See *Baby Neal v. Casey*, 1990 WL 163194, at *2 (E.D. Pa. Oct. 23, 1990); *Net2Phone, Inc. v. Ebay, Inc.*, 2008 WL 8183817, at *8 (D.N.J. June 26, 2008); *McCullough v. Fraternal Order of Police, Chi. Lodge 7*, 304 F.R.D. 232, 240 (N.D. Ill. 2014).

*4 Sprint's case law is distinguishable. In *King Drug*, the defendant conceded that communications with the non-privileged third party were purely on the “business side” of their joint efforts. 2011 WL 262330, at *4–5; 2011 WL 262330, at *4–5. The third party further represented that the litigation was “completely controlled” by the defendant and that the third party was “not actively involved.” *Id.* Here, TC Tech is comprised only of its members, TWC and Cox. (D.I. 175, ex. A). The disputed communications were allegedly made to obtain legal advice related to the ['488 patent](#). (D.I. 173 ¶¶ 11, 13, 23–26; D.I. 175 ¶¶ 8, 10–11, 19–23). Unlike the parties in *King Drug*, TWC and Cox both appear to have been heavily involved in the anticipated litigation.

Net2Phone, *Baby Neal*, and *McCullough* are even less helpful to Sprint. *Net2Phone* addressed “an indirect interest as a shareholder”—a purely financial interest. [2008 WL 8183817, at *8](#). *Baby Neal* addressed an interest “in the sense that relief sought by the plaintiffs would almost certainly work to [the relevant party's] benefit as well”—a less direct, purely financial interest. [1990 WL 163194, at *2](#). *McCullough* addressed “a common interest in seeing the [defendant] punished for what [the relevant parties] perceived to be the wrongs each of them allegedly suffered”—an intangible emotional interest. [304 F.R.D. at 240](#). Each of these is clearly distinguishable from the interests shared by TC Tech, TWC, and Cox to obtain and enforce the ['488 patent](#).

I find *Rembrandt* and *In re Regents* more persuasive. I agree that the interest here in acquiring and enforcing a patent is a legal interest. Mr. Block (former in-house counsel for TWC) and Mr. Delgado (in-house counsel for Cox) represent that TWC and Cox began considering joint acquisition of the ['488 patent](#) in early 2012 and formed a joint venture to explore that opportunity. (D.I. 173 ¶ 10; D.I. 175 ¶¶ 7–8). The parties together engaged in negotiations to purchase the ['488 patent](#) from CableLabs and ultimately formed TC Tech to purchase and enforce the patent. (D.I. 173 ¶¶ 12, 18; D.I. 175 ¶¶ 9–10, 15). I think these representations are sufficient to show TWC, Cox, and later TC Tech, had a shared legal interest in acquiring and enforcing the ['488 patent](#).

In the alternative, Sprint argues that TC Tech, TWC, and Cox could not have had identical legal interests because TC Tech is inherently adverse to TWC and Cox. Sprint argues that

TC Tech's sole purpose is to monetize the [REDACTED]'488 patent, while TWC and Cox were only interested in the patent as a means to gain leverage over Sprint in their respective litigations. (D.I. 162 at 9). In those litigations, TWC and Cox each had an incentive to settle, and Cox did in fact settle in late 2017. (*Id.* at 3, 9). Under Sprint's theory, the relationship was "potentially conflicted" from the beginning as TWC or Cox would inevitably be forced to choose between selling its interest in TC Tech and the [REDACTED]'488 patent, or continuing to fund a lawsuit for which it could not receive any financial return. (D.I. 162 at 10). Sprint argues that the parties' "potentially conflicted relationship" waives any community interest privilege they might have had, or at least requires the Court to conduct *in camera* review of the disputed communications. See [REDACTED] *3Com Corp. v. Diamond II Holdings, Inc.*, 2010 WL 2280734, at *8 (Del. Ch. May 31, 2010).

Sprint assumes that TWC and Cox were only interested in the [REDACTED]'488 patent as it related to their litigations with Sprint. There is no reason to believe that TWC and Cox, as the only members of TC Tech, were not also interested in monetizing the [REDACTED]'488 patent. (D.I. 175, ex. A). Further, even if Sprint is correct, a conflict of interest would have only arisen after TWC or Cox settled. Otherwise, TC Tech, TWC, and Cox all shared the same legal interest in acquiring and enforcing the [REDACTED]'488 patent. Sprint's argument that privilege was waived by the parties' "potentially conflicted relationship" is based on a mischaracterization of *3Com*. The court in *3Com* found the relevant parties had both common and adverse interests. [REDACTED] 2010 WL 2280734, at *8. Thus, the court described their relationship as "potentially conflicted" and opted for *in camera* review. *Id.* Here, Sprint argues that, despite the parties having no adverse interests at the time the communications were made, the mere potential for adverse interests in the future is sufficient to warrant *in camera* review. I disagree. The fact that Cox did settle in 2017 should not retroactively taint the communications made in 2012.

*5 Finally, Sprint argues that, at a minimum, TC Tech cannot claim the community interest privilege over communications prior to its formation on March 26, 2012.⁶ Sprint alleges, "[P]rior to entering any formal agreement acquiring rights in the [REDACTED]'488 patent, these companies merely shared a business interest in evaluating the profitability of a shared business venture." (D.I. 162 at 11). Sprint points to this Court's previous finding that parties did not share a common

legal interest because they had not yet reached a written agreement, nor filed any litigation. [REDACTED] *Acceleration Bay*, 2018 WL 798731, at *3. I think Sprint reads *Acceleration Bay* too broadly. I did not set a firm rule that parties must have a written agreement or have filed suit to share a legal interest. Rather, I merely considered the lack of an agreement or suit as evidence of the lack of a shared interest. Here, only a handful of the disputed communications occurred before March 26, 2012, and they are dated between March 14 and March 23, 2012. (D.I. 162, app. 3). Mr. Block and Mr. Delgado represented that TWC and Cox began discussing acquisition of the [REDACTED]'488 patent in early 2012, including forming a joint venture and negotiating the purchase with CableLabs. (D.I. 173 ¶¶ 10, 12; D.I. 175 ¶¶ 7–10). Prior to that, TWC and Cox had already entered a common interest and joint defense agreement to obtain legal advice regarding the Sprint VoIP litigation. (D.I. 173 ¶¶ 7–8; D.I. 175 ¶ 6). TC Tech then purchased the [REDACTED]'488 patent a mere four days after it was formed. It seems likely that TWC and Cox sought legal advice regarding the [REDACTED]'488 patent prior to forming TC Tech, at least as early as March 14, 2012. Thus, I believe TWC and Cox shared substantively identical legal interests shortly before and after forming TC Tech. I see no reason why the formation date should be a hard cut-off for privilege.

Therefore, I find TC Tech has met its burden of establishing the common interest privilege with respect to the disputed communications between TC Tech, TWC, and Cox. (D.I. 183, ex. A).

B. Communications Likely to Contain Business Information⁷

Sprint does not dispute that the second category of documents may include privileged information. Rather, Sprint argues that the documents also include non-privileged information that requires TC Tech to produce the documents with the appropriate redactions. (D.I. 162 at 7–8; D.I. 183 at 1–4). Specifically, Sprint alleges that the documents are likely to contain business information related to "(1) the reasons for acquiring the [REDACTED]'488 patent; (2) the reasons for forming a joint venture to monetize that patent; (3) the reasons for acquiring the [REDACTED]'488 patent rather than some other patent; and (4) the price of the [REDACTED]'488 patent." (D.I. 162 at 8 n.4).

I am not convinced that Sprint's four categories necessarily read on business, rather than legal, advice.⁸ However, for issues related to non-legal communications, courts generally look to a document's "primary purpose" to determine whether attorney-client privilege applies. See [Hercules](#), 434 F. Supp. at 147. I appreciate that doing so requires reviewing the actual documents. Therefore, moving forward, Sprint should identify a subset of no more than 15 of the 173 disputed documents (D.I. 162, app. 2) that it believes are most likely to contain business information. TC Tech should then provide the identified documents for *in camera* review. If, after reviewing those documents, the Court finds that Sprint's arguments have merit, the Court will review the remainder of the documents.

Sprint should make its identifications within one week of this order, and TC Tech should provide the documents *in camera* within one week of the identifications.

IV. CONCLUSION

For the foregoing reasons, Defendant's motion to compel production of non-privileged documents (D.I. 161) is **GRANTED-IN-PART** and **DENIED-IN-PART**.

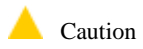
IT IS SO ORDERED this 13 day of December 2018

All Citations

Not Reported in Fed. Supp., 2018 WL 6584122

Footnotes

- 1 The Federal Circuit affirmed the decision on November 30, 2018. [Sprint Commc'ns Co., L.P. v. Time Warner Cable, Inc.](#), 2018 WL 6266319 (Fed. Cir. Nov. 30, 2018).
- 2 Sprint withdrew "its challenge to communications with outside counsel in 2013 over which Cox and [J]TWC claim joint-client exception and work product protection." (D.I. 183 at 4 n.l). The remaining disputed documents are listed in Appendix 2 of Sprint's opening brief and Exhibit A of Sprint's reply brief. I believe all the remaining documents pre-date 2013. (D.I. 162, app. 2; D.I. 183, ex. A).
- 3 As stated in note 1, Sprint withdrew its objections to the initially disputed 2013 communications with outside counsel. I believe this eliminated any disputes over the applicability of the joint-client exception, at least pertaining to this motion. (*Compare* D.I. 162, app.1, *with* D.I. 183, ex. A).
- 4 Applying Delaware law, the Third Circuit in *Teleglobe* held instead that "members of the community of interest must share at least a substantially similar legal interest." [493 F.3d at 365](#). Although there has been disagreement within the Third Circuit on "how common the supposed interests have to be," *Leader Technologies*, 719 F. Supp. 3d at 376, in recent years, this Court has repeatedly stated that the interest must be "identical." See [Acceleration Bay](#), 2018 WL 798731, at *2; *Del. Display Grp. LLC v. Lenovo Grp. Ltd.*, 2016 WL 720977, at *4 (D. Del. Feb. 23, 2016); *INVISTA N. Am. S.à.r.l. v. M&G USA Corp.*, 2013 WL 12171721, at *7 (D. Del. June 25, 2013).
- 5 This section refers to the first category of documents, described in Exhibit A of Sprint's reply brief. (D.I.183, ex.A).
- 6 This argument refers to the documents described in Appendix 3 of Sprint's opening brief. (D.I. 162, app. 3).
- 7 This section refers to the second category of documents, described in Appendix 2 of Sprint's opening brief. (D.I. 162, app. 2).
- 8 I do not now express an opinion that Sprint's first three categories have any independent relevance to this litigation.



Caution

As of: November 12, 2020 1:07 PM Z

Fisher v. United States

Supreme Court of the United States

November 3, 1975, Argued ; April 21, 1976 *

No. 74-18

* Together with No. 74-611, United States et al. v. Kasmir et al., on certiorari to the United States Court of Appeals for the Fifth Circuit.

Reporter

425 U.S. 391 *; 96 S. Ct. 1569 **; 48 L. Ed. 2d 39 ***; 1976 U.S. LEXIS 98 ****; 76-1 U.S. Tax Cas. (CCH) P9353; 37 A.F.T.R.2d (RIA) 1244

FISHER ET AL. v. UNITED STATES ET AL.

Constitutional Law > ... > Fundamental Rights > Procedural Due Process > Self-Incrimination Privilege

Prior History: [****1] CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

[HN2](#) **Procedural Due Process, Self-Incrimination Privilege**

[U.S. Const. amend. V](#) is limited to prohibiting the use of physical or moral compulsion exerted on the person asserting the self-incrimination privilege.

Disposition: The court affirmed the judgment of the Third Circuit and reversed the judgment of the Fifth Circuit. The accountant's documents at issue were not privileged either in the hands of the lawyers or of the clients since papers demanded were not clients' private papers; production of the documents would involve no incriminating testimony within the protection of the [Fifth Amendment](#).


Constitutional Law > ... > Fundamental Rights > Procedural Due Process > Self-Incrimination Privilege

[HN3](#) **Procedural Due Process, Self-Incrimination Privilege**

The privilege under the [U.S. Const. amend. V](#) is never intended to permit a person to plead the fact that some third person might be incriminated by his testimony, even though he were the agent of such person. The amendment is limited to a person who shall be compelled in any criminal case to be a witness against himself. It is extortion of information from the accused himself that offends a court's sense of justice.

LexisNexis® Headnotes

Constitutional Law > ... > Fundamental Rights > Procedural Due Process > Self-Incrimination Privilege

[HNI](#) **Procedural Due Process, Self-Incrimination Privilege**

[U.S. Const. amend. V](#) provides that no person shall be compelled in any criminal case to be a witness against himself.

Constitutional Law > ... > Fundamental Rights > Procedural Due Process > Self-Incrimination Privilege

Criminal Law & Procedure > ... > Warrantless Searches > Exigent Circumstances > Information From Others

Constitutional Law > ... > Fundamental Rights > Search & Seizure > Warrants

Criminal Law & Procedure > Search &

Seizure > Warrantless Searches > General Overview

[HN4](#) [↓] **Procedural Due Process, Self-Incrimination Privilege**

[U.S. Const. amend. V](#) protects against compelled self-incrimination, not the disclosure of private information.

Constitutional Law > ... > Fundamental Rights > Search & Seizure > Scope of Protection

Criminal Law & Procedure > Search & Seizure > Expectation of Privacy

Constitutional Law > ... > Fundamental Rights > Procedural Due Process > Self-Incrimination Privilege

[HN5](#) [↓] **Search & Seizure, Scope of Protection**

No claim under [U.S. Const. amends. IV](#) or [V](#) can prevail where there exists no legitimate expectation of privacy and no semblance of governmental compulsion against the person of the accused.

Criminal Law & Procedure > Counsel > Right to Counsel > General Overview

Evidence > Privileges > Attorney-Client Privilege > General Overview

Evidence > Privileges > Self-Incrimination Privilege > General Overview

[HN6](#) [↓] **Counsel, Right to Counsel**

It is universally accepted that the attorney-client privilege may be raised by the attorney.

Evidence > Privileges > Attorney-Client Privilege > General Overview

Legal Ethics > Client Relations > Duties to Client > Duty of Confidentiality

Evidence > Privileges > General Overview

[HN7](#) [↓] **Privileges, Attorney-Client Privilege**

Confidential disclosures by a client to an attorney made in order to obtain legal assistance are privileged. The purpose of the privilege is to encourage clients to make full disclosure to their attorneys. However, since the privilege has the effect of withholding relevant information from the factfinder, it applies only where necessary to achieve its purpose. Accordingly it protects only those disclosures, necessary to obtain informed legal advice, which might not have been made absent the privilege. Pre-existing documents which can be obtained by court process from the client when he is in possession may also be obtained from the attorney by similar process following transfer by client in order to obtain more informed legal advice.

Evidence > Privileges > Attorney-Client Privilege > General Overview

[HN8](#) [↓] **Privileges, Attorney-Client Privilege**

When the client himself would be privileged from production of the document, either as a party at common law or as exempt from self-incrimination, the attorney having possession of the document is not bound to produce.

Constitutional Law > ... > Fundamental Rights > Procedural Due Process > Self-Incrimination Privilege

[HN9](#) [↓] **Procedural Due Process, Self-Incrimination Privilege**

[U.S. Const. amend. V](#) does not independently proscribe the compelled production of every sort of incriminating evidence, but applies only when the

accused is compelled to make a testimonial communication that is incriminating.

Constitutional Law > ... > Fundamental Rights > Procedural Due Process > Self-Incrimination Privilege

Criminal Law & Procedure > ... > Defendant's Rights > Right to Remain Silent > Communicative & Testimonial Information

Evidence > Privileges > Self-Incrimination Privilege > General Overview

[HN10](#) [↓] **Procedural Due Process, Self-Incrimination Privilege**

The privilege against self-incrimination protects a person only against being incriminated by his own compelled testimonial communications.

Lawyers' Edition Display

Summary

These cases presented the question whether enforcement of summonses served by the Internal Revenue Service on taxpayers' attorneys in investigations of possible civil or criminal liability under the federal income tax laws--which summonses directed the attorneys to produce relevant documents of the taxpayers' accountants that had been given to the attorneys by the taxpayers for the purpose of obtaining legal advice in the tax investigations--violated the taxpayers' [Fifth Amendment](#) privilege against self-incrimination. In case No. 74-18, the United States District Court for the Eastern District of Pennsylvania granted enforcement of the summons ([352 F Supp 731](#)), and the United States Court of Appeals for the Third Circuit affirmed, holding that

the taxpayers there involved had never acquired a possessory interest in the documents, and that the documents were not immune in the hands of their attorney ([500 F2d 683](#)). In case No. 74-611, the United States District Court for the Northern District of Texas granted enforcement of the summons against the taxpayer's attorney (enforcement also being granted as to a summons that had been served on the taxpayer's accountant), but the United States Court of Appeals for the Fifth Circuit reversed in pertinent part, holding that under the [Fifth Amendment](#), the documents would have been privileged if production had been sought from the taxpayer while he retained possession of the documents, and that in light of the confidential nature of the attorney-client relationship, the taxpayer retained constructive possession of the evidence and thus retained [Fifth Amendment](#) protection ([499 F2d 444](#)).

On certiorari, the United States Supreme Court affirmed as to case No. 74-18, and reversed as to case No. 74-611. In an opinion by White, J., expressing the view of six members of the court, it was held that (1) enforcement of the summonses against the taxpayers' attorneys did not violate the taxpayers' [Fifth Amendment](#) privilege against self-incrimination, since such enforcement did not "compel" the taxpayers to be "witnesses" against themselves, and did not deprive them of any privilege not to be compelled to testify and not to be compelled to produce private papers in their personal possession, and (2) although the attorney-client privilege applied to documents in an attorney's hands which would have been privileged in his client's hands by reason of the [Fifth Amendment](#) privilege against self-incrimination, nevertheless the attorney-client privilege did not bar enforcement of the summonses in the instant cases, where the taxpayers, if production of the documents had been sought from them, could not have invoked the [Fifth Amendment](#) privilege against self-incrimination, since even though by producing the documents the taxpayers would have tacitly conceded their existence, their possession or control by the taxpayer, and the taxpayer's belief

that the documents were those described in the subpoenas, nevertheless the taxpayers' acts of producing the documents would not have involved testimonial self-incrimination within the protection of the [Fifth Amendment](#).

Brennan, J., concurred in the judgment, expressing the view that (1) given the prior access by the taxpayers' accountants to the papers involved in the instant proceedings, and given the wholly business nature of the papers, the privilege against self-incrimination did not protect the papers from production, but (2) the privilege should be construed to safeguard against governmental intrusions on personal privacy to compel either self-incriminating oral statements or the production of self-incriminating evidence recorded in one's private books and papers.

Marshall, J., concurring in the judgment, expressed the view that the court's new approach for deciding when the [Fifth Amendment](#) privilege could be asserted to bar production of documentary evidence--resting on the tacit verification inherent in the act of production that the document existed, was in the possession of the producer, and was the one sought by the subpoena--should be applied to provide substantially the same protection as the court's prior focus on the contents and private nature of the document subpoenaed.

Stevens, J., did not participate.

Headnotes

WITNESSES §76 > self-incrimination -- documents in attorney's possession -- > Headnote:
[LEdHN\[1A\]](#)[\[↓\]](#) [1A][LEdHN\[1B\]](#)[\[↓\]](#)
 [1B][LEdHN\[1C\]](#)[\[↓\]](#) [1C]

Enforcement of a summons served by the Internal Revenue Service on a taxpayer's attorney in an investigation of possible civil or criminal liability under the federal income tax laws--which summons

directed the attorney to produce relevant documents of the taxpayer's accountant that had been given to the attorney by the taxpayer for the purpose of obtaining legal advice--does not violate the taxpayer's [Fifth Amendment](#) privilege against self-incrimination, since enforcement against the attorney does not "compel" the taxpayer to be a "witness" against himself or to do anything, it being immaterial whether the [Fifth Amendment](#) would have barred a subpoena directing the taxpayer to produce the documents while they were in his hands, or that the attorney was the taxpayer's agent and the taxpayer might have had a reasonable expectation of privacy for the records in the attorney's hands; the situation is not one where constructive possession is so clear or relinquishment of possession so temporary and insignificant as to leave the personal compulsion upon the taxpayer substantially intact, since the documents sought were obtainable without personal compulsion on the taxpayer, who retained any privilege he had not to be compelled to testify against himself and not to be compelled himself to produce private papers in his possession.

WITNESSES §72 > privilege against self-incrimination -- > Headnote:
[LEdHN\[2\]](#)[\[↓\]](#) [2]

Under the [Fifth Amendment](#) privilege against self-incrimination, a party is privileged from producing evidence but not from its production.

WITNESSES §72 > privilege against self-incrimination -- protection of privacy -- > Headnote:
[LEdHN\[3\]](#)[\[↓\]](#) [3]

Although one of the purposes served by the [Fifth Amendment](#) privilege against compelled testimonial self-incrimination is that of protecting personal privacy, nevertheless not every invasion of privacy

violates the privilege, and the [Fifth Amendment](#) will not be applied to prevent the otherwise proper acquisition or use of evidence which does not involve compelled testimonial self-incrimination of some sort.

SEIZURE §5 > WITNESSES §72 > privilege against self-incrimination -- reasonableness -- > Headnote:

[LEdHN\[4\]](#)[] [4]

The [Fifth Amendment's](#) strictures against self-incrimination, unlike the [Fourth Amendment's](#) strictures against unreasonable searches and seizures, are not removed by showing reasonableness.

SEIZURE §3 > invasion of privacy -- warrant --

> Headnote:

[LEdHN\[5\]](#)[] [5]

When the government's reason to believe incriminating evidence will be found becomes sufficiently great, an invasion of privacy becomes justified and a warrant to search and seize will issue.

WITNESSES §72 > privilege against self-incrimination -- > Headnote:

[LEdHN\[6\]](#)[] [6]

The [Fifth Amendment](#) privilege against self-incrimination protects against compelled testimony, not the disclosure of private information.

LAW §925 > EVIDENCE §698 > SEIZURE §25 > WITNESSES §72 > private information --

constitutional protection -- > Headnote:

[LEdHN\[7\]](#)[] [7]

Insofar as private information not obtained through compelled self-incriminating testimony is legally protected, its protection stems from sources other than the [Fifth Amendment](#) privilege against self-incrimination, such as (1) the [Fourth Amendment's](#) protection against seizures without warrant or probable cause and against subpoenas which suffer from too much indefiniteness or breadth in the things required to be "particularly described," (2) the [First Amendment](#), or (3) evidentiary privileges such as the attorney-client privilege.




SEIZURE §26 > validity of IRS summons --

> Headnote:

[LEdHN\[8A\]](#)[] [8A][LEdHN\[8B\]](#)[] [8B]



A summons served by the Internal Revenue Service on a taxpayer's attorney in an investigation of possible civil or criminal liability, which summons directed the attorney to produce relevant documents of the taxpayer's accountant that had been given to the attorney by the taxpayer for the purpose of obtaining legal advice, does not violate the [Fourth Amendment](#), where such summons is narrowly drawn and seeks only documents of unquestionable relevance to the tax investigation.

EVIDENCE §699 > WITNESSES §76 > attorney-client privilege -- self-incrimination -- documents in attorney's hands -- > Headnote:


[LEdHN\[9A\]](#)[] [9A][LEdHN\[9B\]](#)[] [9B][LEdHN\[9C\]](#)[] [9C]

Although the attorney-client privilege applies to documents in an attorney's hands which would have been privileged in his client's hands by reason of the [Fifth Amendment](#) privilege against self-incrimination, nevertheless the attorney-client

privilege does not bar enforcement of a summons served by the Internal Revenue Service on a taxpayer's attorney in an investigation of possible civil or criminal liability under the federal income tax laws--which summons directed the attorney to produce relevant documents of the taxpayer's accountant that had been given to the attorney by the taxpayer to obtain legal advice in the tax investigation--since enforcement of a summons addressed to the taxpayer while the documents were in his possession would have involved no incriminating testimony and thus would not have been barred by the Fifth Amendment privilege against self-incrimination.


EVIDENCE §699 > attorney-client privilege --
> Headnote:
[LEdHN/10A/](#)[] [10A][LEdHN/10B/](#)[] [10B]

The attorney-client privilege may be raised by the attorney.


EVIDENCE §699 > attorney-client privilege --
purpose -- > Headnote:
[LEdHN/11/](#)[] [11]

Confidential disclosures made by a client to his attorney in order to obtain legal assistance are privileged; the purpose of the privilege is to encourage clients to make full disclosure to their attorneys, but since the privilege has the effect of withholding relevant information from the fact-finder, it applies only where necessary to achieve its purpose and protects only those disclosures which might not have been made absent the privilege.


EVIDENCE §699 > attorney-client privilege --

production of documents -- > Headnote:
[LEdHN/12/](#)[] [12]


Under the attorney-client privilege, when the client himself would be privileged from production of a document, either as a party at common law or as exempt from self-incrimination, his attorney having possession of the document is not bound to produce it, where the transfer of the document to the attorney was for the purpose of obtaining legal advice.

SEIZURE §8 > evidentiary matters -- > Headnote:
[LEdHN/13/](#)[] [13]

Purely evidentiary materials, as well as contraband and fruits and instrumentalities of crime, may be searched for and seized under proper circumstances.

WITNESSES §88 > privilege against self-incrimination -- > Headnote:
[LEdHN/14/](#)[] [14]

The Fifth Amendment privilege against self-incrimination does not independently proscribe the compelled production of every sort of incriminating evidence, but applies only when the accused is compelled to make a testimonial communication that is incriminating.

WITNESSES §81 > privilege against self-incrimination -- partnership records -- > Headnote:
[LEdHN/15/](#)[] [15]

Neither a partnership nor the individual partners are shielded from compelled production of partnership records on self-incrimination grounds.

WITNESSES §76 > privilege against self-incrimination -- production of taxpayer's records -- > Headnote:

[LEdHN\[16\]](#)[] [16]

Although a subpoena served on a taxpayer in an investigation of possible civil or criminal liability under the federal income tax laws--which subpoena requires the taxpayer to produce his accountant's workpapers in the taxpayer's possession--involves substantial compulsion, nevertheless it does not compel oral testimony, nor does it ordinarily compel the taxpayer to restate or affirm the truth of the documents sought, and thus the [Fifth Amendment](#) privilege against self-incrimination is not violated by the fact alone that the papers on their face might incriminate the taxpayer, the privilege protecting a person only against being incriminated by his own compelled testimonial communications; the taxpayer cannot avoid compliance with the subpoena merely by asserting that the documents contain incriminating writing, whether his own or that of someone else, since even though by producing the documents the taxpayer tacitly concedes their existence, their possession or control by the taxpayer, and the taxpayer's belief that the documents are those described in the subpoena, nevertheless the act of producing the documents, which is the only thing that the taxpayer is compelled to do, does not itself involve testimonial self-incrimination within the protection of the [Fifth Amendment](#).

WITNESSES §76 > privilege against self-incrimination -- production of documents -- > Headnote:

[LEdHN\[17A\]](#)[] [17A][LEdHN\[17B\]](#)[] [17B]

The fact that subpoenaed documents may have been written by the person asserting the [Fifth](#)

[Amendment](#) privilege against self-incrimination is insufficient to trigger the privilege; unless the government has compelled the subpoenaed person to write the document, the fact that it was written by him is not controlling with respect to the [Fifth Amendment](#) privilege.

WITNESSES §93.5 > privilege against self-incrimination -- handwriting exemplar -- > Headnote:

[LEdHN\[18\]](#)[] [18]

Although a handwriting exemplar, required to be furnished by the accused, may be incriminating to the accused, and although he is compelled to furnish it, nevertheless his [Fifth Amendment](#) privilege against self-incrimination is not violated because nothing he has said or done is sufficiently testimonial for purposes of the privilege.

EVIDENCE §532 > subpoenaed documents -- authentication -- > Headnote:

[LEdHN\[19A\]](#)[] [19A][LEdHN\[19B\]](#)[] [19B]

In producing his accountant's work papers and letters pursuant to a subpoena, a taxpayer merely indicates his belief that the documents are those described in the subpoena, but does not "authenticate" the documents; the taxpayer is not competent to authenticate the documents either by producing them or by testifying orally, since he did not prepare the documents and cannot vouch for their accuracy; the documents are not admissible in evidence against the taxpayer without authenticating testimony by the accountant.

Syllabus

In each of these cases taxpayers, who were under investigation for possible civil or criminal liability under the federal income tax laws after having obtained from their respective accountants certain documents relating to the accountants' preparation of their tax returns, transferred the documents to their respective attorneys to assist the taxpayers in connection with the investigations. Subsequently, the Internal Revenue Service served summonses on the attorneys directing them to produce the documents, but the attorneys refused to comply. The Government then brought enforcement actions, and in each case the District Court ordered the summons enforced. In No. 74-18 the Court of Appeals affirmed, holding that the taxpayers had never acquired a possessory interest in the documents and that the documents were not immune from production in the attorney's hands. But in No. 74-611 the Court of Appeals reversed, holding that by virtue of the [Fifth Amendment](#) the documents would have been privileged [****2] from production pursuant to a summons directed to the taxpayer if he had retained possession, and that, in light of the attorney-client relationship, the taxpayer retained such privilege after transferring the documents to his attorney. Held:

1. Compelled production of the documents in question from the attorneys does not implicate whatever [Fifth Amendment](#) privilege the taxpayer-clients might have enjoyed from being themselves compelled to produce the documents. Pp. 396-401.

(a) Whether or not the [Fifth Amendment](#) would have barred a subpoena directing the taxpayers to produce the documents while they were in their hands, the taxpayers' privilege under that Amendment is not violated by enforcing the summonses because enforcement against a taxpayer's lawyer would not "compel" the taxpayer to do anything, and certainly would not compel him to be a "witness" against himself, and the fact that the attorneys are agents of the taxpayers does not change this result. [Couch v. United States, 409 U.S. 322](#). Pp. 396-398.

(b) These cases do not present a situation where constructive possession of the documents in question is so clear or relinquishment of possession so [****3] temporary and insignificant as to leave the personal compulsion upon the taxpayer substantially intact, since the documents sought were obtainable without personal compulsion upon the taxpayers. [Couch, supra](#). P. 398.

(c) The taxpayers, by transferring the documents to their attorneys, did not lose any [Fifth Amendment](#) privilege they ever had not to be compelled to testify against themselves and not to be compelled themselves to produce private papers in their possession, and this personal privilege was in no way decreased by the transfer. Pp. 398-399.

(d) Even though the taxpayers, after transferring the documents to their attorneys, may have had a reasonable expectation of privacy with respect to the documents, the [Fifth Amendment](#) does not protect private information obtained without compelling self-incriminating testimony. Pp. 399-401.

2. Although the attorney-client privilege applies to documents in the hands of an attorney which would have been privileged in the hands of the client by reason of the [Fifth Amendment](#), the taxpayer-clients in these cases would not be protected by that Amendment from producing the documents in question, because production [****4] of such documents involves no incriminating testimony and therefore the documents in the hands of the taxpayers' attorneys were not immune from production. Pp. 402-414.

(a) The [Fifth Amendment](#) does not independently proscribe the compelled production of every sort of incriminating evidence but applies only when the accused is compelled to make a testimonial communication that is incriminating. P. 408.

(b) Here, however incriminating the contents of the accountants' workpapers might be, the act of producing them - the only thing that the taxpayers are compelled to do - would not itself involve

testimonial self-incrimination, and implicitly admitting the existence and possession of the papers does not rise to the level of testimony within the protection of the *Fifth Amendment*. Pp. 409-414.I

No. 74-18, 500 F. 2d 683, affirmed; *No. 74-611, 499 F. 2d 444*, reversed. S

WHITE, J., delivered the opinion of the Court, in which BURGER, C.J., and STEWART, BLACKMUN, POWELL, and REHNQUIST, JJ., joined. BRENNAN, J., post, p. 414, and MARSHALL, J., post, p. 430, filed opinions concurring in the judgment. STEVENS, J., took no part in the consideration [****5] or decision of the cases.I

Counsel: Richard L. Bazelon argued the cause for petitioners in No. 74-18. With him on the brief was Solomon Fisher. Deputy Solicitor General Wallace argued the cause for petitioners in No. 74-611 and respondents in No. 74-18. With him on the briefs were Solicitor General Bork, Assistant Attorney General Crampton, Stuart A. Smith and Robert E. Lindsay. Robert E. Goodfriend argued the cause for respondents in No. 74-611. With him on the brief were Edward A. Copley and Cyril D. Kasmir.

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[****6]

Judges: BURGER, BRENNAN, STEWART, MARSHALL, BLACKMUN, POWELL, REHNQUIST; STEVENS took no part in the consideration or decision of the case.

* Stanley H. Stearman filed a brief for the National Society of Public Accountants as amicus curiae urging affirmance in No. 74-611. Richard H. Appert, Louis Bender, Michael I. Saltzman, and James D. Fellers filed a brief for the American Bar Association as amicus curiae in both cases.

Opinion by: WHITE

Opinion

[*393] [****45] [**1572] MR. JUSTICE WHITE delivered the opinion of the Court.

In these two cases we are called upon to decide whether a summons directing an attorney to produce documents delivered to him by his client in connection with the attorney-client relationship is enforceable over claims that the documents were constitutionally immune from summons in the hands of the client and retained that immunity in the hands of the attorney.

[****46] I

In each case, an Internal Revenue agent visited the taxpayer or taxpayers¹ and interviewed them in connection [*394] with an investigation of possible civil or criminal liability under the federal income tax laws. Shortly after the interviews - one day later in No. 74-611 and a week or two later in No. 74-18 - the taxpayers obtained from their respective accountants certain documents relating to the preparation by the accountants of their tax returns. Shortly after obtaining the documents - later the same day in No. 74-611 and a few weeks later in No. [****7] 74-18 - the taxpayers transferred the documents to their lawyers - respondent Kasmir and petitioner Fisher, respectively - each of whom was retained to assist the taxpayer in connection with the investigation. Upon learning of the whereabouts of the documents, the Internal Revenue Service served summonses on the attorneys directing them to produce documents listed therein. In No. 74-611, the documents were described as "the following

¹ In No. 74-18, the taxpayers are husband and wife who filed a joint return. In No. 74-611, the taxpayer filed an individual return.

records of Tannebaum Bindler & Lewis [the accounting firm]. S

" **[**1573]** 1. Accountant's work papers pertaining to Dr. E. J. Mason's books and records of 1969, 1970 and 1971. [2]

"2. Retained copies of E. J. Mason's income tax returns for 1969, 1970 and 1971.

"3. Retained copies of reports and other correspondence between Tannebaum Bindler & Lewis and Dr. E. J. Mason during 1969, 1970 and 1971."I

In No. 74-18, the documents demanded were analyses by the accountant of the taxpayers' income and expenses which had been copied by the accountant from the taxpayers' canceled checks and deposit receipts. ³ In No. **[*395]** 74-611, a summons was also served on the accountant directing him to appear and testify concerning the documents **[****8]** to be produced by the lawyer. In each case, the lawyer declined to comply with the summons directing production of the documents, and enforcement actions were commenced by the Government under [26 U.S.C. §§ 7402 \(b\)](#) and [7604 \(a\)](#). In No. 74-611, the attorney raised in defense of the enforcement action the taxpayer's accountant-client privilege, his attorney-client privilege, and his [Fourth](#) and [Fifth Amendment](#) rights. In No. 74-18, the attorney claimed that enforcement would involve compulsory self-incrimination of the taxpayers in violation of their [Fifth Amendment](#) privilege, would involve a seizure of the papers without necessary compliance with the [Fourth Amendment](#), and would violate the taxpayers' right to communicate in confidence with their attorney. In No. 74-18 the taxpayers intervened and made similar claims.

[**9]**

²The "books and records" concerned the taxpayer's large medical practice.

³The husband taxpayer's checks and deposit receipts related to his textile waste business. The wife's related to her women's wear shop.

In each case the summons was ordered enforced by the District Court and its order was stayed pending appeal. In [No. 74-18, 500 F. 2d 683 \(CA3 1974\)](#), petitioners' appeal raised, in **[****47]** terms, only their [Fifth Amendment](#) claim, but they argued in connection with that claim that enforcement of the summons would involve a violation of the taxpayers' reasonable expectation of privacy and particularly so in light of the confidential relationship of attorney to client. The Court of Appeals for the Third Circuit after reargument en banc affirmed the enforcement order, holding that the taxpayers had never acquired a possessory interest in the documents and that the papers were not immune in the hands of the attorney. In No. 74-611, a divided panel of the Court of Appeals for the Fifth Circuit reversed the enforcement order, [499 F. 2d 444 \(1974\)](#). **[****10]** The court reasoned that by virtue of the [Fifth Amendment](#) the documents would have been privileged **[*396]** from production pursuant to summons directed to the taxpayer had he retained possession and, in light of the confidential nature of the attorney-client relationship, the taxpayer retained, after the transfer to his attorney, "a legitimate expectation of privacy with regard to the materials he placed in his attorney's custody, that he retained constructive possession of the evidence, and thus... retained [Fifth Amendment](#) protection." ⁴ [Id., at 453](#). We granted certiorari to resolve the conflict created. [420 U.S. 906 \(1975\)](#). Because in our view the documents were not privileged either in the hands of the lawyers or of their clients, we affirm the judgment of the Third Circuit in No. 74-18 and reverse the judgment of the Fifth Circuit in No. 74-611.

[**11] II**

All of the parties in these cases and the Court of Appeals for the Fifth Circuit have concurred in the proposition that if the [Fifth Amendment](#) would have

⁴The respondents in No. 74-611 did not, in terms, rely on the attorney-client privilege or the [Fourth Amendment](#) before the Court of Appeals.

excused a taxpayer from turning over the accountant's papers had he possessed them, **[**1574]** the attorney to whom they are delivered for the purpose of obtaining legal advice should also be immune from subpoena. Although we agree with this proposition for the reasons set forth in Part III, *infra*, we are convinced that, under our decision in *Couch v. United States*, 409 U.S. 322 (1973), it is not the taxpayer's *Fifth Amendment* privilege that would excuse the attorney from production.

[LEdHN/1A](#)^[↑] [1A]The relevant part of that Amendment provides: S

[HNI](#)^[↑] "No person... shall be compelled in any criminal case to be a witness against himself." (Emphasis added.)I

[*397] The taxpayer's privilege under this Amendment is not violated by enforcement of the summonses involved in these cases because enforcement against a taxpayer's lawyer would not "compel" the **[****12]** taxpayer to do anything - and certainly would not compel him to be a "witness" against himself. The Court has held repeatedly that [HN2](#)^[↑] the *Fifth Amendment* is limited to prohibiting the use of "physical or moral compulsion" exerted on the person asserting the privilege, *Perlman v. United States*, 247 U.S. 7, 15 (1918); *Johnson v. United States*, 228 U.S. 457, 458 (1913); *Couch v. [****48] United States, supra, at 328, 336*. See also *Holt v. United States*, 218 U.S. 245, 252-253 (1910); *United States v. Dionisio*, 410 U.S. 1 (1973); *Schmerber v. California*, 384 U.S. 757, 765 (1966); *Burdeau v. McDowell*, 256 U.S. 465, 476 (1921); *California Bankers Assn. v. Shultz*, 416 U.S. 21, 55 (1974). In *Couch v. United States, supra*, we recently ruled that the *Fifth Amendment* rights of a taxpayer were not violated by the enforcement of a documentary summons directed to her accountant and requiring production of the taxpayer's own records in the possession of the accountant. We did so on **[****13]** the ground that in such a case "the ingredient of personal compulsion against an accused is lacking." 409

U.S., at 329.

Here, the taxpayers are compelled to do no more than was the taxpayer in *Couch*. The taxpayers' *Fifth Amendment* privilege is therefore not violated by enforcement of the summonses directed toward their attorneys. This is true whether or not the Amendment would have barred a subpoena directing the taxpayer to produce the documents while they were in his hands.

The fact that the attorneys are agents of the taxpayers does not change this result. *Couch* held as much, since the accountant there was also the taxpayer's agent, and in this respect reflected a long standing view. In **[*398]** *Hale v. Henkel*, 201 U.S. 43, 69-70 (1906), the Court said that [HN3](#)^[↑] the privilege "was never intended to permit [a person] to plead the fact that some third person might be incriminated by his testimony, even though he were the agent of such person.... [T]he Amendment is limited to a person who shall be compelled in any criminal case to be a witness against **[****14]** himself." (Emphasis in original.) 0">"It is extortion of information from the accused himself that offends our sense of justice." *Couch v. United States, supra, at 328*. Agent or no, the lawyer is not the taxpayer. The taxpayer is the "accused," and nothing is being extorted from him.

[LEdHN/1B](#)^[↑] [1B]Nor is this one of those situations, which *Couch* suggested might exist, where constructive possession is so clear or relinquishment of possession so temporary and insignificant as to leave the personal compulsion upon the taxpayer substantially intact. 409 U.S., at 333. In this respect we see no difference between the delivery to the attorneys in these cases and delivery to the accountant in the *Couch* case. As was true in *Couch*, the documents sought were obtainable without personal compulsion on the accused.

[1575]** [LEdHN/2](#)^[↑] [2]Respondents in No. 74-611 and petitioners in No. 74-18 argue, and the

Court of Appeals for the Fifth Circuit apparently agreed, that if the summons was enforced, the taxpayers' [Fifth Amendment](#) [****15] privilege would be, but should not be, lost solely because they gave their documents to their lawyers in order to obtain legal advice. But this misconceives the nature of the constitutional privilege. The Amendment protects a person from being compelled to be a witness against himself. Here, the taxpayers retained any privilege they ever had not to be compelled to [***49] testify against themselves and not to be compelled themselves to produce private papers in their possession. This personal privilege was in no way decreased by the transfer. It is simply that by [*399] reason of the transfer of the documents to the attorneys, those papers may be subpoenaed without compulsion on the taxpayer. The protection of the [Fifth Amendment](#) is therefore not available. "A party is privileged from producing evidence but not from its production." [Johnson v. United States, supra, at 458](#).

[LEdHN/1C](#)[↑] [1C][LEdHN/3](#)[↑] [3]The Court of Appeals for the Fifth [****16] Circuit suggested that because legally and ethically the attorney was required to respect the confidences of his client, the latter had a reasonable expectation of privacy for the records in the hands of the attorney and therefore did not forfeit his [Fifth Amendment](#) privilege with respect to the records by transferring them in order to obtain legal advice. It is true that the Court has often stated that one of the several purposes served by the constitutional privilege against compelled testimonial self-incrimination is that of protecting personal privacy. See, e.g., [Murphy v. Waterfront Comm'n, 378 U.S. 52, 55 \(1964\)](#); [Couch v. United States, supra, at 332, 335-336](#); [Tehan v. United States ex rel. Shott, 382 U.S. 406, 416 \(1966\)](#); [Davis v. United States, 328 U.S. 582, 587 \(1946\)](#). But the Court has never suggested that every invasion of privacy violates the privilege. Within the limits imposed by the language of the [Fifth Amendment](#), which we necessarily observe, the privilege truly serves privacy interests; but the

Court has never on any ground, personal privacy included, applied the [Fifth Amendment](#) to prevent the otherwise proper [****17] acquisition or use of evidence which, in the Court's view, did not involve compelled testimonial self-incrimination of some sort. ⁵

[****18] [*400] [LEdHN/4](#)[↑] [4][LEdHN/5](#)[↑] [5]The proposition that the [Fifth Amendment](#) protects private information obtained without compelling self-incriminating testimony is contrary to the clear statements of this Court that under appropriate safeguards private incriminating statements of an accused may be overheard and used in evidence, if they are not compelled at the time they were uttered, [Katz v. United States, 389 U.S. 347, 354 \(1967\)](#); [OsBorn v. United States, 385 U.S. 323, 329-330 \(1966\)](#); and [Berger v. New York, 388 U.S. 41, 57 \[****50\] \(1967\)](#); cf. [Hoffa v. United States, 385 U.S. 293, 304 \[**1576\] \(1966\)](#); and that disclosure of private information may be compelled if immunity removes the risk of incrimination. [Kastigar v. United States, 406 U.S. 441 \(1972\)](#). If the [Fifth Amendment](#) protected generally against the obtaining of private information from a man's mouth or pen or house, its protections would presumably not be lifted by probable cause and a warrant or by immunity. [****19] The privacy invasion is not mitigated by immunity; and the [Fifth Amendment's](#) strictures, unlike the Fourth's, are not removed by

⁵There is a line of cases in which the Court stated that the [Fifth Amendment](#) was offended by the use in evidence of documents or property seized in violation of the [Fourth Amendment](#). [Gouled v. United States, 255 U.S. 298, 306 \(1921\)](#); [Agnello v. United States, 269 U.S. 20, 33-34 \(1925\)](#); [United States v. Lefkowitz, 285 U.S. 452, 466-467 \(1932\)](#); [Mapp v. Ohio, 367 U.S. 643, 661 \(1961\)](#) (Black, J., concurring). But the Court purported to find elements of compulsion in such situations. "In either case he is the unwilling source of the evidence, and the [Fifth Amendment](#) forbids that he shall be compelled to be a witness against himself in a criminal case." [Gouled v. United States, supra, at 306](#). In any event the predicate for those cases, lacking here, was a violation of the [Fourth Amendment](#). Cf. [Burdeau v. McDowell, 256 U.S., 465, 475-476 \(1921\)](#).

showing reasonableness. The Framers addressed the subject of personal privacy directly in the [Fourth Amendment](#). They struck a balance so that when the State's reason to believe incriminating evidence will be found becomes sufficiently great, the invasion of privacy becomes justified and a warrant to search and seize will issue. They did not seek in still another Amendment - the Fifth - to achieve a general protection of privacy but to deal with the more specific issue of compelled self-incrimination.

[*401] [LEdHN\[6\]](#)[↑] [6]We cannot cut the Fifth Amendment completely loose from the moorings of its language, and make it serve as a general protector of privacy - a word not mentioned in its text and a concept directly addressed in the [Fourth Amendment](#). We adhere to the view that [HN4](#)[↑] the [Fifth Amendment](#) protects against "compelled self-incrimination, not [the disclosure of] private information." [****20] [United States v. Nobles](#), 422 U.S. 225, 233 n. 7 (1975).

[LEdHN\[7\]](#)[↑] [7][LEdHN\[8A\]](#)[↑] [8A]Insofar as private information not obtained through compelled self-incriminating testimony is legally protected, its protection stems from other sources⁶ - the [Fourth Amendment's](#) protection against seizures without warrant or probable cause and against subpoenas which suffer from "too much indefiniteness or breadth in the things required to be 'particularly described,'" [Oklahoma Press Pub. Co. v. Walling](#), 327 U.S. 186, 208 (1946);d">[In re Horowitz](#), 482 F.2d 72, 75-80 (CA2 1973) (Friendly, J.); the [First Amendment](#), see [NAACP v. Alabama](#), 357 U.S. 449, 462 (1958); or evidentiary privileges such as the

⁶In [Couch v. United States](#), 409 U.S. 322 (1973), on which taxpayers rely for their claim that the [Fifth Amendment](#) protects their "legitimate expectation of privacy," the Court differentiated between the things protected by the [Fourth](#) and [Fifth Amendments](#). "We hold today that [HN5](#)[↑] no [Fourth](#) or [Fifth Amendment](#) claim can prevail where, as in this case, there exists no legitimate expectation of privacy and no semblance of governmental compulsion against the person of the accused." *Id.*, at 336.

attorney-client privilege.⁷

[****21] [LEdHN\[8B\]](#)[↑] [8B]

[*402] III

[LEdHN\[9A\]](#)[↑] [9A] [LEdHN\[10A\]](#)[↑] [10A]Our above holding is that compelled production of documents [***51] from an attorney does not implicate whatever [Fifth Amendment](#) privilege the taxpayer might have enjoyed from being compelled to produce them himself. The [****22] taxpayers in these cases, however, have from the outset consistently urged that they should not be forced to expose otherwise protected documents to summons simply because they have sought legal advice and turned the papers over to their attorneys. The Government appears to agree unqualifiedly. The difficulty is that the taxpayers have erroneously relied on the [Fifth Amendment](#) without urging the attorney-client privilege in so many words. They have nevertheless invoked the relevant body of law and policies that govern the attorney-client privilege. [**1577] In this posture of the case, we feel obliged to inquire whether the attorney-client privilege applies to documents in the hands of an attorney which would have been privileged in the hands of the client by reason of the [Fifth Amendment](#).⁸

⁷The taxpayers and their attorneys have not raised arguments of a [Fourth Amendment](#) nature before this Court and could not be successful if they had. The summonses are narrowly drawn and seek only documents of unquestionable relevance to the tax investigation. Special problems of privacy which might be presented by subpoena of a personal diary, [United States v. Bennett](#), 409 F. 2d 888, 897 (CA2 1969) (Friendly, J.), are not involved here.

[First Amendment](#) values are also plainly not implicated in these cases.

⁸[Federal Rule Evid. 501](#), effective January 2, 1975, provides that with respect to privileges the United States district courts "shall be governed by the principles of the common law... interpreted... in the light of reason and experience." Thus, whether or not [Rule 501](#) applies to this case, the attorney-client privilege issue is governed by the principles and authorities discussed and cited infra. [Fed. Rule Crim. Proc. 26](#).

[LEdHN\[10B\]](#)[↑] [10B]In No. 74-611, the taxpayer did not

[****23]

[*403] [LEdHN\[11\]](#)[↑] [11][LEdHN\[12\]](#)[↑] [12][HN7](#)[↑] Confidential disclosures by a client to an attorney made in order to obtain legal assistance are privileged. 8 J. Wigmore, Evidence § 2292 (McNaughton rev. 1961) (hereinafter Wigmore); McCormick, § 87, p. 175, (hereinafter McCormick). The purpose of the privilege is to encourage clients to make full disclosure to their attorneys. 8 Wigmore § 2291, and § 2306, p. 590; McCormick § 87, p. 175, § 92, p. 192; [Baird v. Koerner](#), 279 F. 2d 623 (CA9 1960); [Modern Woodmen of America v. Watkins](#), 132 F. 2d 352 (CA5 1942); [Prichard v. United States](#), 181 F. 2d 326 (CA6), aff'd per curiam, 339 U.S. 974 (1950); [Schwimmer v. United States](#), 232 F. 2d 855 (CA8 1956); [United States v. Goldfarb](#), 328 F. 2d 280 (CA6 1964). As a practical matter, if the client knows that damaging information could more readily be obtained from the attorney following [****24] disclosure than from himself in the absence of disclosure, the client would be reluctant to confide in his lawyer and it would be difficult to obtain fully informed legal advice. However, since the privilege has the effect of withholding relevant information from the factfinder, it applies only where necessary to achieve its purpose. Accordingly it protects only those disclosures - necessary to obtain informed legal advice - which might not have been made absent the privilege. [In re Horowitz](#), supra, at 81 (Friendly, J.); [United States v. Goldfarb](#), supra; 8 Wigmore § 2291, p. 554; McCormick § 89, p. 185.

intervene, and his rights have been asserted only through his lawyer. The parties disagree on the question whether an attorney may claim the [Fifth Amendment](#) privilege of his client. We need not resolve this question. The only privilege of the taxpayer involved here is the attorney-client privilege, and [HN6](#)[↑] it is universally accepted that the attorney-client privilege may be raised by the attorney, C. McCormick, Evidence § 92, p. 193, § 94, p. 197 (2d ed. 1972) (hereinafter McCormick); [Republic Gear Co. v. Borg-Warner Corp.](#), 381 F. 2d 551 (CA2 1967); [Bouschor v. United States](#), 316 F. 2d 451 (CA8 1963); [Colton v. United States](#), 306 F. 2d 633 (CA2 1962); [Schwimmer v. United States](#), 232 F. 2d 855 (CA8), cert. denied, 352 U.S. 833 (1956); [Baldwin v. Commissioner](#), 125 F. 2d 812 (CA9 1942).

This Court and the lower courts have [****52] thus uniformly held that 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 client in order [*404] to obtain more informed legal advice. [Grant v. United States](#), 227 U.S. 74, 79-80 (1913); 8 Wigmore § 2307, and cases there cited; McCormick § 90, p. 185; [Falsone v. United States](#), 205 F. 2d 734 (CA5 1953); [Sovereign Camp, W. O. W. v. Reed](#), 208 Ala. 457, 94 So. 910 (1922); [****25] [Andrews v. Mississippi R. Co.](#), 14 Ind. 169, 98 N.E. 49 (1860); [Palatini v. Sarian](#), 15 N.J. Super. 34, 83 A. 2d 24 (1951); [Pearson v. Yoder](#), 39 Okla. 105, 134 P. 421 (1913); [State ex rel Sowers v. Olwell](#), 64 Wash. 2d 828, 394 P. 2d 681 (1964). The purpose of the privilege requires no broader rule. Pre-existing documents obtainable from the client are not appreciably easier to obtain from the attorney after transfer to him. Thus, even absent the attorney-client privilege, clients will not be discouraged from disclosing the documents to the attorney, and their ability to obtain informed legal advice will remain unfettered. It is otherwise if the documents are not obtainable by subpoena duces tecum or summons while in the exclusive possession of the client, for the client will then be reluctant to transfer possession to the lawyer unless the documents are also privileged [**1578] in the latter's hands. Where the transfer is made for the purpose of obtaining legal advice, the purposes of the attorney-client privilege would be defeated unless the privilege is applicable. "It follows, then, that [****26] [HN8](#)[↑] when the client himself would be privileged from production of the document, either as a party at common law... or as exempt from self-incrimination, the attorney having possession of the document is not bound to produce." 8 Wigmore § 2307, p. 592. Lower courts have so held. Id., § 2307, p. 592 n. 1, and cases there cited; [United States v. Judson](#), 322 F. 2d 460, 466 (CA9 1963); [Colton v. United States](#), 306 F. 2d 633, 639 (CA2 1962). This proposition was accepted by the Court of Appeals for the Fifth

Circuit below, is asserted by petitioners [*405] in No. 74-18 and respondents in No. 74-611, and was conceded by the Government in its brief and at oral argument. Where the transfer to the attorney is for the purpose of obtaining legal advice, we agree with it.

[LEdHN/9B](#)[↑] [9B] Since each taxpayer transferred possession of the documents in question from himself to his attorney, in order to obtain legal assistance in the tax investigations in question, the papers, if unobtainable by summons from the client, are unobtainable by summons [****27] directed to the attorney by reason of the attorney-client privilege. We accordingly proceed to the question whether the documents could have been obtained by summons addressed to the taxpayer while the documents were in his possession. The only bar to enforcement of such summons asserted by the parties or the courts below is the [Fifth Amendment's](#) privilege against self-incrimination. On this question the Court of Appeals for the Fifth Circuit in No. 74-611 is at odds with the Court of Appeals for the Second Circuit in [United States v. Beattie, 522 F. 2d 267 \(1975\)](#), cert. pending, Nos. 75-407, 75-700.

IV

The proposition that the [Fifth Amendment](#) prevents compelled production [***53] of documents over objection that such production might incriminate stems from [Boyd v. United States, 116 U.S. 616 \(1886\)](#). Boyd involved a civil forfeiture proceeding brought by the Government against two partners for fraudulently attempting to import 35 cases of glass without paying the prescribed duty. The partnership had contracted with the Government to furnish the glass needed in the construction of a Government building. The glass specified was foreign glass, it [****28] being understood that if part or all of the glass was furnished from the partnership's existing duty-paid inventory, [*406] it could be replaced by duty-free imports. Pursuant to this arrangement, 29 cases of glass were imported by the partnership duty free. The partners

then represented that they were entitled to duty-free entry of an additional 35 cases which were soon to arrive. The forfeiture action concerned these 35 cases. The Government's position was that the partnership had replaced all of the glass used in construction of the Government building when it imported the 29 cases. At trial, the Government obtained a court order directing the partners to produce an invoice the partnership had received from the shipper covering the previous 29-case shipment. The invoice was disclosed, offered in evidence, and used, over the [Fifth Amendment](#) objection of the partners, to establish that the partners were fraudulently claiming a greater exemption from duty than they were entitled to under the contract. This Court held that the invoice was inadmissible and reversed the judgment in favor of the Government. The Court ruled that the [Fourth Amendment](#) applied to court orders [****29] in the nature of subpoenas duces tecum in the same manner in which it applies to search warrants, *id., at 622*; and that the Government may not, consistent with the [Fourth Amendment](#), seize a person's documents or other property as evidence unless it can claim a proprietary interest in the property superior to that of the person from whom the property is obtained. *Id., at 623-624*. The invoice in question was thus held to [**1579] have been obtained in violation of the [Fourth Amendment](#). The Court went on to hold that the accused in a criminal case or the defendant in a forfeiture action could not be forced to produce evidentiary items without violating the [Fifth Amendment](#) as well as the Fourth. More specifically, the Court declared, "a compulsory production of the private books and papers of the owner of goods sought to be forfeited... is compelling him to be a witness against himself, [*407] within the meaning of the [Fifth Amendment to the Constitution](#)." *Id., at 634-635*. Admitting the partnership invoice into evidence had violated both the [Fifth](#) and [Fourth Amendments](#).

Among its several pronouncements, Boyd was understood to declare [****30] that the seizure, under warrant or otherwise, of any purely

evidentiary materials violated the Fourth Amendment and that the Fifth Amendment rendered these seized materials inadmissible. Gouled v. United States, 255 U.S. 298 (1921); Agnello v. United States, 269 U.S. 20 (1925); United States v. Lefkowitz, 285 U.S. 452 (1932). That rule applied to documents as well as to other evidentiary items - "[t]here is [***54] no special sanctity in papers, as distinguished from other forms of property, to render them immune from search and seizure, if only they fall within the scope of the principles of the cases in which other property may be seized...." Gouled v. United States, supra, at 309. Private papers taken from the taxpayer, like other "mere evidence," could not be used against the accused over his Fourth and Fifth Amendment objections.

LEdHN/13[↑] [13]Several of Boyd's express or implicit declarations have not stood the test of time. The application of the Fourth Amendment to subpoenas was limited by Hale v. Henkel, 201 U.S. 43 (1906), and [****31] more recent cases. See, e.g., Oklahoma Press Pub. Co. v. Walling, 327 U.S. 186 (1946). Purely evidentiary (but "nontestimonial") materials, as well as contraband and fruits and instrumentalities of crime, may now be searched for and seized under proper circumstances, Warden v. Hayden, 387 U.S. 294 (1967).⁹ Also, any notion that "testimonial" evidence may never be seized and used in evidence is [*408] inconsistent with Katz v. United States, 389 U.S. 347 (1967); Osborn v. United States, 385 U.S. 323 (1966); and Berger v. New York, 388 U.S. 41 (1967),¹⁰ approving the seizure under appropriate circumstances of conversations of a person suspected of crime. See also Marron v. United States, 275 U.S. 192 (1927).

⁹Citing to Schmerber v. California, 384 U.S. 757 (1966), Warden v. Hayden, 387 U.S., at 302-303, reserved the question "whether there are items of evidential value whose very nature precludes them from being the object of a reasonable search and seizure."

[****32] LEdHN/14[↑] [14]LEdHN/15[↑] [15]It is also clear that HN9[↑] the Fifth Amendment does not independently proscribe the compelled production of every sort of incriminating evidence but applies only when the accused is compelled to make a testimonial communication that is incriminating. We have, accordingly, declined to extend the protection of the privilege to the giving of blood samples, Schmerber v. California, 384 U.S. 757, 763-764 (1966);¹⁰ to the giving of handwriting exemplars, Gilbert v. California, 388 U.S. 263, 265-267 (1967); voice exemplars, United States v. Wade, 388 U.S. 218, 222-223, [**1580] (1967); or the donning of a blouse worn by the perpetrator, Holt v. United States, 218 U.S. 245 (1910). Furthermore, despite Boyd, neither a partnership nor the individual partners are shielded from compelled production of partnership records on self-incrimination grounds. Bellis v. United States, 417 U.S. 85 (1974). [****33] It would appear that under that case the precise claim sustained in Boyd would now be rejected for reasons not there considered.

The pronouncement in Boyd that a person may not be forced to produce his private papers has nonetheless often appeared as dictum in later opinions of this Court. See, e.g., Wilson v. United States, 221 U.S. 361, 377 (1911); [***55] Wheeler v. United States, 226 U.S. 478, 489 (1913); United States v. White, 322 U.S. 694, 698-699 (1944); [*409] Davis v. United States, 328 U.S., at 587-588; Schmerber, supra, at 763-764; Couch v. United States, 409 U.S., at 330; Bellis v. United States, supra, at 87. [****34] To the extent, however, that the rule against compelling production of private papers rested on the proposition that seizures of or subpoenas for "mere evidence," including documents, violated the Fourth Amendment and therefore also transgressed

¹⁰The Court's holding was: "Since the blood test evidence, although an incriminating product of compulsion, was neither petitioner's testimony nor evidence relating to some communicative act or writing by petitioner, it was not inadmissible on privilege grounds." 384 U.S., at 765.

the *Fifth, Gouled v. United States, supra*, the foundations for the rule have been washed away. In consequence, the prohibition against forcing the production of private papers has long been a rule searching for a rationale consistent with the proscriptions of the *Fifth Amendment* against compelling a person to give "testimony" that incriminates him. Accordingly, we turn to the question of what, if any, incriminating testimony within the *Fifth Amendment's* protection, is compelled by a documentary summons.

[LEdHN\[16\]](#)[\[↑\]](#) [16][LEdHN\[17A\]](#)[\[↑\]](#) [17A] A subpoena served on a taxpayer requiring him to produce an accountant's workpapers in his possession without doubt involves substantial compulsion. But it does not compel oral testimony; nor would it ordinarily compel the taxpayer to restate, repeat, or affirm the **[***35]** truth of the contents of the documents sought. Therefore, the *Fifth Amendment* would not be violated by the fact alone that the papers on their face might incriminate the taxpayer, for [HN10](#)[\[↑\]](#) the privilege protects a person only against being incriminated by his own compelled testimonial communications. *Schmerber v. California, supra*; *United States v. Wade, supra*; and *Gilbert v. California, supra*. The accountant's workpapers are not the taxpayer's. They were not prepared by the taxpayer, and they contain no testimonial declarations by him. Furthermore, as far as this record demonstrates, the preparation of all of the papers sought in these cases was wholly voluntary, and they cannot be said to contain compelled **[*410]** testimonial evidence, either of the taxpayers or of anyone else. ¹¹ The taxpayer cannot

avoid compliance with the subpoena merely by asserting **[**1581]** that the item of evidence which he is required to produce contains incriminating writing, whether his own or that of someone else.

[LEdHN\[17B\]](#)[\[↑\]](#) [17B]

[**36]** The **[***56]** act of producing evidence in response to a subpoena nevertheless has communicative aspects of its own, wholly aside from the contents of the papers produced. Compliance with the subpoena tacitly concedes the existence of the papers demanded and their possession or control by the taxpayer. It also would indicate the taxpayer's belief that the papers are those described in the subpoena. *Curcio v. United States, 354 U.S. 118, 125 (1957)*. The elements of compulsion are clearly present, but the more difficult issues are whether the tacit averments of the taxpayer are both "testimonial" and "incriminating" for purposes of applying the *Fifth Amendment*. These questions perhaps do not lend themselves to categorical answers; their resolution may instead depend on the facts and circumstances of particular cases or classes thereof. In light of the records now before us, we are confident that however incriminating the **[*411]** contents of the accountant's workpapers might be, the act of producing them - the only thing which the taxpayer is compelled to do - would not itself involve testimonial self-incrimination.

It is doubtful that implicitly admitting the **[****37]** existence and possession of the papers rises to the level of testimony within the protection of the *Fifth Amendment*. The papers belong to the accountant, were prepared by him, and are the kind usually prepared by an accountant working on the tax returns of his client. Surely the Government is in no way relying on the "truth-telling" of the taxpayer

¹¹ The fact that the documents may have been written by the person asserting the privilege is insufficient to trigger the privilege, *Wilson v. United States, 221 U.S. 361, 378 (1911)*. And, unless the Government has compelled the subpoenaed person to write the document, cf. *Marchetti v. United States, 390 U.S. 39 (1968)*; *Grosso v. United States, 390 U.S. 62 (1968)*, the fact that it was written by him is not controlling with respect to the *Fifth Amendment* issue. Conversations may be seized and introduced in evidence under proper safeguards, *Katz v. United States, 389 U.S. 347 (1967)*;

Osborn v. United States, 385 U.S. 323 (1966); *Berger v. New York, 388 U.S. 41 (1967)*; *United States v. Bennett, 409 F. 2d, at 897 n. 9*, if not compelled. In the case of a documentary subpoena the only thing compelled is the act of producing the document and the compelled act is the same as the one performed when a chattel or document not authored by the producer is demanded. McCormick § 128, p. 269.

to prove the existence of or his access to the documents. 8 Wigmore § 2264, p. 380. The existence and location of the papers are a foregone conclusion and the taxpayer adds little or nothing to the sum total of the Government's information by conceding that he in fact has the papers. Under these circumstances by enforcement of the summons "no constitutional rights are touched. The question is not of testimony but of surrender." *In re Harris*, 221 U.S. 274, 279 (1911).

[LEdHN\[18\]](#)^[↑] [18]When an accused is required to submit a handwriting exemplar he admits his ability to write and impliedly asserts that the exemplar is his writing. But in common experience, the first would be a near truism and the latter self-evident. In any event, although the exemplar [****38] may be incriminating to the accused and although he is compelled to furnish it, his *Fifth Amendment* privilege is not violated because nothing he has said or done is deemed to be sufficiently testimonial for purposes of the privilege. This Court has also time and again allowed subpoenas against the custodian of corporate documents or those belonging to other collective entities such as unions and partnerships and those of bankrupt businesses over claims that the documents will incriminate the custodian despite the fact that producing the documents tacitly admits their existence and their location in the [*412] hands of their possessor. E.g., *Wilson v. United States*, 221 U.S. 361 (1911); *Dreier v. United States*, 221 U.S. 394 (1911); *United States v. White*, 322 U.S. 694 (1944); *Bellis v. United States*, 417 U.S. 85 (1974); *In re Harris*, *supra*. [****57] The existence and possession or control of the subpoenaed documents being no more in issue here than in the above cases, the summons is equally enforceable.

Moreover, assuming that these aspects of producing the accountant's papers have some minimal testimonial [****39] significance, surely it is not illegal to seek accounting help in connection with one's tax returns or for the accountant to prepare

workpapers and deliver them to the taxpayer. At this juncture, we are quite unprepared to hold that either the fact of existence of the papers or of their possession by the taxpayer poses any realistic threat of incrimination to the taxpayer.

[**1582] [LEdHN\[19A\]](#)^[↑] [19A]As for the possibility that responding to the subpoena would authenticate ¹² the workpapers, production would [*413] express nothing more than the taxpayer's belief that the papers are those described in the subpoena. The taxpayer would be no more competent to authenticate the accountant's workpapers or reports ¹³ by producing them than he would be to authenticate them if testifying orally. The taxpayer did not prepare the papers and could not vouch for their accuracy. The documents would not be admissible in evidence against the

¹²The "implicit authentication" rationale appears to be the prevailing justification for the *Fifth Amendment's* application to documentary subpoenas. d">*Schmerber v. California*, 384 U.S., at 763-764 ("the privilege reaches... the compulsion of responses which are also communications, for example, compliance with a subpoena to produce one's papers. *Boyd v. United States*, 116 U.S. 616"); *Couch v. United States*, 409 U.S., at 344, 346 (MARSHALL, J., dissenting) (the person complying with the subpoena "implicitly testifies that the evidence he brings forth is in fact the evidence demanded."); *United States v. Beattie*, 522 F. 2d 267, 270 (CA2 1975) (Friendly, J.) ("[a] subpoena demanding that an accused produce his own records is... the equivalent of requiring him to take the stand and admit their genuineness"), cert. pending, Nos. 75-407, 75-700; 8 Wigmore § 2264, p. 380 (the testimonial component involved in compliance with an order for production of documents or chattels "is the witness' assurance, compelled as an incident of the process, that the articles produced are the ones demanded"); McCormick § 126, p. 268 ("[t]his rule [applying the *Fifth Amendment* privilege to documentary subpoenas] is defended on the theory that one who produces documents (or other matter) described in the subpoena duces tecum represents, by his production, that the documents produced are in fact the documents described in the subpoena"); *People v. Defore*, 242 N.Y. 13, 27, 150 N.E. 585, 590 (1926) (Cardozo, J.) ("A defendant is 'protected from producing his documents in response to a subpoena duces tecum, for his production of them in court would be his voucher of their genuineness.' There would then be 'testimonial compulsion'").

¹³In seeking the accountant's "retained copies" of correspondence with the taxpayer in No. 74-611, we assume that the summons sought only "copies" of original letters sent from the accountant to the taxpayer - the truth of the contents of which could be testified to only by the accountant.

taxpayer without authenticating testimony. Without more, responding to the subpoena in the circumstances before us would not appear to represent a substantial threat of self-incrimination. [****40] Moreover, in [Wilson v. United States, supra](#); [Dreier v. United States, supra](#); [United States v. White, supra](#); [Bellis v. United States, supra](#); and [In re Harris, supra](#), the custodian of corporate, union or partnership books or those of a bankrupt business was ordered to respond to a subpoena for the business' books even though doing so involved a "representation that the documents produced are those demanded by the subpoena," [Curcio v. United States, \[****58\] 354 U.S., at 125.](#)¹⁴

[****41] [LEdHN\[19B\]](#)[↑] [19B]

[*414] [LEdHN\[9C\]](#)[↑] [9C] Whether the [Fifth Amendment](#) would shield the taxpayer from producing his own tax records in his possession is a question not involved here; for [****42] the papers demanded here are not his "private papers," see [Boyd v. United States, 116 U.S., at 634-635](#). We do hold that compliance with a summons directing the taxpayer to produce the accountant's documents involved in these cases would involve no incriminating testimony within the protection of the [Fifth Amendment](#).

The judgment of the Court of Appeals for the Fifth Circuit in No. 74-611 is reversed. The judgment of the Court of Appeals for the Third Circuit in No. 74-18 is affirmed.

So ordered.

MR. JUSTICE STEVENS took no part in the consideration or disposition of these cases.

Concur by: BRENNAN; MARSHALL

Concur

[**1583] MR. JUSTICE BRENNAN, concurring in the judgment.

I concur in the judgment. Given the prior access by accountants retained by the taxpayers to the papers involved in these cases and the wholly business rather than personal nature of the papers, I agree that the privilege against compelled self-incrimination did not in either of these cases protect the papers from production in response to the summonses. See [Couch v. United States, 409 U.S. 322, 335-336 \(1973\)](#); *id.*, at 337 (BRENNAN, J., concurring). I do not [****43] join the Court's opinion, however, because of the portent of much of what is said of a serious crippling of the protection secured by the privilege against compelled production of one's private books and papers. Like today's decision in [United States v. Miller, post, p. 435](#), it is but another step in the denigration of privacy principles settled nearly 100 years ago in [Boyd v. United States, 116 U.S. 616 \[415\] \(1886\)](#). According to the Court, "[w]hether the [Fifth Amendment](#) would shield the taxpayer from producing his own tax records in his possession is a question not involved here; for the papers demanded here are not his 'private papers.'" Ante, at 414. This implication that the privilege might not protect against compelled production of tax records that are his "private papers" is so contrary to settled constitutional jurisprudence that this and other like implications throughout the opinion¹ prompt me to conjecture that once again

¹⁴In these cases compliance with the subpoena is required even though the books have been kept by the person subpoenaed and his producing them would itself be sufficient authentication to permit their introduction against him.

¹For example, the Court's notation that "[s]pecial problems of privacy which might be presented by subpoena of a diary... are not involved here," ante, at 401 n. 7, is only made in the context of discussion of the [Fourth Amendment](#) and thus may readily imply that even a subpoena of a personal diary containing forthright confessions of crime may not be resisted on grounds of the privilege.

the Court is laying the groundwork for future [***59] decisions that will tell us that the question here formally reserved was actually answered against the availability of the privilege. *Seble, Hudgens v. NLRB*, 424 U.S. 507 (1976). [****44] It is therefore appropriate to recall that history and this Court have construed the constitutional privilege to safeguard against governmental intrusions of personal privacy to compel either self-incriminating oral statements or the production of self-incriminating evidence recorded in one's private books and papers. Although as phrased in the *Fifth Amendment* - "nor shall [any person] be compelled in any criminal case to be a witness against himself" - the privilege makes no express reference, as does the *Fourth Amendment*, to "papers, and effects," private papers have long been held to have the protection of the privilege, designed as it is "to maintain inviolate large areas of personal privacy." *Feldman v. United States*, 322 U.S. 487, 490 (1944).

[****45] [*416] I

Expressions are legion in opinions of this Court that the protection of personal privacy is a central purpose of the privilege against compelled self-incrimination. "[I]t is the invasion of [a person's] infeasible right of personal security, personal liberty and private property" "that constitutes the essence of the offence" that violates the privilege. *Boyd v. United States*, *supra*, at 630. The privilege reflects "our respect for the inviolability of the human personality and of the right of each individual 'to a private enclave where he may lead a private life.'" *Murphy v. Waterfront Comm'n*, 378 U.S. 52, 55 (1964). "It respects a private inner sanctum of individual feeling and thought and proscribes state intrusion to extract self-condemnation." *Couch v. United States*, *supra*, at 327. See also *Tehan v. United States ex rel. Shott*, 382 U.S. 406, 416 (1966); *Miranda v. Arizona*, 384 U.S. 436, 460, [**1584] (1966). "The *Fifth Amendment* in its *Self-Incrimination Clause* enables the citizen to create a zone of privacy which government may not force him to surrender to his

detriment." *Griswold v. Connecticut*, 381 U.S. 479, 484 (1965). [****46] See also *Katz v. United States*, 389 U.S. 347, 350 n. 5 (1967).

The Court pays lip service to this bedrock premise of privacy in the statement that "[w]ithin the limits imposed by the language of the *Fifth Amendment*, which we necessarily observe, the privilege truly serves privacy interests," ante, at 399. But this only makes explicit what elsewhere highlights the opinion, namely, the view that protection of personal privacy is merely a by product and not, as our precedents and history teach, a factor controlling in part the determination of the scope of the privilege. This cart-before-the-horse approach is fundamentally at odds with the settled principle that the scope of the privilege is not constrained by the limits of the [*417] wording of the *Fifth Amendment* but has the reach necessary to protect the cherished value of privacy which it safeguards. See *Schmerber v. California*, 384 U.S. 757, 761-762, n. 6 [***60] (1966). The "Court has always construed provisions of the Constitution having regard to the principles upon which it was established. The direct operation or literal meaning of the words used do not measure the purpose or scope [****47] of its provisions...." *United States v. Lefkowitz*, 285 U.S. 452, 467 (1932). "It has been repeatedly decided that [the *Fifth Amendment*] should receive a liberal construction, so as to prevent stealthy encroachment upon or 'gradual depreciation' of the rights secured by [it], by imperceptible practice of courts or by well-intentioned but mistakenly over-zealous executive officers." *Gouled v. United States*, 255 U.S. 298, 304 (1921). See *Maness v. Meyers*, 419 U.S. 449, 461 (1975). History and principle, not the mechanical application of its wording, have been the life of the Amendment. ²

² "The privilege against self-incrimination is a specific provision of which it is peculiarly true that 'a page of history is worth a volume of logic.'" *Ullmann v. United States*, 350 U.S. 422, 438 (1956) (Frankfurter, J.). "The previous history of the right, both in England and America, proves that it was not bound by rigid definition." L. Levy, Origins of the *Fifth Amendment* 428 (1968).

[****48] That the privilege does not protect against the production of private information where there is no compulsion, or where immunity is granted, or where there is no threat of incrimination in nowise supports the Court's argument demeaning the privilege's protection of privacy. The unavailability of the privilege in those cases only evidences that, as is the case with the *First* and *Fourth Amendments*, the protection of privacy afforded by the privilege is not absolute. The critical question then is the definition of the scope of privacy that is sheltered by the privilege.

[*418] History and principle teach that the privacy protected by the *Fifth Amendment* extends not just to the individual's immediate declarations, oral or written, but also to his testimonial materials in the form of books and papers.³ "The right was originally a 'right of silence'... only in the sense that legal process could not force incriminating statements from the defendant's [**1585] own lips. Beginning in the early eighteenth century the English courts widened that right to include protection against the necessity of producing books and documents that might tend to incriminate the accused.. [****49] .. Lord Mansfield summed up the law by declaring that the defendant, in a criminal case, could not be compelled to produce any incriminating documentary evidence 'though he should hold it in his hands in Court.'" L. Levy, *Origins of the Fifth Amendment* 390 (1968).⁴

³ Indeed, *Schmerber v. California*, 384 U.S. 757, 764 (1966), held:

"Some tests seemingly directed to obtain 'physical evidence,' for example, lie detector tests measuring changes in body function during interrogation, may actually be directed to eliciting responses which are essentially testimonial. To compel a person to submit to testing in which an effort will be made to determine his guilt or innocence on the basis of physiological responses, whether willed or not, is to evoke the spirit and history of the *Fifth Amendment*. Such situations call to mind the principle that the protection of the privilege 'is as broad as the mischief against which it seeks to guard.'..."

⁴ "The language of the Constitution cannot be interpreted safely except by reference to the common law and to British institutions as they were when the instrument was framed and adopted." *Ex parte*

[**61] Thus, in recognizing [*419] the privilege's protection of private books and papers, *Boyd v. United States*, 116 U.S., at 633, 634-635, was faithful to this historical conception of the privilege. Boyd was reaffirmed in this respect in *Ballmann v. Fagin*, 200 U.S. 186 (1906), which held that an individual could not be compelled to produce a personal cashbook containing incriminating evidence. *Schmerber v. California*, 384 U.S., at 761, most recently expressly held "that the privilege protects an accused... from being compelled to testify against himself, or otherwise provide the State with evidence of a testimonial or communicative nature..." (Emphasis supplied.) Indeed, Boyd's holding has often been reiterated without question. E.g., *Bellis v. United States*, 417 U.S. 85, 87 (1974); *United States v. Calandra*, 414 U.S. 338, 346 (1974); [****50] *Couch v. United States*, 409 U.S. 322 (1973); *United States v. Wade*, 388 U.S. 218, 221 (1967); *Gilbert v. California*, 388 U.S. 263, 266 (1967); *Davis v. United States*, 328 U.S. 582, 587-588 (1946); *United States v. White*, 322 U.S. 694, 698-699 (1944); *Wheeler v. United States*, 226 U.S. 478, 489 (1913); *Wilson v. United States*, 221 U.S. 361, 375 (1911); *ICC v. Baird*, 194 U.S. 25, 45 (1904). It may therefore be emphatically stated that until today, there was no room to doubt that it is the *Fifth Amendment's* "historic function [to protect an individual] from compulsory incrimination through his [*420] own testimony or personal records." *United States v. White*, *supra*, at 701 (emphasis supplied).

Grossman, 267 U.S. 87, 108-109 (1925). But, "the common law rule invoked shall be one not rejected by our ancestors as unsuited to their civil or political conditions." *Grosjean v. American Press Co.*, 297 U.S. 233, 249 (1936). Without a doubt, the common-law privilege against self-incrimination in England extended to protection against the production of incriminating personal papers prior to the adoption of the United States Constitution. See, e.g., *Roe v. Harvey*, 98 Eng. Rep. 302, 305 (K.B. 1769); *King v. Heydon*, 96 Eng. Rep. 195 (K.B. 1762); *King v. Purnell*, 95 Eng. Rep. 595, 597 (K.B. 1748); *King v. Cornelius*, 93 Eng. Rep. 1133, 1134 (K.B. 1744); *Queen v. Mead*, 92 Eng. Rep. 119 (K.B. 1703); *King v. Worsenham*, 91 Eng. Rep. 1370 (K.B. 1701). The significance of this English development on the construction of our Constitution is not in any way diminished by this country's experience with the privilege prior to the Constitution's adoption. See Levy, *supra*, at 368-404.

[***51]

[***52] The common-law and constitutional extension of the privilege to testimonial materials, such as books and papers, was inevitable. An individual's books and papers are generally little more than an extension of his person. They reveal no less than he could reveal upon being questioned directly. Many of the matters within an individual's knowledge may as easily be retained within his head as set down on a scrap of paper. I perceive no principle which does not permit compelling one to disclose the contents of one's mind but does permit compelling the disclosure of the contents of that scrap of paper by compelling its production. Under a contrary view, the [***62] constitutional protection [**1586] would turn on fortuity, and persons would, at their peril, record their thoughts and the events of their lives. The ability to think private thoughts, facilitated as it is by pen and paper, and the ability to preserve intimate memories would be curtailed through fear that those thoughts or the events of those memories would become the subjects of criminal sanctions however invalidly imposed. Indeed, it was the very reality of those fears that helped provide the historical impetus [****53] for the privilege. See *Boyd v. United States, supra, at 631-632*; E. Griswold, *The Fifth Amendment Today* 8-9 (1955); 8 J. Wigmore, *Evidence* § 2250, pp. 277-281 (McNaughton rev. 1961); *id.*, § 2251, pp. 313-314; McKay, *Self-Incrimination and the New Privacy*, 1967 *Supreme Court Review* 193, 212. ⁵

⁵"And any compulsory discovery by extorting the party's oath, or compelling the production of his private books and papers, to convict him of crime, or to forfeit his property, is contrary to the principles of a free government. It is abhorrent to the instincts of an Englishman; it is abhorrent to the instincts of an American. It may suit the purposes of despotic power; but it cannot abide the pure atmosphere of political liberty and personal freedom." *Boyd v. United States, 116 U.S., at 631-632.*

The proposition, ante, at 409, that Boyd's holding ultimately rested on the *Fourth Amendment* could not be more incorrect. Boyd did observe that the purposes to be served by the *Fourth* and *Fifth Amendments* shed light on each other, *116 U.S., at 633*, but the holdings that the compelled production of the papers involved there

[****54] [*421] [***63] [**1587] The Court's

violated the *Fourth* and *Fifth Amendments* were independent of each other. In holding that "a compulsory production of the private books and papers of the owner of goods sought to be forfeited in such a suit is compelling him to be a witness against himself, within the meaning of the *Fifth Amendment to the Constitution*, and is the equivalent of a search and seizure - and an unreasonable search and seizure - within the meaning of the *Fourth Amendment*," *id., at 634-635*, the Court plainly did not make the *Fourth Amendment* violation a predicate, let alone an essential predicate, for its holding that there was also a *Fifth Amendment* violation. The Court is incorrect in suggesting that "the rule against compelling production of private papers rested on the proposition that seizures of or subpoenas for 'mere evidence,' including documents, violated the *Fourth Amendment* and therefore also transgressed the Fifth." Ante, at 409. The relation of the *Fourth Amendment* to the *Fifth Amendment* violation in *United States v. Lefkowitz, 285 U.S. 452 (1932)*; *Agnello v. United States, 269 U.S. 20 (1925)*; and *Gouled v. United States, 255 U.S. 298 (1921)*, was merely that the illegal searches and seizures in those cases were held to establish the element of compulsion essential to a *Fifth Amendment* violation. See ante, at 399-400, n. 5. Even if the *Fourth Amendment* violations were now held not to establish the element of *Fifth Amendment* compulsion, it, of course, would not follow that the *Fifth Amendment's* protection against compelled production of incriminating private papers is lost.

Furthermore, that purely evidentiary material may have been seized in those cases was neither relied upon to establish the *Fourth Amendment* violations nor, in turn, to establish the *Fifth Amendment* violations. Indeed, in *Agnello*, contraband, not mere evidence, was illegally seized. Subsequent decisions modifying the "mere evidence" rule, therefore, have left untouched the *Fifth Amendment's* prohibition against the compelled production of incriminating testimonial evidence. Indeed, citing *Warden v. Hayden, 387 U.S. 294 (1967)*, the Court notes, that the question is open whether the legal search and seizure of some forms of testimonial evidence would violate the *Fifth Amendment*, ante, at 407 n. 9. *Warden v. Hayden* observed: "The items of clothing involved in this case are not 'testimonial' or 'communicative' in nature, and their introduction therefore did not compel respondent to become a witness against himself in violation of the *Fifth Amendment*.... This case thus does not require that we consider whether there are items of evidential value whose very nature precludes them from being the object of a reasonable search and seizure." *387 U.S., at 302-303*. That observation was plainly addressed not to application of the *Fourth Amendment* but to application of the Fifth.

Contrary to the Court's intimations, ante, at 407-408, neither *Katz v. United States, 389 U.S. 347 (1967)*; *Osborn v. United States, 385 U.S. 323 (1966)*; nor *Berger v. New York, 388 U.S. 41 (1967)*, all involving the *Fourth Amendment*, lends support to an argument that the *Fifth Amendment* would not protect the seizure of the private papers of a person suspected of crime. *Fifth Amendment* challenges to the seizure and use of private papers were not involved in those cases.

treatment of the privilege falls far short of giving it the scope required by history and our precedents.⁶ It is, of course, true "that the [Fifth Amendment](#) [*422] protects against 'compelled self-incrimination, not [the disclosure of] private information,'" ante, at 401, but it is also true that governmental compulsion to produce private information that might incriminate violates the protection of the privilege. Similarly, although it is necessary that the papers "contain no testimonial declarations by [the taxpayer]" in order for the privilege not to operate as a bar to production, ante, at 409, it does not follow [*423] that papers are not "testimonial" and thus producible because they contain no declarations. And while it may be that the unavailability of the privilege depends on a showing that "the preparation of all of the papers sought in these cases was wholly voluntary," *ibid.*, again it does not follow that the protection is necessarily unavailable if the papers were prepared voluntarily, for it is the compelled production of testimonial evidence, not just the compelled creation of such evidence, against [****55] which the privilege protects.

Though recognizing that a subpoena served on a taxpayer involves substantial compulsion, the Court concludes that since the subpoena does not compel oral testimony or require the taxpayer to restate, repeat, or affirm the truth of the contents of the documents sought, compelled production of the documents by the taxpayer would not violate the privilege, even though the documents might incriminate the taxpayer. Ante, at 409. This analysis is patently incomplete: the threshold inquiry is whether the taxpayer is compelled [****56] to produce incriminating papers. That inquiry is not answered in favor of production merely because the subpoena requires

neither oral testimony from nor affirmation of the papers' contents by the taxpayer. To be sure, the Court correctly observes that "[t]he taxpayer cannot avoid compliance with the subpoena merely by asserting that the item of evidence which he is required to produce contains incriminating writing, whether his own or that of someone else." Ante, at 410 (emphasis supplied). For it is not enough that the production of a writing, or books and papers, is compelled. Unless those materials are such as to come within the zone of privacy recognized by the Amendment, the privilege against compulsory self-incrimination does not protect against their production.

[*424] [***64] We are not without guideposts for determining what books, papers, and writings come within the zone of privacy recognized by the Amendment. In [Wilson v. United States, 221 U.S. 361 \(1911\)](#), for example, the Court held that the [Fifth Amendment](#) did not protect against the subpoena of corporate records in the possession and control of the president of a corporation, even though [****57] the records might have incriminated him. Though the evidence was testimonial, though its production was compelled, and though it would have incriminated the party producing it, the [Fifth Amendment](#) was no bar. The Court recognized that the Amendment "[u]ndoubtedly... protected [the president] against the compulsory production of his private books and papers," *id.*, at 377, but with respect to corporate records, the Court held: S

"[T]hey are of a character which subjects them to the scrutiny demanded.... This was clearly implied in the Boyd Case where the fact that the papers involved were the private papers of the claimant was constantly emphasized. Thus, in the case of public records and official documents, made or kept in the [**1588] administration of public office, the fact of actual possession or of lawful custody would not justify the officer in resisting inspection, even though the record was made by himself and would supply the evidence of his criminal dereliction." *Id.*, at 380 (emphasis in original).I

⁶The grudging scope the Court today gives the privilege against self-incrimination is made evident by its observation that "[i]n the case of a documentary subpoena the only thing compelled is the act of producing the document...." Ante, at 410 n. 11. Obviously disclosure or production of testimonial evidence is also compelled, and the heart of the protection of the privilege is in its safeguarding against compelled disclosure or production of that evidence.

Couch v. United States expressly held that the [Fifth Amendment](#) protected against the compelled production of testimonial evidence [****58] only if the individual resisting production had a reasonable expectation of privacy with respect to the evidence. [409 U.S., at 336](#). Couch relied on [Perlman v. United States, 247 U.S. 7 \(1918\)](#), [*425] where the Court permitted the use against the defendant of documentary evidence belonging to him because "there was a voluntary exposition of the articles" rather than "an invasion of the defendant's privacy." [Id., at 14.](#)" /> Under Couch, therefore, one criterion is whether or not the information sought to be produced has been disclosed to or was within the knowledge of a third party. [409 U.S., at 332-333](#). That is to say, one relevant consideration is the degree to which the paper holder has sought to keep private the contents of the papers he desires not to produce.

Most recently, [Bellis v. United States, 417 U.S. 85 \(1974\)](#), followed the approach taken in Wilson. Bellis held that the partner of a small law firm could not invoke the privilege against self-incrimination to justify his refusal to comply with a subpoena requiring production of the partnership's financial records. Bellis stated: "It has long been [****59] established? that the [Fifth Amendment](#) privilege against compulsory self-incrimination protects an individual from compelled production of his personal papers and effects as well as compelled oral testimony.... The privilege applies to the business records of the sole proprietor or sole practitioner as well as to personal documents containing more intimate information about the individual's private life." [417 U.S., at 87-88](#). [***65] Bellis also recognized that the Court's "decisions holding the privilege inapplicable to the records of a collective entity also reflect... the protection of an individual's right to a 'private enclave where he may lead a private life.'... Protection of individual privacy was the major theme running through the Court's decision in Boyd... and it was on this basis that the Court in Wilson distinguished the corporate records involved in that case from the private papers at

issue in Boyd." [Id., at 91-92](#). "[C]orporate [*426] records do not contain the requisite element of privacy or confidentiality essential for the privilege to attach." [Id., at 92](#). Bellis concluded that the same considerations which precluded [****60] reliance upon the privilege with respect to corporate records also precluded reliance upon it with respect to partnership records in the circumstances of that case. ⁷

A precise cataloguing of private papers within the ambit of the privacy protected by the privilege is probably impossible. Some papers, however, do lend themselves to classification. See generally Comment, The Search and Seizure of Private Papers: [Fourth](#) and [Fifth Amendment](#) Considerations, 6 Loyola (LA) L. Rev. 274, 300-303 (1973). [****61] Production of documentary materials created or authenticated by a State or the Federal Government, such as automobile registrations or property deeds, would seem ordinarily to fall outside the protection of the privilege. They hardly reflect an extension of the person.

[**1589] Economic and business records may present difficulty in particular cases. The records of business entities generally fall without the scope of the privilege. But, as noted, the Court has recognized that the privilege extends to the business records of the sole proprietor or practitioner. Such records are at least an extension of an aspect of a person's activities, though concededly [*427] not the more intimate aspects of one's life. Where the privilege would have protected one's mental notes of his business affairs in a less complicated day and age, it would seem that that protection should not fall away because the

⁷ With respect to a partnership invoice, it thus seems fair to say, as the Court does, ante, at 408, "that under [Bellis] the precise claim sustained in Boyd would now be rejected for reasons not there considered." Bellis, however, took care to point out: "We do not believe the Court in Boyd can be said to have decided the issue presented today," [417 U.S., at 95 n. 2](#), thereby leaving unaltered Boyd's more general or "imprecise" holding protecting against the compelled production of private papers.

complexities of another time compel one to keep business records. Cf. *Olmstead v. United States*, 277 U.S. 438, 474 (1928) (Brandeis, J., dissenting). Nonbusiness economic records in the possession of an individual, such as canceled checks or tax records, would also [****62] seem to be protected. They may provide clear insights into a person's total lifestyle. They are, however, like business records and the papers involved in these cases, frequently, though not always, disclosed to other parties; and disclosure, in proper cases, may foreclose reliance upon the privilege. Personal letters constitute an integral aspect of a person's private enclave. And while letters, being necessarily interpersonal, are [***66] not wholly private, their peculiarly private nature and the generally narrow extent of their disclosure would seem to render them within the scope of the privilege. Papers in the nature of a personal diary are a fortiori protected under the privilege.

The Court's treatment in the instant cases of the question whether the evidence involved here is within the protection of the privilege is, with all respect, most inadequate. The gaping hole is in the omission of any reference to the taxpayer's privacy interests and to whether the subpoenas impermissibly invade those interests. The observations that the "accountant's workpapers are not the taxpayer's" and "were not prepared by the taxpayer," ante, at 409, touch on matters relevant to the [****63] taxpayer's expectation of privacy, but do not of themselves determine the availability of the privilege. *Wilson v. United States*, 221 U.S., at 378, stated: "[T]he mere fact that [*428] the appellant himself wrote, or signed, the [documents], neither conditioned nor enlarged his privilege. Where one's private documents would tend to incriminate him, the privilege exists although they were actually written by another person." ⁸ Thus, although "[t]he fact that the

documents may have been written by the person asserting the privilege is insufficient to trigger the privilege," ante, at 410 n. 11, and "the fact that it was written by him is not controlling..." *ibid.*, this is not to say that the privilege is available only as to documents written by him. For the reasons I have stated at the outset, however, I do not believe that the evidence involved in these cases falls within the scope of privacy protected by the *Fifth Amendment*.

[****64] II

I also question the Court's treatment of the question whether the act of producing evidence is "testimonial." I agree that the act of production implicitly admits the existence of the evidence requested and possession or control of that evidence by the party producing it. It also implicitly authenticates the evidence as that identified in the order to compel. I disagree, however, that implicit admission of the existence and possession or control of the papers in this case is not "testimonial" merely because the Government could readily have otherwise proved existence and possession or control in these cases.

[*429] I know of no *Fifth Amendment* principle which makes [**1590] the testimonial nature of evidence and, therefore, one's protection against incriminating himself, turn on the strength of the Government's case against him.

Nor do I consider the taxpayers' implicit authentication an insubstantial threat of self-incrimination. Actually, authentication of the papers as those described in the subpoenas establishes the papers as the taxpayers', thereby supplying an incriminatory link in the chain of evidence against them. It is not the less so [***67] because [****65] the taxpayers' accountants may also provide the link, since the protection against self-incrimination cannot, I repeat, turn on the strength of the Government's case.

⁸ Similarly, *United States v. Nobles*, 422 U.S. 225 (1975), held that the *Fifth Amendment* did not bar production of a defense investigator's summaries of interviews with witnesses. The Court carefully noted, however, that there was no indication that the

summaries contained any information conveyed by the defendant to the investigator. *Id.*, at 234.

This Court's treatment of handwriting exemplars is not supportive of its position. See [Gilbert v. California](#), 388 U.S. 263 (1967). The Court has only recognized that "[a] mere handwriting exemplar..., like the voice or body itself, is an identifying physical characteristic outside its protection." [Id.](#), at 266-267. It is because handwriting exemplars are viewed as strictly nontestimonial, not because they are insufficiently testimonial, that the [Fifth Amendment](#) does not protect against their compelled production. Also not supportive of the Court's position is the principle that the custodian of documents of a collective entity is not protected from the act of producing those documents. Nothing in the language of those cases, either expressly or impliedly, indicates that the act of production with respect to the records of business entities is insufficiently testimonial for purposes of the [Fifth Amendment](#). At most, those issues, though considered, were disposed of on the ground, not that [****66] production was insufficiently testimonial, but that one in control of the records of an artificial organization [*430] undertakes an obligation with respect to those records foreclosing any exercise of his privilege.⁹

⁹Individuals acting as representatives of a collective group "assume the rights, duties and privileges of the artificial entity or association of which they are agents or officers and they are bound by its obligations." [United States v. White](#), 322 U.S. 694, 699 (1944). "In view of the inescapable fact that an artificial entity can only act to produce its records through its individual officers or agents, recognition of the individual's claim of privilege with respect to the financial records of the organization would substantially undermine the unchallenged rule that the organization itself is not entitled to claim any [Fifth Amendment](#) privilege, and largely frustrate legitimate governmental regulation of such organizations." [Bellis v. United States](#), 417 U.S., at 90. Indeed, in one of the more recent corporate records cases, [Curcio v. United States](#), 354 U.S. 118, 125 (1957), the Court expressly recognized that "[t]he custodian's act of producing books or records in response to a subpoena duces tecum is itself a representation that the documents produced are those demanded by the subpoena." The Court in [Curcio](#), however, apparently did not note any self-incrimination problem because of the undertaking by the custodian with respect to the documents. (One charged with failure to comply with an order to produce, however, may not thereafter be compelled to testify as to the existence or his control of the documents. See [Curcio v. United States](#), *supra*.) In the present

[****67] MR. JUSTICE MARSHALL, concurring in the judgment.

Today the Court adopts a wholly new approach for deciding when the [Fifth Amendment](#) privilege against self-incrimination can be asserted to bar production of documentary evidence.¹ This approach has, in various [*431] forms, been discussed by commentators for some time; nonetheless, as I noted a few years ago, the theory "has an odd sound to it." [Couch v. United States](#), 409 U.S. 322, 348 (1973) (dissenting). The [Fifth Amendment](#) [***68] basis for resisting production [**1591] of a document pursuant to subpoena, the Court tells us today, lies not in the document's contents, as we previously have suggested, but in the tacit verification inherent in the act of production itself that the document exists, is in the possession of the producer, and is the one sought by the subpoena.

This technical and somewhat esoteric focus on the testimonial elements of production [****68] rather than on the content of the evidence the investigator seeks is, as MR. JUSTICE BRENNAN demonstrates, contrary to the history and traditions of the privilege against self-incrimination both in this country and in England, where the privilege originated. A long line of precedents in this Court, whose rationales if not holdings are overturned by the Court today, support the notion that "any forcible and compulsory extortion of a man's... private papers to be used as evidence to convict him of crime" compels him to be a witness against himself within the meaning of the [Fifth Amendment to the Constitution](#). d">[Boyd v. United States](#), 116 U.S. 616, 630 (1886). See also [Bellis v. United States](#), 417 U.S. 85, 87 (1974); [Couch v. United](#)

cases, of course, the taxpayers are not representatives of any artificial entity and have not undertaken any obligation with respect to that entity or its documents. They have stipulated, however, that the documents involved here exist and are those described in the subpoenas, thereby obviating any problem as to self-incrimination in these cases resulting from the act of production itself.

¹The Court's theory would appear to apply to real evidence as well.

[States, supra, at 330](#); [Schmerber v. California, 384 U.S. 757, 763-764 \(1966\)](#); [Davis v. United States, 328 U.S. 582, 587-588 \(1946\)](#); [United States v. White, 322 U.S. 694, 698-699 \(1944\)](#); [Wheeler v. United States, 226 U.S. 478, 489 \(1913\)](#); [Wilson v. United States, 221 U.S. 361, 377 \(1911\)](#).

However analytically imprecise these cases may be, they represent [****69] a deeply held belief on the part of the Members of this Court throughout its history that there [432] are certain documents no person ought to be compelled to produce at the Government's request. While I welcome the Court's attempt to provide a rationale for this longstanding rule, it is incumbent upon the Court, I believe, to fashion its theory so as to protect those documents that have always stood at the core of the Court's concern. Thus, I would have preferred it had the Court found some room in its theory for recognition of the import of the contents of the documents themselves. See [Couch v. United States, supra, at 350](#) (MARSHALL, J., dissenting).

Nonetheless, I am hopeful that the Court's new theory, properly understood and applied, will provide substantially the same protection as our prior focus on the contents of the documents. The Court recognizes, as others have argued, that the act of production can verify the authenticity of the documents produced. See, e.g., [United States v. Beattie, 522 F. 2d 267 \(CA2 1975\)](#), cert. pending, Nos. 75-407, 75-700. But the promise of the Court's theory lies in its innovative discernment that production [****70] may also verify the documents' very existence and present possession by the producer. This expanded recognition of the kinds of testimony inherent in production not only rationalizes the cases, but seems to me to afford almost complete protection against compulsory production of our most private papers.

Thus, the Court's rationale provides a persuasive basis for distinguishing between the corporate-document [***69] cases and those involving the papers of private citizens. Since the existence of corporate record books is seldom in doubt, the

verification of their existence, inherent in their production, may fairly be termed not testimonial at all. On the other hand, there is little reason to assume the present existence and possession of most private papers, and certainly not those MR. JUSTICE BRENNAN places at the top of his list of documents that the privilege should protect. See ante, at 426-427 (concurring in judgment). [433] Indeed, there would appear to be a precise inverse relationship between the private nature of the document and the permissibility of assuming [1592] its existence. Therefore, under the Court's theory, the admission through production [****71] that one's diary, letters, prior tax returns, personally maintained financial records, or canceled checks exist would ordinarily provide substantial testimony. The incriminating nature of such an admission is clear, for while it may not be criminal to keep a diary, or write letters or checks, the admission that one does and that those documents are still available may quickly - or simultaneously - lead to incriminating evidence. If there is a "real danger" of such a result, that is enough under our cases to make such testimony subject to the claim of privilege. See [Rogers v. United States, 340 U.S. 367 \(1951\)](#); [Brown v. Walker, 161 U.S. 591 \(1896\)](#); [Counselman v. Hitchcock, 142 U.S. 547 \(1892\)](#). Thus, in practice, the Court's approach should still focus upon the private nature of the papers subpoenaed and protect those about which Boyd and its progeny were most concerned.

The Court's theory will also limit the prosecution's ability to use documents secured through a grant of immunity. If authentication that the document produced is the document demanded were the only testimony inherent in production, immunity would be a useful tool for obtaining [****72] written evidence. So long as a document obtained under an immunity grant could be authenticated through other sources, as would often be possible, reliance on the immunized testimony - the authentication - and its fruits would not be necessary, and the document could be introduced. The Court's recognition that the act of production also involves

testimony about the existence and possession of the subpoenaed documents mandates a different result. Under the Court's theory, if the document is to be obtained the [*434] immunity grant must extend to the testimony that the document is presently in existence. Such a grant will effectively shield the contents of the document, for the contents are a direct fruit of the immunized testimony - that the document exists - and cannot usually be obtained without reliance on that testimony. ² Accordingly, the Court's theory offers [***70] substantially the same protection against procurement of documents under grant of immunity that our prior cases afford.

[***73] In short, while the Court sacrifices our pragmatic, if somewhat ad hoc, content analysis for what might seem an unduly technical focus on the act of production itself, I am far less pessimistic than MR. JUSTICE BRENNAN that this new approach signals the end of [Fifth Amendment](#) protection for documents we have long held to be privileged. I am not ready to embrace the approach myself, but I am confident in the ability of the trial judges who must apply this difficult test in the first instance to act with sensitivity to our traditional concerns in this uncertain area.

For the reasons stated by MR. JUSTICE BRENNAN, I concur in the judgment of the Court.

References

Supreme Court's views as to application of [Fifth Amendment](#) privilege against self-incrimination to compulsory production of documents

²Similarly, the Court's theory affords protection to one who possesses documents that he cannot authenticate. If authentication were the only relevant testimony inherent in the act of production, such a person would be forced to relinquish his documents, for he provides no authentication testimony of relevance by producing them in response to a subpoena. See [United States v. Beattie, 522 F. 2d 267 \(CA2 1975\)](#), cert. pending, Nos. 75-407, 75-700. Under the Court's theory, however, if the existence of these documents were in question, the custodian would still be able to assert a claim of privilege against their production.

[21 Am Jur 2d, Criminal Law 349, 353- 355](#); 34 Am Jur 2d, Federal Taxation 9024; [81 Am Jur 2d, Witnesses 30- 35, 44, 176, 204, 205](#)

13 Am Jur Trials 1, Defending Federal Tax Evasion Cases

USCS, [Constitution, 5th Amendment](#)

US L Ed Digest, Evidence 699, 701; Witnesses 76

ALR Digests, Evidence 1006, 1010; Witnesses 78

L Ed Index to Annos, [***74] Attorney and Client; Production of Books and Papers; Witnesses

ALR Quick Index, Privileged Communications; Production of Books and Papers; Self-Incrimination

Federal Quick Index, Self-Incrimination; Tax Enforcement; Tax Returns and Records

Annotation References:

Supreme Court's views as to application of [Fifth Amendment](#) privilege against self-incrimination to compulsory production of documents. [48 L Ed 2d 852](#).

Supreme Court's views as to the federal legal aspects of the right of privacy. [43 L Ed 2d 871](#).

Physical examination or exhibition of, or test upon, suspect or accused, as violating rights guaranteed by *Federal Constitution*. [16 L Ed 2d 1332, 22 L Ed 2d 909](#).

What matters are protected by attorney-client privilege or are proper subject of inquiry by

Internal Revenue Service where attorney is summoned in connection with taxpayer-client under federal tax examination. [15 ALR Fed 771](#).

Propriety of requiring accused to give handwriting exemplar. [43 ALR3d 653](#).

Privilege against self-incrimination as ground for refusal to produce noncorporate documents [****75] in possession of person asserting privilege but owned by another. [37 ALR3d 1373](#).

Privilege against disclosure of matters arising out of transactions or relationship between accountant and client. [38 ALR2d 670](#).



Warning

As of: November 12, 2020 1:07 PM Z

Hickman v. Taylor

Supreme Court of the United States

November 13, 1946, Argued ; January 13, 1947, Decided

No. 47

Reporter

329 U.S. 495 *; 67 S. Ct. 385 **; 91 L. Ed. 451 ***; 1947 U.S. LEXIS 2966 ****; 34 Ohio Op. 395

HICKMAN, ADMINISTRATOR, v. TAYLOR ET AL., TRADING AS TAYLOR & ANDERSON TOWING & LIGHTERAGE CO., ET AL.

Subsequent History: Later proceeding at [Hickman v. Taylor, 75 F. Supp. 528, 1947 U.S. Dist. LEXIS 1798 \(D. Pa., 1947\)](#)

Prior History: [****1] CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE THIRD CIRCUIT.

A District Court adjudged respondents guilty of contempt for failure to produce, in response to interrogatories, copies of certain written statements and memoranda prepared by counsel in connection with pending litigation. [4 F.R.D. 479](#). The Circuit Court of Appeals reversed. *153 F.2d 212*. This Court granted certiorari. *328 U.S. 876*. Affirmed, p. 514.

Hickman v. Taylor, 153 F.2d 212, 1945 U.S. App. LEXIS 4599 (3d Cir. Pa., 1945)

Disposition: *153 F.2d 212*, affirmed.

LexisNexis® Headnotes

Civil Procedure > ... > Discovery > Methods of Discovery > Inspection & Production Requests

Civil Procedure > ... > Discovery > Methods of Discovery > General Overview

HNI **Methods of Discovery, Inspection & Production Requests**

[Fed. R. Civ. P. 34](#) establishes a procedure whereby, upon motion of any party showing good cause therefor and upon notice to all other parties, the court may order any party to produce and permit the inspection and copying or photographing of any designated documents, etc., not privileged, which constitute or contain evidence material to any matter involved in the action and which are in his possession, custody, or control.

Civil Procedure > ... > Methods of Discovery > Interrogatories > General Overview

HN2 **Methods of Discovery, Interrogatories**

See [Fed. R. Civ. P. 33](#).

Civil Procedure > ... > Discovery > Methods of

Discovery > Inspection & Production Requests See [Fed. R. Civ. P. 26](#).

[HN3](#) [↓] **Methods of Discovery, Inspection & Production Requests**

See [Fed. R. Civ. P. 34](#).

Civil Procedure > ... > Methods of
Discovery > Depositions > Oral Depositions

Criminal Law &
Procedure > Defenses > General Overview

Civil Procedure > ... > Discovery > Methods of
Discovery > General Overview

Civil Procedure > ... > Methods of
Discovery > Interrogatories > General
Overview

Civil Procedure > ... > Methods of
Discovery > Depositions > Written Depositions

[HN4](#) [↓] **Depositions, Oral Depositions**

[Fed. R. Civ. P. 26](#) provides that the testimony of any person, whether a party or not, may be taken by any party by deposition upon oral examination or written interrogatories for the purpose of discovery or for use as evidence; and that the deponent may be examined regarding any matter, not privileged, which is relevant to the subject matter involved in the pending action, whether relating to the claim or defense of the examining party or of any other party, including the existence, description, nature, custody, condition and location of any books, documents or other tangible things.

Civil Procedure > ... > Methods of
Discovery > Depositions > Oral Depositions

Civil Procedure > ... > Methods of
Discovery > Depositions > Written Depositions

[HN5](#) [↓] **Depositions, Oral Depositions**

Civil Procedure > Attorneys > General
Overview

Civil Procedure > ... > Discovery > Methods of
Discovery > General Overview

Civil Procedure > ... > Methods of
Discovery > Interrogatories > General
Overview

Civil Procedure > ... > Discovery > Methods of
Discovery > Inspection & Production Requests

[HN6](#) [↓] **Civil Procedure, Attorneys**

[Fed. R. Civ. P. 33](#) does not make provision for production of documents prepared by a party's attorney after the claim has arisen, even when sought in connection with permissible interrogatories.

Civil Procedure > ... > Discovery > Misconduct
During Discovery > Motions to Compel

Civil Procedure > Discovery &
Disclosure > General Overview

Civil Procedure > ... > Discovery > Methods of
Discovery > General Overview

Civil Procedure > ... > Methods of
Discovery > Depositions > Oral Depositions

Civil Procedure > Discovery &
Disclosure > Discovery > Relevance of
Discoverable Information

[HN7](#) [↓] **Misconduct During Discovery, Motions to Compel**

Mutual knowledge of all the relevant facts gathered by both parties is essential to proper litigation. To that end, either party may compel the other to

disgorge whatever facts he has in his possession. The deposition-discovery procedure simply advances the stage at which the disclosure can be compelled from the time of trial to the period preceding it, thus reducing the possibility of surprise. But discovery, like all matters of procedure, has ultimate and necessary boundaries. As indicated by [Fed. R. Civ. P. 30\(b\)](#) and [\(d\)](#) and [31\(d\)](#), limitations inevitably arise when it can be shown that the examination is being conducted in bad faith or in such a manner as to annoy, embarrass or oppress the person subject to the inquiry. And as [Fed. R. Civ. P. 26\(b\)](#) provides, further limitations come into existence when the inquiry touches upon the irrelevant or encroaches upon the recognized domains of privilege.

Civil Procedure > ... > Discovery > Privileged Communications > General Overview

Evidence > Privileges > Attorney-Client Privilege > Scope

Evidence > Privileges > Attorney-Client Privilege > General Overview

[HN8](#)[\[↓\]](#) **Discovery, Privileged Communications**

The protective cloak of the attorney-client privilege does not extend to information which an attorney secures from a witness while acting for his client in anticipation of litigation.

Civil Procedure > ... > Privileged Communications > Work Product Doctrine > General Overview

[HN9](#)[\[↓\]](#) **Privileged Communications, Work Product Doctrine**

Where there is an attempt, without purported necessity or justification, to secure written statements, private memoranda, and personal recollections prepared or formed by an adverse

party's counsel in the course of his legal duties, it falls outside the arena of discovery and contravenes the public policy underlying the orderly prosecution and defense of legal claims. Not even the most liberal of discovery theories can justify unwarranted inquiries into the files and the mental impressions of an attorney.

Civil Procedure > Judicial Officers > Judges > Discretionary Powers

Civil Procedure > ... > Methods of Discovery > Depositions > Oral Depositions

[HN10](#)[\[↓\]](#) **Judges, Discretionary Powers**

[Fed. R. Civ. P. 30\(b\)](#) gives the trial judge the requisite discretion to make a judgment as to whether discovery should be allowed as to written statements secured from witnesses.

Lawyers' Edition Display

Headnotes

DISCOVERY, §1 > under Rule 33 -- permissible scope. -- > Headnote:

[LEdHN\[1\]](#)[\[↓\]](#) [1]

Disclosure by an adverse party's counsel of information gathered by him in anticipation of possible litigation may not be required by interrogatories under [Rule 33 of the Federal Rules of Civil Procedure](#), which provides for interrogation of parties only.

DISCOVERY, §1 > refusal to answer interrogatories

-- matters within knowledge of party's attorney. --

> Headnote:

[LEdHN\[2\]](#)[] [2]

A party cannot refuse to answer interrogatories on the ground that the information sought is solely within the knowledge of his attorney.

DISCOVERY, §1 > under Rule 34 -- permissible

scope. -- > Headnote:

[LEdHN\[3\]](#)[] [3]

A motion under [Rule 34 of the Federal Rules of Civil Procedure](#) which provides for the compulsory production by "any party" of any designated documents, papers, books, accounts, letters, photographs or tangible things not privileged which constitute or contain evidence material to any matter involved in the action is not a proper means of obtaining the right to inspect memoranda of, and written statements of witnesses secured by, an adverse party's counsel in the course of preparation for possible litigation.

APPEAL, §1257 > determination of right to discovery notwithstanding procedural irregularity. --

> Headnote:

[LEdHN\[4\]](#)[] [4]

That a party has used the wrong procedural device to enforce inspection of memoranda of, and written statements of witnesses secured by, an adverse party's counsel in the course of preparation for possible litigation, does not relieve the Supreme Court of the United States of the responsibility of determining whether the party has the asserted right of inspection.

DEPOSITIONS, §1 > DISCOVERY, §1 > liberal construction of rules as to. -- > Headnote:

[LEdHN\[5\]](#)[] [5]

The deposition-discovery rules (Nos. 27-37) of the Federal Rules of Civil Procedure are to be accorded a broad and liberal treatment, to the end that either party may obtain in advance of trial knowledge of all relevant facts in possession of the other.

DISCOVERY, §1 > limitations upon right of. --

> Headnote:

[LEdHN\[6\]](#)[] [6]

The right of discovery for which provision is made by the Federal Rules of Civil Procedure has ultimate and necessary boundaries, as where the examination is being conducted in bad faith or in such a manner as to annoy, embarrass or oppress the persons subject to the inquiry ([Rules 30\(b\)\(d\)](#) 31(d)) or when the inquiry touches upon the irrelevant or encroaches upon the recognized domains of privilege ([Rule 26\(b\)](#)).

EVIDENCE, §699 > attorney-client privilege -- statements procured from witnesses by attorney. --

> Headnote:

[LEdHN\[7\]](#)[] [7]

Memoranda made by an attorney while acting for his client in anticipation of litigation, of information secured from witnesses, briefs, communications and other writings prepared by him for his own use in prosecuting his client's case, and writings which reflect his mental impressions, conclusions, opinions or legal theories, are outside the scope of the attorney-client privilege and hence are not protected from discovery on that basis.

DISCOVERY, §13 > facts gathered by attorney for adverse party -- insufficiency of showing to require disclosure. -- > Headnote:

[LEdHN/8](#)[] [8]

A party is not entitled to discovery under the Federal Rules of Civil Procedure of written statements in the files of the attorney for the adverse party and of memoranda made by him in anticipation of litigation, without any showing of the necessity for the production of such material or any demonstration that denial of production would cause hardship or injustice, where for aught that appears the essence of what he seeks either has been revealed to him through interrogatories or is readily available to him direct from the witnesses for the asking.

DISCOVERY, §13 > written materials prepared by adversary's counsel. -- > Headnote:

[LEdHN/9](#)[] [9]

All written materials obtained or prepared by an adversary's counsel with an eye toward litigation are not necessarily free from discovery in all cases. Where relevant and nonprivileged facts remain hidden in an attorney's file and where production of those facts is essential to the preparation of one's case, discovery may properly be had. Such written statements and documents may under certain circumstances be admissible in evidence or give clues as to the existence of location of relevant facts. Or they might be useful for purposes of impeachment or corroboration. And production might be justified where the witnesses are no longer available or can be reached only with difficulty.

DISCOVERY, §13 > necessity of showing facts warranting discovery. -- > Headnote:

[LEdHN/10](#)[] [10]

One seeking disclosure of written materials obtained or prepared by an adversary's counsel in anticipation of litigation must show adequate reasons justifying production through a subpoena or court order.

DISCOVERY, §1 > memoranda of counsel of adverse party as to statements made by witnesses. --

> Headnote:

[LEdHN/11](#)[] [11]

Without a showing of necessity, the attorney for an adverse party should not be required to disclose to his opponent his mental impressions or memoranda as to oral statements made to him by witnesses equally available to the other party, and it is not enough that such party's counsel wants the statements to help prepare himself to examine witnesses and to make sure that he has overlooked nothing.

Syllabus

Under the Federal Rules of Civil Procedure, plaintiff in a suit in a federal district court against certain tug owners to recover for the death of a seaman in the sinking of the tug filed numerous interrogatories directed to the defendants, including one inquiring whether any statements of members of the crew were taken in connection with the accident and requesting that exact copies of all such written statements be attached and that the defendant "set forth in detail the exact provisions of any such oral statements or reports." There was no showing of necessity or other justification for these [****2] requests. A public hearing had been held before the United States Steamboat Inspectors, at which the survivors of the accident had been examined and their testimony recorded and made

available to all interested parties. Defendants answered all other interrogatories, stating objective facts and giving the names and addresses of witnesses, but declined to summarize or set forth the statements taken from witnesses, on the ground that they were "privileged matter obtained in preparation for litigation." After a hearing on objections to the interrogatories, the District Court held that the requested matters were not privileged and decreed that they be produced and that memoranda of defendants' counsel containing statements of fact by witnesses either be produced or submitted to the court for determination of those portions which should be revealed to plaintiff. Defendants and their counsel refused and were adjudged guilty of contempt. *Held*:

1. In these circumstances, [Rules 26](#), [33](#) and [34 of the Federal Rules of Civil Procedure](#) do not require the production as of right of oral and written statements of witnesses secured by an adverse party's counsel in the course of preparation for [****3] possible litigation after a claim has arisen. Pp. 509-514.

2. Since plaintiff addressed simple interrogatories to adverse parties, did not direct them to such parties or their counsel by way of deposition under [Rule 26](#), and it does not appear that he filed a motion under [Rule 34](#) for a court order directing the production of the documents in question, he was proceeding primarily under [Rule 33](#), relating to interrogatories to parties. P. 504.

3. [Rules 33](#) and [34](#) are limited to parties, thereby excluding their counsel or agents. P. 504.

4. [Rule 33](#) did not permit the plaintiff to obtain, as adjuncts to interrogatories addressed to defendants, memoranda and statements prepared by their counsel after a claim had arisen. P. 504.

5. The District Court erred in holding defendants in contempt for failure to produce that which was in the possession of their counsel and in holding their counsel in contempt for failure to produce that which he could not be compelled to produce under

either [Rule 33](#) or [Rule 34](#). P. 505.

6. Memoranda, statements and mental impressions prepared or obtained from interviews with witnesses by counsel in preparing for litigation after a claim has arisen are not within [****4] the attorney-client privilege and are not protected from discovery on that basis. P. 508.

7. The general policy against invading the privacy of an attorney's course of preparation is so essential to an orderly working of our system of legal procedure that a burden rests on the one who would invade that privacy to establish adequate reasons to justify production through a subpoena or court order. P. 512.

8. [Rule 30 \(b\)](#) gives the trial judge the requisite discretion to make a judgment as to whether discovery should be allowed as to *written* statements secured from witnesses; but in this case there was no ground for the exercise of that discretion in favor of plaintiff. P. 512.

9. Under the circumstances of this case, no showing of necessity could be made which would justify requiring the production of *oral* statements made by witnesses to defendants' counsel, whether presently in the form of his mental impressions or in the form of memoranda. P. 512.

Counsel: Abraham E. Freedman argued the cause for petitioner. With him on the brief were Milton M. Borowsky and Charles Lakatos.

Samuel B. Fortenbaugh, Jr. and William I. Radner argued the cause for respondents. With them [****5] on the brief was Benjamin F. Stahl, Jr.

Briefs were filed by Lee Pressman and Frank Donner for the United Railroad Workers of America, and by William L. Standard for the National Maritime Union of America, as amici curiae, urging reversal.

Briefs were filed by B. Allston Moore, James W. Ryan and J. Harry LaBrum for the American Bar Association, and by John C. Prizer, Albert T. Gould, Leslie C. Krusen, D. Roger Englar, Joseph W. Henderson, Jos. M. Rault, Archie M. Stevenson and Thomas E. Byrne, Jr. for the Maritime Law Association of the United States, as amici curiae, urging affirmance.

Judges: Vinson, Black, Reed, Frankfurter, Douglas, Murphy, Jackson, Rutledge, Burton

Opinion by: MURPHY

Opinion

[*497] [**387] [***455] MR. JUSTICE MURPHY delivered the opinion of the Court.

This case presents an important problem under the Federal Rules of Civil Procedure as to the extent to which a party may inquire into oral and written statements of witnesses, or other information, secured by an adverse party's counsel in the course of preparation for possible litigation after a claim has arisen. Examination into a person's files and records, including those resulting from the professional [****6] activities of an attorney, must be judged with care. It is not without reason that various safeguards have been established to preclude unwarranted excursions into the privacy of a man's work. At the same time, public policy supports reasonable and necessary inquiries. Properly to balance these competing interests is a delicate and difficult task.

[*498] On February 7, 1943, the tug "J. M. Taylor" sank while engaged in helping to tow a car float of the Baltimore & Ohio Railroad across the Delaware River at Philadelphia. The accident was

apparently unusual in nature, the cause of it still being unknown. Five of the nine crew members were drowned. Three days later the tug owners and the underwriters employed a law firm, of which respondent Fortenbaugh is a member, to defend them against potential suits by representatives of the deceased crew members and to sue the railroad for damages to the tug.

A public hearing was held on March 4, 1943, before the United States Steamboat Inspectors, at which the four survivors were examined. This testimony was recorded and made available to all interested parties. Shortly thereafter, Fortenbaugh privately interviewed the survivors and [****7] took statements from them with an eye toward the anticipated litigation; the survivors signed these statements on March 29. Fortenbaugh also interviewed other persons believed to have some information relating to the accident and in some cases he made memoranda of what they told him. At the time when Fortenbaugh secured the statements of the survivors, representatives of two of the deceased crew members had been in communication with him. Ultimately [***456] claims were presented by representatives of all five of the deceased; four of the claims, however, were settled without litigation. The fifth claimant, petitioner herein, brought suit in a federal court under the Jones Act on November 26, 1943, naming as defendants the two tug owners, individually and as partners, and the railroad.

One year later, petitioner filed 39 interrogatories directed to the tug owners. The 38th interrogatory read: "State whether any statements of the members of the crews of the Tugs 'J. M. Taylor' and 'Philadelphia' or of any other vessel were taken in connection with the towing of the car float and the sinking of the Tug 'John M. Taylor.'" [*499] Attach hereto exact copies of all such statements [****8] if in writing, and if oral, set forth in detail the exact provisions of any such oral statements or reports."

Supplemental interrogatories asked whether any oral or written statements, records, reports or other

memoranda had been made [****388**] concerning any matter relative to the towing operation, the sinking of the tug, the salvaging and repair of the tug, and the death of the deceased. If the answer was in the affirmative, the tug owners were then requested to set forth the nature of all such records, reports, statements or other memoranda.

The tug owners, through Fortenbaugh, answered all of the interrogatories except No. 38 and the supplemental ones just described. While admitting that statements of the survivors had been taken, they declined to summarize or set forth the contents. They did so on the ground that such requests called "for privileged matter obtained in preparation for litigation" and constituted "an attempt to obtain indirectly counsel's private files." It was claimed that answering these requests "would involve practically turning over not only the complete files, but also the telephone records and, almost, the thoughts of counsel."

In connection with [******9**] the hearing on these objections, Fortenbaugh made a written statement and gave an informal oral deposition explaining the circumstances under which he had taken the statements. But he was not expressly asked in the deposition to produce the statements. The District Court for the Eastern District of Pennsylvania, sitting *en banc*, held that the requested matters were not privileged. 4 F.R.D. 479. The court then decreed that the tug owners and Fortenbaugh, as counsel and agent for the tug owners, forthwith "answer Plaintiff's 38th interrogatory and supplementary interrogatories; produce all written statements of witnesses obtained by Mr. Fortenbaugh, as counsel and agent for Defendants; [***500**] state in substance any fact concerning this case which Defendants learned through oral statements made by witnesses to Mr. Fortenbaugh whether or not included in his private memoranda and produce Mr. Fortenbaugh's memoranda containing statements of fact by witnesses or to submit these memoranda to the Court for determination of those portions which should be revealed to Plaintiff." Upon their refusal, the court

adjudged them in contempt and ordered them imprisoned until [******10**] they complied.

The Third Circuit Court of Appeals, also sitting *en banc*, reversed the judgment of the District Court. 153 F.2d 212. It held that the information here sought was part of the "work product of the lawyer" and hence privileged from discovery under the Federal Rules of Civil Procedure. The importance of the problem, which has engendered a great divergence of views among district courts,¹ led us to grant certiorari. [*****457**] 328 U.S. 876.

The pre-trial deposition-discovery mechanism established by Rules 26 [******11**] to 37 is one of the most significant innovations of the Federal Rules of Civil Procedure. Under the prior federal practice, the pre-trial functions of notice-giving, issue-formulation and fact-revelation were performed primarily and inadequately by the pleadings.² [******12**] Inquiry into the issues and the facts before trial was [***501**] narrowly confined and was often cumbersome in method.³ The new rules, however, restrict the pleadings to the task of general notice-giving and invest the deposition-discovery process with a vital role in the preparation for trial. The various instruments of discovery now serve (1) as a device, along with the pre-trial hearing under Rule 16, to narrow [****389**] and clarify the basic issues between the parties, and (2) as a device for ascertaining the facts, or information as to the existence or whereabouts of

¹See cases collected by Advisory Committee on Rules of Civil Procedure in its Report of Proposed Amendments (June, 1946), pp. 40-47; 5 F.R.D. 433, 457-460. See also 2 Moore's Federal Practice (1945 Cum. Supp.), § 26.12, pp. 155-159; Holtzoff, "Instruments of Discovery under Federal Rules of Civil Procedure," 41 Mich. L. Rev. 205, 210-212; Pike and Willis, "Federal Discovery in Operation," 7 Univ. of Chicago L. Rev. 297, 301-307.

²"The great weakness of pleading as a means for developing and presenting issues of fact for trial lay in its total lack of any means for testing the factual basis for the pleader's allegations and denials." Sunderland, "The Theory and Practice of Pre-Trial Procedure," 36 Mich. L. Rev. 215, 216. See also Ragland, *Discovery Before Trial* (1932), ch. I.

³2 Moore's Federal Practice (1938), § 26.02, pp. 2445-2455.

facts, relative to those issues. Thus civil trials in the federal courts no longer need be carried on in the dark. The way is now clear, consistent with recognized privileges, for the parties to obtain the fullest possible knowledge of the issues and facts before trial.⁴

There is an initial question as to which of the deposition-discovery rules is involved in this case. Petitioner, in filing his interrogatories, thought that he was proceeding under [Rule 33](#). That rule provides that a party may serve upon any adverse party written interrogatories to be answered by the party served.⁵ [****14] The District Court proceeded [*502] on the same assumption in its opinion, although its order to produce and its contempt order stated that both [Rules 33](#) and [34](#) were involved. [HNI](#)[↑] [Rule 34](#) establishes a procedure whereby, upon motion of any party showing good cause therefor and upon notice to all other parties, the court may order any party to produce and permit the inspection and copying or photographing [****13] of any designated documents, etc., not privileged, which constitute or contain evidence material to any matter involved in the action and which are in his possession, custody

or control.⁶

The Circuit Court of Appeals, [***458] however, felt that [****15] [Rule 26](#) was the crucial one. Petitioner, it said, was proceeding by interrogatories and, in connection with those interrogatories, wanted copies of memoranda and statements secured from witnesses. While the court believed that [Rule 33](#) was involved, at least as to the defending tug owners, it stated that this rule could not be used as the basis for condemning Fortenbaugh's failure to disclose or produce [*503] the memoranda and statements, since the rule applies only to interrogatories addressed to adverse parties, not to their agents or counsel. And [Rule 34](#) was said to be inapplicable since petitioner was not trying to see an original document and to copy or photograph it, within the scope of that rule. The court then concluded that [HN4](#)[↑] [Rule 26](#) must be the one really involved. That provides that the testimony of any person, whether a party or not, may be [**390] taken by any party by deposition upon oral examination or written interrogatories for the purpose of discovery or for use as evidence; and that the deponent may be examined regarding any matter, not privileged, which is relevant [****16] to the subject matter involved in the pending action, whether relating to the claim or defense of the examining party or of any other party, including the existence, description, nature, custody, condition and location of any books, documents or other

⁴Pike and Willis, "The New Federal Deposition-Discovery Procedure," 38 Col. L. Rev. 1179, 1436; Pike, "The New Federal Deposition-Discovery Procedure and the Rules of Evidence," 34 Ill. L. Rev. 1.

⁵[HN2](#)[↑] [Rule 33](#) reads: "Any party may serve upon any adverse party written interrogatories to be answered by the party served or, if the party served is a public or private corporation or a partnership or association, by any officer thereof competent to testify in its behalf. The interrogatories shall be answered separately and fully in writing under oath. The answers shall be signed by the person making them; and the party upon whom the interrogatories have been served shall serve a copy of the answers on the party submitting the interrogatories within 15 days after the delivery of the interrogatories, unless the court, on motion and notice and for good cause shown, enlarges or shortens the time. Objections to any interrogatories may be presented to the court within 10 days after service thereof, with notice as in case of a motion; and answers shall be deferred until the objections are determined, which shall be at as early a time as is practicable. No party may, without leave of court, serve more than one set of interrogatories to be answered by the same party."

⁶[HN3](#)[↑] [Rule 34](#) provides: "Upon motion of any party showing good cause therefor and upon notice to all other parties, the court in which an action is pending may (1) order any party to produce and permit the inspection and copying or photographing, by or on behalf of the moving party, of any designated documents, papers, books, accounts, letters, photographs, objects, or tangible things, not privileged, which constitute or contain evidence material to any matter involved in the action and which are in his possession, custody, or control; or (2) order any party to permit entry upon designated land or other property in his possession or control for the purpose of inspecting, measuring, surveying, or photographing the property or any designated relevant object or operation thereon. The order shall specify the time, place, and manner of making the inspection and taking the copies and photographs and may prescribe such terms and conditions as are just."

tangible things.⁷

[***17] [*504] The matter is not without difficulty in light of the events that transpired below. We believe, however, that petitioner was proceeding primarily under [Rule 33](#). He addressed simple interrogatories solely to the individual tug owners, the adverse parties, as contemplated by that rule. He did not, and could not under [Rule 33](#), address such interrogatories to their counsel, Fortenbaugh. Nor did he direct these interrogatories either to the tug owners or to Fortenbaugh by way of deposition; [Rule 26](#) thus could not come into operation. And it does not appear from the record that petitioner filed a motion under [Rule 34](#) for a court order directing the production of the documents in question. [***459] Indeed, such an order could not have been entered as to Fortenbaugh since [Rule 34](#), like [Rule 33](#), is limited to parties to the proceeding, thereby excluding their counsel or agents.

[LEdHN\[1\]\[↑\]](#) [1][LEdHN\[2\]\[↑\]](#) [2][LEdHN\[3\]\[↑\]](#) [3]Thus to the extent that petitioner was seeking the production [***18] of the memoranda and

⁷ The relevant portions of [Rule 26](#) provide as follows:

[HNS\[↑\]](#) "(a) WHEN DEPOSITIONS MAY BE TAKEN. By leave of court after jurisdiction has been obtained over any defendant or over property which is the subject of the action or without such leave after an answer has been served, the testimony of any person, whether a party or not, may be taken at the instance of any party by deposition upon oral examination or written interrogatories for the purpose of discovery or for use as evidence in the action or for both purposes. The attendance of witnesses may be compelled by the use of subpoena as provided in Rule 45. Depositions shall be taken only in accordance with these rules. The deposition of a person confined in prison may be taken only by leave of court on such terms as the court prescribes.

"(b) SCOPE OF EXAMINATION. Unless otherwise ordered by the court as provided by [Rule 30 \(b\)](#) or [\(d\)](#), the deponent may be examined regarding any matter, not privileged, which is relevant to the subject matter involved in the pending action, whether relating to the claim or defense of the examining party or to the claim or defense of any other party, including the existence, description, nature, custody, condition, and location of any books, documents, or other tangible things and the identity and location of persons having knowledge of relevant facts."

statements gathered by Fortenbaugh in the course of his activities as counsel, petitioner misconceived his remedy. [Rule 33](#) did not permit him to obtain such memoranda and statements as adjuncts to the interrogatories addressed to the individual tug owners. A party clearly cannot refuse to answer interrogatories on the ground that the information sought is solely within the knowledge of his attorney. But that is not this case. Here production was sought of documents prepared by a party's attorney after the claim has arisen. [HN6\[↑\]](#) [Rule 33](#) does not make provision for such production, even when sought in connection with permissible interrogatories. Moreover, since petitioner was also foreclosed from securing them through an order under [Rule 34](#), his only recourse was to take Fortenbaugh's deposition under [Rule 26](#) and to attempt to force Fortenbaugh to produce the materials by use of a subpoena *duces tecum* in accordance with Rule 45. Holtzoff, "Instruments of Discovery under the Federal Rules of Civil Procedure," 41 Mich. L. Rev. 205, 220. [*505] But despite [***19] petitioner's faulty choice of action, the District Court entered an order, apparently under [Rule 34](#), commanding the tug owners and Fortenbaugh, as their agent and counsel, to produce the materials in question. Their refusal led to the anomalous result of holding the tug owners in contempt for failure to produce that which was in the possession of their counsel and of holding Fortenbaugh in contempt for failure to produce that which he could not be compelled [***391] to produce under either [Rule 33](#) or [Rule 34](#).

[LEdHN\[4\]\[↑\]](#) [4]But, under the circumstances, we deem it unnecessary and unwise to rest our decision upon this procedural irregularity, an irregularity which is not strongly urged upon us and which was disregarded in the two courts below. It matters little at this late stage whether Fortenbaugh fails to answer interrogatories filed under [Rule 26](#) or under [Rule 33](#) or whether he refuses to produce the memoranda and statements pursuant to a subpoena under Rule 45 or a court order under [Rule 34](#). The deposition-discovery rules create integrated

procedural devices. And the basic question at stake is whether any [****20] of those devices may be used to inquire into materials collected by an adverse party's counsel in the course of preparation for possible litigation. The fact that the petitioner may have used the wrong method does not destroy the main thrust of his attempt. Nor does it relieve us of the responsibility of dealing with the problem raised by that attempt. It would be inconsistent with the liberal atmosphere surrounding these rules to insist that petitioner now go through the empty formality of pursuing the right procedural device only to reestablish precisely the same basic problem now confronting us. We do not mean to say, however, that there may not be situations in which the failure to proceed in accordance with a specific rule would be important or decisive. But in the present circumstances, for the purposes of this decision, the procedural [*506] irregularity is not material. Having noted the proper procedure, we may accordingly turn our attention to the substance of the underlying problem.

In urging that he has a right to inquire into the materials secured and prepared by Fortenbaugh, petitioner emphasizes that the deposition-discovery portions of the Federal Rules of [****21] Civil Procedure are designed to enable the parties to discover [***460] the true facts and to compel their disclosure wherever they may be found. It is said that inquiry may be made under these rules, epitomized by [Rule 26](#), as to any relevant matter which is not privileged; and since the discovery provisions are to be applied as broadly and liberally as possible, the privilege limitation must be restricted to its narrowest bounds. On the premise that the attorney-client privilege is the one involved in this case, petitioner argues that it must be strictly confined to confidential communications made by a client to his attorney. And since the materials here in issue were secured by Fortenbaugh from third persons rather than from his clients, the tug owners, the conclusion is reached that these materials are proper subjects for discovery under [Rule 26](#).

As additional support for this result, petitioner

claims that to prohibit discovery under these circumstances would give a corporate defendant a tremendous advantage in a suit by an individual plaintiff. Thus in a suit by an injured employee against a railroad or in a suit by an insured person against an insurance company the corporate [****22] defendant could pull a dark veil of secrecy over all the pertinent facts it can collect after the claim arises merely on the assertion that such facts were gathered by its large staff of attorneys and claim agents. At the same time, the individual plaintiff, who often has direct knowledge of the matter in issue and has no counsel until some time after his claim arises could be compelled to disclose all the intimate details of his case. By endowing with [*507] immunity from disclosure all that a lawyer discovers in the course of his duties, it is said, the rights of individual litigants in such cases are drained of vitality and the lawsuit becomes more of a battle of deception than a search for truth.

But framing the problem in terms of assisting individual plaintiffs in their suits against corporate defendants is unsatisfactory. Discovery concededly may work to the disadvantage as well as to the advantage of individual plaintiffs. Discovery, in other words, is not a one-way proposition. It is available in all types of cases at the behest of any party, individual or corporate, plaintiff or defendant. The problem thus far transcends the situation [**392] confronting this [****23] petitioner. And we must view that problem in light of the limitless situations where the particular kind of discovery sought by petitioner might be used.

[LEdHN\[5\]\[↑\]](#) [5][LEdHN\[6\]\[↑\]](#) [6]We agree, of course, that the deposition-discovery rules are to be accorded a broad and liberal treatment. No longer can the time-honored cry of "fishing expedition" serve to preclude a party from inquiring into the facts underlying his opponent's case. ⁸ [HN7\[↑\]](#)

⁸"One of the chief arguments against the 'fishing expedition' objection is the idea that discovery is mutual -- that while a party may have to disclose his case, he can at the same time tie his opponent down to a definite position." Pike and Willis, "Federal

Mutual knowledge of all the relevant facts gathered by both parties is essential to proper litigation. To that end, either party may compel the other to disgorge whatever facts he has in his possession. The deposition-discovery procedure simply advances the stage at which the disclosure can be compelled from the time of trial to the period preceding it, thus reducing the possibility of surprise. But discovery, like all matters of procedure, has ultimate and necessary boundaries. As indicated by [Rules 30 \(b\)](#) and [\(d\)](#) and [31 \(d\)](#), limitations inevitably arise when it can be shown [*508] that the examination is being [****24] conducted in bad faith or in such a manner as to annoy, embarrass or oppress the person subject to the inquiry. And as [Rule \[***461\] 26 \(b\)](#) provides, further limitations come into existence when the inquiry touches upon the irrelevant or encroaches upon the recognized domains of privilege.

[LEdHN\[7\]\[↑\]](#) [7] We also agree that the memoranda, statements and mental impressions in issue in this case fall outside the scope of the attorney-client privilege and hence are not protected from discovery on that basis. It is unnecessary here to delineate the content and scope of that privilege as recognized in the federal courts. For present [****25] purposes, it suffices to note that [HN8\[↑\]](#) the protective cloak of this privilege does not extend to information which an attorney secures from a witness while acting for his client in anticipation of litigation. Nor does this privilege concern the memoranda, briefs, communications and other writings prepared by counsel for his own use in prosecuting his client's case; and it is equally unrelated to writings which reflect an attorney's mental impressions, conclusions, opinions or legal theories.

[LEdHN\[8\]\[↑\]](#) [8] But the impropriety of invoking that privilege does not provide an answer to the problem before us. Petitioner has made more than an ordinary request for relevant, nonprivileged facts

in the possession of his adversaries or their counsel. He has sought discovery as of right of oral and written statements of witnesses whose identity is well known and whose availability to petitioner appears unimpaired. He has sought production of these matters after making the most searching inquiries of his opponents as to the circumstances surrounding the fatal accident, which inquiries were sworn to have been answered to the best [****26] of their information and belief. Interrogatories were directed toward all the events prior to, during and subsequent to the sinking of the tug. Full and honest answers to such broad inquiries would necessarily have included all [*509] pertinent information gleaned by Fortenbaugh through his interviews with the witnesses. Petitioner makes no suggestion, and we cannot assume, that the tug owners or Fortenbaugh were incomplete or dishonest in the framing of their answers. In addition, petitioner was free to examine the public testimony of the witnesses taken before the United States Steamboat Inspectors. We are thus dealing with an attempt to secure the production of written statements and mental impressions contained in the files and the mind of the attorney Fortenbaugh without any showing of necessity or any indication or claim that denial of such production would unduly prejudice the preparation of petitioner's case or cause him any hardship or injustice. For aught that appears, the essence of what petitioner seeks either has been revealed to him already [***393] through the interrogatories or is readily available to him direct from the witnesses for the asking.

The District [****27] Court, after hearing objections to petitioner's request, commanded Fortenbaugh to produce all written statements of witnesses and to state in substance any facts learned through oral statements of witnesses to him. Fortenbaugh was to submit any memoranda he had made of the oral statements so that the court might determine what portions should be revealed to petitioner. All of this was ordered without any showing by petitioner, or any requirement that he make a proper showing, of the necessity for the production of any of this material or any

demonstration that denial of production would cause hardship or injustice. The court simply ordered production on the theory that the facts sought were material and were not privileged as constituting attorney-client communications.

In our opinion, neither [Rule 26](#) nor any other rule dealing with discovery contemplates production under such circumstances. That is not because the subject matter is privileged or irrelevant, as those concepts [***462] are used in these [*510] rules.⁹ Here is simply [HN9](#)^[↑] an attempt, without purported necessity or justification, [****28] to secure written statements, private memoranda and personal recollections prepared or formed by an adverse party's counsel in the course of his legal duties. As such, it falls outside the arena of discovery and contravenes the public policy underlying the orderly prosecution and defense of legal claims. Not even the most liberal of discovery theories can justify unwarranted inquiries into the files and the mental impressions of an attorney.

[****29] Historically, a lawyer is an officer of the court and is bound to work for the advancement of

⁹The English courts have developed the concept of privilege to include all documents prepared by or for counsel with a view to litigation. "All documents which are called into existence for the purpose -- but not necessarily the sole purpose -- of assisting the deponent or his legal advisers in any actual or anticipated litigation are privileged from production. . . . Thus all proofs, briefs, draft pleadings, etc., are privileged; but not counsel's indorsement on the outside of his brief . . . , nor any deposition or notes of evidence given publicly in open Court. . . . So are all papers prepared by any agent of the party *bona fide* for the use of his solicitor for the purposes of the action, whether in fact so used or not. . . . Reports by a company's servant, if made in the ordinary course of routine, are not privileged, even though it is desirable that the solicitor should have them and they are subsequently sent to him; but if the solicitor has requested that such documents shall always be prepared for his use and this was one of the reasons why they were prepared, they need not be disclosed." Odgers on Pleading and Practice (12th ed., 1939), p. 264.

See Order 31, *rule 1, of the Rules of the Supreme Court*, 1883, set forth in *The Annual Practice*, 1945, p. 519, and the discussion following that rule. For a compilation of the English cases on the matter see 8 Wigmore on Evidence (3d ed., 1940), § 2319, pp. 618-622, notes.

justice while faithfully protecting the rightful interests of his clients. In performing his various duties, however, it is essential that a lawyer work with a certain degree of privacy, free from unnecessary intrusion by opposing parties and their counsel. [*511] Proper preparation of a client's case demands that he assemble information, sift what he considers to be the relevant from the irrelevant facts, prepare his legal theories and plan his strategy without undue and needless interference. That is the historical and the necessary way in which lawyers act within the framework of our system of jurisprudence to promote justice and to protect their clients' interests. This work is reflected, of course, in interviews, statements, memoranda, correspondence, briefs, mental impressions, personal beliefs, and countless other tangible and intangible ways -- aptly though roughly termed by the Circuit Court of Appeals in this case as the "work product of the lawyer." Were such materials open to opposing counsel on mere demand, much of what is now put down in writing would remain unwritten. [****30] An attorney's thoughts, heretofore inviolate, [**394] would not be his own. Inefficiency, unfairness and sharp practices would inevitably develop in the giving of legal advice and in the preparation of cases for trial. The effect on the legal profession would be demoralizing. And the interests of the clients and the cause of justice would be poorly served.

[LEdHN\[9\]](#)^[↑] [9][LEdHN\[10\]](#)^[↑] [10]We do not mean to say that all written materials obtained or prepared by an adversary's counsel with an eye toward litigation are necessarily free from discovery in all cases. Where relevant and non-privileged facts remain hidden in an attorney's file and where production of those facts is essential to the preparation of one's case, discovery may properly be had. Such written statements and documents might, under certain circumstances, be admissible in evidence or give clues as to the existence or location of relevant facts. Or they might be [***463] useful for purposes of impeachment or corroboration. And production

might be justified where the witnesses are [****31] no longer available or can be reached only with difficulty. Were production of written statements and documents to be precluded under [*512] such circumstances, the liberal ideals of the deposition-discovery portions of the Federal Rules of Civil Procedure would be stripped of much of their meaning. But the general policy against invading the privacy of an attorney's course of preparation is so well recognized and so essential to an orderly working of our system of legal procedure that a burden rests on the one who would invade that privacy to establish adequate reasons to justify production through a subpoena or court order. That burden, we believe, is necessarily implicit in the rules as now constituted.¹⁰

[****32] [HN10](#)^[↑] [Rule 30 \(b\)](#), as presently written, gives the trial judge the requisite discretion to make a judgment as to whether discovery should be allowed as to written statements secured from witnesses. But in the instant case there was no room for that discretion to operate in favor of the petitioner. No attempt was made to establish any reason why Fortenbaugh should be forced to produce the written statements. There was only a naked, general demand for these materials as of right and a finding by the District Court that no recognizable privilege was involved. That was insufficient to justify discovery under these circumstances and the court should have sustained the refusal of the tug owners and Fortenbaugh to produce.

[LEdHN11](#)^[↑] [11] But as to oral statements made by witnesses to Fortenbaugh, whether presently in the form of his mental impressions or memoranda, we do not believe that any showing of necessity can be made under the circumstances of this case so as to justify production. Under ordinary conditions, forcing an attorney to repeat or write out all that

witnesses [****33] have told him and to deliver the account [*513] to his adversary gives rise to grave dangers of inaccuracy and untrustworthiness. No legitimate purpose is served by such production. The practice forces the attorney to testify as to what he remembers or what he saw fit to write down regarding witnesses' remarks. Such testimony could not qualify as evidence; and to use it for impeachment or corroborative purposes would make the attorney much less an officer of the court and much more an ordinary witness. The standards of the profession would thereby suffer.

Denial of production of this nature does not mean that any material, non-privileged facts can be hidden from the petitioner in this case. He need not be unduly hindered in the preparation of his case, in the discovery of facts or in his anticipation of his opponents' position. Searching interrogatories directed to Fortenbaugh and the tug owners, production of written documents and statements upon a proper showing and direct interviews with the witnesses themselves all serve to reveal the facts in Fortenbaugh's possession to [**395] the fullest possible extent consistent with public policy. Petitioner's counsel frankly [****34] admits that he wants the oral statements only to help prepare himself to examine witnesses and to make sure that he has overlooked nothing. That is insufficient under the circumstances to permit him an exception to the policy underlying the privacy of Fortenbaugh's professional activities. If there should be a rare situation justifying production of these matters, [****464] petitioner's case is not of that type.

We fully appreciate the wide-spread controversy among the members of the legal profession over the problem raised by this case.¹¹ It is a problem that

¹⁰ [Rule 34](#) is explicit in its requirements that a party show good cause before obtaining a court order directing another party to produce documents. See Report of Proposed Amendments by Advisory Committee on Rules of Civil Procedure (June, 1946); [5 F.R.D. 433](#).

¹¹ See Report of Proposed Amendments by Advisory Committee on Rules of Civil Procedure (June, 1946), pp. 44-47; [5 F.R.D. 433, 459-460](#); Discovery Procedure Symposium before the 1946 [Conference of the Third United States Circuit Court of Appeals, 5 F.R.D. 403](#); Armstrong, "Report of the Advisory Committee on Federal Rules of Civil Procedure Recommending Amendments," [5 F.R.D. 339, 353-357](#).

rests on what [*514] has been one of the most hazy frontiers of the discovery process. But until some rule or statute definitely prescribes otherwise, we are not justified in permitting discovery in a situation of this nature as a matter of unqualified right. When [Rule 26](#) and the other discovery rules were adopted, this Court and the members of the bar in general certainly did not believe or contemplate that all the files and mental processes of lawyers were thereby opened to the free scrutiny of their adversaries. And we refuse to interpret the rules at this time so as to reach so harsh and unwarranted a result. [****35]

We therefore affirm the judgment of the Circuit Court of Appeals.

Affirmed.

Concur by: JACKSON

Concur

MR. JUSTICE JACKSON, concurring.

The narrow question in this case concerns only one of thirty-nine interrogatories which defendants and their counsel refused to answer. As there was persistence in refusal after the court ordered them to answer it, counsel and clients were committed to jail by the district court until they should purge themselves of contempt.

The interrogatory asked whether statements were taken from the crews of the tugs involved in the accident, or of any other [****36] vessel, and demanded "Attach hereto exact copies of all such statements if in writing, and if oral, set forth in detail the exact provisions of any such oral statements or reports." The question is simply whether such a demand is authorized by the rules relating to various aspects of "discovery."

The primary effect of the practice advocated here would be on the legal profession itself. But it too

often is overlooked [*515] that the lawyer and the law office are indispensable parts of our administration of justice. Law-abiding people can go nowhere else to learn the ever changing and constantly multiplying rules by which they must behave and to obtain redress for their wrongs. The welfare and tone of the legal profession is therefore of prime consequence to society, which would feel the consequences of such a practice as petitioner urges secondarily but certainly.

"Discovery" is one of the working tools of the legal profession. It traces back to the equity bill of discovery in English Chancery practice and seems to have had a forerunner in Continental practice. See Ragland, *Discovery Before Trial* (1932) 13-16. Since 1848 when the draftsmen of New York's Code of Procedure [****37] recognized the importance of a better system of discovery, the impetus to extend and expand discovery, as well as the opposition to it, has come from within the Bar itself. It happens in this case that it is the plaintiff's attorney who demands such unprecedented latitude of discovery and, strangely enough, *amicus* briefs in his support have been filed by several labor unions representing plaintiffs as a class. It is the history of the movement for broader discovery, however, that in actual experience the chief opposition to its extension has come from lawyers [**396] who specialize in representing plaintiffs, because defendants have made liberal use of it to force plaintiffs to disclose their cases in advance. See Report of the Commission on the Administration of Justice in New York State (1934) [***465] 330-31; Ragland, *Discovery Before Trial* (1932) 35-36. Discovery is a two-edged sword and we cannot decide this problem on any doctrine of extending help to one class of litigants.

It seems clear and long has been recognized that discovery should provide a party access to anything that is evidence in his case. *Cf.* Report of Commission on the Administration of Justice [****38] in New York State (1934) 41-42. [*516] It seems equally clear that discovery should not nullify the privilege of confidential

communication between attorney and client. But those principles give us no real assistance here because what is being sought is neither evidence nor is it a privileged communication between attorney and client.

To consider first the most extreme aspect of the requirement in litigation here, we find it calls upon counsel, if he has had any conversations with any of the crews of the vessels in question or of any other, to "set forth in detail the exact provision of any such oral statements or reports." Thus the demand is not for the production of a transcript in existence but calls for the creation of a written statement not in being. But the statement by counsel of what a witness told him is not evidence when written. Plaintiff could not introduce it to prove his case. What, then, is the purpose sought to be served by demanding this of adverse counsel?

Counsel for the petitioner candidly said on argument that he wanted this information to help prepare himself to examine witnesses, to make sure he overlooked nothing. He bases his claim to it in his [****39] brief on the view that the Rules were to do away with the old situation where a law suit developed into "a battle of wits between counsel." But a common law trial is and always should be an adversary proceeding. Discovery was hardly intended to enable a learned profession to perform its functions either without wits or on wits borrowed from the adversary.

The real purpose and the probable effect of the practice ordered by the district court would be to put trials on a level even lower than a "battle of wits." I can conceive of no practice more demoralizing to the Bar than to require a lawyer to write out and deliver to his adversary an account of what witnesses have told him. Even if his recollection were perfect, the statement would be his language, [*517] permeated with his inferences. Every one who has tried it knows that it is almost impossible so fairly to record the expressions and emphasis of a witness that when he testifies in the environment of the court and under

the influence of the leading question there will not be departures in some respects. Whenever the testimony of the witness would differ from the "exact" statement the lawyer had delivered, the lawyer's [****40] statement would be whipped out to impeach the witness. Counsel producing his adversary's "inexact" statement could lose nothing by saying, "Here is a contradiction, gentlemen of the jury. I do not know whether it is my adversary or his witness who is not telling the truth, but one is not." Of course, if this practice were adopted, that scene would be repeated over and over again. The lawyer who delivers such statements often would find himself branded a deceiver afraid to take the stand to support his own version of the witness's conversation with him, or else he will have to go on the stand to defend his own credibility -- perhaps against that of his chief witness, or possibly even his client.

Every lawyer dislikes to take the witness stand and will do so only for grave reasons. This is partly because it is not his role; he is almost invariably a poor witness. But he steps out of professional character to do it. He regrets it; the profession discourages it. But the practice advocated here is one which would force him to be a witness, not [***466] as to what he has seen or done but as to other witnesses' stories, and not because he wants to do so but in self-defense.

[****41] And what is the lawyer to do who has interviewed one whom he believes to be a [**397] biased, lying or hostile witness to get his unfavorable statements and know what to meet? He must record and deliver such statements even though he would not vouch for the credibility of the witness by calling him. Perhaps the other side would not want to [*518] call him either, but the attorney is open to the charge of suppressing evidence at the trial if he fails to call such a hostile witness even though he never regarded him as reliable or truthful.

Having been supplied the names of the witnesses, petitioner's lawyer gives no reason why he cannot

interview them himself. If an employee-witness refuses to tell his story, he, too, may be examined under the Rules. He may be compelled on discovery, as fully as on the trial, to disclose his version of the facts. But that is his own disclosure - it can be used to impeach him if he contradicts it and such a deposition is not useful to promote an unseemly disagreement between the witness and the counsel in the case.

It is true that the literal language of the Rules would admit of an interpretation that would sustain the district court's [****42] order. So the literal language of the Act of Congress which makes "any writing or record . . . made as a memorandum or record of any . . . occurrence, or event" admissible as evidence, would have allowed the railroad company to put its engineer's accident statements in evidence. Cf. *Palmer v. Hoffman*, 318 U.S. 109, 111. But all such procedural measures have a background of custom and practice which was assumed by those who wrote and should be by those who apply them. We reviewed the background of the Act and the consequences on the trial of negligence cases of allowing railroads and others to put in their statements and thus to shield the crew from cross-examination. We said, "Such a major change which opens wide the door to avoidance of cross-examination should not be left to implication." 318 U.S. at 114. We pointed out that there, as here, the "several hundred years of history behind the Act . . . indicate the nature of the reforms which it was designed to effect." [*519] 318 U.S. at 115. We refused to apply it beyond that point. We should follow the same course of reasoning here. Certainly nothing in the tradition or [****43] practice of discovery up to the time of these Rules would have suggested that they would authorize such a practice as here proposed.

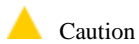
The question remains as to signed statements or those written by witnesses. Such statements are not evidence for the defendant. *Palmer v. Hoffman*, 318 U.S. 109. Nor should I think they ordinarily could be evidence for the plaintiff. But such a statement might be useful for impeachment of the

witness who signed it, if he is called and if he departs from the statement. There might be circumstances, too, where impossibility or difficulty of access to the witness or his refusal to respond to requests for information or other facts would show that the interests of justice require that such statements be made available. Production of such statements are governed by *Rule 34* and on "showing good cause therefor" the court may order their inspection, copying or photographing. No such application has here been made; the demand is made on the basis of right, not on showing of cause.

I agree to the affirmance of the judgment of the Circuit Court of Appeals which reversed the district court.

MR. JUSTICE FRANKFURTER joins in this opinion. [****44]

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[United States v. Adlman](#)

United States Court of Appeals for the Second Circuit

October 3, 1996, Argued ; February 13, 1998, Decided

Docket No. 96-6095

Reporter

134 F.3d 1194 *; 1998 U.S. App. LEXIS 2633 **; 98-1 U.S. Tax Cas. (CCH) P50,230; 81 A.F.T.R.2d (RIA) 98-820; 39 Fed. R. Serv. 3d (Callaghan) 1189

United States of America, Petitioner-Appellee, v. Monroe Adlman, as Officer and Representative of Sequa Corporation, Respondent-Appellant.

Prior History: [**1] Appeal from an order of the United States District Court for the Southern District of New York (Knapp, J.) rejecting taxpayer's claim of work-product privilege, and enforcing an Internal Revenue Service summons for a memorandum prepared by taxpayer's outside accounting firm at the request of taxpayer's tax attorney to evaluate the tax consequences of a proposed corporate reorganization upon expected litigation with the IRS.

Disposition: Vacated and remanded.

LexisNexis® Headnotes

Civil Procedure > ... > Privileged Communications > Work Product Doctrine > General Overview

Civil Procedure > Discovery & Disclosure > General Overview

Civil Procedure > ... > Discovery > Methods of Discovery > General Overview

Civil Procedure > ... > Discovery > Methods of Discovery > Inspection & Production Requests

Civil Procedure > Discovery & Disclosure > Discovery > Relevance of Discoverable Information

[HNI](#) Privileged Communications, Work Product Doctrine

[Fed. R. Civ. P. 26\(b\)\(3\)](#) provides in relevant part that a party may obtain discovery of documents and tangible things otherwise discoverable 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 > ... > Privileged
Communications > Work Product
Doctrine > General Overview

[HN2](#) [↓] **Privileged Communications, Work Product Doctrine**

Internal Revenue Service summons are subject to the traditional privileges and limitations, including the work product doctrine codified at [Fed. R. Civ. P. 26\(b\)\(3\)](#).

Civil Procedure > ... > Privileged
Communications > Work Product
Doctrine > General Overview

Evidence > Privileges > Attorney-Client
Privilege > General Overview

[HN3](#) [↓] **Privileged Communications, Work Product Doctrine**

The non-occurrence of events giving rise to litigation prior to preparation of documents is a factor to be considered, but it does not necessarily preclude application of a work-product privilege.

Civil Procedure > Attorneys > General
Overview

Civil Procedure > ... > Privileged
Communications > Work Product
Doctrine > General Overview

[HN4](#) [↓] **Civil Procedure, Attorneys**

The work-product doctrine, codified in [Fed. R. Civ. P. 26\(b\)\(3\)](#), is intended to preserve a zone of privacy in which a lawyer can prepare and develop legal theories and strategy with an eye toward litigation, free from unnecessary intrusion by his adversaries. Analysis of a case in anticipation of litigation is an example of work product and

receives heightened protection under [Rule 26\(b\)\(3\)](#).

Civil Procedure > ... > Privileged
Communications > Work Product
Doctrine > Opinion Work Product

Civil Procedure > ... > Privileged
Communications > Work Product
Doctrine > General Overview

[HN5](#) [↓] **Work Product Doctrine, Opinion Work Product**

Documents that tend to reveal an attorney's mental process, described as opinion work product, receive special protection not accorded to factual material. Special treatment for opinion work product is justified because the work-product doctrine shelters the mental processes of the attorney, providing a privileged area within which he can analyze and prepare his client's case.

Civil Procedure > ... > Discovery > Methods of
Discovery > General Overview

Civil Procedure > ... > Privileged
Communications > Work Product
Doctrine > General Overview

[HN6](#) [↓] **Discovery, Methods of Discovery**

[Fed. R. Civ. P. 26\(b\)\(3\)](#) states that documents prepared in anticipation of litigation or for trial are discoverable only upon a showing of substantial need of the materials and inability, without undue hardship, to obtain their substantial equivalent elsewhere. Even where this showing has been made, however, [Rule 26\(b\)\(3\)](#) provides that 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 > ... > Privileged
Communications > Work Product
Doctrine > General Overview

[HN7](#) [↓] **Privileged Communications, Work Product Doctrine**

[Fed. R. Civ. P. 26\(b\)\(3\)](#) does not limit its protection to materials prepared to assist at trial.

Civil Procedure > ... > Privileged
Communications > Work Product
Doctrine > General Overview

[HN8](#) [↓] **Privileged Communications, Work Product Doctrine**

[Fed. R. Civ. P. 26\(b\)\(3\)](#) is intended to ratify the principles that each side's informal evaluation of its case should be protected, that each side should be encouraged to prepare independently, and that one side should not automatically have the benefit of the detailed preparatory work of the other side.

Civil Procedure > ... > Privileged
Communications > Work Product
Doctrine > General Overview

[HN9](#) [↓] **Privileged Communications, Work Product Doctrine**

Documents should be deemed prepared "in anticipation of litigation," and thus within the scope of [Fed. R. Civ. P. 26\(b\)\(3\)](#), if in light of the nature of the document and the factual situation in the particular case, the document can fairly be said to have been prepared or obtained because of the prospect of litigation.

Civil Procedure > ... > Discovery > Methods of
Discovery > General Overview

Civil Procedure > ... > Privileged
Communications > Work Product

Doctrine > General Overview

[HN10](#) [↓] **Discovery, Methods of Discovery**

The "because of" formulation withholds work-product protection from documents that are prepared in the ordinary course of business or that would have been created in essentially similar form irrespective of the litigation.

Civil Procedure > Attorneys > General
Overview

Civil Procedure > ... > Privileged
Communications > Work Product
Doctrine > General Overview

[HN11](#) [↓] **Civil Procedure, Attorneys**

[Fed. R. Civ. P. 26\(b\)\(3\)](#) makes clear that a showing of "substantial need" sufficient to compel disclosure of other work product is not necessarily sufficient to compel disclosure of mental impressions, conclusions, opinions or legal theories of an attorney or other representatives. [Rule 26](#) is clear that, at a minimum, such material is to be protected unless a highly persuasive showing is made.

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Judges: Before: KEARSE, LEVAL, and CABRANES, Circuit Judges. KEARSE, Circuit Judge, dissenting.

Opinion by: LEVAL

Opinion

[*1194] LEVAL, Circuit Judge:

This appeal concerns the proper interpretation of Federal Rule of Civil Procedure 26(b)(3) ("the Rule"), which grants limited protection against [*2] discovery to documents [*1195] and materials prepared "in anticipation of litigation."¹ Specifically, we must address whether a study prepared for an attorney assessing the likely result of an expected litigation is ineligible for protection under the Rule if the primary or ultimate purpose of making the study was to assess the desirability of a business transaction, which, if undertaken, would give rise to the litigation. We hold that a document created because of anticipated litigation, which tends to reveal mental impressions, conclusions, opinions or theories concerning the litigation, does not lose work-product protection merely because it is intended to assist in the making of a business decision

¹ [HNI](#) [[↑](#)] Fed. R. Civ. P. 26(b)(3) provides in relevant part that "a party may obtain discovery of documents and tangible things otherwise discoverable . . . 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."

influenced by the likely outcome of the anticipated litigation. Where a document was created because of anticipated litigation, and would not have been prepared in substantially similar form but for the prospect of that litigation, it falls within Rule 26(b)(3).

[*3] The district court ruled that the document sought by the IRS in this case did not fall within the scope of Rule 26(b)(3) and ordered its production. Because we cannot determine whether the district court used the correct standard in reaching its decision, we vacate the judgment and remand for reconsideration.

Background

Sequa Corporation is an aerospace manufacturer with annual revenues of nearly \$ 2 billion. Prior to 1989, Atlantic Research Corporation ("ARC") and Chromalloy Gas Turbine Corporation ("Chromalloy") were wholly-owned Sequa subsidiaries. Appellant Monroe Adlman is an attorney and Vice President for Taxes at Sequa.

In the spring of 1989, Sequa contemplated merging Chromalloy and ARC. The contemplated merger was expected to produce an enormous loss and tax refund, which Adlman expected would be challenged by the IRS and would result in litigation. Adlman asked Paul Sheahen, an accountant and lawyer at Arthur Andersen & Co. ("Arthur Andersen"), to evaluate the tax implications of the proposed restructuring. Sheahen did so and set forth his study in a memorandum (the "Memorandum"). He submitted the Memorandum in draft form to Adlman in August 1989. After further [*4] consultation, on September 5, 1989, Sheahen sent Adlman the final version. The Memorandum was a 58-page detailed legal analysis of likely IRS challenges to the reorganization and the resulting tax refund claim; it contained discussion of statutory provisions, IRS regulations, legislative history, and prior judicial and IRS rulings relevant to the claim. It proposed possible legal theories or strategies for Sequa to adopt in

response, recommended preferred methods of structuring the transaction, and made predictions about the likely outcome of litigation.

Sequa decided to go ahead with the restructuring, which was completed in December 1989 in essentially the form recommended by Arthur Andersen. Sequa sold 93% of its stock in ARC to Chromalloy for \$ 167.4 million, and the remaining 7% to Bankers Trust for \$ 12.6 million. The reorganization resulted in a \$ 289 million loss. Sequa claimed the loss on its 1989 return and carried it back to offset 1986 capital gains, thereby generating a claim for a refund of \$ 35 million.

In an ensuing audit of Sequa's 1986-1989 tax returns, the IRS requested a number of documents concerning the restructuring transaction. Sequa acknowledged the existence [**5] of the Memorandum, but cited work-product privilege as grounds for declining to [*1196] produce it. ² On September 23, 1993, the IRS served a summons on Adlman for production of the Memorandum.

When Adlman declined to comply, the IRS instituted an action in the United States District Court for the Southern District of New York to enforce the subpoena. Adlman defended on the grounds that the Memorandum was protected by both the attorney-client and work-product privileges. The district court (Knapp, J.) in its first decision rejected Adlman's claim that the Memorandum was protected by attorney-client privilege, finding that Adlman had not consulted Arthur Andersen in order to obtain assistance [**6] in furnishing legal advice to Sequa. *United States v. Adlman*, 1994 U.S. Dist. LEXIS 6393, M-18-304, 1994 WL 191869, at *2 (S.D.N.Y. May 16, 1994). It rejected Adlman's claim of work-product privilege because the Memorandum was prepared for litigation based on actions or events that had not

yet occurred at the time of its creation. *Id.* at *3 The court granted the IRS's petition to enforce the summons.

On appeal, we affirmed denial of Adlman's claim of attorney-client privilege. *United States v. Adlman*, 68 F.3d 1495 (2d Cir. 1995). We vacated the district court's enforcement order, however, because the district court had evaluated Adlman's claim of work-product privilege under the wrong standard. Although *HN3* [↑] the non-occurrence of events giving rise to litigation prior to preparation of the documents is a factor to be considered, we explained, it does not necessarily preclude application of work-product privilege. See *id.* at 1501. For example, where a party faces the choice of whether to engage in a particular course of conduct virtually certain to result in litigation and prepares documents analyzing whether to engage in the conduct based on its assessment of the likely result of the anticipated litigation, [**7] we concluded that the preparatory documents should receive protection under *Rule 26(b)(3)*. *Id.* We therefore remanded for reconsideration whether the Memorandum was protected work product. *Id.*

On remand, Adlman argued that the Memorandum was protected by *Rule 26(b)(3)* because it included legal opinions prepared in reasonable anticipation of litigation. Litigation was virtually certain to result from the reorganization and Sequa's consequent claim of tax losses. Sequa's tax returns had been surveyed or audited annually for at least 30 years. In addition, the size of the capital loss to be generated by the proposed restructuring would result in a refund so large that the Commissioner of Internal Revenue would be required by federal law to submit a report to the Joint Congressional Committee on Taxation. See *26 U.S.C.A. § 6405(a)*. Finally, Sequa's tax treatment of the restructuring was based on an interpretation of the tax code without a case or IRS ruling directly on point. In light of the circumstances of the transaction, Adlman asserted there was "no doubt that Sequa would end up in litigation with the IRS." Sequa's accountant at Arthur Andersen concurred,

² *HN2* [↑] IRS summons are "subject to the traditional privileges and limitations," *United States v. Euge*, 444 U.S. 707, 714, 100 S. Ct. 874, 879, 63 L. Ed. 2d 141 (1980), including the work product doctrine codified at *Rule 26(b)(3)*. *Upjohn Co. v. United States*, 449 U.S. 383, 398-99, 101 S. Ct. 677, 687, 66 L. Ed. 2d 584 (1981).

opining that [**8] "any corporate tax executive would have realistically predicted that this capital loss would be disputed by the IRS" because of the "unprecedented and creative nature of the reorganization, the fact that Sequa was continually under close scrutiny by the IRS and the size of the refund resulting from the capital loss."

The district court again rejected the claim of work-product privilege, concluding that the Memorandum was not prepared in anticipation of litigation. [1996 U.S. Dist. LEXIS 2167](#), M-18-304, 1996 WL 84502, at *1 (S.D.N.Y. Feb. 27, 1996). Adlman appeals.

Discussion

[HN4](#)^[↑] The work-product doctrine, codified for the federal courts in [Fed. R. Civ. P. 26\(b\)\(3\)](#), is intended to preserve a zone of privacy in which a lawyer can prepare and develop legal theories and strategy "with an eye toward litigation," free from unnecessary intrusion by his adversaries. [Hickman v. Taylor](#), 329 U.S. 495, 510-11, 67 S. Ct. 385, 393-94, 91 L. Ed. 451 (1947). Analysis of one's case "in anticipation [**1197] of litigation" is a classic example of work product, see [NLRB v. Sears, Roebuck & Co.](#), 421 U.S. 132, 154, 95 S. Ct. 1504, 1518, 44 L. Ed. 2d 29 (1975), and receives heightened protection under [Fed. R. Civ. P. 26\(b\)\(3\)](#).

[**9] This case involves a question of first impression in this circuit: whether [Rule 26\(b\)\(3\)](#) is inapplicable to a litigation analysis prepared by a party or its representative in order to inform a business decision which turns on the party's assessment of the likely outcome of litigation expected to result from the transaction. Answering that question requires that we determine the proper interpretation of [Rule 26\(b\)\(3\)](#)'s requirement that documents be prepared "in anticipation of litigation" in order to qualify for work-product protection.

I.

In [Hickman v. Taylor](#), 329 U.S. 495, 67 S. Ct. 385, 91 L. Ed. 451 (1947), the Supreme Court held that notes taken by the defendant's attorney during interviews with witnesses to the event that eventually gave rise to the lawsuit in the case were not discoverable by the plaintiff. [329 U.S. at 510, 67 S. Ct. at 393](#). As the Court explained,

In performing his various duties, . . . it is essential that a lawyer work with a certain degree of privacy, free from unnecessary intrusion by opposing parties and their counsel. Proper preparation of a client's case demands that he . . . prepare his legal theories and plan his strategy without undue [**10] and needless interference.

[329 U.S. at 510-11, 67 S. Ct. at 393](#).

Were the attorney's work accessible to an adversary, the [Hickman](#) court cautioned, "much of what is now put down in writing would remain unwritten" for fear that the attorney's work would redound to the benefit of the opposing party. [Id. at 511, 67 S. Ct. at 393-94](#). Legal advice might be marred by "inefficiency, unfairness and sharp practices," and the "effect on the legal profession would be demoralizing." [Id. at 511, 67 S. Ct. at 394](#). Neither the interests of clients nor the cause of justice would be served, the court observed, if work product were freely discoverable. [Id.](#)

The Supreme Court has reaffirmed the "strong public policy" underlying the work-product privilege in the decades since [Hickman](#). See [United States v. Nobles](#), 422 U.S. 225, 236, 95 S. Ct. 2160, 2169, 45 L. Ed. 2d 141 (1975); [Upjohn Co. v. United States](#), 449 U.S. 383, 398, 101 S. Ct. 677, 687, 66 L. Ed. 2d 584 (1981). It has also made clear that [HN5](#)^[↑] documents that "tend[] to reveal the attorney's mental process" -- described by commentators as "opinion work product," see Special Project, [The Work Product Doctrine](#), [**11] [68 Cornell L. Rev. 760, 817 \(1983\)](#) -- receive special protection not accorded to factual material. [Upjohn](#), 449 U.S. at 399, 101 S. Ct. at 687. Special treatment for opinion work

product is justified because, "at its core, the work-product doctrine shelters the mental processes of the attorney, providing a privileged area within which he can analyze and prepare his client's case." [Nobles, 422 U.S. at 238, 95 S. Ct. at 2170.](#)

[Rule 26\(b\)\(3\)](#) codifies the principles articulated in [Hickman, HN6](#)^[↑] The Rule states that documents "prepared in anticipation of litigation or for trial" are discoverable only upon a showing of substantial need of the materials and inability, without undue hardship, to obtain their substantial equivalent elsewhere. Even where this showing has been made, however, the Rule provides that 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."

II.

The first problem we face is to determine the meaning of the phrase prepared "in anticipation of litigation." The phrase has never been interpreted by our circuit; furthermore, courts [\[**12\]](#) and commentators have expressed a range of views as to its meaning. It is universally agreed that a document whose purpose is to assist in preparation for litigation is within the scope of the Rule and thus eligible to receive protection if the other conditions of protection prescribed by the Rule are met. The issue is less clear, however, as to documents which, although prepared because of expected litigation, are intended to inform a business decision influenced by [\[*1198\]](#) the prospects of the litigation. The formulation applied by some courts in determining whether documents are protected by work-product privilege is whether they are prepared "primarily or exclusively to assist in litigation" -- a formulation that would potentially exclude documents containing analysis of expected litigation, if their primary, ultimate, or exclusive purpose is to assist in making the business decision. Others ask whether the documents were prepared "because of" existing or expected litigation -- a formulation that would include such documents, despite the fact that their purpose is not to "assist

in" litigation. Because we believe that protection of documents of this type is more consistent with both the [\[**13\]](#) literal terms and the purposes of the Rule, we adopt the latter formulation.

1. "Primarily to assist in" litigation.

The "primarily to assist in litigation" formulation is exemplified by a line of cases from the United States Court of Appeals for the Fifth Circuit. In [United States v. Davis, 636 F.2d 1028](#) (5th Cir.), cert. denied, 454 U.S. 862, 102 S. Ct. 320, 70 L. Ed. 2d 162 (1981), the Fifth Circuit denied protection to documents made in the course of preparation of a tax return. This result was well justified as there was no showing whatsoever of anticipation of litigation. In what might be characterized as a dictum, or in any event a statement going far beyond the issues raised in the case, the court asserted that the Rule applies only if the "primary motivating purpose behind the creation of the document was to aid in possible future litigation." [636 F.2d at 1040.](#)

Then, in [United States v. El Paso Co., 682 F.2d 530](#) (5th Cir. 1982), cert. denied, 466 U.S. 944, 104 S. Ct. 1927, 80 L. Ed. 2d 473 (1984), a large public corporation sought to shield documents that analyzed prospective liabilities that might result from litigation with the IRS over its tax [\[**14\]](#) returns. The documents were prepared not to assist in litigation but to establish and justify appropriate reserves in El Paso's financial statements. Treating the [Davis](#) dictum as law, the Fifth Circuit held that because the "primary motivating force [behind the preparation of the documents was] not to ready El Paso for litigation" but rather "to bring its financial books into conformity with generally accepted auditing principles," [682 F.2d at 543](#), and because the documents' liability analysis was "only a means to a business end," [id.](#), the documents were not prepared "in anticipation of litigation" within the meaning of the Rule and enjoyed no work-product protection. The [El Paso](#) requirement that the document be prepared to aid in litigation was then applied by a Fifth Circuit judge writing for the

Temporary Emergency Court of Appeals in [United States v. Gulf Oil Corp., 760 F.2d 292, 296-97 \(Temp. Emer. Ct. App. 1985\)](#).³

[**15] We believe that a requirement that documents be produced primarily or exclusively to assist in litigation in order to be protected is at odds with the text and the policies of the Rule. Nowhere does [Rule 26\(b\)\(3\)](#) state that a document must have been prepared to aid in the conduct of litigation in order to constitute work product, much less primarily or exclusively to aid in litigation. Preparing a document "in anticipation of litigation" is sufficient.

The text of [HN7](#)^[↑] [Rule 26\(b\)\(3\)](#) does not limit its protection to materials prepared to assist at trial. To the contrary, the text of the Rule clearly sweeps more broadly. It expressly states that work-product privilege applies not only to documents "prepared . . . for trial" but also to those prepared "in anticipation of litigation." If the drafters of the Rule intended to limit its protection to documents made to assist in preparation for litigation, this would have been adequately conveyed by the phrase "prepared . . . for trial." The fact that documents prepared "in anticipation of litigation" were also included confirms that the drafters considered this to be a different, and broader category. Nothing in the Rule states or suggests [**16] that documents prepared "in anticipation of litigation" with the purpose [**1199] of assisting in the making of a business decision do not fall within its scope.

In addition, the Rule takes pains to grant special protection to the type of materials at issue in this case -- documents setting forth legal analysis. While the Rule generally withholds protection for documents prepared in anticipation of litigation if the adverse party shows "substantial need" for their disclosure and inability to obtain their equivalent

by other means, even where the party seeking disclosure has made such a showing the Rule directs that "the court shall protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of . . . [a party or its representative] concerning the litigation." [Fed. R. Civ. P. 26\(b\)\(3\)](#) (emphasis added). As the Advisory Committee notes indicate, [HN8](#)^[↑] [Rule 26\(b\)\(3\)](#) is intended to ratify the principles that "each side's informal evaluation of its case should be protected, that each side should be encouraged to prepare independently, and that one side should not automatically have the benefit of the detailed preparatory work of the other side." Where the Rule has [**17] explicitly established a special level of protection against disclosure for documents revealing an attorney's (or other representative's) opinions and legal theories concerning litigation, it would oddly undermine its purposes if such documents were excluded from protection merely because they were prepared to assist in the making of a business decision expected to result in the litigation.

Admittedly, there are fragmentary references in the caption to the Rule and in its commentary that can be read to lend support to a contrary interpretation. The caption, for example, refers to "Trial Preparation," and the Advisory Committee Notes make occasional reference to "trial preparation materials." We attach small importance to those references. Given that the text of the Rule (and of the commentary) expressly goes beyond documents "prepared . . . for trial" to encompass also those documents "prepared in anticipation of litigation," we cannot read the references in the caption and commentary as overriding the text of the Rule. See [United States v. Minker, 350 U.S. 179, 185, 76 S. Ct. 281, 285, 100 L. Ed. 185 \(1956\)](#); [Whitehouse v. United States District Court, 53 F.3d 1349, 1358 n.12 \[**18\] \(1st Cir. 1995\)](#).

In addition to the plain language of the Rule, the policies underlying the work-product doctrine suggest strongly that work-product protection should not be denied to a document that analyzes

³Other court opinions that have used the "principally or exclusively to assist in litigation" formulation include: [In re Kidder Peabody Sec. Litig., 168 F.R.D. 459, 462, 466 \(S.D.N.Y. 1996\)](#); [Bowne v. AmBase Corp., 150 F.R.D. 465, 471 \(S.D.N.Y. 1993\)](#); [Martin v. Valley Nat'l Bank of Arizona, 140 F.R.D. 291 \(S.D.N.Y. 1991\)](#).

expected litigation merely because it is prepared to assist in a business decision. Framing the inquiry as whether the primary or exclusive purpose of the document was to assist in litigation threatens to deny protection to documents that implicate key concerns underlying the work-product doctrine.

The problem is aptly illustrated by several hypothetical fact situations likely to recur:

(i) A company contemplating a transaction recognizes that the transaction will result in litigation; whether to undertake the transaction and, if so, how to proceed with the transaction, may well be influenced by the company's evaluation of the likelihood of success in litigation. Thus, a memorandum may be prepared in expectation of litigation with the primary purpose of helping the company decide whether to undertake the contemplated transaction. An example would be a publisher contemplating publication of a book where the publisher has received a threat of suit from a competitor purporting [**19] to hold exclusive publication rights. The publisher commissions its attorneys to prepare an evaluation of the likelihood of success in the litigation, which includes the attorneys' evaluation of various legal strategies that might be pursued. If the publisher decides to go ahead with publication and is sued, under the "primarily to assist in litigation" formulation the study will likely be disclosed to the opposing lawyers because its principal purpose was not to assist in litigation but to inform the business decision whether to publish. We can see no reason under the words or policies of the Rule why such a document should not be protected. See [United States v. Adlman, 68 F.3d at 1501](#).

(ii) A company is engaged in, or contemplates, some kind of partnership, merger, joint undertaking, or business association with another company; the other company reasonably requests that the company furnish [**1200] a candid assessment by the

company's attorneys of its likelihood of success in existing litigations. For instance, the company's bank may request such a report from the company's attorneys concerning its likelihood of success in an important litigation to inform its lending policy toward [**20] the company. Or a securities underwriter contemplating a public offering of the company's securities may wish to see such a study to decide whether to go ahead with the offering without waiting for the termination of the litigation. Such a study would be created to inform the judgment of the business associate concerning its business decisions. No part of its purpose would be to aid in the conduct of the litigation. Nonetheless it would reveal the attorneys' most intimate strategies and assessments concerning the litigation. We can see no reason why, under the Rule, the litigation adversary should have access to it. But under the Fifth Circuit's "to assist" test, it would likely be discoverable by the litigation adversary.

(iii) A business entity prepares financial statements to assist its executives, stockholders, prospective investors, business partners, and others in evaluating future courses of action. Financial statements include reserves for projected litigation. The company's independent auditor requests a memorandum prepared by the company's attorneys estimating the likelihood of success in litigation and an accompanying analysis of the company's legal strategies and options [**21] to assist it in estimating what should be reserved for litigation losses.

In each scenario, the company involved would require legal analysis that falls squarely within [Hickman's](#) area of primary concern -- analysis that candidly discusses the attorney's litigation strategies, appraisal of likelihood of success, and perhaps the feasibility of reasonable settlement. The interpretation of [Rule 26\(b\)\(3\)](#) advocated by the IRS Imposes an untenable choice upon a

company in these circumstances. If the company declines to make such analysis or scrimps on candor and completeness to avoid prejudicing its litigation prospects, it subjects itself and its co-venturers to ill-informed decisionmaking. On the other hand, a study reflecting the company's litigation strategy and its assessment of its strengths and weaknesses cannot be turned over to litigation adversaries without serious prejudice to the company's prospects in the litigation. *Cf. Hickman, 329 U.S. at 516, 67 S. Ct. at 396* (Jackson, J., concurring) ("Discovery was hardly intended to enable a learned profession to perform its functions either without wits or on wits borrowed from the adversary.").

We perceive nothing in **[**22]** the policies underlying the work-product doctrine or the text of the Rule itself that would justify subjecting a litigant to this array of undesirable choices. The protection of the Rule should be accorded to such studies in these circumstances. See *United States v. Adlman, 68 F.3d at 1501* ("There is no rule that bars application of work-product protection to documents created prior to the event giving rise to litigation."). We see no basis for adopting a test under which an attorney's assessment of the likely outcome of litigation is freely available to his litigation adversary merely because the document was created for a business purpose rather than for litigation assistance. The fact that a document's purpose is business-related appears irrelevant to the question whether it should be protected under *Rule 26(b)(3)*.⁴

⁴Judge Kearsse argues in dissent that *Rule 26(b)(3)* has no application where the anticipated litigation will not occur unless the client makes a contemplated business decision. We believe this view writes a significant and unauthorized limitation into the Rule. The Rule extends limited protection to documents prepared "in anticipation of litigation." According to Judge Kearsse's reading, it protects documents prepared "in anticipation of litigation, but not where the anticipated litigation would result from a business decision still in contemplation." We can find no justification in the Rule, the commentary, or the purposes underlying the Rule for adding such a limitation.

Judge Kearsse also argues that work product protection is

[23]** **[*1201]** We note that in *Delaney, Migdail & Young, Chartered v. IRS, 264 U.S. App. D.C. 52, 826 F.2d 124 (D.C. Cir. 1987)*, the IRS successfully argued against the very position it here advocates. The D.C. Circuit sustained the IRS's claim of work-product privilege in circumstances where the claim would have failed under the test applied by the Fifth Circuit and advocated by the IRS on this appeal. The documents sought in *Delaney* were prepared by IRS attorneys for a business purpose -- to help the IRS decide whether to adopt a proposed system of statistical sampling for its corporate audit program for large accounts. However, the study was prepared because of expected litigation which would result from adoption of the program; it analyzed expected legal challenges to the use of the proposed program, potential defenses available to the agency, and the likely outcome. Based on the preparatory study, the IRS concluded that the proposed statistical sampling program presented an acceptable legal risk and authorized it. The court refused discovery with the observation that the party requesting discovery was

seeking the agency's attorneys assessment of the program's legal vulnerabilities **[**24]** in order to make sure it does not miss anything in crafting its legal case against the program. This is precisely the type of discovery the [Supreme] Court refused to permit in *Hickman v. Taylor*.

826 F.2d at 127 (emphasis added) (footnote omitted). The Seventh Circuit has also considered and rejected the contention that documents automatically fall outside the scope of the work-

unnecessary because protection will generally be accorded by the attorney-client privilege. No doubt in many instances this will be true, but it is irrelevant. Where true, the issue is moot. In other circumstances, however, the attorney-client privilege may be unavailable for a number of reasons. For example, as suggested in hypothetical examples considered above, the document may have been shown to others simply because there was some good reason to show it. The attorney-client privilege and the work product rule serve different objectives. The fact that a document does not come within the attorney-client privilege should not result in the deprivation of the protection accorded by *Rule 26(b)(3)*.

product doctrine when they are prepared for purposes other than assistance in litigation. See In re Special September 1978 Grand Jury (II), 640 F.2d 49, 61-62 (7th Cir. 1980).⁵

[**25] Similarly, several district courts have rejected the contention that Rule 26(b)(3) does not apply to documents that are not prepared for the primary or exclusive purpose of assisting in that litigation. See Vanguard Sav. and Loan Ass'n v. Banks, 1995 U.S. Dist. LEXIS 13712, No. 93- CV-4627, 1995 WL 555871, at *4 (E.D. Pa. 1995) (letters from defendant's attorneys giving the attorneys' opinion as to the likely outcome of pending litigation protected from discovery even though the letters "were created primarily for the business purpose of satisfying the regulatory examination required by the Pennsylvania Department of Banking"); American Optical Corp. v. Medtronic, 56 F.R.D. 426, 431 (D. Mass. 1972) (memoranda prepared by a lawyer in the course of counseling a client whether to accept a license or challenge the validity of a competitor's patent in court protected work product); Sylgab Steel & Wire Corp. v. Imoco-Gateway Corp., 62 F.R.D. 454, 456 (N.D. Ill. 1974) (opinion letters analyzing whether proposed products violated patents is protected work product), aff'd, 534 F.2d 330 (7th Cir. 1976); Chemcentral/Grand Rapids Corp. v. EPA, 1992 U.S. Dist. LEXIS 15149, No. 91 C 4380, 1992 WL 281322, at *5 (N.D. Ill. Oct. 6, 1992) [**26] (EPA documents analyzing likely legal challenges to proposed toxic waste cleanup plans are protected

work product); In re Woolworth Corp. Sec. Class Action Litig., 1996 U.S. Dist. LEXIS 7773, No. 94 Civ. 2217, 1996 WL 306576, at *3 (S.D.N.Y. June 7, 1996) (company's business purpose for creating material would not preclude application of Rule 26(b)(3)).

The few commentators to have specifically addressed whether the work-product doctrine should apply to documents analyzing [**1202] anticipated litigation, but prepared to assist in a business decision rather than to assist in the conduct of the litigation, have generally concluded that protection is desirable. One argues that the work-product doctrine is intended to protect a lawyer's (or other representative's) personal evaluation of his or her case, and to ensure that adversaries have the opportunity to memorialize their mental impressions, strategies, and ideas free from the concern that their litigation opponents might gain access to the material. Special Project, The Work Product Doctrine, 68 Cornell L. Rev. at 784-85. "The fact that the materials serve other functions apart from litigation does not mean that they should not be protected by work-product immunity [**27] if they reveal directly or indirectly the mental impressions or opinions of the attorney who prepared them." Note, The Work Product Doctrine: Why Have an Ordinary Course of Business Exception?, 1988 Colum. Bus. L. Rev. 587, 604. Allowing discovery of this type of material has also been characterized as an "intolerable intrusion on the [settlement] bargaining process . . . [which] allow[s] one party to take advantage of the other's assessment of his prospects for victory and an acceptable settlement figure." Edward H. Cooper, Work Product of the Rulesmakers, 53 Minn. L. Rev. 1269, 1283 (1969). Under the standard advocated by the IRS, documents assessing the strengths and weaknesses of one's case, or the likelihood of settlement and its expected cost, would be unprotected if prepared for a business purpose rather than to assist in litigation. This result is unwarranted.

2. Prepared "because of" litigation.

⁵ In Special September 1978 Grand Jury, the government contended that the reports sought to be protected from subpoena could not be work product because they were prepared for the filing of legally required state campaign contribution reports. 640 F.2d at 61. Acknowledging that the reports had indeed been prepared for that nonlitigation purpose, the court pointed out that they were prepared with the knowledge that litigation was imminent and in anticipation of that litigation. Accordingly, the protection of the Rule was allowed. Id. at 62. We do not necessarily concur with the holding of the case. Since the documents at issue were required to be prepared under Illinois law, it is arguable that they were not prepared "because of" litigation. We agree fully, however, that preparation for a nonlitigation purpose should not disqualify documents that were prepared in anticipation of litigation.

The formulation of the work-product rule used by the Wright & Miller treatise, and cited by the Third, Fourth, Seventh, Eighth and D.C. Circuits, is that [HN9](#)^[↑] documents should be deemed prepared "in anticipation of litigation," and thus within the scope of the Rule, **[**28]** if "in light of the nature of the document and the factual situation in the particular case, the document can fairly be said to have been prepared or obtained because of the prospect of litigation." Charles Alan Wright, Arthur R. Miller, and Richard L. Marcus, 8 Federal Practice & Procedure § 2024, at 343 (1994) (emphasis added). See *In re Grand Jury Proceedings*, 604 F.2d 798, 803 (3d Cir. 1979); *National Union Fire Ins. Co. v. Murray Sheet Metal Co., Inc.*, 967 F.2d 980, 984 (4th Cir. 1992); *Binks Mfg. Co. v. National Presto Indus., Inc.*, 709 F.2d 1109, 1118-19 (7th Cir. 1983); *Simon v. G.D. Searle & Co.*, 816 F.2d 397, 401 (8th Cir.), cert. denied, 484 U.S. 917, 108 S. Ct. 268, 98 L. Ed. 2d 225 (1987); *Senate of Puerto Rico v. United States Dep't of Justice*, 262 U.S. App. D.C. 166, 823 F.2d 574, 586 n.42 (D.C. Cir. 1987).

The Wright & Miller "because of" formulation accords with the plain language of [Rule 26\(b\)\(3\)](#) and the purposes underlying the work-product doctrine. Where a document is created because of the prospect of litigation, analyzing the likely outcome of that litigation, it does not lose protection under this formulation merely because **[**29]** it is created in order to assist with a business decision.

Conversely, it should be emphasized that [HN10](#)^[↑] the "because of" formulation that we adopt here withholds protection from documents that are prepared in the ordinary course of business or that would have been created in essentially similar form irrespective of the litigation. It is well established that work-product privilege does not apply to such documents. See [Fed. R. Civ. P. 26\(b\)\(3\)](#), Advisory Committee's note ("Materials assembled in the ordinary course of business . . . are not under the qualified immunity provided by this subdivision."); see, e.g., *National Union Wire*, 967 F.2d at 984.

Even if such documents might also help in preparation for litigation, they do not qualify for protection because it could not fairly be said that they were created "because of" actual or impending litigation. See Wright & Miller § 2024, at 346 ("even though litigation is already in prospect, there is no work-product immunity for documents prepared in the regular course of business rather than for purposes of the litigation").

Furthermore, although a finding under this test that a document is prepared because of the prospect of **[**30]** litigation warrants application of [Rule 26\(b\)\(3\)](#), this does not necessarily mean that the document will be protected against discovery. Rather, it means that a **[*1203]** document is eligible for work-product privilege. The district court can then assess whether the party seeking discovery has made an adequate showing of substantial need for the document and an inability to obtain its contents elsewhere without undue hardship. The district court can order production of the portions of the document for which a litigant has made an adequate showing. The court can focus its attention on whether the document or any portion is the type of material that should be disclosed, while retaining the authority to protect against disclosure of the mental impressions, strategies, and analyses of the party or its representative concerning the litigation.

In short, we find that the Wright & Miller "because of" test appropriately focuses on both what should be eligible for the Rule's protection and what should not. We believe this is the proper test to determine whether a document was prepared "in anticipation of litigation" and is thus eligible for protection depending on the further findings required by **[**31]** the Rule.

III.

We cannot determine from the district court's opinion what test it followed in concluding that the Memorandum was ineligible for protection.

There are indications that the district court may

have followed the "primarily to assist in litigation" test, which we here reject. At one point the opinion asserted that "the court must determine whether the party seeking [work-product protection] has shown that the 'documents were prepared principally or exclusively to assist in anticipated or ongoing litigation.' United States v. Construction Products Research Inc., [73 F.3d 464, 473 (2d Cir.), cert. denied, ___ U.S. ___, 136 L. Ed. 2d 213, 117 S. Ct. 294 (1996)]." (emphasis added by district court).⁶ Then, in stating its conclusion, the court said, "The primary purpose [of the Memorandum] was not to prepare for litigation; the primary purpose was to decide whether or not to go through with a

multimillion dollar transaction." These passages suggest the district court may have employed the test we reject.

[**32] On the other hand, the tenor of the discussion in the court's opinion suggests it may have focussed properly on the question whether the Memorandum studying the tax implications of the contemplated restructuring would have been prepared in substantially similar form regardless whether litigation was contemplated, and thus was not prepared "because of" the expected litigation.

We remand with instructions to the district court to reconsider the issue under the Wright & Miller test of whether "the document can fairly be said to have been prepared . . . [*1204] because of the prospect of litigation." Wright & Miller, § 2024 at 343. There is little doubt under the evidence that Sequa had the prospect of litigation in mind when it directed the preparation of the Memorandum by Arthur Andersen. Whether it can fairly be said that the Memorandum was prepared because of that expected litigation really turns on whether it would have been prepared irrespective of the expected litigation with the IRS.

If the district court concludes that substantially the same Memorandum would have been prepared in any event -- as part of the ordinary course of business of undertaking the restructuring -- then the [**33] court should conclude the Memorandum was not prepared because of the expected litigation and should adhere to its prior ruling denying the protection of the Rule.

On the other hand, if the court finds the Memorandum would not have been prepared but for Sequa's anticipation of litigation with the IRS over the losses generated by the restructuring, then judgment should be entered in favor of Sequa.

The IRS contends that even if the Memorandum qualifies as work product, it has made a sufficient showing of substantial need and unavailability so as to overcome the qualified protection accorded by Rule 26(b)(3). We disagree. The Memorandum falls

⁶The district court may have believed that we endorsed the "primarily to assist in litigation" test in Construction Products, from which the district court quoted in the passage cited above. If so, the perception was mistaken.

First, the district court's quotation of the passage from Construction Products was incomplete, and the omitted portion makes clear that our opinion does not support that interpretation. On turning to the Issue of work product privilege in Construction Products, we said, "To invoke the privilege a party generally must show that the documents were prepared principally or exclusively to assist in anticipated or ongoing litigation. 73 F.3d at 473 (emphasis added). In quoting the passage, the district court omitted the word "generally." The omitted word is of great significance, for it indicates that the court was not enunciating a categorical rule but rather describing the conventional circumstances in which work product privilege applies.

In the vast majority of cases, work product protection is sought for documents that were prepared to assist in the conduct of the litigation. Use of the word "generally" implies, however, that there exist circumstances in which the requirements of proof are different. The statement cannot stand as authority for the proposition that, whenever Rule 26(b)(3) is invoked, the applicant must show that the documents were prepared to assist in the litigation.

Second, the part of the quoted passage on which the district court relied was unrelated to the issues in dispute. We denied work product protection in Construction Products because the applicant's privilege log "simply [did] not provide enough information to support the privilege claim, particularly in the glaring absence of any supporting affidavits or other documentation." Id. at 474. The question whether documents prepared because of anticipated litigation but intended to inform a business decision are covered by the Rule was not at issue. Accordingly, the observation on which the district court may have relied was pure dictum. Construction Products simply does not address the question here presented.

within the most protected category of work product -- that which shows the "mental impressions, conclusions, opinions or legal theories of an attorney or other representative." [Fed. R. Civ. P. 26\(b\)\(3\)](#). [HNII](#)^[↑] The Rule makes clear that a showing of "substantial need" sufficient to compel disclosure of other work product is not necessarily sufficient to compel disclosure of such materials. We need not decide whether such opinion work product is ever discoverable upon a showing of necessity and unavailability by other means. See [Duplan Corp. v. Moulinage](#) [****34**] [et Retorderie de Chavanoz](#), [509 F.2d 730, 734 \(4th Cir. 1974\)](#) (opinion work product never discoverable), [cert. denied](#), [420 U.S. 997, 95 S. Ct. 1438, 43 L. Ed. 2d 680 \(1975\)](#). [Contra Holmgren v. State Farm Mut. Auto. Ins. Co.](#), [976 F.2d 573, 577 \(9th Cir. 1992\)](#). The Rule is clear that, at a minimum, such material is to be protected unless a highly persuasive showing is made. See [Upjohn](#), [449 U.S. at 402, 101 S. Ct. at 689](#). The IRS has failed to meet that high standard.

The IRS claims necessity for the Memorandum on the ground that it will provide insight into Sequa's subjective motivation for engaging in corporate restructuring and is thus relevant to determining whether the transaction was motivated by a legitimate business purpose. See, e.g., [Kirchman v. Commissioner](#), [862 F.2d 1486, 1492 \(11th Cir. 1989\)](#); [Rice's Toyota World, Inc. v. Commissioner](#), [752 F.2d 89, 91-92 \(4th Cir. 1985\)](#). In camera review of the Memorandum shows that it does not reflect the motives of Sequa's executives, but rather the legal analysis of its accountants. While the Memorandum unquestionably presupposes a desire to achieve a favorable tax result, such a desire is in no way incompatible with [****35**] the existence of a "legitimate non-tax business reason" for its choice. [Newman v. Commissioner](#), [902 F.2d 159, 163 \(2d Cir. 1990\)](#); see also [Frank Lyon Co. v. United States](#), [435 U.S. 561, 580, 98 S. Ct. 1291, 1302, 55 L. Ed. 2d 550 \(1978\)](#) ("The fact that favorable tax consequences were taken into account . . . on entering into [a] transaction is no reason for disallowing those consequences" where the

transaction has a legitimate business purpose.). The Memorandum, being the technical and legal analysis of outside accountants, and not the reflections of decisionmakers at Sequa, simply does not address or reflect Sequa's business reason for the proposed restructuring.

Moreover, the IRS has made no showing, beyond bare assertion, that the relevant information in the Memorandum is unavailable by other means. This falls far short of the heightened showing mandated by [Upjohn](#).⁷

[****36**] [***1205**] In short, the enforceability of the IRS summons for the Memorandum will turn on whether it (or substantially the same document) would have been prepared irrespective of the anticipated litigation and therefore was not prepared because of it.

Conclusion

The order enforcing the IRS summons is vacated, and the matter is remanded to the district court for further findings under the standard prescribed in this ruling.

Dissent by: KEARSE

Dissent

KEARSE, Circuit Judge, dissenting:

⁷A brief introductory section of the Memorandum discusses the historical background of the proposed restructuring. This factual information, although not subject to the heightened standard accorded opinion work product under [Upjohn](#), is nonetheless available to the IRS only upon a showing of substantial need and inability to obtain the material elsewhere without undue hardship. See [Fed. R. Civ. P. 26\(b\)\(3\)](#). Although the IRS has asserted that it is unable to obtain this material elsewhere, it has offered no support for this proposition and is in all likelihood able to obtain it, since it appears that the information sought would have been included on Sequa's tax returns for the relevant time periods. Disclosure of this portion of the Memorandum is thus unwarranted.

I respectfully dissent. It does not appear to me that the district court applied an erroneous standard in this case. Accordingly, I would affirm.

End of Document

The attorney work product privilege accords limited protection for materials that were "prepared in anticipation of litigation or for trial." See [Fed. R. Civ. P. 26\(b\)\(3\)](#). Where the only prospect of litigation is what would be anticipated if the party undertakes a contemplated transaction but not otherwise, and the materials in question were prepared in connection with providing legal advice to the party as to whether or not to undertake that transaction, I do not regard the materials as having been prepared "in anticipation of litigation." I regard the majority [****37**] as having extended the work product privilege to a stage that precedes any possible "anticipation" of litigation.

This does not mean, as suggested by the majority opinion, [ante](#) at 14-17, 20-21, that such materials will normally be discoverable. Documents in which a party's attorney assesses the legal advisability of contemplated business transactions, including the possibility and efficacy of litigation if the client elects to proceed with the transaction, will normally be protected from discovery, by the attorney-client privilege, so long as the client meets the usual requirements of, [inter alia](#), maintaining confidentiality and showing that it was seeking legal advice. The assertion of attorney-client privilege in the present case was rejected only because the client had failed to make any record that distinguished the present consultation of its accounting firm from its normal business consultations. See [United States v. Adlman, 68 F.3d 1495, 1499-1500 \(2d Cir. 1995\)](#).

I disagree with the majority's expansion of the work-product privilege to afford protection to documents not prepared in anticipation of litigation but instead prepared in order to permit the client to [****38**] determine whether to undertake a business transaction, where there will be no anticipation of litigation unless the transaction is undertaken.



[Crane Sec. Techs., Inc. v. Rolling Optics, AB](#)

United States District Court for the District of Massachusetts

February 3, 2017, Decided; February 3, 2017, Filed

Civil Action No. 14-12428-LTS

Reporter

230 F. Supp. 3d 10 *; 2017 U.S. Dist. LEXIS 15529 **; 2017 WL 470890

CRANE SECURITY TECHNOLOGIES, INC.
AND VISUAL PHYSICS, LLC,
Plaintiffs/Defendants- in Counterclaim, v.
ROLLING OPTICS, AB, Defendant /Plaintiff-in
Counterclaim

Prior History: [Crane Sec. Techs., Inc. v. Rolling Optics AB, 166 F. Supp. 3d 76, 2016 U.S. Dist. LEXIS 15656 \(D. Mass., Feb. 8, 2016\)](#)

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Judges: M. Page Kelley, United States Magistrate Judge.

Opinion by: M. Page Kelley

Opinion

[*12] ORDER ON ROLLING OPTICS AB'S MOTION TO COMPEL PRODUCTION OF DOCUMENTS IMPROPERLY WITHHELD (#192).

KELLEY, U.S.M.J.

I. Introduction

Crane Security Technologies, Inc., is the exclusive licensee of the five U.S. patents at issue in this case.¹ The patents "relate generally to optical systems that project synthetic images that 'move' and that include image icons formed as voids or recesses." #79 ¶ 1. Crane "is the exclusive supplier of banknote paper for United States currency and also supplies other counterfeit-deterrent banknote papers and security devices used around the world." *Id.* ¶ 2. Crane asserts that an "optical system" that **[**3]** is made using the patents - **[*13]** which, for example, on a \$100 bill appears as a small strip of metallic-blue paper with images in it that appear to move around when the bill is moved - is difficult to copy, and so is "extremely useful as [an] anticounterfeiting feature[] on currency." *Id.* ¶ 1.

Defendant Rolling Optics (RO) describes itself as a nanotechnology company that "makes and sells innovative 3D micro-optic foils. Typical applications for these foils are for use on product labels or packaging, to enhance or create brand

impact or to assure the genuineness of a branded product." #13 ¶ 3. Crane claims that the foils that RO makes and sells, "intended for use on security labels and stickers for certain consumer goods such as fashionable footwear, cognac, wine, champagne, and business cards," infringe its patents. #79 ¶ 14.

Plaintiffs seek a declaration that Visual Physics is the owner and Crane is the exclusive licensee of the five patents, that each patent is valid and enforceable, and that RO is infringing on each of the patents. They also seek monetary and injunctive relief. *Id.* ¶¶ 53-59.

RO initially counterclaimed for, among other things, declaratory judgment of invalidity and **[**4]** non-infringement of the five patents. #87.² In August 2016 Judge Sorokin allowed RO's motion to add an inequitable conduct counterclaim. #245. In short, RO claims that the patents are invalid, because when applying for the patents, Crane (together with the company from which Crane purchased the patents, Nanoventions (NV)), withheld information from the Patent and Trademark Office that would have established that the inventors had violated the "on-sale bar" in [35 U.S.C. § 102\(b\)](#).³ See #245, Judge Sorokin's Order, and #254, answer to plaintiffs' amended complaint and counterclaim.⁴

RO filed a motion to compel production of documents improperly withheld as privileged.

² Many of the pleadings are filed under seal. After initial citations to both redacted and unredacted documents, citations will be to sealed, unredacted documents.

³ [35 U.S.C. § 102\(b\)](#) provides that the PTO will deny a patent to an inventor who applies for the patent more than one year after making an attempt to profit from his invention by putting it on sale. [Merck & Cie v. Watson Laboratories, Inc.](#), 822 F.3d 1347, 1350-51 (Fed. Cir. 2016).

⁴ RO stated that it expected the withheld documents would support its inequitable conduct counterclaim, which "asserts that two of the named inventors at Nanoventions, and two executives at Crane, and their patent lawyer, were aware of and concealed" the fact that the patents were invalid under the on-sale bar, [35 U.S.C. § 102](#). #278-1 at 2-3. The court found nothing in the withheld documents that reveals that anyone was aware of this alleged issue.

¹ Crane Security is part of a family of companies that includes its parent, Crane & Co., Inc. #79 ¶ 2. Visual Physics, LLC, a wholly-owned subsidiary of Crane, is the owner of the patents. *Id.* ¶ 3. In this Order the plaintiffs generally will be referred to as "Crane."

##192, 198 (unredacted memorandum in support). Crane opposed the motion, ##220, 221 (unredacted), and RO responded, ##225, 243-3 (unredacted). Judge Sorokin referred the motion to this court on August 29, 2016. #246. On October 31, this court held a hearing on the motion and after argument ordered the parties to confer and Crane to revise its privilege log. #261. On December 1, 2016 this court held a telephone conference and ordered Crane to file the revised log and copies of the documents still in dispute for *ex parte* review, and the parties [**5] to file any post-hearing memoranda, by December 19, which they did. ##269, 276, 276-1 (unredacted), 278, 278-1 (unredacted). Then the parties filed replies. ##283, 285, 289 (unredacted). On January 9, 2017, the court held a telephone conference at which the court sought to clarify which documents RO was disputing; asked Crane to provide certain additional documents; and asked Crane to provide additional declarations regarding certain documents.⁵ #290. Crane [*14] provided the requested documents and declarations. ##291-94. The parties filed letters with the court concerning the telephone conference. ##297, 298. On January 30, 2017, the court ordered Crane to further justify its claim of privilege as to certain documents and on February 2, Crane responded *ex parte*. ## 299-301.⁶

II. Factual background

In August 2002 Crane entered into a Confidentiality Agreement with NV, because Crane was interested in using NV's optical system as a security device on currency. *See* #222-1. NV had not patented the technology at that time. Thereafter, the parties entered into the following additional

agreements: in September 2003, Crane and NV entered into a Non-Disclosure Agreement in order to negotiate [**6] Crane's obtaining a license to use NV's technology, #222-3; in April 2004, they entered into a License Agreement in which NV granted Crane a license to use the technology, which by that time had been patented, #222-2; in September 2007, they entered into another Non-Disclosure Agreement, #222-4; and in September 2008 they signed a Unit Purchase Agreement, which finalized Crane's purchase of the patents-in-suit, effectuated through Crane's acquiring a subsidiary of NV, Visual Physics. #222-7.

When executives at Crane first became interested in NV's technology, they were concerned that it was not protected by a patent. *See, e.g.*, #183-38 (Crane executive explains in email dated October 28, 2003 that he and patent counsel for Crane "are zeroing in on the IP right now since almost nothing is more important than that.") Crane began to investigate licensing or acquiring NV's technology, *see* #276-1 at 7, and began exchanging legal advice with NV concerning acquiring patents on the technology. *See, e.g.*, privilege log nos. 37-47 (emails dated November 2003, between patent counsel for Crane, Mary Bonzagni, patent counsel for NV, Todd Deveau, and the inventor of the technology, Richard Steenblik, [**7] concerning patent prosecution.) Over the next several years Crane continued to cooperate with NV concerning further patenting the technology and eventually, after negotiating with NV for many months, purchased the intellectual property from NV in 2008. ##276-1 at 7; 279-2 at 2.

RO challenges approximately 600 entries on Crane's privilege log totaling about 4,000 pages of privileged documents.⁷ ##276-1 at 1; 283 at 2 n.1.

⁵ At the telephone conference on January 9 the court stated that it had read the hundreds of challenged documents listed in RO's filing #278-1, and since it appeared that the privilege log accurately described those documents, the court would not read every challenged document. In the end, however, in preparing this Order, the court did read all of the documents.

⁶ In Crane's *ex parte* response it satisfactorily answered the court's questions and asserted that it would provide certain redacted documents to RO.

⁷ RO requested documents, among others, concerning the subject matter of the patents-in-suit; the conception of the claimed inventions; documents authored or sent by the inventors, Richard Steenblik and Mark Hurt; prior art; documents concerning the prosecution of the patents-in-suit; definitions of claim terms; the first sale, public use or public disclosure of any patented product; and licensing of the patents-in-suit. #198 at 13-14. Crane argues only that

The documents can be divided into four categories. First, there are documents dated before April 16, 2004, which is when the License Agreement between Crane and NV took effect. #278-1 at 14. Second, RO seeks documents between Crane and NV from the time of the License Agreement in April 2004, up to the time Crane agreed to purchase the patents-in-suit in 2008. *Id.* at 15. [*15] Third, RO seeks communications between Crane and an investment banking firm that Crane retained to assist with the acquisition of the patents-in-suit. *Id.* at 16. Finally, RO seeks documents that Crane shared with non-parties; communications between non-attorneys; and attorneys' memoranda to the file. *Id.* at 17-20.

The court has read all of the challenged documents and the privilege log. The court finds that all of the documents are [**8] privileged, for the reasons set out below.

III. The law pertaining to privilege

Fed. R. Civ. P. 26(b)(1) provides that parties may obtain discovery "regarding any nonprivileged matter that is relevant to any party's claim or defense and proportional to the needs of the case." Plaintiffs assert attorney-client privilege and also argue that the community of interest exception to third-party waiver applies to certain challenged documents. Plaintiffs bear the burden of establishing that the privilege applies. State of Maine v. United States Dep't of the Interior, 298 F.3d 60, 71 (1st Cir. 2002). "If the privilege is established and the question becomes whether an exception to it obtains, the devoir of persuasion shifts to the proponent of the exception." FDIC v. Ogden Corp., 202 F.3d 454, 460 (1st Cir. 2000).

While this is a patent case, the issues raised here pertaining to privilege and waiver are not unique to patent law and thus First Circuit law concerning privilege applies.⁸ See In re Spalding Sports

the withheld documents are privileged; Crane does not argue that they are not relevant.

⁸The Federal Circuit applies "regional circuit law to procedural

Worldwide, Inc., 203 F.3d 800, 804 (Fed. Cir. 2000) (because issue whether "licensor and a licensee are joint clients for purposes of privilege under the community of interest doctrine...[is] not unique to patent law," regional circuit law applies).

A. Attorney-client privilege - in general

Wigmore set out the elements of the attorney-client privilege:

'(1) Where legal advice of any kind is sought (2) from a professional legal [**9] advisor in his capacity as such, (3) the communications relating to that purpose, (4) made in confidence (5) by the client, (6) are at his instance permanently protected (7) from disclosure by himself or by the legal adviser (8) except the protection be waived.'

Cavallaro v. United States, 284 F.3d 236, 245 (1st Cir. 2002) (quoting 8 J. H. Wigmore, *Evidence* § 2292, at 554 (McNaughton rev. 1961)). The privilege is limited in that it "applies only to the extent necessary to achieve its underlying goal of ensuring effective representation between lawyer and client." In re Grand Jury Subpoena (Custodian of Records, Newparent, Inc.), 274 F.3d 563, 571 (1st Cir. 2001) (citing Fisher v. United States, 425 U.S. 391, 403, 96 S. Ct. 1569, 48 L. Ed. 2d 39 (1976)); see also In re Keeper of Records (Grand Jury Subpoena Addressed to XYZ Corp.), 348 F.3d 16, 22 (1st Cir. 2003) (attorney-client privilege is narrowly construed because it "stands as an obstacle of sorts to the search for truth").

Communications must "have been intended to be confidential and made for the purpose of giving or obtaining legal advice" to qualify as privileged. Cavallaro, 284 F.3d at 245. Disclosing attorney-client [*16] communications to a third party

questions that are not themselves substantive patent law issues so long as they do not (1) pertain to patent law, ... (2) bear an essential relationship to matters committed to our exclusive control by statute, or (3) clearly implicate the jurisprudential responsibilities of this court in a field within its exclusive jurisdiction...". GFI, Inc. v. Franklin Corp., 265 F.3d 1268, 1272 (Fed. Cir. 2001) (internal citations omitted).

undermines the privilege. *Id.* at 247.

B. The common-interest doctrine

The common-interest doctrine, which is not an independent privilege but is an exception to the rule that the attorney-client privilege is waived when privileged information is disclosed to a third party, applies when parties share a substantially identical interest in the subject matter of a [**10] legal communication.⁹ See *Cavallaro*, 284 F.3d at 249-50, citing *In re Grand Jury Subpoena*, 274 F.3d 563, 573 (1st Cir. 2001). One application of the doctrine as it pertains to patent cases is discussed in the leading case *In re Regents of the Univ. of California*, 101 F.3d 1386, 1390 (Fed. Cir. 1996). In *Regents*, the Federal Circuit explained that "[c]onsultation with counsel during patent prosecution meets the criteria of compliance with law and meeting legal requirements, thereby reducing or avoiding litigation, and is within the scope of subject matter that is subject to the attorney-client privilege." *Id.* at 1391. The court noted that it had long been held that "[a] community of legal interests may arise between parties jointly developing patents; they have a common legal interest in developing the patents to obtain greatest protection and in exploiting the patents." *Id.* at 1389 (quoting *Baxter Travenol Labs, Inc. v. Abbott Labs.*, 1987 U.S. Dist. LEXIS 10300, 1987 WL 12919, at *1 (N.D. Ill. June 19, 1987)) and (citing *SCM Corp. v. Xerox Corp.*, 70 F.R.D. 508, 514 (D. Conn. Feb. 4, 1976) ("Whether the legal advice was focused on pending litigation or on developing a patent program that would afford maximum protection, the privilege should not be denied when the common interest is clear"),

⁹This exception to the waiver rule goes by many names, see, e.g., *Hilsinger v. Eyeego, LLC*, 2015 U.S. Dist. LEXIS 106725, 2015 WL 11120842, at *2 (D. Mass. Aug. 13, 2015). For the sake of consistency the court here will refer to the "common-interest doctrine," a term which the court in *Cavallaro* applied to a situation concerning multiple parties with different attorneys, see 284 F.3d at 249. The First Circuit there acknowledged that the nomenclature was less important than the analysis ("[w]hether one refers to ... 'common interest,' 'joint defense,' 'joint client,' or 'allied lawyer' doctrines does not change the outcome of this case...") *Id.* at 250.

appeal dismissed, 534 F.2d 1031 (2nd Cir. 1976)).

The *Regents* court, following this precedent, held that communications between a potential licensee and an inventor/patentee were privileged under the common-interest doctrine because "both parties had the same interest in obtaining strong [**11] and enforceable patents." 101 F.3d at 1390. It did not matter that one party had not retained the other party's attorney: "the issue is not who employed the attorney, but whether the attorney was acting in a professional relationship to the person asserting the privilege." The court concluded that "the legal interest [between the potential licensee and the inventor/patentee] was substantially identical because of the potentially and ultimately exclusive nature" of the license agreement: "Valid and enforceable patents" on the inventions "are in the interest of both parties." *Id.*

The test for application of the doctrine requires that the interest be "identical, not similar, and be legal, not solely commercial." *Id.* With regard to what "legal interest" means in the context of patent cases, other courts have followed *Regents* in finding that communications concerning the strength and enforceability of patents between parties who are negotiating exclusive patent licenses are protected under the common-interest doctrine, even though the communications obviously have a commercial purpose, as well. *Regents*, 101 F.3d at 1390 (quoting *Duplan Corp. v. Deering Milliken, Inc.*, 397 F. Supp. 1146, 1172 (D.S.C. 1974) [*17] ("The fact that there may be an overlap of a commercial and a legal interest for a third party does [**12] not negate the effect of the legal interest in establishing a community of interest")); *Hilsinger v. Eyeego, LLC*, 2015 U.S. Dist. LEXIS 106725, 2015 WL 11120842, at *2 (D. Mass. Aug. 13, 2015) (approvingly citing *Regents* for the proposition that communications between parties negotiating licensing agreement were privileged as they were pursuing common legal strategy concerning enforcement of patents-in-suit); *Luminara Worldwide, LLC v. Liown Electronics Co., Ltd.*, Case No. 0:14-cv-03103-SRNFLN, ECF

No. 427, at 15-18 (D. Minn. Mar. 29, 2016) (interests in obtaining and protecting strong and enforceable patent rights are regularly found to be common legal interests held by a patentee and its licensee and communications in further of those interests are protected by the community of interest doctrine); [MPT, Inc. v. Marathon Labels, Inc., 2006 U.S. Dist. LEXIS 4998, 2006 WL 314435, at *7 \(N.D. Ohio Feb. 9, 2006\)](#) (licensee and patent owners have common legal interest).

C. The doctrine of *United States v. Kovel*

Another exception to the rule that disclosing attorney-client communications to a third party destroys the privilege is when an expert, such as an accountant or, as in this case, an investment banker, is employed to assist a lawyer in rendering legal advice. In [Cavallaro, 284 F.3d at 247](#), the First Circuit approvingly cited [United States v. Kovel, 296 F.2d 918, 921 \(2d Cir. 1961\)](#), where the Second Circuit applied the exception to communications involving an accountant who **[**13]** was assisting an attorney in preparing a client's case. In *Kovel*, the court found that since "the complexities of modern existence prevent attorneys from effectively handling clients' affairs without the help of others," the attorney-client privilege includes persons who act as attorneys' agents. *Id.*

The court in *Cavallaro*, however, stressed that the third-party's assistance must be nearly indispensable or serve some specialized purpose in facilitating attorney-client communications. [Cavallaro, 284 F.3d at 249](#); see [Dahl v. Bain Capital Partners, 714 F. Supp. 2d 225, 227-28 \(D. Mass. 2010\)](#) (third-party's assistance must be "nearly indispensable," must "play an interpretive role," and must be made for purpose of rendering legal advice); [Conway v. Licata, 104 F. Supp. 3d 104, 125 \(D. Mass. 2015\) \(Sorokin, J.\)](#) (community of interest doctrine did not protect communications where third party merely "introduced" plaintiffs to counsel and "assisted" in conversations with counsel and negotiations, and no showing was made that his assistance was "nearly

indispensable").

IV. The disputed documents

A. Pre-April 16, 2004 communications between Crane and NV

The first group of documents at issue are those that pre-date the April 2004 Licensing Agreement between Crane and NV. See privilege log at 1-12. Many of the communications are between inventor Richard **[**14]** Steenblik and NV's patent counsel, Todd Deveau, between Mr. Steenblik and patent counsel for Crane, Mary Bonzagni, or between the two attorneys. All of the communications consist of requests for, discussion of, or the provision of legal advice pertaining to patent prosecution. RO argues, among other things, that documents between Crane and NV are not privileged because they did not have any confidentiality agreement, "written or otherwise," in place that protected communications concerning patents, nor did Crane and NV have a common legal interest in the patents in question. #243 at 1-2.¹⁰

[*18] First, certain of the communications are between Mr. Steenblik and counsel for NV during the time when Mr. Steenblik and NV were applying for patents for his inventions, see, e.g., privilege log nos. 1-6. These clearly are protected by the attorney-client privilege. See [In re Spalding Sports Worldwide, Inc., 203 F.3d at 805-06](#) (invention record, provided to attorney "for the purpose of securing primarily legal opinion, or legal services, or assistance in a legal proceeding," constitutes privileged communication). These documents, which date from 2003 to 2005, were obtained by Crane when it purchased the patents-in-suit from NV, by acquiring Visual **[**15]** Physics, in 2008. See #292 at 1-2, Declaration of John Kittredge, and accompanying list of documents. This court is

¹⁰The privilege log also lists documents dated after the License Agreement in 2004 that are between Crane and NV and relate to prosecution of patents, see, e.g., privilege log at 13-17. These documents, regardless of their date, are privileged for the reasons set out in this section of the Order.

unaware of any law, and RO does not cite any, that when one company purchases another, the files that it inherits in which an inventor and counsel for the acquired company were working together to apply for a patent somehow lose their privilege. These documents are privileged and shall not be disclosed.

The rest of the documents in this category are dated beginning in October 2003. *See* privilege log at 3. The court rejects RO's argument that during this time the parties did not have any agreement that information shared concerning patents would be confidential. In August 2002, approximately a year before any of the communications at issue were made, NV and Crane entered into a mutual Confidentiality Agreement for the purpose of "discussing and exploring business opportunities related to security thread for banknote paper." #222-1. The Confidentiality Agreement protected both sides' information. Its term was two years, so it expired in August 2004. *Id.* at ¶¶ 1-2, 12. RO argues that the 2002 Confidentiality Agreement "says nothing about patents" and so "had nothing to do [**16] with the sharing of privileged communications regarding patent prosecution." #243 at 1. However, by November 2003, just after the starting date of the documents RO of which seeks to compel disclosure, the parties exchanged a draft License Agreement, #222-5, so there is no question that at the time of the communications at issue, Crane and NV had an expectation that their communications would be confidential and Crane, seeking to license NV's technology for use on currency, had a keen interest in the strength and enforceability of NV's patents. In addition, a review of the documents in question leaves no doubt that the parties were working together to draft patent claims that protected their mutual interests. Further, it is obvious, given the tenor of the parties' communications, that they considered these communications to be confidential. *See, e.g.*, privilege log no. 64, email dated November 20, 2003, from NV's patent counsel to Crane's patent counsel, copying the inventors and CEO Martin of NV, providing legal advice and requesting legal

advice about patent prosecution.

The License Agreement, which the parties were negotiating at the time of the communications in question, provided [**17] that Crane would have an exclusive license with regard "to the Field," #222-2 at 4, which was defined as "security thread in government-issued paper currency." *Id.* at 2 ("This license is exclusive as to the Field."). Crane and NV were bound to "cooperate with each other regarding the prosecution of patent cases and shall take all reasonable steps necessary to maintain the patent and other Intellectual Property Rights" concerning the technology at issue. *Id.* at 16. Crane and NV were required to notify each other of infringement, [*19] to meet concerning it, and to decide the best course of legal action to protect their shared interests. *Id.* at 17.

RO argues that the License Agreement was not "exclusive" because Crane's license was limited to the field of security threads on currency as defined in the Agreement, and further argues that negotiations preceding the April 2004 License Agreement are not privileged. #278-1 at 1-3. Both arguments fail. It is clear, first, as discussed above, that communications between parties concerning the strength and enforceability of patents as they are negotiating exclusive license agreements are protected under the common-interest doctrine. [Regents, 101 F.3d at 1390](#); *see also Luminara, supra* at 15-18 (citing cases). Second, the fact [**18] that an agreement is limited to a specific field, even a "narrow" one, does not vitiate the privilege. *See Hilsinger, supra 2015 U.S. Dist. LEXIS 106725 [WL] at *4; Baxter Travenol Labs., 1987 U.S. Dist. LEXIS 10300, 1987 WL 12919, at *2* (community of interest doctrine upheld between potential exclusive licensee and licensor where eventual license agreement was for limited field).¹¹

RO argues that the lack of a common legal interest between Crane and NV is evidenced by emails that

¹¹ Crane points out that its profit from the "narrow field" was over \$260 million from 2005 to 2015. ##276-1 at 4 (citing exh. 4), 277-8 (unredacted).

were disclosed to RO by Crane in which NV's CEO, Brian Martin, rebuffs Crane's offers to control NV's patent application process. #278-1 at 3-7. For example, in one email from the time the parties were negotiating the License Agreement, dated November 20, 2003, CEO Martin rejected a proposal from Crane that the Agreement require NV to consult with Crane about "all actions to be taken by [NV] with respect to its patents..." by saying, "[w]e handle our own intellectual property." *Id.* at 4.¹² This email does not, as RO asserts, mean that Crane and NV had no area of common legal interest. NV clearly had plans to utilize its technology in applications beyond the field of currency protection, *see* ##192-11, 199-6 (unredacted) (email from NV CEO Martin to Crane executive stating that inventors "have more than a dozen patents and are taking all steps necessary [****19**] to broadly protect our technology both inside and outside Crane & Co.'s licensed field"), so it comes as no surprise that NV was hostile to the idea that Crane would control *all* of its patent efforts. The fact that the parties periodically disagreed concerning the division of rights between them does not mean that they did not have a common interest in the patents in question. A review of the 34 disputed communications in this category that are listed in RO's memorandum, #278-1 at 14, demonstrates that, despite CEO Martin's periodic complaints concerning Crane's perceived over-reaching, NV and Crane, with input from attorneys and executives from both sides and the inventor, were in fact seeking and receiving confidential legal assistance from one another in prosecuting the

patents that concerned Crane.¹³

[****20**] Contrary to RO's suggestions, *see, e.g.*, #198 at 9, and in contrast to the tone of CEO Martin's quoted emails, *id.* at 6-7, the disputed documents demonstrate "cooperation in fact toward the achievement of a common [legal] objective." *FDIC v. Ogden Corp.*, 202 F.3d at 461; *see also North River Ins. Co. v. Columbia Cas. Co.*, 1995 U.S. Dist. LEXIS 53, 1995 WL 5792, at *4 (S.D.N.Y. Jan. 5, 1995) ("What is important is not whether the parties theoretically share similar interests but rather whether they demonstrate actual cooperation [****20**] toward a common legal goal"). These documents are correctly logged by Crane as communications concerning legal advice, sought from and given by attorneys, about the patent process and concerning the strength of the patents in light of the license that Crane was seeking.¹⁴

In short, the parties had a common legal interest that is widely recognized in the law, namely, the interest that potential licensees and patent owners have in successfully prosecuting patent applications as established in *Regents, supra*, 101 F.3d at 1390-91. During the time in question the parties were bound by a Confidentiality Agreement and were negotiating an exclusive License Agreement. The communications themselves demonstrate both that the parties were working together to develop strong patents and an expectation that the communications would be confidential. The documents are privileged and the privilege was not waived.

B. Communications from the time of the License

¹²This email and others in which Martin expressed reluctance to allow Crane to control its patent development properly were disclosed to RO by Crane, because while the common-interest doctrine protects communications regarding the enforceability of patents, it does not protect "communications relating to the parties' rights among themselves in the patents," because "[s]uch communications are not related to the parties' joint interests." *See, e.g., Baxter Travenol Labs.*, 1987 U.S. Dist. LEXIS 10300, 1987 WL 12919, at *2.

¹³RO argues that *Regents* does not apply in this case because there, the party seeking to license the patent, Lilly, had the right to control the prosecution of the patents along with the owner of the patents. #278-1 at 13. The court rejects the notion that both parties' having total control over patent prosecution is the litmus test for their having a common legal interest.

¹⁴Another reason RO argues that Crane and NV did not cooperate in prosecuting the patents is that in a deposition, a retired Crane employee, who is not a lawyer, said that Crane did not share legal advice concerning patents with NV. #278-1 at 6-7. The short answer to this argument is that the documents themselves belie this testimony.

Agreement in April 2004 to the time Crane agreed to purchase the patents-in-suit in 2008

RO argues that communications between Crane and NV negotiating the acquisition of the patents, including "due diligence communications and documents," are not privileged, because Crane and NV were [**21] negotiating at arms' length, and so did not have a common legal interest. #278-1 at 15-16.

Communications between NV and Crane in furtherance of Crane's purchase of the patents, insofar as they concern the strength and enforcement of the patents that Crane was seeking to purchase, are privileged. This is a common-sense application of the *Regents* holding. See [High Point SARL v. Sprint Nextel Corp., 2012 U.S. Dist. LEXIS 8435, 2012 WL 234024, at *9 \(D. Kan. Jan. 25, 2012\)](#) (citing *Regents, supra*, in support of ruling that communications between seller of patents and potential buyers were privileged under common-interest doctrine: "[a]lthough [the seller] and the other companies had adversarial interests when they were negotiating the possible transfer of the patents, they still had a common legal interest in the validity, enforceability and potential infringement of the patents-in-suit"), *motion for reconsideration in part allowed on other grounds, 2012 U.S. Dist. LEXIS 62438, 2012 WL 1580634 (D. Kan. May 4, 2012)*; [Hewlett-Packard v. Bausch & Lomb, Inc., 115 F.R.D. 308, 310 \(N.D. Cal. Apr. 9, 1987\)](#) (Bausch & Lomb did not waive privilege by disclosing attorney's opinion letter concerning validity and possible infringement of patent to non-party with whom it was attempting to negotiate the sale of a business as parties had common interest in whether patent was valid and enforceable.).

RO cites [In re JP Morgan Chase & Co. Securities Litigation, 2007 U.S. Dist. LEXIS 60095, 2007 WL 2363311, at *5 \(N.D. Ill. Aug. 13, 2007\)](#) for the proposition that companies that are negotiating a merger cannot have [**22] a common interest [**21] because their interests are in conflict. #278-1 at 15-16. [JP Morgan](#) is not a patent case. Here, as

long as the communications between buyer and seller concern the strength and enforceability of the patents, they are primarily for a legal purpose and are protected under the common-interest doctrine.¹⁵

Many of the communications in this second category are between non-attorneys. RO, citing [FTC v. Abbvie, 2015 U.S. Dist. LEXIS 166723, 2015 WL 8623076, at *3 \(E.D. Pa. Dec. 14, 2015\)](#), argues that the common-interest doctrine only applies to communications between attorneys who are sharing information, while acknowledging, however, that "there is a split in authority" on this point. #198 at 23-24; #278-1 at 19. As a fallback, RO argues that even where clients with a common legal interest are discussing privileged advice among themselves, the discussion must be directly and explicitly "at the direction of counsel" in order to be privileged. *Id.* at 20.

RO disregards the realities of communications between attorneys and clients and between non-lawyers who share a common legal interest. As an initial matter, Crane rightly points out that RO's own privilege log contains numerous entries between non-lawyers for which it claims common-interest protection. See ##276-1 at [**23] 11; 283 at 5; 286 (list of examples from RO's privilege log). Notwithstanding RO's own failure to adhere to it, the proposed rule is simply unworkable in a case like the present one, where multiple attorneys and executives are working together, with the help of assistants who gather or communicate information for them. For example, many of the communications RO complains of, #278-1 at 19, such as privilege log nos. 320 and 604, consist of

¹⁵ In support of its argument that communications between NV and Crane prior to the acquisition are merely "due diligence" and are not privileged, RO also cites [Fed. Trade Comm'n v. Abbvie, Inc., 2015 U.S. Dist. LEXIS 166723, 2015 WL 8623076, at *10 \(E.D. Pa. Dec. 14, 2015\)](#). #198 at 27-28. The portion of *Abbvie* that RO cites, in which the court says that due diligence communications that are created for business purposes and not for legal purposes are not privileged, concerns communications that the court found were not privileged to begin with. *Id.* In contrast, here, the communications are seeking or giving legal advice specifically with regard to the strength of the patents in issue.

non-lawyers' sending privileged requests for information, or coordinating the delivery of legal advice, at an attorney's direction. It cannot be that these communications, simply because an assistant made them at the request of a lawyer rather than the lawyer's making them herself, are not privileged. Another communication RO complains of, #278-1 at 19, privilege log no. 203, is a communication from the CEO of Crane to the CEO of NV that consists entirely, and explicitly, of advice from Crane's patent attorney concerning the strength of the patents that NV was seeking. This is a clear effort on Crane's part to assist NV by providing legal assistance in prosecuting a patent that was in both parties' interests, and is privileged under the holding of [**24] the Regents case.

The court has reviewed all of the communications in this category and finds that they are either seeking or discussing legal advice.¹⁶ The fact that communications [**22] are between nonlawyers does not per se waive the privilege. In In re Prograf Antitrust Litigation, 2013 U.S. Dist. LEXIS 63594, 2013 WL 1868227, at *3, (D. Mass. May 3, 2013), the idea that non-lawyers could discuss or relay legal advice without copying an attorney was so uncontroversial that Judge Zobel, incorporating it into her ruling, did not even discuss it. Other courts have held the same. See Gucci America, Inc. v. Gucci, 2008 U.S. Dist. LEXIS 101760, 2008 WL 5251989 (S.D.N.Y. Dec. 15, 2008) (if privileged information is shared between parties that have a common legal interest, "the privilege is not forfeited even though no attorney either creates or received that communication"); INVISTA North America S.a.r.l. v. M&G USA Corp., 2013 U.S. Dist. LEXIS 88633, 2013 WL 12171721 (D. Del.

June 25, 2013) (common-interest doctrine protects communications between non-attorneys); IBJ Whitehall Bank & Trust v. Cory & Associates, Inc., 1999 U.S. Dist. LEXIS 12440, 1999 WL 617842, at *6-7 (N.D. Ill. Aug. 12, 1999) (attorney-client privilege exists for communications between non-lawyers: "[s]o long as the parties keep the advice within their circle of common interest, the privilege is not waived"); McCook Metals LLC v. Alcoa Inc., 192 F.R.D. 242, 255 (N.D. Ill. March 2, 2000) ("it appears implicit in present day litigation with multiple attorneys required for proper representation that attorneys must be allowed to confer with each other regarding the representation of a client on a privileged basis in the same way that clients must be able to discuss [**25] the advice of counsel amongst themselves on a privileged basis") (citations omitted).

C. Communications between Crane and an investment banking firm that pre-date Crane's acquisition of the patents-in-suit

In late 2007, Crane engaged the financial services firm of Brown Brothers Harriman & Co. (BBH) to assist Crane in acquiring NV's patents.¹⁷ The acquisition as a whole involved more than \$100 million and BBH was paid \$1.25 million for its services. #279-2 at 5.

Attorney James Hackett was outside counsel to Crane and provided legal advice regarding the acquisition of NV's intellectual property. In his declaration, Attorney Hackett addresses the communications in dispute that he and other attorneys from his law firm exchanged with representatives from BBH from June to September

¹⁶The court also finds that the communications in question were limited to those in a "need to know" position regarding attorneys' advice. See, e.g., In re Prograf Antitrust Litigation, 2013 U.S. Dist. LEXIS 63594, 2013 WL 1868227, at *3 (D. Mass. May 3, 2013) (Judge Zobel, setting out rules for determining whether documents are privileged, holds that communications between non-attorney employees who "discuss or relay counsel's legal advice" must be in a "need to know" position "or bear some responsibility for the subject matter underlying the consultation.").

¹⁷The engagement letter states that BBH, among other things, would "advise and assist" in formulating an "effective strategy" for the transaction, assist in determining "the most advantageous financial structure for any particular Transaction," assist in negotiations concerning the transaction, and "to the extent necessary or useful, assist in coordinating the activities of other professional firms whose services may be required by [Crane], including attorneys, accountants, consultants, and others." The letter further provides that BBH would keep all of Crane's information confidential. #279-3 at 2 (engagement letter).

2008 concerning the acquisition of NV's patents. He states, "I shared legal advice with Crane's advisors at BBH, in strict confidence, where it was necessary for BBH to facilitate our provision of legal advice." #279-2 at 2. The communications with BBH were in part concerning the drafting of "the agreements necessary to accomplish the acquisition." *Id.* With regard to the drafting of such documents, Attorney [**26] Hackett states:

In drafting and negotiating the acquisition agreements, Crane required both privileged legal advice from attorneys and the expertise of BBH regarding corporate transactions, all of which needed to be coordinated to assist Crane in reaching the optimum effective agreements. The provision of the agreements necessarily related to the strategy, financial arrangements, and deal [*23] structure that BBH was required to formulate, and the agreements are legal contracts that also required legal advice to codify, so my attorney team and the team at BBH were required to share information to assist each other in giving the necessary advice to Crane.

Id. at 4-5.

Attorney Hackett expected that the legal advice he shared with BBH, which was similar to work he had done on other "significant corporate transactions throughout [his] career," to be confidential and privileged. *Id.* at 5.

The court here, following the holding of the First Circuit in *Cavallaro*, finds that those communications that included BBH, counsel, and Crane that were made in order to facilitate communication between Crane and its attorneys for the purpose of seeking legal advice, that were indispensable to the provision of legal advice, and that [**27] were intended to be confidential, are protected. *Cavallaro*, 284 F.3d at 246-49.

The court in *Cavallero* provided guidance for applying its general holding to particular facts. One pertinent question is whether the client actually was

seeking advice from the third party, or from the attorney. *Id.* at 247. In *Cavallero*, the court questioned whether the attorney, a senior partner at Hale and Dorr with "over twenty years' experience, and a specialist in trust and estates," truly required advice from the accountant, or whether the attempt to protect the accountant's communications under the attorney-client privilege, where the parties were under investigation for tax fraud, was a subterfuge. *Id.* at 249.

In the context of this case, the question whether the client was primarily seeking advice from BBH or from attorneys is closely related to whether the communications concern legal or business advice. That is, was BBH assisting the attorney in some critical way in giving legal advice, or was the attorney serving as a passthrough for business advice? "A key component of the privilege is that the communications with the attorney must call upon the attorney in his or her capacity as a legal advisor." *America's Growth Capital, LLC v. PFIP, LLC d/b/a Planet Fitness*, 2014 U.S. Dist. LEXIS 38405, 2014 WL 1207128, at *2-3 (D. Mass. Mar. 14, 2014) (Stearns, J.) (giving of business advice and [**28] requests for such advice not protected). Of course, the difficulty in distinguishing legal from business advice is obvious and has been noted in the cases. See *America's Growth*, 2014 U.S. Dist. LEXIS 38405, 2014 WL 1207128, at *3 (distinctions between legal and business matters in context of communications with in-house counsel "hard to draw") (citing *United States v. Windsor Capital Corp.*, 524 F. Supp. 2d 74, 81 (D. Mass. 2007)). Business and legal concerns often overlap, and no one would argue that when lawyers advise clients concerning business matters such as the drafting of contracts, their advice is not privileged. See, e.g., *Marusiak v. Adjustable Clamp Co.*, 2003 U.S. Dist. LEXIS 9450, 2003 WL 21321311, at *2 (N.D. Ill. June 5, 2003) ("while it is true that solely personal or business advice is not protected by the attorney-client privilege, legal advice relating to business matters clearly is"); *Weeks v. Samsung Heavy Industries, Ltd.*, 1996 U.S. Dist. LEXIS 7397, 1996 WL 288511, at *2 (N.D. Ill. May 30,

[1996](#)) (attorney-client privilege not vitiated simply because attorney weighs business considerations in rendering legal advice.)

Applying the criteria from [Cavallaro](#) here, first, there is no question that the communications were intended to be confidential: the court credits the declaration of Attorney Hackett, that the communications were made in "strict confidence," #279-2 at 5, and the emails themselves demonstrate that the parties assumed they were confidentially sharing information. With regard to the purpose of the communications at issue, [**29] while BBH's engagement [**24] letter states only in relevant part that Crane hired BBH to "assist in coordinating the activities of other professional firms whose services may be required by [Crane], including attorneys...", the court accepts Attorney Hackett's assertion that he understood that Crane hired BBH in part to facilitate the provision of legal advice to Crane, #279-2 at 2, not only because he states it in his declaration but because the documents themselves demonstrate that Attorney Hackett in fact persistently asked BBH for help in crafting legal advice.¹⁸ The court finds that the advice as

¹⁸ One typical entry, privilege log no. 1248, is an email from BBH employee John Molner to Attorney James Hackett, copying executives at Crane and others at BBH. Mr. Molner, responding to an email asking for his comments, is agreeing that something is difficult to understand and is then framing questions for the attorney about technical aspects of a proposed contract. This email is an example of the investment banker facilitating communication between Attorney Hackett and his client for the purpose of providing legal advice, by providing professional advice within his area of expertise to assist the attorney in understanding complex business issues so that he can draft a contract for his clients. Another typical email chain, privilege log nos. 1142, 1144-6, and 1171, is between Attorney Hackett to Mr. Molner and Crane executives concerning a contract, where Mr. Molner is asking to review a certain document drafted by patent attorney Mary Bonzagni in order to assist Attorney Hackett in providing advice to his client. Privilege log no. 1250 is an email from Attorney Bonzagni to Crane's President, Attorney Hackett, and Mr. Molner, asking them to review a certain draft of an agreement pertaining to the intellectual property. In other words, she is seeking BBH's input so that she may provide legal advice to her client. Another series of emails, privilege log nos. 1231-32, is between BBH representatives and Attorneys Bonzagni and Hackett, where BBH is asking for legal advice prior to reviewing certain documents. Finally, another typical email is privilege log no. 1234, where Attorney Hackett is giving legal advice and soliciting

related to the clients in the emails is legal advice, not business advice. Therefore, the communications at issue here are for the primary purpose of communicating with the attorney and not with the banker.¹⁹

With regard to the importance of BBH's role in the provision of legal advice to Crane, Attorney Hackett states that he shared legal advice with BBH where it was "necessary to accomplish" a legal purpose and that the client "required both privileged legal advice from attorneys and the expertise of BBH regarding corporate transactions." *Id.* at 2, 5. Compare [Conway, 104 F.Supp. 3d at 125](#), (Judge Sorokin holds that communications [**30] involving a third party who only "introduced" plaintiffs to counsel and "assisted" in conversations with counsel and negotiations, where no showing at all was made that his assistance was "nearly indispensable," were not protected by the attorney-client privilege.)

While the First Circuit has not decided a case directly on point, there are cases holding that in certain circumstances financial advisors are "indispensable" to the provision of legal advice. In [Stafford Trading, Inc. v. Lovely, 2007 U.S. Dist. LEXIS 13062, 2007 WL 611252, at *6, 8-12 \(N.D. Ill. Feb. 22, 2007\)](#), the party asserting the privilege, like Crane in this case, had retained an investment banker to assist in facilitating an acquisition. [2007 U.S. Dist. LEXIS 13062, \[WL\] at *1](#). The court, after exhaustively reviewing the many cases for and against upholding the privilege in such a situation, held that "[m]any courts have recognized that, in today's market place, attorneys need to be able to have confidential communication with investment bankers to render adequate [**25] legal advice," and found that the privilege would hold for

feedback on his advice from his client and from BBH after drafting a contract.

¹⁹ After review of the documents, the court asked Crane to justify its claim of privilege for certain documents which the court deemed to be primarily business-related, and in fact, Crane either justified its claim of privilege for those documents or produced them to RO. See #301 (*ex parte* response by Crane) at 3-4.

instances where the banker and counsel confidentially communicated for the purpose of obtaining or providing legal advice. [2007 U.S. Dist. LEXIS 13062, \[WL\] at *7](#) (citing cases); *see also Calvin Klein Trademark Trust v. Wachner*, [124 F. Supp. 2d 207, 209 \(S.D.N.Y. 2000\) \(Rakoff, J.\)](#), (attorney communications with banker privileged because banker, functioning as an expert, **[**31]** advised attorney regarding whether certain information was "material" in legal sense, and so was serving "an interpretive function" for attorney).

RO cites, among other cases, [U.S. v. Ackert](#), [169 F.3d 136 \(2nd Cir. 1999\)](#), #198 at 22, in support of the proposition that the privilege should not apply here. In *Ackert*, an investment banker working for Goldman, Sachs approached Paramount Corporation with an investment proposal, and Paramount's tax counsel subsequently conferred with the banker about the tax implications of the proposed investment. The deal was ultimately consummated with another investment firm. Some years later, the IRS, conducting an audit of Paramount, sent a summons to the Goldman, Sachs banker seeking his testimony about the proposal. [Id. at 138](#). The Second Circuit found that communications between the attorney and the banker were not privileged: "[A] communication between an attorney and a third party does not become shielded by the attorney-client privilege solely because the communication proves important to the attorney's ability to represent the client." [Id. at 139](#). The court quoted 8 Wigmore on Evidence § 2317 at 619 (McNaughton rev. ed. 1961): "'It is ... not sufficient for the attorney, in invoking the privilege, to state that **[**32]** the information came somehow to him while acting for the client nor that it came from some particular third person for the benefit of the client.'" *Id.* The court held that because the banker's role in that case was not strictly "to translate or interpret information given to [the attorney] by his client," the privilege was waived. [Id. at 140](#).

Here, unlike in [Ackert](#), where an investment banker approached a client with an unsolicited business

deal, Crane specifically retained BBH to assist in a particular transaction. The information that BBH was providing cannot be said to have "somehow come to" Crane's attorneys from a third party, *compare Ackert*, [169 F. 3d at 140](#). BBH's participation was sought by the client, in part, to assist the attorney. It was more than merely "important," as according to Crane's attorney, BBH's advice was necessary, or required, for him to render advice to his client. Further, unlike in [Ackert](#), where the IRS was investigating the parties, the court has found no evidence here that the claim of privilege is a "subterfuge." [Cavallaro](#), [284 F. 3d 249](#).

In summary, the negotiations here concerned a substantial transaction: the acquisition of a company for over \$100 million dollars. Attorney Hackett's assertion that it was **[**33]** necessary for him to have input from BBH in order adequately to advise his client concerning this complicated deal is credible. The court notes that Attorney Hackett states that it was his practice to collaborate confidentially with third parties such as BBH and had done so "on significant corporate transactions throughout my career." #279-2 at 5.²⁰ This is not a situation, **[*26]** such as in [Cavallaro](#), where even a seasoned attorney necessarily would already know all he needed to in order to do his job drafting contracts and advising his client in this matter. Nor does it appear the privilege is being claimed after the fact as a means of gaining an unfair advantage in litigation. *Compare Cavallaro*, [284 F. 3d 249](#).

The emails including BBH are privileged and shall not be disclosed.

D. Documents that Crane shared with third parties; communications between nonattorneys; and

²⁰Certain statements are made on the privilege log that are not in Attorney Hackett's declaration, for example, that "Nanoventions' representative in negotiations was a banker," thus suggesting that it was necessary for Crane to consult with a banker in order to negotiate the purchase of the company. *See, e.g.*, privilege log no. 1231. The court has not considered statements made in the privilege log that are not in any declaration.

attorneys' memoranda to the file.

The court has carefully reviewed all of the documents in this category and finds that they are privileged.

V. Conclusion

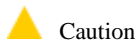
For the reasons set out above the court finds that the documents are privileged and shall not be disclosed.

/s/ M. Page Kelley

M. Page Kelley

United States Magistrate Judge

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In re Kellogg Brown & Root, Inc.

United States Court of Appeals for the District of Columbia Circuit

May 7, 2014, Argued; June 27, 2014, Decided

No. 14-5055

Reporter

756 F.3d 754 *; 410 U.S. App. D.C. 382 **; 2014 U.S. App. LEXIS 12115 ***; 38 I.E.R. Cas. (BNA) 1109; 94 Fed. R. Evid. Serv. (Callaghan) 1078; 94 Fed. R. Evid. Serv. (Callaghan) 1129; 2014 WL 2895939

IN RE: KELLOGG BROWN & ROOT, INC., ET AL., PETITIONERS

LexisNexis® Headnotes

Subsequent History: Judgment entered by [In re Kellogg Brown & Root, Inc., 2014 U.S. App. LEXIS 12447 \(D.C. Cir., June 27, 2014\)](#)

Rehearing, en banc, denied by [In re Kellogg Brown & Root, Inc., 2014 U.S. App. LEXIS 17077 \(D.C. Cir., Sept. 2, 2014\)](#)

On remand at, Request denied by, Motion granted by [United States ex rel. Barko v. Halliburton Co., 2014 U.S. Dist. LEXIS 174607 \(D.D.C., Dec. 17, 2014\)](#)

US Supreme Court certiorari denied by *United States ex rel. Barko v. Kellogg Brown & Root, Inc., 190 L. Ed. 2d 914, 2015 U.S. LEXIS 668 (U.S., Jan. 20, 2015)*

Prior History: [***1] On Petition for Writ of Mandamus. (No. 1:05-cv-1276).

[United States ex rel. Barko v. Halliburton Co., 37 F. Supp. 3d 1, 2014 U.S. Dist. LEXIS 36490 \(D.D.C., Mar. 6, 2014\)](#)

Civil Procedure > ... > Federal & State Interrelationships > Federal Common Law > Applicability

Evidence > Privileges > Attorney-Client Privilege > Scope

Governments > Courts > Common Law

Legal Ethics > Client Relations > Duties to Client > Duty of Confidentiality

[HNI](#) [📄] Federal Common Law, Applicability

Fed. R. Evid. 501 provides that claims of privilege in federal courts are governed by the common law — as interpreted by United States courts in the light of reason and experience. The attorney-client privilege is the oldest of the privileges for confidential communications known to the common law. The privilege applies to a confidential communication between attorney and client if that communication was made for the purpose of obtaining or providing legal advice to the client. Confidential disclosures by a client to an attorney made in order to obtain legal assistance are privileged.

Business & Corporate
Law > Corporations > General Overview

Evidence > Privileges > Attorney-Client
Privilege > Scope

Legal Ethics > Client Relations > Duties to
Client > Duty of Confidentiality

[HN2](#) [↓] **Business & Corporate Law, Corporations**

The attorney-client privilege applies to corporations. The attorney-client privilege for business organizations is essential in light of the vast and complicated array of regulatory legislation confronting the modern corporation, which requires corporations to constantly go to lawyers to find out how to obey the law. The attorney-client privilege exists to protect not only the giving of professional advice to those who can act on it, but also the giving of information to the lawyer to enable him to give sound and informed advice.

Business & Corporate
Law > Corporations > General Overview

Evidence > Privileges > Attorney-Client
Privilege > Scope

Legal Ethics > Client Relations > Duties to
Client > Duty of Confidentiality

[HN3](#) [↓] **Business & Corporate Law, Corporations**

Upjohn does not hold or imply that the involvement of outside counsel is a necessary predicate for the attorney-client privilege to apply. On the contrary, the general rule is that a lawyer's status as in-house counsel does not dilute the privilege. Inside legal counsel to a corporation or similar organization is fully empowered to engage in privileged communications.

Evidence > Privileges > Attorney-Client
Privilege > Scope

[HN4](#) [↓] **Privileges, Attorney-Client Privilege**

Communications made by and to non-attorneys serving as agents of attorneys in internal investigations are routinely protected by the attorney-client privilege. If internal investigations are conducted by agents of the client at the behest of the attorney, they are protected by the attorney-client privilege to the same extent as they would be had they been conducted by the attorney who was consulted.

Evidence > Privileges > Attorney-Client
Privilege > Scope

Legal Ethics > Client Relations > Duties to
Client > Duty of Confidentiality

[HN5](#) [↓] **Privileges, Attorney-Client Privilege**

The primary purpose test to determine whether the attorney-client privilege applies, sensibly and properly applied, cannot and does not draw a rigid distinction between a legal purpose on the one hand and a business purpose on the other. After all, trying to find the one primary purpose for a communication motivated by two sometimes overlapping purposes can be an inherently impossible task. It is often not useful or even feasible to try to determine whether the purpose was A or B when the purpose was A and B. It is thus not correct for a court to presume that a communication can have only one primary purpose. It is likewise not correct for a court to try to find the one primary purpose in cases where a given communication plainly has multiple purposes. Rather, it is clearer, more precise, and more predictable to articulate the test as follows: Was obtaining or providing legal advice a primary purpose of the communication, meaning one of the significant purposes of the communication?

Evidence > Privileges > Attorney-Client
Privilege > Scope

[HN6](#) [↓] **Privileges, Attorney-Client Privilege**

In general, American decisions agree that the attorney-client privilege applies if one of the significant purposes of a client in communicating with a lawyer is that of obtaining legal assistance. The United States Court of Appeals for the District of Columbia Circuit agrees with and adopts that formulation — one of the significant purposes — as an accurate and appropriate description of the primary purpose test. Sensibly and properly applied, the test boils down to whether obtaining or providing legal advice was one of the significant purposes of the attorney-client communication.

Evidence > Privileges > Attorney-Client
Privilege > Scope

[HN7](#) [↓] **Privileges, Attorney-Client Privilege**

In the context of an organization's internal investigation, if one of the significant purposes of the internal investigation was to obtain or provide legal advice, the privilege will apply. That is true regardless of whether an internal investigation was conducted pursuant to a company compliance program required by statute or regulation, or was otherwise conducted pursuant to company policy.

Civil Procedure > ... > Writs > Common Law
Writs > Mandamus

[HN8](#) [↓] **Common Law Writs, Mandamus**

Mandamus is a drastic and extraordinary remedy reserved for really extraordinary causes. In keeping with that high standard, the United States Supreme Court in *Cheney* stated that three conditions must be satisfied before a court grants a writ of mandamus: (1) the mandamus petitioner must have no other adequate means to attain the relief he

desires; (2) the mandamus petitioner must show that his right to the issuance of the writ is clear and indisputable; and (3) the court, in the exercise of its discretion, must be satisfied that the writ is appropriate under the circumstances.

Civil Procedure > ... > Discovery > Privileged
Communications > Attorney-Client Privilege

Civil Procedure > ... > Writs > Common Law
Writs > Mandamus

[HN9](#) [↓] **Privileged Communications, Attorney-Client Privilege**

A mandamus petitioner must have no other adequate means to attain the relief he desires. That initial requirement will often be met in cases where a petitioner claims that a district court erroneously ordered disclosure of attorney-client privileged documents. That is because (1) an interlocutory appeal is not available in attorney-client privilege cases ---absent district court certification; and (2) appeal after final judgment will come too late because the privileged communications will already have been disclosed pursuant to the district court's order.

Civil Procedure > Appeals > Appellate
Jurisdiction > Certified Questions

Evidence > Privileges > Attorney-Client
Privilege > Scope

Civil
Procedure > Sanctions > Contempt > General
Overview

Civil Procedure > Appeals > Appellate
Jurisdiction > Interlocutory Orders

[HN10](#) [↓] **Appellate Jurisdiction, Certified Questions**

An interlocutory appeal under the collateral order

doctrine is not available in attorney-client privilege cases. To be sure, a party may ask the district court to certify the privilege question for interlocutory appeal. [28 U.S.C.S. § 1292\(b\)](#). But that avenue is available only at the discretion of the district court. It is also true that a party may defy the district court's ruling and appeal if the district court imposes contempt sanctions for non-disclosure. But forcing a party to go into contempt is not an "adequate" means of relief for purposes of requesting a petition for mandamus relief.

Civil Procedure > Appeals > Reviewability of Lower Court Decisions > General Overview

Civil Procedure > ... > Discovery > Privileged Communications > General Overview

[HNI1](#) [↓] **Appeals, Reviewability of Lower Court Decisions**

Post-release review of a ruling that documents are unprivileged is often inadequate to vindicate a privilege the very purpose of which is to prevent the release of those confidential documents. A remedy after final judgment cannot unsay the confidential information that has been revealed.

Civil Procedure > ... > Writs > Common Law Writs > Mandamus

Evidence > Privileges > Attorney-Client Privilege > General Overview

[HNI2](#) [↓] **Common Law Writs, Mandamus**

The first condition for mandamus — no other adequate means to obtain relief — will often be satisfied in attorney-client privilege cases.

Civil Procedure > Appeals > Appellate Jurisdiction > Collateral Order Doctrine

Evidence > Privileges > Attorney-Client

Privilege > General Overview

Civil Procedure > ... > Writs > Common Law Writs > Mandamus

[HNI3](#) [↓] **Appellate Jurisdiction, Collateral Order Doctrine**

Mohawk holds that attorney-client privilege rulings are not appealable under the collateral order doctrine because postjudgment appeals generally suffice to protect the rights of litigants and ensure the vitality of the attorney-client privilege. The United States Supreme Court has repeatedly and expressly reaffirmed that mandamus — as opposed to the collateral order doctrine — remains a useful safety valve in some cases of clear error to correct some of the more consequential attorney-client privilege rulings.

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

Evidence > Privileges > Attorney-Client Privilege > General Overview

Civil Procedure > ... > Writs > Common Law Writs > Mandamus

[HNI4](#) [↓] **Standards of Review, Clearly Erroneous Review**

A mandamus petitioner must show that his right to the issuance of the writ is clear and indisputable. Although the first mandamus requirement is often met in attorney-client privilege cases, this second requirement is rarely met. An erroneous district court ruling on an attorney-client privilege issue by itself does not justify mandamus. The error has to be clear. As a result, appellate courts will often deny interlocutory mandamus petitions advancing claims of error by the district court on attorney-client privilege matters.

Civil Procedure > ... > Writs > Common Law

Writs > Mandamus

[HN15](#) [↓] **Common Law Writs, Mandamus**

Before granting mandamus, the appellate court must be satisfied that the writ is appropriate under the circumstances.

Civil Procedure > ... > Writs > Common Law
Writs > Mandamus

[HN16](#) [↓] **Common Law Writs, Mandamus**

Mandamus can be appropriate to forestall future error in trial courts and eliminate uncertainty in important areas of law.

Civil Procedure > ... > Writs > Common Law
Writs > Mandamus

Governments > Courts > Judges

[HN17](#) [↓] **Common Law Writs, Mandamus**

Fed. R. App. P. 21(b)(4) provides that in a mandamus proceeding the trial-court judge may request permission to address the petition but may not do so unless invited or ordered to do so by the court of appeals.

Civil Procedure > Appeals > Appellate Briefs

Civil Procedure > ... > Inability to
Proceed > Disqualification & Recusal > Federal
Judges

Civil Procedure > ... > Disqualification &
Recusal > Grounds for Disqualification &
Recusal > General Overview

[HN18](#) [↓] **Appeals, Appellate Briefs**

Ordinarily, the appellate court does not consider a request for relief that a party failed to clearly

articulate in its briefs. To be sure, appellate courts on rare occasions will reassign a case sua sponte. But whether requested to do so or considering the matter sua sponte, the appellate court will reassign a case only in the exceedingly rare circumstance that a district judge's conduct is so extreme as to display clear inability to render fair judgment.

Evidence > Privileges > Attorney-Client
Privilege > Scope

Legal Ethics > Client Relations > Duties to
Client > Duty of Confidentiality

[HN19](#) [↓] **Privileges, Attorney-Client Privilege**

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.

Counsel: John P. Elwood argued the cause for petitioners. With him on the petition for writ of mandamus and the reply were John M. Faust, Craig D. Margolis, Jeremy C. Marwell, and Joshua S. Johnson.

Rachel L. Brand, Steven P. Lehotsky, Quentin Riegel, Carl Nichols, Elisebeth C. Cook, Adam I. Klein, Amar Sarwal, and Wendy E. Ackerman were on the brief for amicus curiae Chamber of Commerce of the United States of America, et al. in support of petitioners.

Stephen M. Kohn argued the cause for respondent. With him on the response to the petition for writ of mandamus were David K. Colapinto and Michael Kohn.

Judges: Before: GRIFFITH, KAVANAUGH, and

SRINIVASAN, Circuit Judges. Opinion for the Court filed by Circuit Judge KAVANAUGH.

Opinion by: KAVANAUGH

Opinion

[*756] [**384] KAVANAUGH, *Circuit Judge*: More than three decades ago, the Supreme Court held that the attorney-client privilege protects confidential employee communications made during a business's internal investigation led by company lawyers. See [*Upjohn Co. v. United States*, 449 U.S. 383, 101 S. Ct. 677, 66 L. Ed. 2d 584 \(1981\)](#). In this case, the District Court denied the protection of the privilege to a company that had conducted just such an internal investigation. [***2] The District Court's decision has generated substantial uncertainty about the scope of the attorney-client privilege in the business setting. We conclude that the District Court's decision is irreconcilable with *Upjohn*. We therefore grant KBR's petition for a writ of mandamus and vacate the District Court's March 6 document production order.

I

Harry Barko worked for KBR, a defense contractor. In 2005, he filed a False Claims Act complaint against KBR and KBR-related corporate entities, whom we will collectively refer to as KBR. In essence, Barko alleged that KBR and certain subcontractors defrauded the U.S. Government by inflating costs and accepting kickbacks while administering military contracts in wartime Iraq. During discovery, Barko sought documents related to KBR's prior internal investigation into the alleged fraud. KBR had conducted that internal investigation pursuant to its Code of Business Conduct, which is overseen by the company's Law Department.

KBR argued that the internal investigation had been conducted for the purpose of obtaining legal advice and that the internal investigation documents therefore were protected by the attorney-client privilege. Barko responded that [***3] the internal investigation documents were unprivileged business records that he was entitled to discover. See generally [*Fed. R. Civ. P. 26\(b\)\(1\)*](#).

After reviewing the disputed documents *in camera*, the District Court determined that the attorney-client privilege protection did not apply because, among other reasons, KBR had not shown that "the communication would not have been made 'but for' the fact that legal advice was sought." [*United States ex rel. Barko v. Halliburton Co.*, No. 05-cv-1276, 37 F. Supp. 3d 1, 2014 U.S. Dist. LEXIS 36490, 2014 WL 1016784, at *2 \(D.D.C. Mar. 6, 2014\)](#) (quoting [*United States v. ISS Marine Services, Inc.*, 905 F. Supp. 2d 121, 128 \(D.D.C. 2012\)](#)). KBR's internal investigation, the court concluded, was "undertaken pursuant to regulatory law and corporate policy rather than for the purpose of obtaining legal advice." [2014 U.S. Dist. LEXIS 36490, \[WL\] at *3](#).

KBR vehemently opposed the ruling. The company asked the District Court to certify the privilege question to this Court for interlocutory appeal and to stay its order pending a petition for mandamus in this Court. The District Court denied those requests and ordered KBR to produce the disputed documents to Barko within a matter of days. See [*United States ex rel. Barko v. Halliburton Co.*, No. 05-cv-1276, 4 F. Supp. 3d 162, 2014 U.S. Dist. LEXIS 30866, 2014 WL 929430 \(D.D.C. Mar. 11, 2014\)](#) [***4]. KBR promptly filed a petition for a writ of mandamus in this Court. A number of business organizations and trade associations also objected to the District Court's decision and filed an amicus brief in support of KBR. We stayed the District Court's document production order and held oral argument on the mandamus petition.

The threshold question is whether the District Court's privilege ruling constituted legal error. If

not, mandamus is of course inappropriate. If the District Court's ruling was erroneous, the remaining [*757] [**385] question is whether that error is the kind that justifies mandamus. See *Cheney v. U.S. District Court for the District of Columbia*, 542 U.S. 367, 380-81, 124 S. Ct. 2576, 159 L. Ed. 2d 459 (2004). We address those questions in turn.

II

We first consider whether the District Court's privilege ruling was legally erroneous. We conclude that it was.

HN1 [↑] *Federal Rule of Evidence 501* provides that claims of privilege in federal courts are governed by the "common law — as interpreted by United States courts in the light of reason and experience." *Fed. R. Evid. 501*. The attorney-client privilege is the "oldest of the privileges for confidential communications [***5] known to the common law." *Upjohn Co. v. United States*, 449 U.S. 383, 389, 101 S. Ct. 677, 66 L. Ed. 2d 584 (1981). As relevant here, the privilege applies to a confidential communication between attorney and client if that communication was made for the purpose of obtaining or providing legal advice to the client. See 1 *Restatement (Third) of the Law Governing Lawyers* §§ 68-72 (2000); *In re Grand Jury*, 475 F.3d 1299, 1304, 374 U.S. App. D.C. 428 (D.C. Cir. 2007); *In re Lindsey*, 158 F.3d 1263, 1270, 332 U.S. App. D.C. 357 (D.C. Cir. 1998); *In re Sealed Case*, 737 F.2d 94, 98-99, 237 U.S. App. D.C. 312 (D.C. Cir. 1984); see also *Fisher v. United States*, 425 U.S. 391, 403, 96 S. Ct. 1569, 48 L. Ed. 2d 39 (1976) ("Confidential disclosures by a client to an attorney made in order to obtain legal assistance are privileged.").

In *Upjohn*, the Supreme Court held that **HN2** [↑] the attorney-client privilege applies to corporations. The Court explained that the attorney-client privilege for business organizations was essential in light of "the vast and complicated array of regulatory legislation confronting the modern corporation," which required corporations to "constantly go to lawyers to find out how to obey

the law, . . . particularly since compliance with the law in this area is hardly an instinctive matter." 449 U.S. at 392 (internal [***6] quotation marks and citation omitted). The Court stated, moreover, that the attorney-client privilege "exists to protect not only the giving of professional advice to those who can act on it but also the giving of information to the lawyer to enable him to give sound and informed advice." *Id.* at 390. That is so, the Court said, because the "first step in the resolution of any legal problem is ascertaining the factual background and sifting through the facts with an eye to the legally relevant." *Id.* at 390-91. In *Upjohn*, the communications were made by company employees to company attorneys during an attorney-led internal investigation that was undertaken to ensure the company's "compliance with the law." *Id.* at 392; see *id.* at 394. The Court ruled that the privilege applied to the internal investigation and covered the communications between company employees and company attorneys.

KBR's assertion of the privilege in this case is materially indistinguishable from *Upjohn*'s assertion of the privilege in that case. As in *Upjohn*, KBR initiated an internal investigation to gather facts and ensure compliance with the law after being informed of potential misconduct. And as in *Upjohn*, KBR's [***7] investigation was conducted under the auspices of KBR's in-house legal department, acting in its legal capacity. The same considerations that led the Court in *Upjohn* to uphold the corporation's privilege claims apply here.

The District Court in this case initially distinguished *Upjohn* on a variety of grounds. But none of those purported distinctions takes this case out from under *Upjohn*'s umbrella.

[*758] [**386] *First*, the District Court stated that in *Upjohn* the internal investigation began after in-house counsel conferred with outside counsel, whereas here the investigation was conducted in-house without consultation with outside lawyers.

But [HN3](#)^[↑] *Upjohn* does not hold or imply that the involvement of outside counsel is a necessary predicate for the privilege to apply. On the contrary, the general rule, which this Court has adopted, is that a lawyer's status as in-house counsel "does not dilute the privilege." [In re Sealed Case, 737 F.2d at 99](#). As the Restatement's commentary points out, "Inside legal counsel to a corporation or similar organization . . . is fully empowered to engage in privileged communications." [1 Restatement § 72, cmt. c, at 551](#).

Second, the District Court noted that in *Upjohn* the interviews [***8] were conducted by attorneys, whereas here many of the interviews in KBR's investigation were conducted by non-attorneys. But the investigation here was conducted at the direction of the attorneys in KBR's Law Department. And [HN4](#)^[↑] communications made by and to non-attorneys serving as agents of attorneys in internal investigations are routinely protected by the attorney-client privilege. See [FTC v. TRW, Inc., 628 F.2d 207, 212, 202 U.S. App. D.C. 207 \(D.C. Cir. 1980\)](#); see also 1 PAUL R. RICE, ATTORNEY-CLIENT PRIVILEGE IN THE UNITED STATES § 7:18, at 1230-31 (2013) ("If internal investigations are conducted by agents of the client at the behest of the attorney, they are protected by the attorney-client privilege to the same extent as they would be had they been conducted by the attorney who was consulted."). So that fact, too, is not a basis on which to distinguish *Upjohn*.

Third, the District Court pointed out that in *Upjohn* the interviewed employees were expressly informed that the purpose of the interview was to assist the company in obtaining legal advice, whereas here they were not. The District Court further stated that the confidentiality agreements signed by KBR employees did not mention that the purpose of [***9] KBR's investigation was to obtain legal advice. Yet nothing in *Upjohn* requires a company to use magic words to its employees in order to gain the benefit of the privilege for an internal investigation. And in any event, here as in

Upjohn employees knew that the company's legal department was conducting an investigation of a sensitive nature and that the information they disclosed would be protected. Cf. [Upjohn, 449 U.S. at 387](#) (*Upjohn*'s managers were "instructed to treat the investigation as 'highly confidential'"). KBR employees were also told not to discuss their interviews "without the specific advance authorization of KBR General Counsel." [United States ex rel. Barko v. Halliburton Co., No. 05-cv-1276, 2014 U.S. Dist. LEXIS 36490, 2014 WL 1016784, at *3 n.33 \(D.D.C. Mar. 6, 2014\)](#).

In short, none of those three distinctions of *Upjohn* holds water as a basis for denying KBR's privilege claim.

More broadly and more importantly, the District Court also distinguished *Upjohn* on the ground that KBR's internal investigation was undertaken to comply with Department of Defense regulations that require defense contractors such as KBR to maintain compliance programs and conduct internal investigations into allegations of [***10] potential wrongdoing. The District Court therefore concluded that the purpose of KBR's internal investigation was to comply with those regulatory requirements rather than to obtain or provide legal advice. In our view, the District Court's analysis rested on a false dichotomy. So long as obtaining or providing legal advice was one of the significant purposes of the internal investigation, the attorney-client [*759] [**387] privilege applies, even if there were also other purposes for the investigation and even if the investigation was mandated by regulation rather than simply an exercise of company discretion.

The District Court began its analysis by reciting the "primary purpose" test, which many courts (including this one) have used to resolve privilege disputes when attorney-client communications may have had both legal and business purposes. See [2014 U.S. Dist. LEXIS 36490, \[WL\] at *2](#); see also [In re Sealed Case, 737 F.2d at 98-99](#). But in a key move, the District Court then said that the primary

purpose of a communication is to obtain or provide legal advice only if the communication would not have been made "but for" the fact that legal advice was sought. [2014 U.S. Dist. LEXIS 36490, 2014 WL 1016784, at *2](#). In other words, if there was any other purpose [***11] behind the communication, the attorney-client privilege apparently does not apply. The District Court went on to conclude that KBR's internal investigation was "undertaken pursuant to regulatory law and corporate policy rather than for the purpose of obtaining legal advice." [2014 U.S. Dist. LEXIS 36490, \[WL\] at *3](#); see [2014 U.S. Dist. LEXIS 36490, \[WL\] at *3 n.28](#) (citing federal contracting regulations). Therefore, in the District Court's view, "the primary purpose of" the internal investigation "was to comply with federal defense contractor regulations, not to secure legal advice." [United States ex rel. Barko v. Halliburton Co., No. 05-cv-1276, 2014 U.S. Dist. LEXIS 30866, 2014 WL 929430, at *2 \(D.D.C. Mar. 11, 2014\)](#); see *id.* ("Nothing suggests the reports were prepared to obtain legal advice. Instead, the reports were prepared to try to comply with KBR's obligation to report improper conduct to the Department of Defense.").

The District Court erred because it employed the wrong legal test. The but-for test articulated by the District Court is not appropriate for attorney-client privilege analysis. Under the District Court's approach, the attorney-client privilege apparently would not apply unless the sole purpose of the communication was to obtain or provide legal advice. [***12] That is not the law. We are aware of no Supreme Court or court of appeals decision that has adopted a test of this kind in this context. The District Court's novel approach to the attorney-client privilege would eliminate the attorney-client privilege for numerous communications that are made for both legal and business purposes and that heretofore have been covered by the attorney-client privilege. And the District Court's novel approach would eradicate the attorney-client privilege for internal investigations conducted by businesses that are required by law to maintain compliance

programs, which is now the case in a significant swath of American industry. In turn, businesses would be less likely to disclose facts to their attorneys and to seek legal advice, which would "limit the valuable efforts of corporate counsel to ensure their client's compliance with the law." [Upjohn, 449 U.S. at 392](#). We reject the District Court's but-for test as inconsistent with the principle of *Upjohn* and longstanding attorney-client privilege law.

Given the evident confusion in some cases, we also think it important to underscore that [HN5](#)^[↑] the primary purpose test, sensibly and properly applied, cannot and [***13] does not draw a rigid distinction between a legal purpose on the one hand and a business purpose on the other. After all, trying to find *the* one primary purpose for a communication motivated by two sometimes overlapping purposes (one legal and one business, for example) can be an inherently impossible task. It is often not useful or even feasible to try to determine whether the purpose was A or B when the purpose was A and B. It is thus not correct for a court to presume that a communication can have only one primary purpose. [*760] [**388] It is likewise not correct for a court to try to find *the* one primary purpose in cases where a given communication plainly has multiple purposes. Rather, it is clearer, more precise, and more predictable to articulate the test as follows: Was obtaining or providing legal advice *a* primary purpose of the communication, meaning one of the significant purposes of the communication? As the Reporter's Note to the Restatement says, [HN6](#)^[↑] "In general, American decisions agree that the privilege applies if one of the significant purposes of a client in communicating with a lawyer is that of obtaining legal assistance." [1 Restatement § 72, Reporter's Note, at 554](#). We agree with [***14] and adopt that formulation — "one of the significant purposes" — as an accurate and appropriate description of the primary purpose test. Sensibly and properly applied, the test boils down to whether obtaining or providing legal advice was one of the significant purposes of the attorney-

client communication.

[HN7](#)^[↑] In the context of an organization's internal investigation, if one of the significant purposes of the internal investigation was to obtain or provide legal advice, the privilege will apply. That is true regardless of whether an internal investigation was conducted pursuant to a company compliance program required by statute or regulation, or was otherwise conducted pursuant to company policy. Cf. Andy Liu et al., *How To Protect Internal Investigation Materials from Disclosure*, 56 GOVERNMENT CONTRACTOR ¶ 108 (Apr. 9, 2014) ("Helping a corporation comply with a statute or regulation — although required by law — does not transform quintessentially legal advice into business advice.").

In this case, there can be no serious dispute that one of the significant purposes of the KBR internal investigation was to obtain or provide legal advice. In denying KBR's privilege claim on the ground [***15] that the internal investigation was conducted in order to comply with regulatory requirements and corporate policy and not just to obtain or provide legal advice, the District Court applied the wrong legal test and clearly erred.

III

Having concluded that the District Court's privilege ruling constituted error, we still must decide whether that error justifies a writ of mandamus. See [28 U.S.C. § 1651](#). [HN8](#)^[↑] Mandamus is a "drastic and extraordinary" remedy "reserved for really extraordinary causes." [Cheney v. U.S. District Court for the District of Columbia](#), 542 U.S. 367, 380, 124 S. Ct. 2576, 159 L. Ed. 2d 459 (2004) (quoting [Ex parte Fahey](#), 332 U.S. 258, 259-60, 67 S. Ct. 1558, 91 L. Ed. 2041 (1947)). In keeping with that high standard, the Supreme Court in [Cheney](#) stated that three conditions must be satisfied before a court grants a writ of mandamus: (1) the mandamus petitioner must have "no other adequate means to attain the relief he desires," (2) the mandamus petitioner must show that his right to the issuance of the writ is "clear and indisputable,"

and (3) the court, "in the exercise of its discretion, must be satisfied that the writ is appropriate under the circumstances." [Id. at 380-81](#) (quoting and citing [Kerr v. United States District Court for the Northern District of California](#), 426 U.S. 394, 403, 96 S. Ct. 2119, 48 L. Ed. 2d 725 (1976)). [***16] We conclude that all three conditions are satisfied in this case.

A

First, [HN9](#)^[↑] a mandamus petitioner must have "no other adequate means to attain the relief he desires." [Cheney](#), 542 U.S. at 380. That initial requirement will often be met in cases where a petitioner claims that a district [*761] [**389] court erroneously ordered disclosure of attorney-client privileged documents. That is because (i) an interlocutory appeal is not available in attorney-client privilege cases (absent district court certification) and (ii) appeal after final judgment will come too late because the privileged communications will already have been disclosed pursuant to the district court's order.

The Supreme Court has ruled that [HN10](#)^[↑] an interlocutory appeal under the collateral order doctrine is not available in attorney-client privilege cases. See [Mohawk Industries, Inc. v. Carpenter](#), 558 U.S. 100, 106-13, 130 S. Ct. 599, 175 L. Ed. 2d 458 (2009); see also [28 U.S.C. § 1291](#). To be sure, a party in KBR's position may ask the district court to certify the privilege question for interlocutory appeal. See [28 U.S.C. § 1292\(b\)](#). But that avenue is available only at the discretion of the district court. And here, the District Court denied KBR's request for certification. See [***17] [United States ex rel. Barko v. Halliburton Co.](#), No. 05-cv-1276, 2014 U.S. Dist. LEXIS 30866, 2014 WL 929430, at *1-3 (D.D.C. Mar. 11, 2014). It is also true that a party in KBR's position may defy the district court's ruling and appeal if the district court imposes contempt sanctions for non-disclosure. But as this Court has explained, forcing a party to go into contempt is not an "adequate" means of relief in these circumstances. See [In re Sealed Case](#), 151 F.3d 1059, 1064-65, 331 U.S. App. D.C. 385 (D.C.

[Cir. 1998](#)); see also [In re City of New York, 607 F.3d 923, 934 \(2d Cir. 2010\)](#) (same).

On the other hand, appeal after final judgment will often come too late because the privileged materials will already have been released. In other words, "the cat is out of the bag." [In re Papandreou, 139 F.3d 247, 251, 329 U.S. App. D.C. 210 \(D.C. Cir. 1998\)](#). As this Court and others have explained, [HN11](#)^[↑] post-release review of a ruling that documents are unprivileged is often inadequate to vindicate a privilege the very purpose of which is to prevent the release of those confidential documents. See *id.*; see also [In re Sims, 534 F.3d 117, 129 \(2d Cir. 2008\)](#) ("a remedy after final judgment cannot unsay the confidential information that has been revealed") (quoting [In re von Bulow, 828 F.2d 94, 99 \(2d Cir. 1987\)](#)).

For [***18](#) those reasons, [HN12](#)^[↑] the first condition for mandamus — no other adequate means to obtain relief — will often be satisfied in attorney-client privilege cases. Barko responds that the Supreme Court in *Mohawk*, although addressing only the availability of interlocutory appeal under the collateral order doctrine, in effect also barred the use of mandamus in attorney-client privilege cases. According to Barko, *Mohawk* means that the first prong of the mandamus test cannot be met in attorney-client privilege cases because of the availability of post-judgment appeal. That is incorrect. It is true that [HN13](#)^[↑] *Mohawk* held that attorney-client privilege rulings are not appealable under the collateral order doctrine because "postjudgment appeals generally suffice to protect the rights of litigants and ensure the vitality of the attorney-client privilege." [558 U.S. at 109](#). But at the same time, the Court repeatedly and expressly reaffirmed that *mandamus* — as opposed to the collateral order doctrine — remains a "useful safety valve" in some cases of clear error to correct "some of the more consequential attorney-client privilege rulings." [Id. at 110-12](#) (internal quotation marks and alteration omitted). It would [***19](#) make little sense to read *Mohawk* to implicitly preclude mandamus review in all cases

given that *Mohawk* explicitly preserved mandamus review in some cases. Other appellate courts that have considered this question have agreed. See [Hernandez v. Tanninen, 604 F.3d 1095, 1101 \(9th Cir. 2010\)](#); [In re Whirlpool Corp., 597 F.3d 858, 860 \(7th Cir. 2010\)](#); see also [In \[*762\] \[**390\] re Perez, 749 F.3d 849 \(9th Cir. 2014\)](#) (granting mandamus after *Mohawk* on informants privilege ruling); [City of New York, 607 F.3d at 933](#) (same on law enforcement privilege ruling).

B

Second, [HN14](#)^[↑] a mandamus petitioner must show that his right to the issuance of the writ is "clear and indisputable." [Cheney, 542 U.S. at 381](#). Although the first mandamus requirement is often met in attorney-client privilege cases, this second requirement is rarely met. An erroneous district court ruling on an attorney-client privilege issue by itself does not justify mandamus. The error has to be clear. As a result, appellate courts will often deny interlocutory mandamus petitions advancing claims of error by the district court on attorney-client privilege matters. In this case, for the reasons explained at length in Part II, we conclude that the District [***20](#) Court's privilege ruling constitutes a clear legal error. The second prong of the mandamus test is therefore satisfied in this case.

C

Third, [HN15](#)^[↑] before granting mandamus, we must be "satisfied that the writ is appropriate under the circumstances." [Cheney, 542 U.S. at 381](#). As its phrasing suggests, that is a relatively broad and amorphous totality of the circumstances consideration. The upshot of the third factor is this: Even in cases of clear district court error on an attorney-client privilege matter, the circumstances may not always justify mandamus.

In this case, considering all of the circumstances, we are convinced that mandamus is appropriate. The District Court's privilege ruling would have potentially far-reaching consequences. In distinguishing *Upjohn*, the District Court relied on a number of factors that threaten to vastly diminish

the attorney-client privilege in the business setting. Perhaps most importantly, the District Court's distinction of *Upjohn* on the ground that the internal investigation here was conducted pursuant to a compliance program mandated by federal regulations would potentially upend certain settled understandings and practices. Because defense contractors [***21] are subject to regulatory requirements of the sort cited by the District Court, the logic of the ruling would seemingly prevent any defense contractor from invoking the attorney-client privilege to protect internal investigations undertaken as part of a mandatory compliance program. See [48 C.F.R. § 52.203-13 \(2010\)](#). And because a variety of other federal laws require similar internal controls or compliance programs, many other companies likewise would not be able to assert the privilege to protect the records of their internal investigations. See, e.g., [15 U.S.C. §§ 78m\(b\)\(2\), 7262](#); [41 U.S.C. § 8703](#). As KBR explained, the District Court's decision "would disable *most public companies* from undertaking confidential internal investigations." KBR Pet. 19. As amici added, the District Court's novel approach has the potential to "work a sea change in the well-settled rules governing internal corporate investigations." Br. of Chamber of Commerce et al. as Amici Curaie 1; see KBR Reply Br. 1 n.1 (citing commentary to same effect); Andy Liu et al., *How To Protect Internal Investigation Materials from Disclosure*, 56 GOVERNMENT CONTRACTOR ¶ 108 (Apr. 9, 2014) (assessing broad impact of ruling [***22] on government contractors).

To be sure, there are limits to the impact of a single district court ruling because it is not binding on any other court or judge. But prudent counsel monitor court decisions closely and adapt their [*763] [**391] practices in response. The amicus brief in this case, which was joined by numerous business and trade associations, convincingly demonstrates that many organizations are well aware of and deeply concerned about the uncertainty generated by the novelty and breadth of the District Court's reasoning. That uncertainty matters in the privilege context, for the Supreme Court has told us that an

"uncertain privilege, or one which purports to be certain but results in widely varying applications by the courts, is little better than no privilege at all." [Upjohn Co. v. United States, 449 U.S. 383, 393, 101 S. Ct. 677, 66 L. Ed. 2d 584 \(1981\)](#). More generally, this Court has long recognized that [HN16](#)[↑] mandamus can be appropriate to "forestall future error in trial courts" and "eliminate uncertainty" in important areas of law. [Colonial Times, Inc. v. Gasch, 509 F.2d 517, 524, 166 U.S. App. D.C. 184 \(D.C. Cir. 1975\)](#). Other courts have granted mandamus based on similar considerations. See [In re Sims, 534 F.3d 117, 129 \(2d Cir. 2008\)](#) (granting [***23] mandamus where "immediate resolution will avoid the development of discovery practices or doctrine undermining the privilege") (quotation omitted); [In re Seagate Technology, LLC, 497 F.3d 1360, 1367 \(Fed. Cir. 2007\)](#) (en banc) (same). The novelty of the District Court's privilege ruling, combined with its potentially broad and destabilizing effects in an important area of law, convinces us that granting the writ is "appropriate under the circumstances." [Cheney, 542 U.S. at 381](#). In saying that, we do not mean to imply that all of the circumstances present in this case are necessary to meet the third prong of the mandamus test. But they are sufficient to do so here. We therefore grant KBR's petition for a writ of mandamus.

IV

We have one final matter to address. At oral argument, KBR requested that if we grant mandamus, we also reassign this case to a different district court judge. See Tr. of Oral Arg. at 17-19; [28 U.S.C. § 2106](#). KBR grounds its request on the District Court's erroneous decisions on the privilege claim, as well as on a letter sent by the District Court to the Clerk of this Court in which the District Court arranged to transfer the record in the case and identified certain [***24] documents as particularly important for this Court's review. See KBR Reply Br. App. 142. KBR claims that the letter violated [HN17](#)[↑] *Federal Rule of Appellate Procedure 21(b)(4)*, which provides that in a

mandamus proceeding the "trial-court judge may request permission to address the petition but may not do so unless invited or ordered to do so by the court of appeals."

In its mandamus petition, KBR did not request reassignment. Nor did KBR do so in its reply brief, even though the company knew by that time of the District Court letter that it complains about. [HN18](#) [↑] Ordinarily, we do not consider a request for relief that a party failed to clearly articulate in its briefs. To be sure, appellate courts on rare occasions will reassign a case sua sponte. See [Ligon v. City of New York](#), 736 F.3d 118, 129 & n.31 (2d Cir. 2013) (collecting cases), vacated in part, 743 F.3d 362 (2d Cir. 2014). But whether requested to do so or considering the matter sua sponte, we will reassign a case only in the exceedingly rare circumstance that a district judge's conduct is "so extreme as to display clear inability to render fair judgment." [Liteky v. United States](#), 510 U.S. 540, 551, 114 S. Ct. 1147, 127 L. Ed. 2d 474 (1994); see also [United States v. Microsoft Corp.](#), 253 F.3d 34, 107, 346 U.S. App. D.C. 330 (D.C. Cir. 2001) [***25] (en banc). Nothing in the District Court's decisions or subsequent letter reaches that very high standard. Based on the record before us, we have no reason to doubt that the District Court will [*764] [**392] render fair judgment in further proceedings. We will not reassign the case.

* * *

In reaching our decision here, we stress, as the Supreme Court did in *Upjohn*, that [HN19](#) [↑] 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. v. United States](#), 449 U.S. 383, 395, 101 S. Ct. 677, 66 L. Ed. 2d 584 (1981). Barko was able to pursue the facts underlying KBR's investigation. But he was not entitled to KBR's own investigation files. As the *Upjohn* Court stated, quoting Justice Jackson, "Discovery was hardly intended to enable a learned profession to perform its functions . . . on wits

borrowed from the adversary." *Id.* at 396 (quoting [Hickman v. Taylor](#), 329 U.S. 495, 515, 67 S. Ct. 385, 91 L. Ed. 451 (1947) (Jackson, J., concurring)).

Although the attorney-client privilege covers only communications and not facts, we acknowledge that the privilege carries costs. The privilege means that potentially critical evidence may be withheld from the factfinder. [***26] Indeed, as the District Court here noted, that may be the end result in this case. But our legal system tolerates those costs because the privilege "is intended to encourage 'full and frank communication between attorneys and their clients and thereby promote broader public interests in the observance of law and the administration of justice.'" [Swidler & Berlin v. United States](#), 524 U.S. 399, 403, 118 S. Ct. 2081, 141 L. Ed. 2d 379 (1998) (quoting [Upjohn](#), 449 U.S. at 389).

We grant the petition for a writ of mandamus and vacate the District Court's March 6 document production order. To the extent that Barko has timely asserted other arguments for why these documents are not covered by either the attorney-client privilege or the work-product protection, the District Court may consider such arguments.

So ordered.

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As of: November 12, 2020 1:07 PM Z

Parneros v. Barnes & Noble, Inc.

United States District Court for the Southern District of New York

October 4, 2019, Decided; October 4, 2019, Filed

18 Civ. 7834 (JGK) (GWG)

Reporter

332 F.R.D. 482 *; 2019 U.S. Dist. LEXIS 172774 **; 104 Fed. R. Serv. 3d (Callaghan) 1600; 2019 WL 4891213
the claim of attorney-client privilege, *Fed. R. Evid.*
501.

DEMOS PARNEROS, Plaintiff, -v.- BARNES &
NOBLE, INC., Defendant.

Evidence > Privileges > Attorney-Client
Privilege > Elements

Subsequent History: Summary judgment granted
by, in part, Summary judgment denied by, in part
[Parneros v. Barnes & Noble, Inc., 2020 U.S. Dist.
LEXIS 162047 \(S.D.N.Y., Sept. 3, 2020\)](#)

[HN2](#) [↓] **Attorney-Client Privilege, Elements**

For the attorney-client privilege to apply, the communication from the attorney to client must be made for the purpose of facilitating the rendition of legal advice or services, in the course of a professional relationship. The communication itself must be primarily or predominantly of a legal character. The critical inquiry is whether, viewing the lawyer's communication in its full content and context, it was made in order to render legal advice or services to the client. Legal advice involves the interpretation and application of legal principles to guide future conduct or to assess past conduct.

Prior History: [Parneros v. Barnes & Noble, Inc.,
2019 U.S. Dist. LEXIS 234326 \(S.D.N.Y., Aug. 16,
2019\)](#)

LexisNexis® Headnotes

Evidence > Privileges > Attorney-Client
Privilege > Scope

Civil Procedure > Preliminary
Considerations > Federal & State
Interrelationships > Erie Doctrine

[HN3](#) [↓] **Privileges, Attorney-Client Privilege**

Evidence > Privileges > Attorney-Client
Privilege

A corporation's communications with counsel, no less than the communications of other clients with counsel, are encompassed within the legislative purposes of [CPLR 4503](#), which include fostering uninhibited dialogue between lawyers and clients in their professional engagements, thereby ultimately promoting the administration of justice. A communication between an attorney and the agent

[HNI](#) [↓] **Federal & State Interrelationships,
Erie Doctrine**

State law provides the rule of decision concerning

or employee of a corporation may be privileged where the agent possessed the information needed by the corporation's attorneys in order to render informed legal advice. The privilege applies to communications with attorneys, whether corporate staff counsel or outside counsel. Nonetheless, because in-house counsel may have mixed business-legal responsibility their day-to-day involvements in their employers' affairs may blur the line between legal and nonlegal communications. Accordingly, given that privilege obstructs the truth-finding process and its scope is limited to that which is necessary to achieve its purpose the need to apply it cautiously and narrowly is heightened in the case of corporate staff counsel, lest the mere participation of an attorney be used to seal off disclosure.

Evidence > Privileges > Attorney-Client
Privilege > Elements

[HN4](#) [↓] **Attorney-Client Privilege, Elements**

Under New York law, the burden of establishing any right to protection is on the party asserting it; the protection claimed must be narrowly construed; and its application must be consistent with the purposes underlying the immunity. The proponent of the attorney-client privilege has the burden of establishing that the information was a communication between client and counsel, that it was intended to be and was kept confidential, and that it was made in order to assist in obtaining or providing legal advice or services to the client. Such showings must be based on competent evidence, usually through affidavits, deposition testimony or other admissible evidence. The burden cannot be met by mere conclusory or ipse dixit assertions' in unsworn motion papers authored by attorneys. It is also the burden of the party asserting a privilege to establish that it has not been waived.

Civil Procedure > ... > Privileged
Communications > Work Product

Doctrine > Scope of Protection

[HN5](#) [↓] **Work Product Doctrine, Scope of Protection**

Federal law governs the applicability of the work product doctrine in all actions in federal court. [Fed. R. Civ. P. 26\(b\)\(3\)](#) codifies the doctrine in part, providing that a party may not discover documents and tangible things that are prepared in anticipation of litigation or for trial by or for another party or its representative (including the other party's attorney, consultant, surety, indemnitor, insurer, or agent), unless the party shows that it has substantial need for the materials and cannot, without undue hardship, obtain their substantial equivalent by other means. The work-product rule is designed to preserve a zone of privacy in which a lawyer can prepare and develop legal theories and strategy with an eye toward litigation, free from unnecessary intrusion by his adversaries. The party asserting work-product protection must demonstrate that the material at issue (1) is a document or a tangible thing, (2) that was prepared in anticipation of litigation, and (3) was prepared by or for a party, or by his representative.

Civil Procedure > ... > Privileged
Communications > Work Product
Doctrine > Scope of Protection

[HN6](#) [↓] **Work Product Doctrine, Scope of Protection**

Documents prepared in the ordinary course of business, or that would have been created whether or not litigation was anticipated, are not protected by work-product immunity. It is firmly established, however, that a document that assists in a business decision is protected by work-product immunity if the document was created because of the prospect of litigation. Ultimately, in anticipation of litigation means that 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.

Civil Procedure > ... > Privileged
Communications > Work Product
Doctrine > Scope of Protection

[HN7](#) [↓] **Work Product Doctrine, Scope of Protection**

Notwithstanding the common description of the doctrine as the attorney work product doctrine, it is not in fact necessary that the material be prepared by or at the direction of an attorney. The text of [Fed. R. Civ. P. 26\(b\)\(3\)\(A\)](#) accords the protection to material prepared by or for a party or its representative — not merely material prepared by or for an attorney. Thus, the rule affords protection to materials gathered by non-attorneys even where there was no involvement by an attorney.

Evidence > Privileges > Attorney-Client
Privilege > Scope

[HN8](#) [↓] **Privileges, Attorney-Client Privilege**

Interviews of a corporation's employees by its attorneys as part of an internal investigation into wrongdoing and potentially illegal conduct have been repeatedly found to be protected by the attorney-client privilege. This protection extends to the attorneys' notes of those interviews insofar as those notes reflect communications between the employee and counsel. This protection was recognized in which noted that the first step in the resolution of any legal problem is ascertaining the factual background and sifting through the facts with an eye to the legally relevant.

Evidence > Privileges > Attorney-Client
Privilege > Scope

[HN9](#) [↓] **Privileges, Attorney-Client Privilege**

Courts have often found the retention of outside litigation counsel to advise an internal investigation to be an important factor in determining whether an internal investigation is being conducted for the purpose of obtaining legal advice for the company.

Evidence > Privileges > Attorney-Client
Privilege > Scope

[HN10](#) [↓] **Privileges, Attorney-Client Privilege**

Factual investigations conducted by an agent of the attorney, such as gathering statements from employees, clearly fall within the attorney-client rubric. The attorney-client privilege protects not only the giving of professional advice to those who can act on it but also the giving of information to the lawyer to enable him to give sound and informed advice.

Evidence > Privileges > Attorney-Client
Privilege > Scope

[HN11](#) [↓] **Privileges, Attorney-Client Privilege**

Certainly, courts have found the attorney-client privilege to shield notes of interviews undertaken as part of an internal investigation without discussing whether an Upjohn warning was first given.

Evidence > Privileges > Attorney-Client
Privilege > Scope

[HN12](#) [↓] **Privileges, Attorney-Client Privilege**

The notion that any notes taken by a general counsel of an entity must be privileged simply based on his job title runs afoul of New York law circumscribing attorney-client privilege. Unlike the situation where a client individually engages a lawyer in a particular matter, staff attorneys may serve as company officers, with mixed business-

legal responsibility; whether or not officers, their day-to-day involvement in their employers' affairs may blur the line between legal and nonlegal communications; and their advice may originate not in response to the client's consultation about a particular problem but with them, as part of an ongoing, permanent relationship with the organization. In that the privilege obstructs the truth-finding process and its scope is limited to that which is necessary to achieve its purpose, the need to apply it cautiously and narrowly is heightened in the case of corporate staff counsel, lest the mere participation of an attorney be used to seal off disclosure.

Civil Procedure > ... > Privileged Communications > Work Product Doctrine > Scope of Protection

[HN13](#) [↓] **Work Product Doctrine, Scope of Protection**

The mere possibility of litigation is insufficient to obtain work-product protection.

Civil Procedure > ... > Privileged Communications > Work Product Doctrine > Scope of Protection

[HN14](#) [↓] **Work Product Doctrine, Scope of Protection**

Work product protection is available for non-attorneys even when they act without the direction of an attorney to prepare materials in anticipation of litigation.

Evidence > Privileges > Attorney-Client Privilege > Waiver

[HN15](#) [↓] **Attorney-Client Privilege, Waiver**

Under New York law, disclosure of the mere fact of

a consultation with an attorney is no basis for a waiver as to the content of that consultation.

Evidence > Privileges > Attorney-Client Privilege > Waiver

[HN16](#) [↓] **Attorney-Client Privilege, Waiver**

Courts have found waiver of the attorney-client privilege when a client testifies concerning portions of the attorney-client communication, when a client places the attorney-client relationship directly at issue, and when a client asserts reliance on an attorney's advice as an element of a claim or defense. However, that a privileged communication contains information relevant to issues the parties are litigating does not, without more, place the contents of the privileged communication itself at issue in the lawsuit; if that were the case, a privilege would have little effect. The waiver doctrine, however, does not apply exclusively to situations where a party explicitly relies — or states that it intends to rely — on attorney-client communications. Another aspect of the at issue waiver doctrine finds waiver even where there is no intention to rely on attorney-client communications.

Evidence > Privileges > Attorney-Client Privilege > Waiver

[HN17](#) [↓] **Attorney-Client Privilege, Waiver**

The attorney-client privilege cannot at once be used as a shield and a sword. Thus, the privilege may implicitly be waived when defendant asserts a claim that in fairness requires examination of protected communications.

Evidence > Privileges > Attorney-Client Privilege > Waiver

[HN18](#) [↓] **Attorney-Client Privilege, Waiver**

Courts have recognized that an implied waiver of the attorney-client privilege may be found even if the privilege holder does not attempt to make use of a privileged communication.

Evidence > Privileges > Attorney-Client
Privilege > Waiver

[HN19](#)[\[↓\]](#) **Attorney-Client Privilege, Waiver**

Because the waiver question involves an allegation of disclosure of privileged material, its resolution is governed by *Fed. R. Evid. 502*, notwithstanding the fact that the substantive privilege is governed by state law.

Evidence > Privileges > Attorney-Client
Privilege > Waiver

[HN20](#)[\[↓\]](#) **Attorney-Client Privilege, Waiver**

The issue of waiver in the case of the testimony of a corporation's agent is whether the corporation has acted deliberately in disclosing privileged information, not whether the witness acted deliberately.

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Judges: GABRIEL W. GORENSTEIN, United States Magistrate Judge.

Opinion by: GABRIEL W. GORENSTEIN

Opinion

[*487] OPINION & ORDER

GABRIEL W. GORENSTEIN, UNITED STATES MAGISTRATE JUDGE

[*488] This case was brought by Demos Parneros, the former Chief Executive Officer of Barnes & Noble, Inc. ("Barnes & Noble"), against Barnes & Noble to seek compensation for his firing, including claims of breach of contract and defamation. Barnes & Noble has asserted counterclaims against Parneros as well. Parneros has now filed a motion seeking to compel Barnes & Noble to produce certain documents that it has withheld on the basis of the attorney-client privilege and the work product doctrine.¹ Barnes &

¹See Notice of Motion to Compel Discovery, filed May 17, 2019 (Docket # 74); Memorandum of Law in Support of Plaintiff's Motion to Compel, filed May 17, 2019 (Docket # 75) ("Pl. Mem."); Declaration of Demos Parneros, filed May 17, 2019 (Docket # 76) ("Parneros Decl."); Declaration of Anne L. Clark, filed May 17, 2019 (Docket # 77) ("Clark Decl."); Defendant's Memorandum of Law in Opposition to Plaintiff's Motion to Compel, filed May 31, 2019 (Docket # 83) ("Def. Mem."); Declaration of Bradley A. Feuer, filed May 31, 2019 (Docket # 84) ("Feuer Decl."); Declaration of Liza M. Velazquez, filed May 31, 2019 (Docket # 85); Reply Memorandum of Law in Support of Plaintiff's Motion to Compel, filed June 14, 2019 (Docket # 89) ("Pl. Reply Mem."); Reply Declaration of Demos Parneros, filed June 14, 2019 (Docket # 90) ("Parneros Reply Decl."); Reply Declaration of Anne L. Clark, filed June 14, 2019 (Docket # 91) ("Clark Reply Decl."); Letter from Anne L. Clark, filed July 3, 2019 (Docket # 92) (also filed as Docket ## 114, 118) ("Clark July 3, 2019, Letter"); Letter from Liza M. Velazquez, filed July 8, 2019 (Docket # 93) ("Velazquez July 8, 2019, Letter"); Letter from Anne L. Clark, dated July 30, 2019 (Docket # 96) ("Clark July 30, 2019, Letter"); Letter from Liza M.

Noble opposes this motion. For the following reasons, Parneros's motion to compel is granted in part and denied in part.

I. BACKGROUND

A. Facts [**2]

From November 2016 until July 2, 2018, Parneros worked for Barnes & Noble, a retail bookstore chain, first as its Chief Operating Officer ("COO") and then as its Chief Executive Officer ("CEO"). See Amended Complaint, filed Oct. 12, 2018 (Docket # 16) ("Am. Compl."), ¶¶ 1, 7, 12, 22-23. On May 24, 2018, at a time when Parneros was CEO, Barnes & Noble's Chief Financial Officer, Allen Lindstrom, informed the company's General Counsel, Bradley A. Feuer, that a female employee who served as an executive assistant (the "Executive Assistant") had reported to him that Parneros sexually harassed her and made her uncomfortable. See Feuer Decl. ¶ 2. Feuer met with the Executive Assistant, and prepared notes documenting his meeting with her. Id. ¶¶ 3-4.² Feuer asserts that he prepared the notes "so that [he] could render legal advice to the Company regarding its rights and obligations with respect to the alleged conduct by the CEO." Id. ¶ 4.

Feuer engaged outside counsel, Paul, Weiss, Rifkind, Wharton & Garrison LLP ("Paul, Weiss") on the same day he met with the Executive Assistant. Id. ¶ 6. He also "led" an investigation into the allegations, which Feuer decided he would do himself along with [**3] "other senior

Velazquez, filed July 30, 2019 (Docket # 97) (also filed as Docket # 116) ("Velazquez July 30 Letter"); Letter from Anne L. Clark, filed Aug. 2, 2019 (Docket # 98) ("Clark Aug. 2 Letter"); Letter from Liza M. Velazquez, filed Aug. 2, 2019 (Docket # 99) ("Velazquez Aug. 2 Letter"); Letter from Anne L. Clark, filed Aug. 15, 2019 (Docket # 104) (also filed as Docket # 110) ("Clark Aug. 15 Letter"); Letter from Liza M. Velazquez, filed Aug. 16, 2018 (Docket # 105); Letter from Liza M. Velazquez, filed September 20, 2019 (Docket # 128) ("Velazquez Sept. 20 Letter"); Letter from Anne L. Clark, dated September 20, 2019 (Docket # 129) ("Clark Sept. 20 Letter").

²Feuer does not specify if the notes were prepared contemporaneously.

executives at [his] direction." Id. ¶ 7. The Executive Assistant had specifically stated that she did not want the company's Human Resources department to be involved, id., because she was concerned that the head of Human Resources had a close relationship with Parneros, see Excerpts of the Videotaped Deposition of [the Executive Assistant], dated June 28, 2019 (annexed as Ex. B to Clark July 3, 2019, Letter), at 238-39.

On the same day, May 24, 2018, Feuer directed Mary Ellen Keating, Barnes & Noble's Senior Vice President of Corporate Communications and Public Affairs, to meet with the Executive Assistant and Parneros, [*489] and to provide Feuer with any notes of the meeting because he thought the notes "would enable [Feuer] to provide legal advice to the Company" regarding its exposure to legal claims. Feuer Decl. ¶ 9.

On May 30, 2018, Keating and Leonard Riggio, who was the Founder and Chair of Barnes & Noble, met with the Executive Assistant concerning her allegations. Id. ¶ 11. Feuer asserts that this meeting was "part of the investigation I was directing." Id. ¶ 11. At his deposition, however, Riggio said that the meeting with the Executive Assistant came about because he had personally [**4] "decided that [he] wanted to speak with the Executive Assistant." Clark Aug. 15 Letter at 2. He also claimed that it was he who asked Keating to sit in on the meeting with him, which he arranged for the Executive Assistant's "comfort." Id. The reason he arranged for the meeting, Riggio said, was because he was the chairman of the company and "the buck stops here." Id.

On June 4, 2018, Riggio met with Parneros, with Keating present, to discuss the allegations. Id. ¶ 12.³

³According to Parneros, during this meeting Parneros denied having said the particular inappropriate words alleged by the Executive Assistant, see Parneros Decl. ¶ 2 (citing Am. Compl. ¶¶ 57-62), and, in a follow-up conversation, Riggio stated that he did not believe the Executive Assistant's allegations to be to "too serious," id.

On June 5, 2018, Keating, Riggio, and the Executive Assistant met twice, and Keating and the Executive Assistant also met alone. Feuer Decl. ¶ 13. That same day, Parneros, Keating, and the Executive Assistant had a meeting, *id.* ¶ 14 — which we will refer to as the "apology meeting" — at which Parneros apologized for his conduct, *see* Parneros Reply Decl. ¶ 7. Keating and Parneros also had a separate conversation that day. Feuer Decl. ¶ 14.

Meanwhile, on May 28, 2018, Feuer became aware of allegations that Parneros had engaged in workplace bullying of another executive, Alan Lindstrom. Feuer Decl. ¶ 16; *see* Excerpts of Videotaped Deposition Testimony of Al Ferrara, dated June 5, 2019 (annexed as Ex. 1 to Clark Reply [**5] Decl.) ("Ferrara Dep."), at 282-83.

On June 18, 2018, a meeting was held between Barnes & Noble executives, including Parneros and Feuer, and the executives of a company that was interested in acquiring Barnes & Noble (the "Potential Acquirer"). Feuer Decl. ¶ 17. According to Barnes & Noble, prior to the meeting, the Potential Acquirer had made clear to Barnes & Noble executives, including Parneros, that it was very important for Parneros to "provide a cogent explanation about a downward trend in the Company's sales at that meeting." *Id.* Instead, according to Barnes & Noble, Parneros "left the Potential Acquir[e]r's questions unanswered and engaged in a long, rambling monologue in which he painted [Barnes & Noble] in an unduly negative and harsh light." *Id.* Feuer prepared notes memorializing Parneros's behavior at the June 18, 2018, meeting, which Feuer asserts were "solely focused on [Parneros's] behavior, not on the business aspects of the meeting," and which he "would not have prepared . . . had [he] not been concerned about the prospect of litigation" by or against Parneros in the near future. *Id.* ¶ 19. At Feuer's direction, two other senior executives who attended the June 18, [**6] 2018, meeting also documented their recollections of Parneros's conduct. *Id.* ¶ 20. The day after the meeting, the

Potential Acquirer withdrew its offer. *Id.* ¶ 17.

In late June 2018, Feuer received and reviewed drafts of a memorandum prepared by Barnes & Noble's outside counsel, which was prepared to provide Barnes & Noble's Board of Directors with legal advice regarding Parneros's possible termination. *Id.* ¶ 27. The Board met on June 27, 2018, and voted to terminate Parneros's employment. *See id.* ¶ 29. Scott Barshay of Paul, Weiss attended the Board Meeting and rendered legal advice. *Id.* ¶ 28. Feuer prepared minutes of that board meeting. *Id.* ¶ 29.

On July 2, 2018, Barnes & Noble fired Parneros, and refused to pay him severance. *See* Am. Compl. ¶¶ 2, 49. The following day, July 3, 2018, Barnes & Noble issued a press release stating that it had fired Parneros for "violations of the Company's policies," noting that the "action was taken by the Company's Board of Directors who were advised by the [*490] law firm Paul, Weiss, Rifkind, Wharton & Garrison LLP." *Id.* ¶ 48; *see* Press Release: Barnes & Noble Announces CEO Termination, dated July 3, 2018 (annexed as Ex. 7 to Clark Decl.) ("Press Release"). [**7] The Press Release further noted that Parneros's termination was "not due to any disagreement with the Company regarding its financial reporting, policies or practices or any potential fraud relating thereto," and that Parneros would "not receive any severance payment" and was "no longer a member of the Company's Board of Directors." *See* Press Release. Feuer and outside counsel for Barnes & Noble had reviewed several drafts of this press release beginning in late June 2018. *See* Feuer Decl. ¶ 24. As part of his claim for defamation, Parneros asserts that the language of the press release implied that he had engaged in serious sexual misconduct and that Barnes & Noble understood that the press release would be read in such a manner — yet nonetheless published it knowing that this implication was false. *See* Am. Compl. ¶¶ 2, 52.

Parneros brought the instant action against Barnes & Noble for breach of his employment contract

based on its failure to pay him severance, see id. ¶¶ 84-97; for defamation because Barnes & Noble falsely suggested that Parneros had engaged in serious misconduct, see id. ¶¶ 88-92; and for breach of the covenant of good faith and fair dealing with respect to his employment [**8] contract, id. ¶¶ 93-98. Barnes & Noble has asserted counterclaims against Parneros for breach of the fiduciary duties of loyalty and good faith, see Defendant's Answer, Affirmative Defenses, and Counterclaims, filed Oct. 30, 2018 (Docket # 23) ("Answer"), ¶¶ 149-52; for damages resulting from his acting as a faithless servant to the company, id. ¶¶ 153-59; and for a declaratory judgment that Parneros's conduct constituted grounds for the cancellation of awards that would have otherwise been due to him, id. ¶ 167.

B. Documents at Issue

Parneros seeks the discovery of the following documents that Barnes & Noble has withheld under the attorney-client privilege and/or work product doctrine: 1) documents prepared during the course of Feuer's investigation into the sexual harassment allegations against Parneros; 2) Feuer's and the other executives' notes from the June 18, 2018, meeting with the Potential Acquirer; 3) drafts of the press release announcing Parneros's termination from Barnes & Noble; 4) a report prepared by Paul, Weiss that was provided to Barnes & Noble's Board of Directors prior to the meeting at which the Board voted to terminate Parneros's employment; and 5) the minutes [**9] of the Board meeting at which the Board voted to terminate Parneros's employment. See Pl. Mem. at 4, nn. 1-5.

On July 11, 2019, this Court directed Barnes & Noble to provide copies to the Court of the disputed documents in the event that the Court felt it necessary to conduct an in camera review of any of the documents. See Order, filed July 11, 2019 (Docket # 94). Barnes & Noble did so. See Letter from Liza M. Velazquez, filed Aug. 8, 2019 (Docket # 100). The Court ultimately did not find it necessary to review the documents in camera in order to decide the privilege issues.

II. GOVERNING LAW

A. Law Governing Attorney-Client Privilege

Because this Court's subject matter jurisdiction is based upon diversity, see Am. Compl. ¶ 5, HNI [↑] state law provides the rule of decision concerning the claim of attorney-client privilege, see Fed. R. Evid. 501; Dixon v. 80 Pine St. Corp., 516 F.2d 1278, 1280 (2d Cir. 1975). Both Barnes & Noble and Parneros agree that New York law applies to the issue of attorney-client privilege. See Def. Mem. at 7 n.3; Clark July 30, 2019, Letter, at 1.

HN2 [↑] In New York, the statutory codification of the privilege is as follows:

[A]n attorney or his or her employee, or any person who obtains without the knowledge of the client evidence of a confidential communication made [**10] between the attorney or his or her employee and the client in the course of professional employment, shall not disclose, or be allowed to disclose such [*491] communication, nor shall the client be compelled to disclose such communication . . .

N.Y. C.P.L.R. § 4503(a)(1). For the privilege to apply, the communication from the attorney to client must be made "for the purpose of facilitating the rendition of legal advice or services, in the course of a professional relationship." Rossi v. Blue Cross & Blue Shield of Greater N.Y., 73 N.Y.2d 588, 593, 540 N.E.2d 703, 542 N.Y.S.2d 508 (1989). The communication itself must be "primarily or predominantly of a legal character." Id. at 594. "The critical inquiry is whether, viewing the lawyer's communication in its full content and context, it was made in order to render legal advice or services to the client." Spectrum Sys. Int'l Corp. v. Chem. Bank, 78 N.Y.2d 371, 379, 581 N.E.2d 1055, 575 N.Y.S.2d 809 (1991). "[L]egal advice involves the interpretation and application of legal principles to guide future conduct or to assess past conduct." In re Cty. of Erie, 473 F.3d 413, 419 (2d

[Cir. 2007](#)).⁴

[HN3](#)^[↑] "A corporation's communications with counsel, no less than the communications of other clients with counsel, are encompassed within the legislative purposes of [CPLR 4503](#), which include fostering uninhibited dialogue between lawyers and clients in their professional engagements, thereby ultimately promoting the administration [**11] of justice." [Rossi, 73 N.Y.2d at 592](#). A communication between an attorney and the agent or employee of a corporation may be privileged where the agent "possessed the information needed by the corporation's attorneys in order to render informed legal advice." [In re Copper Mkt. Antitrust Litig., 200 F.R.D. 213, 218-19 \(S.D.N.Y. 2001\)](#) (citing [Upjohn Co. v. United States, 449 U.S. 383, 391, 101 S. Ct. 677, 66 L. Ed. 2d 584 \(1981\)](#)). "The privilege applies to communications with attorneys, whether corporate staff counsel or outside counsel." [Rossi, 73 N.Y.2d at 592](#); accord [Stock v. Schnader Harrison Segal & Lewis LLP, 142 A.D.3d 210, 216, 35 N.Y.S.3d 31 \(1st Dep't 2016\)](#). Nonetheless, because in-house counsel may have "mixed business-legal responsibility . . . their day-to-day involvements in their employers' affairs may blur the line between legal and nonlegal communications." [Rossi, 73 N.Y.2d at 592](#). Accordingly, given that "privilege obstructs the truth-finding process and its scope is limited to that which is necessary to achieve its purpose . . . the

⁴ While [In re Cty. of Erie](#) was decided under federal privilege law, it has long been recognized that New York law on attorney-client privilege is "generally similar to accepted federal doctrine." [Bank of Am., N.A. v. Terra Nova Ins. Co. Ltd., 211 F. Supp. 2d 493, 495 \(S.D.N.Y. 2002\)](#); accord [Argos Holdings Inc. v. Wilmington Tr. Natl. Ass'n., 2019 WL 1397150, at *2 \(S.D.N.Y. Mar. 28, 2019\)](#) ("New York law of attorney-client privilege is, with certain exceptions, substantially similar to the federal doctrine.") (internal quotation marks and citation omitted); [Edebali v. Bankers Stand. Ins. Co., 2017 U.S. Dist. LEXIS 110665, 2017 WL 3037408, at *4 n.2 \(E.D.N.Y. July 17, 2017\)](#) ("[T]he distinction between New York and federal law on attorney-client privilege is quite indistinguishable, as the law intersects in all of its facets, and are viewed interchangeably.") (internal quotation marks and citation omitted). Because the law of the two jurisdictions is similar in all respects discussed in this opinion, we sometimes cite to cases applying federal law such as [In re Cty. of Erie](#).

need to apply it cautiously and narrowly is heightened in the case of corporate staff counsel, lest the mere participation of an attorney be used to seal off disclosure." [Id. at 593](#).

[HN4](#)^[↑] Under New York law, "the burden of establishing any right to protection is on the party asserting it; the protection claimed must be narrowly construed; and its application must be consistent with the purposes underlying the immunity." [Spectrum Sys., 78 N.Y.2d at 377](#) (citing cases). "The proponent of the privilege has the [**12] burden of establishing that the information was a communication between client and counsel, that it was intended to be and was kept confidential, and [that] it was made in order to assist in obtaining or providing legal advice or services to the client." [Charter One Bank, F.S.B. v. Midtown Rochester, L.L.C., 191 Misc. 2d 154, 166, 738 N.Y.S.2d 179 \(Sup. Ct. 2002\)](#); accord [People v. Mitchell, 58 N.Y.2d 368, 373, 448 N.E.2d 121, 461 N.Y.S.2d 267 \(1983\)](#) (citing cases). Such showings must be based on competent evidence, usually through affidavits, deposition testimony or other admissible evidence. See [[*492](#)] [von Bulow by Auersperg v. von Bulow, 811 F.2d 136, 147 \(2d Cir. 1987\)](#); [Bowne of N.Y. City, Inc. v. AmBase Corp., 150 F.R.D. 465, 472 \(S.D.N.Y. 1993\)](#). The burden cannot be met by "'mere conclusory or ipse dixit assertions'" in unsworn motion papers authored by attorneys. See [von Bulow, 811 F.2d at 146](#) (quoting [In re Bonanno, 344 F.2d 830, 833 \(2d Cir. 1965\)](#)). It is also the burden of the party asserting a privilege to establish that it has not been waived. See [John Blair Commc'ns, Inc. v. Reliance Capital Group, 182 A.D.2d 578, 579, 582 N.Y.S.2d 720 \(1st Dep't 1992\)](#).

B. Law Governing the Work-Product Doctrine

[HN5](#)^[↑] "Federal law governs the applicability of the work product doctrine in all actions in federal court." [Wultz v. Bank of China Ltd., 304 F.R.D. 384, 393 \(S.D.N.Y. 2015\)](#) (citing [Allied Irish Banks, P.L.C. v. Bank of Am., N.A., 252 F.R.D. 163, 173 \(S.D.N.Y. 2008\)](#)). [Federal Rule of Civil Procedure 26\(b\)\(3\)](#) codifies the doctrine in part, providing that

"a party may not discover documents and tangible things that are prepared in anticipation of litigation or for trial by or for another party or its representative (including the other party's attorney, consultant, surety, indemnitor, insurer, or agent)," unless "the party shows that it has substantial need **[**13]** for the materials . . . and cannot, without undue hardship, obtain their substantial equivalent by other means." The work-product rule is designed "to preserve a zone of privacy in which a lawyer can prepare and develop legal theories and strategy 'with an eye toward litigation,' free from unnecessary intrusion by his adversaries." United States v. Adlman, 134 F.3d 1194, 1196 (2d Cir. 1998) (quoting Hickman v. Taylor, 329 U.S. 495, 510-11, 67 S. Ct. 385, 91 L. Ed. 451 (1947)); accord United States v. Nobles, 422 U.S. 225, 238-39, 95 S. Ct. 2160, 45 L. Ed. 2d 141 (1975). The party asserting work-product protection must demonstrate that the material at issue "(1) [is] a document or a tangible thing, (2) that was prepared in anticipation of litigation, and (3) was prepared by or for a party, or by his representative." Allied Irish Banks, P.L.C., 252 F.R.D. at 173 (internal quotation marks and citation omitted).

HN6^[↑] "Documents prepared in the ordinary course of business, or that would have been created whether or not litigation was anticipated, are not protected by work-product immunity. . . . It is firmly established, however, that a document that assists in a business decision is protected by work-product immunity if the document was created because of the prospect of litigation." In re Copper Mkt. Antitrust Litig., 200 F.R.D. at 221 (citing Adlman, 134 F.3d at 1202). Ultimately, "in anticipation of litigation" means that "'in light of the nature of the document and the factual situation in the particular case, the document can **[**14]** fairly be said to have been prepared or obtained because of the prospect of litigation.'" Costabile v. Cty. of Westchester, 254 F.R.D. 160, 164 (S.D.N.Y. 2008) (quoting Adlman, 134 F.3d at 1202).

HN7^[↑] Notwithstanding the common description of the doctrine as the "attorney" work product

doctrine, it is not in fact necessary that the material be prepared by or at the direction of an attorney. The text of Fed. R. Civ. P. 26(b)(3)(A) accords the protection to material prepared "by or for [a] party or its representative" — not merely material prepared by or for an attorney. The Advisory Committee Notes (1970) to Rule 26(b)(3) confirm that the intention of the Rule was to protect material also prepared by non-attorneys. Fed. R. Civ. P. 26(b)(3) advisory committee's note to 1970 amendment; see Wultz, 304 F.R.D. at 394; accord Goff v. Harrah's Operating Co., 240 F.R.D. 659, 660 (D. Nev. 2007) ("It may be surprising to long-time practitioners that a lawyer need not be involved at all for the work product protection to take effect.") (quotation marks and citation omitted). Thus, the rule "afford[s] protection to materials gathered by non-attorneys even where there was no involvement by an attorney." Wultz, 304 F.R.D. at 394 (citing cases).

III. DISCUSSION

A. Documents Prepared During the Course of the Investigation of Sexual Harassment Allegations Against Parneros

Parneros seeks the following categories of documents related to the investigation of the sexual harassment **[**15]** allegations: **[*493]** 1) handwritten notes prepared by Bradley Feuer on May 24, 2018, during his interview with the Executive Assistant; 2) a memorandum drafted by Bradley Feuer on May 24, 2018, regarding his interview with the Executive Assistant; 3) a memorandum prepared by Mary Ellen Keating on May 30, 2018, at the request of Bradley Feuer concerning her interview of the Executive Assistant; 4) a memorandum prepared by Mary Ellen Keating on June 5, 2018, at the request of Bradley Feuer, regarding the apology meeting between the Executive Assistant and Parneros; and 5) two email attachments sent by Bradley Feuer to himself on June 25, 2018, concerning his interview of the Executive Assistant, which have been redacted. See Pl. Mem. at 4 n.1; Def Mem. at 7 n.4.

1. Whether the Documents Are Protected by Attorney-Client Privilege

Feuer affirms that the notes that he and others took in the course of the investigation were intended to be, and have been kept, confidential, Feuer Decl. ¶ 23, and Parneros does not contest this. In his declaration, Feuer states that he "prepared notes documenting [his] meeting with the [Executive Assistant] so that [he] could render legal advice to the Company regarding ****16** its rights and obligations with respect to the alleged conduct by the CEO." *Id.* ¶ 4. Feuer credibly states that at the time of his initial meeting with the Executive Assistant, he was concerned about the possibility of the Executive Assistant bringing claims against Barnes & Noble and/or Parneros, *id.* ¶ 5, which supports his assertion that he needed to investigate the claims in order to render legal advice to the company. Significantly, he engaged Paul, Weiss, an outside law firm, on the same day he met with the Executive Assistant so that the firm could advise Barnes & Noble "on potential litigation issues." *Id.* ¶ 6. While Paul, Weiss did not conduct the investigation, Feuer states that beginning on May 24, 2018, the date on which he met with the Executive Assistant, through Parneros's termination and beyond, he and Riggio, and sometimes Keating, had ongoing communications with Paul, Weiss about Barnes & Noble's "possible exposure with respect to [Parneros's] termination as well as his behavior vis a vis the complainant," as well as regarding Barnes & Noble's right to terminate Parneros for "cause" under the terms of his employment contract. *Id.* ¶ 15. Because "very serious allegations ****17** had been raised against the CEO of the Company," Feuer decided to direct the investigation. *Id.* ¶ 7. The investigation included interviews and note-taking by Keating. *Id.* ¶¶ 9, 11-14.

Parneros denies that Barnes & Noble was in the process of gathering information for the purpose of obtaining legal advice at the time of his initial meeting and follow-up discussion with Riggio concerning the sexual harassment allegations.

During this "follow-up discussion," Parneros states that "Riggio described the allegations by the Executive Assistant as not 'too serious' and said he did not believe that he needed to report the issue to the Board." Parneros Decl. ¶ 2. Parneros further states that "[a]t no point did Riggio tell me that he was speaking to me to gather information for the purpose of obtaining legal advice for Barnes & Noble," and Riggio did not tell Parneros "that the conversation between [them] was protected by [Barnes & Noble's] attorney-client privilege." *Id.* Further, Parneros states that "[n]o one told [him] that [Barnes & Noble] had any expectation that the Executive Assistant's allegations would lead to litigation," and that, to the contrary, following his meeting with the Executive ****18** Assistant and Keating, "Riggio and Keating told [Parneros] that the Executive Assistant was satisfied with the outcome and was not seeking anything and that the matter was considered closed." *Id.* ¶ 4.

[HN8](#)^[↑] "Interviews of a corporation's employees by its attorneys as part of an internal investigation into wrongdoing and potentially illegal conduct have been repeatedly found to be protected by the attorney-client privilege." *Gruss v. Zwirn*, 276 F.R.D. 115, 124 (S.D.N.Y. 2011) (citing *Upjohn*, 449 U.S. at 394-95, and *In re John Doe Corp.*, 675 F.2d 482, 488 (2d Cir. 1982)) rev'd in part on other grounds, 2013 U.S. Dist. LEXIS 100012, 2013 WL 3481350 (S.D.N.Y. July 10, 2013). "This protection extends to the attorneys' notes of those interviews insofar as those notes reflect communications between the employee and counsel." ****494** *Id.* at 125. This protection was recognized in *Upjohn Co. v. United States*, 449 U.S. 383, 101 S. Ct. 677, 66 L. Ed. 2d 584 (1981), which noted that the "first step in the resolution of any legal problem is ascertaining the factual background and sifting through the facts with an eye to the legally relevant." *Id.* at 390-91. *Upjohn* thus found that a corporate investigation directed by an attorney was protected by attorney-client privilege. *Id.* at 394-95 (employees' responses to questionnaires received from counsel in connection with an internal investigation conducted to provide legal advice

protected by attorney-client privilege).

Here, the fact that the company's top executive was being accused [**19] of potentially serious misconduct by itself provides some circumstantial evidence to support Feuer's claim that his purpose in conducting the investigation was to provide the company with legal advice. This conclusion is further bolstered by the fact that Feuer retained Paul, Weiss as litigation counsel the same day that he learned of the allegations. [HN9](#) Courts have often found the retention of outside litigation counsel to advise an internal investigation to be an important factor in determining whether an internal investigation is being conducted for the purpose of obtaining legal advice for the company. See, e.g., [Cicel \(Beijing\) Sci. & Tech. Co. v. Misonix, Inc.](#), 331 F.R.D. 218, 2019 WL 1574806, at *8 (E.D.N.Y. 2019); [Robinson v. Vineyard Vines, LLC](#), 2016 U.S. Dist. LEXIS 27948, 2016 WL 845283, at *2-3 (S.D.N.Y. Mar. 4, 2016); [Prince v. Madison Square Garden, L.P.](#), 240 F.R.D. 126, 127 (S.D.N.Y. 2007). It is certainly true that in [Prince](#) and [Robinson](#) counsel was retained to prepare for more imminent litigation at the point at which the courts found the privilege to attach. See [Robinson](#), 2016 U.S. Dist. LEXIS 27948, 2016 WL 845283, at *2; [Prince](#), 240 F.R.D. at 127. Here, however, Barnes & Noble was concerned not only with possible litigation by the Executive Assistant, but also required legal advice as to whether the Executive Assistant's allegations "might lead to the involuntary 'for cause' termination" of Parneros. See Feuer Decl. ¶ 5.

In his declaration, Feuer states that he asked Keating "to assist [him] in the investigation" into Parneros's alleged [**20] sexual harassment of the Executive Assistant, and

asked Ms. Keating to provide [him] with any notes of those meetings, as [he] believed such notes would enable [him] to provide legal advice to the Company about its potential exposure as a result of the CEO's misconduct, the possible legal claims that might be brought against the Company and/or the CEO, and the possible defenses thereto.

Feuer Decl. ¶ 9. [HN10](#) "Factual investigations conducted by an agent of the attorney, such as gathering statements from employees, clearly fall within the attorney-client rubric." [Gucci Am., Inc. v. Guess?, Inc.](#), 271 F.R.D. 58, 71 (S.D.N.Y. 2010) (internal quotation marks and citations omitted). As the Supreme Court in [Upjohn](#) recognized, the attorney-client privilege protects "not only the giving of professional advice to those who can act on it but also the giving of information to the lawyer to enable him to give sound and informed advice." 449 U.S. at 390. Keating's notes, if prepared for Feuer in order to facilitate his provision of ongoing legal advice to the company, fit within the privilege.

Parneros suggests that where a non-lawyer employee assists in an internal investigation, the employee must have some "expertise" in investigations in order for communications [**21] made to that employee to be privileged. See Pl. Reply Mem. at 2. While Keating does not appear to have any particular expertise that would enable her to conduct the investigation in a more skilled manner than Feuer himself, we find nothing in case law suggesting that a corporate employee who conducts an investigation for an attorney must have a particular skill to qualify as the attorney's agent.⁵

⁵ We disagree with Parneros's characterization of the cases cited by Barnes & Noble. See Pl. Reply Mem. at 2 n.1. These cases do not suggest that an agent must offer some particular expertise in order for the attorney-client privilege to apply. [Patel v. L-3 Commc'ns Holdings, Inc.](#), 2016 U.S. Dist. LEXIS 97241, 2016 WL 4030704 (S.D.N.Y. July 25, 2016), involved an assertion of work product protection. 2016 U.S. Dist. LEXIS 97241, [WL] at *2-3. Thus, the question was whether materials created by a forensic accounting firm were created in anticipation of litigation or in the ordinary course of business. *Id.* The forensic accountants' status as non-lawyers was irrelevant in making this determination. See 2016 U.S. Dist. LEXIS 97241, [WL] at *3. In [Farzan v. Wells Fargo Bank](#), 2012 U.S. Dist. LEXIS 183623, 2012 WL 6763570 (S.D.N.Y. Dec. 28, 2012), the court's decision to protect communications by an "EEO" consultant turned on the fact that it was "undisputed that she conducted the internal investigation on behalf of Wells Fargo's in-house counsel for the purpose of representing Wells Fargo in its proceedings before the EEOC," not on her status as a EEO consultant. 2012 U.S. Dist. LEXIS 183623, [WL] at *2. The same was true in [Carter v. Cornell Univ.](#), 173 F.R.D. 92 (S.D.N.Y. 1997). See *id.* at 95. While the court

See, e.g., [*495] [Farzan v. Wells Fargo Bank, 2012 U.S. Dist. LEXIS 183623, 2012 WL 6763570, at *2 \(S.D.N.Y. Dec. 28, 2012\)](#) (upholding attorney-client privilege even though individual was not an attorney where it was "undisputed that she conducted the internal investigation on behalf of Wells Fargo's in-house counsel for the purpose of representing Wells Fargo in its proceedings before the EEOC"); [Carter v. Cornell Univ., 173 F.R.D. at 94](#) ("Ms. Flamm [Associate Dean of Human Resources] clearly conducted the interviews in question at the request of counsel and for the exclusive use of counsel in rendering legal representation. Thus, Ms. Flamm qualifies as a representative of an attorney for attorney-client privilege purposes."); see generally [Welland v. Trainer, 2001 U.S. Dist. LEXIS 15556, 2001 WL 1154666, at *2 \(S.D.N.Y. Oct. 1, 2001\)](#) (communications made to investigator were protected by the attorney-client privilege because the "investigator was obtaining confidential, legal advice [sic] regarding the investigation" at the direction [**22] of in-house counsel so that in-house counsel could provide legal advice to defendants). Accordingly, because Keating was conducting a factual investigation into the Executive Assistant's allegations at Feuer's direction, see Feuer Decl. ¶¶ 9, 11-14, Keating's notes are also protected by the attorney-client privilege.

Parneros argues that the investigation documents are not privileged because they were created for business purposes, rather than for legal purposes. See Pl. Mem. at 6-7. As Parneros points out, Barnes & Noble's Employee Handbook's "No Discrimination & Harassment Policy" requires that all complaints of alleged sexual harassment be

investigated. See Employee Relations (annexed as Ex. 8 to Clark Decl.), at B&N 00000465. Case law has recognized, however, that "the distinction between legal advice and business advice 'is not demarcated by a bright line.'" [Gruss, 276 F.R.D. at 125](#) (quoting [In re City of Erie, 473 F.3d at 420](#)). The mere fact that there was a business benefit obtained from conducting the investigation does not detract from the circumstances here indicating that the predominant purpose of the investigation was to gather facts for the General Counsel so he could give legal advice to the [**23] corporation. That Feuer's meeting with the Executive Assistant may have also advanced the business purpose of appropriately responding to her complaint does not change this fact. See generally [Johnson v. J. Walter Thompson U.S.A., LLC, 2017 U.S. Dist. LEXIS 126185, 2017 WL 3432301, at *3 \(S.D.N.Y. Aug. 9, 2017\)](#) ("the purpose of a communication need not be exclusively legal in order for the privilege to attach").

Parneros argues that when investigatory reports and materials are "created for business purposes, including personnel decisions, they are not privileged." Pl. Mem. at 6. But, as we have just noted, we reject the implicit premise of this statement which is that the investigation was created exclusively for business purposes.

Parneros argues that there is significance to the fact that Barnes & Noble did not give Parneros or the Executive Assistant an "Upjohn warning." Pl. Mem. at 7, n.6.⁶ The case cited by Parneros, [Cruz v. Coach Stores, Inc., 196 F.R.D. 228 \(S.D.N.Y. 2000\)](#), however, did not turn on counsel's failure to give an [*496] Upjohn warning to the employees being interviewed. Rather, [Cruz](#) held that the

in [Gucci](#) engaged in an extended discussion of the agent's role and expertise, see [271 F.R.D. at 62-63](#), and its holding with respect to attorney-client privilege specifically noted the importance of "investigators," see [id. at 71](#), the court recognized that "[f]actual investigations conducted by an agent of the attorney . . . clearly fall within the attorney-client rubric," [id.](#) (internal quotation marks and citation omitted). [Gucci](#) nowhere holds that only corporate employees with specialized knowledge can be an agent of an attorney.

⁶An 'Upjohn warning' is the notice an attorney (in-house or outside counsel) provides a company employee to inform her that the attorney represents only the company and not the employee individually. An attorney cautions a company employee with an Upjohn warning when the company is involved in litigation or conducting an internal investigation." [United States v. Connolly, 2019 U.S. Dist. LEXIS 76233, 2019 WL 2120523, at *4 n.1 \(S.D.N.Y. May 2, 2019\)](#).

purpose of the "investigative audit" at issue "was not solely, or even primarily, to enable [defendant's] counsel to render legal advice," as evidenced by the fact that "the audit interviews were conducted indiscriminately with [defendant's] employees [**24] and non-employees alike." *Id.* at 231. [HNII](#)^(↑) Certainly, courts have found the attorney-client privilege to shield notes of interviews undertaken as part of an internal investigation without discussing whether an Upjohn warning was first given. *See, e.g., Carter, 173 F.R.D. at 95.* Accordingly, for the reasons stated above, the investigation notes drafted by Feuer and those drafted by Keating at the direction of Feuer are protected by the attorney-client privilege. In light of this ruling, it is not necessary to address whether the documents are protected by the work product doctrine.

2. Whether the Executive Assistant or Parneros's Deposition Testimony Waived Any Privilege

In a supplemental letter dated July 3, 2019, that followed the parties' briefing, Parneros argues that the deposition testimony of the Executive Assistant and of Parneros himself waived any attorney-client privilege over communications made at the meetings discussed. *See* Clark July 3, 2019, Letter at 1. Parneros states in this letter that "[d]efense counsel not only permitted the Executive Assistant to testify to parts of the meetings . . . but actually elicited extensive testimony from plaintiff." *Id.* The testimony at issue concerns the "apology meeting" [**25] with Parneros, as well as the conversation that Parneros had with Riggio. Parneros says that defendant has argued that the "meetings" that Keating and Riggio had with Parneros and the Executive Assistant "are attorney client privileged," *id.*, and thus that the choice to elicit testimony from the Executive Assistant about the "apology meeting" and from Parneros about his meeting with Riggio constitutes a waiver of some kind.

We reject this argument. Barnes & Noble has not taken the position that either the "apology meeting" with Parneros or Parneros's meeting with Riggio

were subject to attorney-client privilege. *See* Velazquez July 8, 2019, Letter, at 1. With respect to the "apology meeting," this is hardly surprising since the meeting itself did not have an investigative function. Rather, Barnes & Noble has taken the position that certain notes taken at the apology meeting as part of the investigation overseen by Feuer are privileged. Accordingly, any statements by corporate witnesses to the meeting — whether elicited by defendant or any other party — do not waive any privilege over any notes that Parneros seeks.

Notwithstanding Parneros's arguments, we see no inconsistency in Barnes & Noble's assertion [**26] that notes taken by an attorney or his designee at a non-privileged meeting may be privileged as long as the notes were taken for the purpose of allowing counsel to give legal advice. For example, it frequently happens that a client confidentially discusses even an entirely public event with his attorney in order to seek legal advice. The fact that the event was public does not have any bearing on whether the client's description of the event to the attorney during the course of an attorney-client communication is privileged.

B. Notes from the Meeting with the Potential Acquirer

Barnes & Noble argues that Feuer's notes concerning Parneros's conduct at the June 18, 2018, meeting with the Potential Acquirer, and the notes of other senior executives that were prepared at Feuer's direction, are protected by both the attorney-client privilege and the work product doctrine. *See* Def. Mem. at 15-17.

As for attorney-client privilege, the evidence in the record does not support the notion that the notes were taken for the purpose of rendering legal advice. Feuer's assertion that there was "no business need" for him or others to prepare notes regarding Parneros's allegedly outrageous conduct at [**27] the meeting makes no sense as there are numerous business reasons why a corporation would want to document improper conduct by its

CEO, including preparing to potentially terminate the CEO or even just to [*497] explain to the Company's management and Board what had transpired at the meeting. While Feuer states that he prepared his notes "[a]gainst the backdrop of the investigation into [Parneros's] misconduct towards the female employee and his bullying of senior executives," Feuer Decl. ¶ 19, he does not state that he attended the June 18, 2018, meeting in his role as the leader of the investigation into Parneros's conduct with the Executive Assistant. Nor would it have made any sense to do so since the meeting was unrelated to the Executive Assistant's allegations. Indeed, Feuer never specifies why exactly he was at the meeting. He simply states that he prepared the notes "to provide the Company with legal advice." *Id.*

[HNI2](#)^[↑] However, the notion that any notes taken by a general counsel of an entity must be privileged simply based on his job title runs afoul of New York law circumscribing attorney-client privilege. The New York Court of Appeals has addressed this point specifically in [Rossi v. Blue Cross & Blue Shield of Greater New York](#), 73 N.Y.2d 588, 540 N.E.2d 703, 542 N.Y.S.2d 508 (1989).

[U]nlike [**28] the situation where a client individually engages a lawyer in a particular matter, staff attorneys may serve as company officers, with mixed business-legal responsibility; whether or not officers, their day-to-day involvement in their employers' affairs may blur the line between legal and nonlegal communications; and their advice may originate not in response to the client's consultation about a particular problem but with them, as part of an ongoing, permanent relationship with the organization. In that the privilege obstructs the truth-finding process and its scope is limited to that which is necessary to achieve its purpose[,] [Matter of Priest v. Hennessy](#), [51 N.Y.2d 62, 68, 409 N.E.2d 983, 431 N.Y.S.2d 511 (1980)]; [Matter of Jacqueline F.](#), [47 N.Y.2d 215, 219, 391 N.E.2d 967, 417 N.Y.S.2d 884 (1979)], the need

to apply it cautiously and narrowly is heightened in the case of corporate staff counsel, lest the mere participation of an attorney be used to seal off disclosure[.] [see Simon, The Attorney-Client Privilege as Applied to Corporations](#), 65 Yale L.J. 953, 970-973 (1956); 5 Weinstein-Korn-Miller, NY Civ Prac. ¶ 4503.06.

[Id. at 592-93.](#)

In light of the need for a "cautious[]" and "narrow[]" application of attorney-client privilege, Feuer's statement regarding his role is too conclusory to make a finding that the notes documenting what occurred at the meeting were for the purpose of giving legal [**29] advice. As to Feuer's own notes, Feuer had no idea in advance that anything extraordinary would occur at the meeting, thus suggesting there was a business purpose to his presence. Moreover, Feuer's declaration gives no description of his job duties as general counsel, what sort of business meetings he usually attends, and whether he uniformly gives legal advice as a result of such meetings. With respect to the notes he requested that others take, [see Feuer Decl ¶ 20](#), we similarly cannot accept the assert that there were "legal reasons" to take the notes and that, as Feuer puts it, "there was no business need for the notes." *Id.* Plainly, a corporation would have a business reason to fully document improper conduct at a meeting by its CEO. Thus, the notes from the meeting with the Potential Acquirer are not protected by attorney-client privilege.

As for the work product privilege, the declarations submitted by Barnes & Noble are insufficient to show that Feuer created his notes, and directed others to create notes, "in anticipation of litigation," rather than in the ordinary course of business. In his declaration, Feuer states, in a conclusory manner, that he prepared notes documenting [**30] Parneros's behavior at the June 18, 2018, meeting "in anticipation of litigation" and that he "would not have prepared them had [he] not been concerned

about the prospect of litigation." Feuer Decl. ¶ 19. He makes a similar assertion with respect to notes that he requested of others. *Id.* ¶ 20. But this merely articulates the legal standard. Feuer does state that he took these notes "[a]gainst the backdrop of the investigation into Plaintiff's misconduct toward the female employee and his bullying of senior executives" and that he "thought that there [*498] may be litigation by or against Plaintiff in the near future." *Id.* [HNI3](#)[↑] But the "mere possibility of litigation is insufficient to obtain work-product protection." [Gucci Am., Inc., 271 F.R.D. at 74](#) (internal quotation marks and citation omitted).

In the end, Feuer's statements regarding the reason for the preparation of the notes are "simply too conclusory to make th[e] assessment" that they were prepared in anticipation of litigation. [Am. Civil Liberties Union v. U.S. Dep't of Justice, 210 F. Supp. 3d 467, 483 \(S.D.N.Y. 2016\)](#); see also [In re Grand Jury Proceedings, 2001 U.S. Dist. LEXIS 15646, 2001 WL 1167497, at *16 \(S.D.N.Y. Oct. 3, 2001\)](#) ("Doe Corp.'s obscure references to unspecified threats of civil litigation (and particularized references to another type of litigation) do not satisfy Doe Corp.'s burden to demonstrate that, at the very least, it had a concrete anticipation [***31] of litigation.").

Barnes & Noble cites [Greater N.Y. Taxi Ass'n v. City of N.Y., 2017 U.S. Dist. LEXIS 146655, 2017 WL 4012051 \(S.D.N.Y. Sept. 11, 2017\)](#), and [Horn & Hardart Co. v. Pillsbury Co., 888 F.2d 8 \(2d Cir. 1989\)](#), for the proposition that a court should protect an attorney's "mental processes" and "mental impressions." See Def. Mem. at 16. But this argument skips the threshold issue of whether the notes are work product to begin with. If the documents at issue are not work product — that is, if they were not prepared in anticipation of litigation — then there is no warrant in [Rule 26\(b\)\(3\)\(B\)](#) or case law on work product to protect any portion of the documents as the "mental processes" or "mental impressions" of an attorney.

Accordingly, because the notes taken at the June

18, 2018, meeting, as well as any descriptions of the meeting that Feuer asked to be forwarded to him after the meeting, are protected by neither the attorney-client privilege nor the work product doctrine, Barnes & Noble is ordered to produce them.

C. Press Release Drafts

1. Documents Sent to Feuer or Outside Counsel

Barnes & Noble seeks to protect drafts of press releases that were sent to Feuer and/or outside counsel at Paul, Weiss for the purpose of obtaining legal advice. Barnes & Noble has asserted that these documents are protected by the attorney-client privilege and the work product doctrine. [***32] In his declaration, Feuer states that "draft press releases were sent to [him] by Ms. Keating and Andy Milevoj (Vice President of Investor Relations) for [his] review and legal advice with respect to Plaintiff's departure from the Company," and that "[t]he draft press releases were also repeatedly sent to our outside counsel concerning the wording of the announcement for their review and legal advice." Feuer Decl. ¶ 24. Feuer also states in his declaration that "[t]he draft press releases were intended to be, and have been kept, confidential." *Id.* ¶ 26.

In his reply brief, Parneros all but abandons his argument that the documents are not subject to attorney-client privilege — offering no argument on the question other than to cite the case of [Pearlstein v. BlackBerry Ltd., 2019 U.S. Dist. LEXIS 45098, 2019 WL 1259382 \(S.D.N.Y. Mar. 19, 2019\)](#), and to suggest that the court must conduct an *in camera* review of the communications to uphold the claim of privilege. See Pl. Reply at 4 n.3; see also Pl. Mem. at 9 (offering no specific argument on attorney-client privilege). *Pearlstein*, however, is irrelevant. It found that emails sent to an external public relations consultant were not sent "for the predominant purpose of seeking or conveying legal advice." [2019 U.S. Dist. LEXIS 45098, \[WL\] at](#)

*13. Parneros does not even make that **[**33]** argument here. The communications and drafts sent to Feuer and outside counsel are more akin to the documents that the Pearlstein court found to be privileged — in particular, several documents "that specifically request[ed] legal review" of language in the press release. See 2019 U.S. Dist. LEXIS 45098, [WL] at *14. Here, Feuer has sworn that draft press releases were sent to him for his "review and legal advice" and were sent to "outside counsel concerning the wording of the announcement for their review and legal advice." Feuer Decl. ¶ 24. Barnes & Noble has therefore made a sufficient showing that the communications between the corporate employees and Feuer and Paul, Weiss are protected by the attorney-client privilege. Because of this ruling, we need not reach the question of **[*499]** whether these documents are protected by the work-product doctrine.

2. Documents Where Only Work-Product Protection Has Been Asserted

Barnes & Noble asserts that a series of emails and draft press releases sent among Barnes & Noble non-attorney executives are protected by the work product doctrine. See Def. Mem. at 19; see also Excerpts of Barnes & Noble Privilege Log (annexed as Ex. 4 to Clark Decl.) ("Privilege Log"). While the relevant entries **[**34]** in Barnes & Noble's privilege log state that these documents were "drafted at the request of Brad Feuer" and were "prepared in anticipation of litigation," see, e.g., Privilege Log at entries ## 144, 147-48, Feuer's sworn declaration does not state that he directed the creation of these documents in anticipation of litigation. Rather, he states that "[i]n late June and early July, during a time when we were consulting with outside Counsel and the Board in order to dismiss Plaintiff from the Company, I reviewed multiple draft press releases concerning Plaintiff's departure from Barnes & Noble." Feuer Decl. ¶ 24. He states that "[t]hese draft press releases were sent to me for my review and legal advice with respect to Plaintiff's departure from the Company," and that "[t]he draft press

releases were also repeatedly sent to our outside counsel concerning the wording of the announcement for their review and legal advice." Id. Thus, Feuer nowhere states that he directed Keating, Vice President of Investor Relations Andy Milevoj, or others to draft the press releases because he anticipated litigation. HN14^(↑) While work product protection is available for non-attorneys even when they act without **[**35]** the direction of an attorney to prepare materials in anticipation of litigation, see, e.g., Wultz, 304 F.R.D. at 394, there is no evidence in the record that any of the individuals who were circulating press releases did so because they anticipated litigation.⁷ Accordingly, Barnes & Noble is ordered to produce these documents.

D. The Report Prepared by Paul, Weiss and Minutes of the July 27, 2018, Board Meeting

Parneros seeks production of a memorandum prepared by Paul, Weiss, and provided to Barnes & Noble's Board of Directors in preparation for its June 27, 2018, meeting; minutes of that meeting which have been redacted; and communications with counsel in connection with Parneros's termination. Pl. Mem. at 4 & nn.4-5; see Def. Mem. at 20 n.11. Parneros argues that none of the documents are protected by the attorney-client privilege or the work product doctrine, see Pl. Mem. at 9-10, and that even if the documents were privileged, Barnes & Noble has waived any privilege by issuing a press release regarding the advice it received from Paul, Weiss and putting its knowledge and state of mind "at issue," id. at 11-12. In addition, Parneros argues that the deposition testimony of one of Barnes & Noble's Board Members that occurred **[**36]** while briefing on this motion was underway waives any privilege that attached to these documents. See Pl. Reply Mem. at 5-7; Clark July 30, 2019, Letter; Clark Aug. 2, 2019, Letter.

⁷ We do not view Feuer's vague statement that the draft press releases were "reviewed and revised due to expected litigation," Feuer Decl. ¶ 25, to satisfy Barnes & Noble's burden on this point.

1. Whether the Documents Are Protected by the Attorney-Client Privilege

The communications with Paul, Weiss about Parneros's conduct, the drafts of the memorandum prepared by Paul, Weiss, the memorandum itself, and the discussion of the memorandum by the Board of Directors are protected from disclosure by the attorney-client privilege. Feuer states in his declaration that beginning on May 24, 2018, he communicated regularly with Paul, Weiss to "provide[] information to enable them to render legal advice." Feuer Decl. ¶ 27. He confirms that Paul, Weiss "rendered legal advice concerning Plaintiff's employment at Barnes & Noble, his misconduct, and potential grounds for Plaintiff's termination." *Id.* In late June 2018, Feuer "received and reviewed drafts of a memorandum" prepared by Paul, Weiss for Barnes & Noble's Board of Directors. *Id.* Feuer states that the memorandum "provided legal advice to the Board." [*500] *Id.* An attorney from Paul, Weiss attended the June 27, 2018, Board meeting and rendered legal advice. [**37] *Id.* ¶ 28. Finally, Feuer confirms that he prepared the minutes of the June 27, 2018, Board meeting after Parneros had been terminated and that the redacted portion of the minutes contain Paul, Weiss's advice to the Board and discussion of that advice. *Id.* ¶ 29. These facts are sufficient to show that the materials are privileged under New York law.

Apart from its waiver arguments, Parneros essentially has no argument as to why these communications between counsel and Barnes & Noble would not be privileged. The cases cited by Parneros to the contrary are distinguishable. In *OneBeacon Ins. Co. v. Forman Int'l, Ltd.*, 2006 U.S. Dist. LEXIS 90970, 2006 WL 3771010 (S.D.N.Y. Dec. 15, 2006), the party claiming privilege offered no competent evidence that the work of the attorney-employee of an insurance company was anything other than the work that the insurer would have performed in the ordinary course of its business. 2006 U.S. Dist. LEXIS 90970, [WL] at *5-6. The sentences of *Allied Irish*

Banks v. Bank of Am., N.A., 240 F.R.D. 96 (S.D.N.Y. 2007) and *Strougo v. BEA Assocs.*, 199 F.R.D. 515 (S.D.N.Y. 2001), that Parneros quotes, see Pl. Mem. at 10, addressed the work-product doctrine and are thus irrelevant to the claim of attorney-client privilege. Parneros cites *Vidal v. Metro-N. Commuter Ry. Co.*, 2014 U.S. Dist. LEXIS 13500, 2014 WL 413952 (D. Conn. Feb. 4, 2014), for the proposition that "'minutes of meetings attended by an attorney or directed by an attorney are not automatically privileged as a result of the attorney's presence.'" Pl. Mem. at 10 (quoting *Vidal*, 2014 U.S. Dist. LEXIS 13500, 2014 WL 413952, at *6) [**38]. Here, however, Barnes & Noble has not withheld the entirety of the meeting minutes simply because of its attorney's presence; rather, it has redacted only the portion reflecting counsel's legal advice to the company. See Feuer Decl. ¶ 29. Accordingly, we find that Barnes & Noble has met its burden in showing that the redacted portion of the notes reflect privileged attorney-client communications.

2. Waiver Based on Public Statement

Parneros's argument that Barnes & Noble's press release regarding Parneros's firing waived any privilege focuses on the statement in the press release that Parneros was terminated for "violations of the Company's policies" and that "[t]his action was taken by the Company's Board of Directors who were advised by the law firm Paul, Weiss, Rifkind, Wharton & Garrison LLP." See Press Release. Parneros argues that Barnes & Noble "selective[ly] disclose[d] . . . counsel's advice" by issuing this statement, Pl. Reply Mem. at 11-12; see Pl. Mem. at 11-12, resulting in a waiver of any privilege. *HN15* [↑] However, under New York law, "[d]isclosure of the mere fact of a consultation [with an attorney] is no basis for a waiver as to the content of that consultation." *AMBAC Indem. Corp. v. Bankers Tr. Co.*, 151 Misc. 2d 334, 341, 573 N.Y.S.2d 204 (Sup. Ct. 1991); accord [**39] *Alcor Life Extension Found. v. Johnson*, 43 Misc. 3d 1225[A], 992 N.Y.S.2d 157, 2014 NY Slip Op 50784[U], 2014 WL 2050661, at *12 n.4 (Sup. Ct.

2014), *aff'd*, 136 A.D.3d 464, 24 N.Y.S.3d 629 (1st Dep't 2016). Barnes & Noble did not disclose the content of counsel's advice in its July 3, 2018, press release.

Parneros cites *Electro Sci. Indus., Inc. v. Gen. Scanning, Inc.*, 175 F.R.D. 539 (N.D. Cal. 1997), *see* Pl. Mem. at 12, but in that case the defendant issued a "News Release" to its customers that disclosed the otherwise "confidential opinion of counsel" that "clearly was substantive." *See id. at 543*. In *E.I. Dupont de Nemours & Co. v. Kolon Indus., Inc.*, 269 F.R.D. 600 (E.D. Va. 2010), which Parneros also cites, *see* Pl. Mem. at 12, the court found that the party had "chose[n] to broadcast the substance of [its] communications [with counsel] to the public," where it published factual information that had been protected by the attorney-client privilege. *See id. at 607*. Because the July 3, 2018, press release does not disclose the substance of counsel's advice, but rather only discloses the fact of counsel's consultation, there was no waiver based on the inclusion of the statement in the press release.

3. "At Issue" Waiver

Parneros argues that Barnes & Noble has waived any privilege over these documents by placing the advice of counsel "at issue" in the litigation — specifically by asserting that it acted in "good faith" in issuing its public statements about Parneros's conduct and by asserting a "possible defense that it did not [*501] act in a 'grossly irresponsible [**40] manner.'" *See* Pl. Mem. at 10 (citation omitted).

a. The Doctrine of "At Issue" Waiver

HNI6[↑] Courts have found waiver of the attorney-client privilege "when a client testifies concerning portions of the attorney-client communication, . . . when a client places the attorney-client relationship directly at issue, . . . and when a client asserts reliance on an attorney's advice as an element of a claim or defense" *In re Cty. of Erie*, 546 F.3d 222, 228 (2d Cir. 2008)

(quoting *Sedco Int'l S.A. v. Cory*, 683 F.2d 1201, 1206 (8th Cir. 1982)). However, "that a privileged communication contains information relevant to issues the parties are litigating does not, without more, place the contents of the privileged communication itself 'at issue' in the lawsuit; if that were the case, a privilege would have little effect." *Deutsche Bank Tr. Co. of Americas v. Tri-Links Inv. Tr.*, 43 A.D.3d 56, 64, 837 N.Y.S.2d 15 (1st Dep't 2007).

The waiver doctrine, however, does not apply exclusively to situations where a party explicitly relies — or states that it intends to rely — on attorney-client communications. Another aspect of the "at issue" waiver doctrine finds waiver even where there is no intention to rely on attorney-client communications. Thus, in *United States v. Bilzerian*, 926 F.2d 1285 (2d Cir. 1991), the Second Circuit upheld a trial court's ruling that if a defendant testified about his good faith regarding the legality of certain actions, it would open the door [**41] to cross-examination into communications with his attorney on this subject. *Id. at 1291-93*. **HNI7**[↑] In affirming the district court with respect to the privilege issue, the Second Circuit explained that "the attorney-client privilege cannot at once be used as a shield and a sword." *Id. at 1292* (citing *Clark v. United States*, 289 U.S. 1, 15, 53 S. Ct. 465, 77 L. Ed. 993 (1933), and *von Bulow*, 828 F.2d at 103). "Thus, the privilege may implicitly be waived when defendant asserts a claim that in fairness requires examination of protected communications." *Id.* (citations omitted). *Bilzerian* reasoned that waiver was applicable because any testimony that the defendant "thought his actions were legal would have put his knowledge of the law and the basis for his understanding of what the law required in issue." *Id.* Thus, "[h]is conversations with counsel regarding the legality of his schemes would have been directly relevant in determining the extent of his knowledge and, as a result, his intent." *Id.*

HNI8[↑] In keeping with this principle, courts have recognized that an implied waiver "may be

found even if the privilege holder does not attempt to make use of a privileged communication." *In re Kidder Peabody Sec. Litig.*, 168 F.R.D. 459, 470 (S.D.N.Y. 1996). For example, in *Cicel*, the court held that waiver can "occur even if the asserting party does not make direct use of the privileged communication [**42] itself when that party avers material facts at issue related to the privileged communication, and where the validity of those facts can only be accurately determined through an examination of the undisclosed communication." [331 F.R.D. 218, 2019 WL 1574806, at *6](#) (emphasis added); accord *Favors v. Cuomo*, 285 F.R.D. 187, 199 (E.D.N.Y. 2012) ("[C]ourts within this Circuit, relying on *Bilzerian*, have reaffirmed the broader principle that forfeiture of the privilege may result where the proponent asserts a good faith belief in the lawfulness of its actions, even without expressly invoking counsel's advice."); *Leviton Mfg. Co. v. Greenberg Traurig LLP*, 2010 U.S. Dist. LEXIS 128849, 2010 WL 4983183, at *3 (S.D.N.Y. Dec. 6, 2010) ("advice of counsel may be placed in issue where, for example, a party's state of mind, such as his good faith belief in the lawfulness of his conduct, is relied upon in support of a claim of defense"). While the instant case arises under New York law, New York courts have explicitly articulated the same rule. See, e.g., *Village Board of Village of Pleasantville v. Rattner*, 130 A.D. 2d 654, 655, 515 N.Y.S.2d 585 (2d Dep't 1987) (privilege is waived where defendant raises a defense of "good faith, the validity of which can only be tested by invasion of the attorney-client privilege").

b. Analysis

Parneros argues that Barnes & Noble has implicitly waived the privilege essentially for two reasons: (1) its Answer states that "[t]he Board's July 3, 2018 announcement that Plaintiff [**43] had been terminated 'for violations of the Company's policies' and would not [*502] receive severance was clearly accurate and clearly made in good faith." Answer, at 2-3; and (2) Barnes & Noble intends to oppose any effort by Parneros to

establish that Barnes & Noble "acted in a grossly irresponsible manner without due consideration for the standards of information gathering and dissemination ordinarily followed by responsible parties" — a showing that a defamation plaintiff New York must prove by a preponderance of the evidence as stated in *Chapadeau v. Utica Observer-Dispatch*, 38 N.Y.2d 196, 199, 341 N.E.2d 569, 379 N.Y.S.2d 61 (1975). *Chapadeau* held that the standard applies in a defamation suit challenging a publication whose content "is arguably within the sphere of legitimate public concern, [and] which is reasonably related to matters warranting public exposition," *id.* at 199.⁸

As to the first argument, the mere use of the term "good faith" in an Answer does not reflect reliance on a "good faith" defense in the absence of some assertion by the defendant that it intends to rely on such a defense. Here, Barnes & Noble has disclaimed any intention to assert a "good faith" defense and thus we do not view the statement in their Answer to be of significance.

As to the second argument, Barnes [**44] & Noble admits that it intends to counter any claim that by plaintiffs that it acted in a "grossly irresponsible manner" under *Chapadeau* when it announced that Parneros had violated company policies. It states that it intends to do so by affirmatively offering evidence that Parneros in fact violated company policies through his harassing conduct, see Velazquez Sept. 20 Letter at 6. In plaintiff's view, any effort to counter the burden placed on plaintiff by *Chapadeau* amounts to a "defense." See Pl. Reply Mem. at 10 (referring to Barnes & Noble's "possible defense [under *Chapadeau*] that it did not act in a "grossly irresponsible manner"). It points to case law suggesting that the "grossly irresponsible manner" showing required by *Chapadeau* may be

⁸ While the initial briefing was not clear on whether Barnes & Noble intended to assert a "qualified privilege" defense, see *Thomas H. v. Paul B.*, 18 N.Y.3d 580, 586, 965 N.E.2d 939, 942 N.Y.S.2d 437 (2012), Barnes & Noble stated definitively at oral argument that it was not asserting such a defense. See Transcript of Proceedings held September 13, 2019, filed Sept. 19, 2019 (Docket # 124), at 60.

met by offering proof of the subjective views of the speaker. See, e.g., *Boule v. Hutton*, 138 F. Supp. 2d 491, 506 (S.D.N.Y. 2001) (in applying *Chapadeau*, courts consider whether the defendants "knew" that their statements were "false at the time the statements were made"); *Fine v. ESPN*, 11 F. Supp. 3d 209, 225 (N.D.N.Y. 2014) (*Chapadeau* inquiry may consider the party's "subjective" state of mind). Under Parneros's logic, fairness requires that he be able to find out what advice Barnes & Noble's attorneys gave it on the question of whether he violated [**45] company policies.

We conclude, however, that this argument takes the "at issue" waiver doctrine far beyond the narrow scope reflected in case law. Barnes & Noble is not asserting an affirmative defense of any kind here, as is typically the case where the "at issue" waiver doctrines is applied in the absence of reliance by the opposing party on attorney-client communications. See, e.g., *Scott v. Chipotle Mexican Grill, Inc.*, 67 F. Supp. 3d 607, 615 (S.D.N.Y. 2014) (defendant intended to offer evidence of its "good faith" to avoid liquidated damages under the *Fair Labor Standards Act*). Whether Barnes & Noble acted in a "grossly irresponsible manner" must be proven by Parneros and can be shown by him exclusively through objective proof. See, e.g., *Gaeta v. N.Y. News, Inc.*, 62 N.Y.2d 340, 351, 465 N.E.2d 802, 477 N.Y.S.2d 82 (1984) (*Chapadeau* standard "may be satisfied by wholly objective proof"); accord *Konikoff v. Prudential Ins. Co. of Am.*, 234 F.3d 92, 106 n.12 (2d Cir. 2000) (same); *Treppel v. Biovail Corp.*, 233 F.R.D. 363, 376 (S.D.N.Y. 2006) ("Under *Chapadeau*, the evaluation of a defendant's level of fault—whether its conduct in publishing defamatory statements was grossly irresponsible—is an objective determination.") (citation omitted). Thus, while achieving "fairness" is the touchstone of the "at issue" waiver doctrine, see generally *John Doe Co. v. United States*, 350 F.3d 299, 302 (2d Cir. 2003), fairness does not require that Parneros have access to the attorney-client [**503] communications of Barnes & Noble both because Barnes & Noble [**46] bears no burden and

because there is ample objective evidence that Parneros may use in his effort to meet the *Chapadeau* standard. Under plaintiff's proposed rule, any plaintiff in a defamation action subject to *Chapadeau* would automatically get any attorney-client communications that the defendant had with its attorney on the subject matter of the alleged defamatory statement. We do not see why fairness requires such a result here when plaintiff has access to all the factual proof he needs to show that Barnes & Noble acted irresponsibly.

We note further that this case is a far cry from *Bilzerian*, in which the defendant had affirmatively stated his intention that, notwithstanding any apparent objective proof to the contrary, he planned to testify that he had a "good faith" belief in the lawfulness of his actions. See *Bilzerian*, 926 F.2d at 1291. Barnes & Noble will not be offering such testimony here.

Accordingly, we do not find that there has been any "at issue" waiver here.

4. Waiver by Deposition Testimony

We next address the issue of whether the deposition testimony of a member of the board of directors waived any privilege. See Pl. Reply Mem. at 5-7; Velazquez July 30, 2019, Letter; Clark July 30, 2019, Letter; [**47] Velazquez Aug. 2, 2019, Letter; Clark Aug. 2, 2019, Letter.

Parneros argues that deposition testimony given on June 5, 2019 — while briefing on this motion was underway — by Al Ferrara, a member of the Barnes & Noble board of directors, waived any privilege over the Paul, Weiss memorandum to the Board. We note that Ferrara is an independent director, Velazquez July 30 Letter at 1, and the deposition in question was of him individual — that is, it was not a deposition of Barnes & Noble pursuant to *Fed. R. Civ. P. 30(b)(6)*. Nonetheless, Ferrara's deposition was taken because of his role as director and he was represented by Barnes & Noble's attorney.

At the deposition Ferrara testified to factual information he had regarding Parneros's conduct, including a number of non-privileged conversations he had with Barnes & Noble staff such as Feuer. See Deposition of Al Ferrara, annexed as Exhibit A Velazquez July 30 Letter ("Ferrara Dep.") at 251-56, 259-60, 298-303.⁹ The testimony that Parneros asserts resulted in a waiver relates to information Ferrara testified he received about Parneros's conduct. See Clark July 30 Letter, at 3-4 (citing Ferrara Dep. at 276, 284-285, 302-04). The testimony is confusing in that the **[**48]** witness is questioned about documents but it is not clear what particular documents are at issue. More significantly, it is unclear what counsel's instructions were to the witness regarding the scope of his testimony. Counsel's instruction that Ferrara was permitted to testify as to "facts" but not "legal advice," see Ferrara Dep. 276, 303, arguably could be understood that she was giving permission to testify "as to facts" specifically contained in attorney-client privileged memoranda that Ferrara did not have independent knowledge of. But it also arguably indicated to Ferrara that he could testify about facts that he had learned outside the attorney-client relationship without indicating that it was permissible to reveal what was specifically contained in the written privileged memoranda. See Ferrara Dep. 276, 303.

Notably, Ferrara's actual responses to these questions do little to reveal the contents of what was contained in the Paul, Weiss memorandum or any other privileged communication. See Ferrara Dep. 276, 302-303. It is certainly true, however, that for at least two questions, Parneros's counsel specifically asks about a "memo" and a "written submission to the board" and Ferrara **[**49]** reveals in response that the "investigation concluded that [the Executive Assistant's] statements were credible" and that "based upon the letter, you know, we concluded that the facts supported what she had claimed." Ferrara Dep. 303-04. Mostly, however, Ferrara could not recall

what was contained in any written materials. See id. 303-04, 284-85.

[*504] When it was Barnes & Noble's turn to question the witness, its counsel made an effort to "strike" testimony. Id. at 364. After some back and forth, the witness ultimately testified that he could not remember if any of the facts he had given about Parneros's conduct came from the Paul, Weiss memorandum. Ferrara Dep. at 370-71.

[HN19](#)^[↑] As the parties recognize, because the waiver question involves an allegation of disclosure of privileged material, its resolution is governed by Fed. R. Evid. 502, notwithstanding the fact that the substantive privilege is governed by state law. See, e.g., Seyler v. T-Sys. N.A., Inc., 771 F. Supp. 2d 284, 287-88 (S.D.N.Y. 2011) ("Unlike the scope of the privilege, the waiver question is governed by Federal Rule of Evidence 502(a), which applies when a "disclosure is made in a Federal proceeding."). As a threshold matter, Barnes & Noble argues that a member of the board of directors of a corporation does not have authority to waive a privilege belonging to a the corporation. **[**50]** See, e.g., Velazquez July 30 Letter at 6. While the doctrine is not quite as broad as Barnes & Noble suggests, we conclude that its application here requires that we decline to find any waiver.

The question of the power of a corporation's agent to waive a corporation's privilege was raised before the Second Circuit in In re Grand Jury Proceedings, 219 F.3d 175 (2d Cir. 2000). In that case, the chairman of a corporation, who was also its founder and the controlling shareholder, testified as to privileged communications. Id. at 185. While the district court found that the chairman had waived the corporation's privilege, the Second Circuit rejected this conclusion and remanded for the district court to "carefully weigh the circumstances surrounding [the CEO's] testimony in deciding whether, in fairness, that testimony effected waiver of [the corporation's] privilege." Id. at 186. The Second Circuit distinguished between

⁹ Portions of this deposition also appear in Docket # 113-1.

situations where "the corporation as an entity makes the strategic decision to disclose some privileged information," *id. at 184*, and other situations. Among the factors the district court was to consider was that the corporation had many directors and shareholders beside the CEO, that the disclosure took place in the context of compelled grand jury testimony, [**51] that the witness was unaided by counsel, that the witness had disclosed to the grand jury "specific legal advice the corporation received[.]" and that the party seeking the testimony (the Government) would not be prejudiced by a finding of no waiver. *Id. at 187,189*. The court notes that the corporation "did not itself take any affirmative steps to inject privileged materials into the litigation or to otherwise explicitly raise the advice-of-counsel defense." *Id. at 187*. The court distinguished a number of cases where an implied waiver based on disclosure had been found as follows:

In each case, the corporation waiving the privilege made a deliberate decision to disclose privileged materials in a forum where disclosure was voluntary and calculated to benefit the disclosing party. Clearly, when the corporation as an entity makes the strategic decision to disclose some privileged information, the courts may find implied waiver, as they do in cases involving individuals.

Id. at 184.

Many of the circumstances considered in *In re Grand Jury Proceedings* counsel against a finding of waiver in the instant case. Here, there was plainly no "strategic decision," *id.*, by Barnes & Noble to disclose privileged information during the [**52] director's deposition. Rather, the witness was attempting to respond to questions posed by an adversary in a situation where the witness was legally obligated to participate in his or her examination by the opposing attorney. The director who testified is just one of many directors of the corporation. Barnes & Noble did not take steps to inject the contents of the privileged material into

the record; rather, one of its directors was responding to questions. There was no effort to disclose specific legal advice received by Barnes & Noble.

We recognize that certain elements present here do not dovetail with the situation in *In Re Grand Jury Subpoenas* but rather favor Parneros — most obviously, that an attorney for the corporation was present at the deposition of the director and arguably [**505] might have done more to ensure that the director did not discuss any part of counsel's memoranda. But we view the absence of evidence that Barnes & Noble acted purposefully in disclosing any privileged information as a critical difference in its favor. *Id. at 187-88*. We view this factor as critical to the fairness analysis because the waiver doctrine rests to a large degree on the notion that it is unfair for a corporation [**53] to deliberately use the privilege both "as a shield and a sword." *Bilzerian, 926 F.2d at 1292* (citations omitted). That element, however, is completely absent here. Barnes & Noble has disclaimed any effort to rely on information as contained in its attorneys' memoranda. It will obviously be precluded from doing so at trial. In the end, we cannot deduce from the muddled transcript that there was any deliberate effort by Barnes & Noble during the deposition to disclose portions of the privileged memoranda through the testimony of the director — particularly given that there are copious other sources of non-privileged information about Parneros's conduct. All of these sources are available to Parneros — a fact that also supports the notion that he cannot show that any prejudice resulted from the testimony given by the director.

HN20 [↑] As the Second Circuit stated in *In re Grand Jury Proceedings*, the issue of waiver in the case of the testimony of a corporation's agent is whether the corporation has acted deliberately in disclosing privileged information, not whether the witness acted deliberately. See *219 F.3d at 188* (where disclosure of privileged information was an effort to provide exculpatory testimony, "the issue is not whether [**54] the reference to the

attorney's advice was a deliberate attempt at exculpation, but rather whether it was a deliberate attempt on the part of the corporation to exculpate itself, as opposed to Witness's effort to exculpate himself personally") (emphasis in original). Thus, we look to whether Barnes and Noble acted intentionally with respect to the waiver, not the individual director. After weighing the considerations articulated in In re Grand Jury Subpoena, we conclude that the testimony by the director did not constitute such an effort and thus did not constitute a "disclosure" within the meaning of Fed. R. Evid. 502 by Barnes & Noble, which is the only party against whom the waiver is sought. We thus do not believe it necessary to reach the remaining elements of Rule 502 because there was no "disclosure" by Barnes & Noble at all within the meaning of Rule 502(a) or (b).

IV. CONCLUSION

For the foregoing reasons, Pamerros's application (Docket # 74) is granted in part and denied in part.

SO ORDERED.

Dated: October 4, 2019

New York, New York

/s/ Gabriel W. Gorenstein

GABRIEL W. GORENSTEIN

United States Magistrate Judge



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As of: November 12, 2020 1:07 PM Z

[Cont'l Circuits LLC v. Intel Corp.](#)

United States District Court for the District of Arizona

January 27, 2020, Decided; January 27, 2020, Filed

No. CV16-02026-PHX-DGC

Reporter

435 F. Supp. 3d 1014 *; 2020 U.S. Dist. LEXIS 12698 **; 2020 WL 416109

Continental Circuits LLC, Plaintiff, v. Intel Corporation, et al., Defendants.

Prior History: [Cont'l Circuits LLC v. Intel Corp., 2017 U.S. Dist. LEXIS 23842 \(D. Ariz., Feb. 21, 2017\)](#)

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Judges: David G. Campbell, Senior United States District Judge.

Opinion by: David G. Campbell

Opinion

[*1017] WO

ORDER

Defendants have filed a motion to compel the disclosure of information related to litigation funding agreements in this case. The Court held a conference call with the parties on December 4, 2019 (Doc. 334), and the issues have now been briefed by the parties (Docs. 344, 349, 360). The **[*1018]** Court will grant in part and deny in part

Defendants' request.¹

I. Background.

Plaintiff alleges that Defendants' products infringe several patents Plaintiff owns related to manufactured circuit boards. Plaintiff does not manufacture the products addressed in its patents or license its patents to others. Plaintiff has no business operations other than owning the patents and asserting claims for their infringement.

Defendants' motion seeks production of what Defendants describe as "three narrowly-tailored categories of documents and information relating to [Plaintiff's] third-party litigation funding" — (1) any final litigation funding agreements between Plaintiff and any third-party funders; (2) the identities of all persons or entities **[**3]** (other than counsel) with a fiscal interest in the outcome of the litigation; and (3) the identities of any potential litigation funders who declined to provide funding after being approached by Plaintiff or its founder, Peter Trzyna. Doc. 344 at 2.² The Court will confine its analysis to these three requests. The first request seeks the production of specific documents — litigation funding agreements. The second and third requests seek information rather than documents. Plaintiff resists disclosure on the basis of the work product doctrine. Plaintiff does not

¹ The parties have filed joint motions to seal exhibits G, H, K, L, and M to Defendants' briefs (Docs. 340, 362), Plaintiff's response (Doc. 350), and Defendants' reply brief (Doc. 362). The Court finds that the exhibits, response, and reply contain confidential information and testimony regarding the licensing of the patents-in-suit, Plaintiff's finances, and the interested parties in this lawsuit, that would have economic value to others and that is not generally known or readily ascertainable by proper means. The sealing of these documents will have little effect on the public's ability to understand the issues addressed in this order because lightly redacted copies of all briefs have been filed in the public docket. The Court finds good cause to seal and will grant the motions. This order will cite to publicly filed briefs and exhibits where possible, and will state when it is citing to a sealed document.

² Citations in this order are to page numbers placed at the top of each page by the Court's electronic filing system, not to original page numbers at the bottom of each page.

argue that the discovery is barred by the attorney-client privilege. Because the work product doctrine applies differently to documents than to intangible information, the Court will address the first request separately from the second and third requests. Before doing so, however, the Court will address the parties' relevancy arguments.

II. Relevancy.

A party may obtain discovery regarding any nonprivileged matter that is relevant to any claim or defense and proportional to the needs of the case. [Fed. R. Civ. P. 26\(b\)\(1\)](#). Relevant information need not be admissible at trial to be discoverable. *Id.*

Plaintiff contends that the requested documents and information **[**4]** are not relevant to any claim or defense in this case. Defendants disagree, arguing that the documents and information are relevant to refute any David vs. Goliath narrative at trial, to evaluate the value of the patents at issue and any damages claimed by Plaintiff, to address bias and prejudice of witnesses who may appear a trial, and to identify any jurors who may have a relationship with a litigation funder. Doc. 344 at 4-6.

Relevancy in civil litigation is a relatively low bar. Under [Rule 401 of the Federal Rules of Evidence](#), information having "any tendency" to make a fact in dispute "more or less probable" is relevant. [Fed. R. Evid. 401](#). And courts **[*1019]** "generally recognize that relevancy for purposes of discovery is broader than relevancy for purposes of trial." [In re Bard IVC Filters Prods. Liab. Litig., 317 F.R.D. 562, 566 \(D. Ariz. 2016\)](#).

With the exception of Defendants' third request, the Court has little difficulty concluding that the requested documents and information are relevant. They concern Plaintiff's financial resources and could be used to refute any David vs. Goliath narrative at trial. Plaintiff claims that any such narrative is speculative, but Defendants are entitled to conduct discovery that may refute potential trial themes, and Defendants note that at least some

evidence suggests that such a narrative [**5] will be asserted in this case. Doc. 363 at 8 (sealed document).

Plaintiff argues that the information and documents are not relevant to the value of the patents because Defendants can conduct factual discovery concerning the patents and Plaintiff will produce expert evidence on damages. Doc. 349 at 6. But the fact that some information bears on the value of the patents does not render irrelevant other information that could shed additional light on their value. Litigation funding agreements in a case such as this likely contain financial information related to the value of the litigation, and therefore to the value of the allegedly infringed patents, that will not be included in, or may contradict, the expert's report.

And to the extent persons affiliated with Plaintiff may receive substantial compensation through the litigation, that fact bears on their credibility. The identity of litigation funders who have a stake in the litigation will also help identify jurors, if any, who have a relationship with such funders.

Of course, the fact that information is relevant for purposes of discovery does not eliminate work product protection. Most information covered by the work product doctrine [**6] is relevant — often highly relevant — but it is protected nonetheless. Nor does the relevancy of the information mean that it will be admissible at trial. Admissibility will be addressed later in this litigation. For purposes of this motion, however, the Court does not accept Plaintiff's argument that Defendants' first and second requests are irrelevant.

The Court reaches a different conclusion on Defendants' third request for the identities of any potential litigation funders who declined to provide funding after being approached by Plaintiff or its founder, Peter Trzyna. The identifies of such persons or entities, if they exist, have nothing to do with the actual financial interests or resources in this litigation, the potential bias of witnesses, or possible disqualification of jurors. Defendants might contend that communications with these

persons or entities could bear on the value of the patents, but such an assertion is entirely speculative. The Court agrees that "potential litigation funding is a side issue at best." [*Space Data Corp. v. Google LLC, No. 16-CV-03260 BLF \(NC\), 2018 U.S. Dist. LEXIS 228050, 2018 WL 3054797, at *1 \(N.D. Cal. June 11, 2018\)*](#) (emphasis in original). The Court concludes that the information sought in Defendants' third request is not relevant [**7] and not discoverable under [Rule 26](#). The Court will not address the third request further, and will turn to the parties' work product arguments with respect to the first and second requests.

III. First Request — Production of Litigation Funding Agreements.

Under the work product doctrine codified in [Rule 26 of the Federal Rules of Civil Procedure](#), Defendants generally may not obtain discovery of "documents and tangible things that are prepared in anticipation of litigation or for trial by and for another party or its representative (including [**1020] the other party's attorney, consultant, surety, indemnitor, insurer, or agent)." [Fed. R. Civ. P. 26\(b\)\(3\)\(A\)](#). This protection may be overcome, however, if Defendants show that they have a "substantial need for the materials" and cannot "obtain their substantial equivalent by other means." *Id.* Even if Defendants make this showing, they cannot obtain core work product — information revealing "the mental impressions, conclusions, opinions, or legal theories of a party's attorney or other representative concerning the litigation." [Fed. R. Civ. P. 26\(b\)\(3\)\(B\)](#).

A. Are the Funding Agreements Work Product?

Plaintiffs have submitted several litigation-funding-related agreements to the Court for *in camera* review. The Court has reviewed each of the agreements. The [**8] Court does not consider the fact that the agreements exist to be protected

information under the work product doctrine. That fact constitutes intangible information that does not reveal the mental impressions or strategies of the attorneys, as discussed more fully in part IV of this order.

Defendants initially argued that funding agreements do not qualify for work product protection because they were not created "for use" in litigation. Doc. 344 at 8. Defendants now agree, however, that the Ninth Circuit has adopted the broader "because of" standard. Doc. 360 at 2. As the Ninth Circuit explained:

[W]e join a growing number of our sister circuits in employing the formulation of the "because of" standard articulated in the Wright & Miller Federal Practice treatise. This formulation states that a document should be deemed prepared "in anticipation of litigation" and thus eligible for work product protection under [Rule 26\(b\)\(3\)](#) if "in light of the nature of the document and the factual situation in the particular case, the document can be fairly said to have been prepared or obtained because of the prospect of litigation."

In re Grand Jury Subpoena (Mark Torf/Torf Envtl. Mgmt.), 357 F.3d 900, 907 (9th Cir. 2004) (quoting Charles Alan Wright, Arthur R. Miller, and Richard L. Marcus, 8 Federal **[**9]** Practice & Procedure § 2024 (2d ed. 1994)).

Litigation funding agreements are created "because of" the litigation they will fund. Defendants argue, however, that the agreements in this case were not created solely because of this litigation. They note that Plaintiff is a non-functioning entity that has no business other than filing lawsuits against alleged infringers of its patents — and no other source of revenue — and argue that the funding agreements were therefore "created for the independent purpose of providing Continental Circuits with funding to conduct its business and ease costs that would otherwise fall on [its founder]." Doc. 360 at 2. Although not entirely clear, Defendants appear to contend that work product protection does not

apply because of this second purpose. But even if Defendants are correct that the funding agreements have an additional business-support purpose, this does not defeat work product protection.

The Ninth Circuit has identified the work product analysis to be applied to "dual purpose" documents:

The "because of" standard does not consider whether litigation was a primary or secondary motive behind the creation of a document. Rather, it considers the totality **[**10]** of the circumstances and affords protection when it can fairly be said that the document was created because of anticipated litigation, and would not have been created in substantially similar form but for the prospect of that litigation[.]

In re Grand Jury Subpoena, 357 F.3d at 908. "When there is a true independent **[**1021]** purpose for creating a document, work product protection is less likely, but when two purposes are profoundly interconnected, the analysis is more complicated." *Id.*

Considering the totality of the circumstances, the Court concludes that any business-sustaining purpose of the litigation funding agreements in this case is "profoundly interconnected" with the purpose of funding the litigation. This litigation is the essential activity of Plaintiff's business, and the funding agreements reviewed by the Court concern the funding of this lawsuit. Even if some of the funds obtained through the agreements will be used to sustain Plaintiff and its operation, the Court cannot separate that purpose from this lawsuit, which is the very object of the operation. Applying the Ninth Circuit's standard for dual purpose agreements, the Court finds that the agreements in this case would not have been "created in substantially similar **[**11]** form but for the prospect of [the] litigation[.]" *Id.* (citation omitted). The agreements therefore satisfy the "because of" test and constitute work product. This conclusion comports with decisions of several other courts. *See [Odyssey Wireless, Inc. v. Samsung Elecs. Co., Ltd.](#)*,

[3:15-cv-01738-H \(RBB\), 2016 U.S. Dist. LEXIS 188611, 2016 WL 7665898, at * 5 \(S.D. Cal. Sept. 20, 2016\)](#) (collecting cases according work product protection to litigation funding agreements).³

B. Waiver.

Defendants argue that Plaintiff has waived the work product protection by sharing the funding agreements with the litigation funders and by failing to include the agreements in its privilege log. The Court does not agree.

Work product protection is not waived merely because work product is shared with another person or entity. As courts have explained:

"The work product privilege is very different from the attorney-client privilege. The attorney-client privilege exists to protect confidential communications and to protect the attorney-client relationship and is waived by disclosure of confidential communications to third parties. The work product privilege, however, does not exist to protect a confidential relationship but to promote the adversary system by safeguarding the fruits of an attorney's trial **[**12]** preparations from the discovery attempts of an opponent."

[Bickler v. Senior Lifestyle Corp., 266 F.R.D. 379, 383-84 \(D. Ariz. 2010\)](#) (quoting [Shields v. Sturm, Ruger & Co., 864 F.2d 379, 382 \(5th Cir. 1989\)](#)).

Because the work product doctrine protects against disclosure to potential adversaries and not the world in general, courts have recognized that work product protection may be lost when a disclosure substantially increases the opportunity for potential adversaries to obtain the information. [Bickler, 266 F.R.D. at 384](#). After identifying this standard for

the parties, the Court asked Defendants to explain what disclosure Plaintiff has made that would increase the opportunity for adversaries to obtain the funding agreements. Doc. 358. Defendants failed to respond to this question. *See* Doc. 360.

The Court cannot conclude that disclosure of the litigation funding agreements to the litigation funder — a party to the agreements — substantially increased the opportunity for Plaintiff's litigation adversaries to obtain the agreements. The **[*1022]** funding agreement documents reviewed by the Court include confidentiality provisions with respect to the agreements and information related to them.

Courts also hold that "[d]isclosure to [a] person with interest common to that of attorney or client is not inconsistent with intent to invoke the work product doctrine's **[**13]** protection and would not amount to waiver." [Cal. Sportfishing Prot. Alliance v. Chico Scrap Metal, Inc., 299 F.R.D. 638, 645 \(E.D. Cal. 2014\)](#) (quoting [In re Doe, 662 F.2d 1073, 1081 \(4th Cir. 1981\)](#)). "In the context of work product, common interest is more broadly construed to include disclosure to third parties." [Odyssey, 2016 U.S. Dist. LEXIS 188611, 2016 WL 7665898, at *6](#) (citation omitted). Documents reviewed *in camera* by the Court recognize a common interest between Plaintiff and the funder.

Consistent with this conclusion, several courts have held that work product protection for litigation funding documents is not waived when such documents contain confidentiality provisions and are disclosed to litigation funders with common interests. *Id.* (finding no waiver of work product protection where disclosure to third parties occurred pursuant to confidentiality agreements and an expectation that the information would remain confidential); [United States v. Ocwen Loan Serv., LLC, No. 4:12-CV-543, 2016 U.S. Dist. LEXIS 32967, 2016 WL 1031157, at *6 \(E.D. Tex. March 15, 2016\)](#) (finding attorney work product protection not waived by disclosure to a potential litigation funder because the funder has an inherent interest

³ Defendants argue that even if work product protection attaches to the litigation funding agreements, Plaintiff itself is not alleging those agreements are work product, but rather an unidentified third party is making the assertion. This misstates Plaintiff's position. *See* Doc. 344-1 at 43, 45, 48, 50.

in maintaining the confidentiality of potential clients' information); [Mondis Tech., Ltd. v. LG Elecs., Inc., 2:07-CV-565-TJW-CE, 2011 U.S. Dist. LEXIS 47807, 2011 WL 1714304, at *3 \(E.D. Tex. May 4, 2011\)](#) ("[A]lthough these documents [regarding litigation funding] were disclosed to third parties, the disclosures do not create a waiver [**14] because they were disclosed subject to [nondisclosure] agreements and thus did not substantially increase the likelihood that an adversary would come into possession of the materials.").

Nor does the Court find that Plaintiff waived work product protection by failing to identify the funding agreements in its privilege log. The Ninth Circuit has rejected a *per se* waiver rule when documents are not identified in a privilege log. See [Burlington N. & Santa Fe Ry. Co. v. U.S. Dist. Court for Dist. of Mont., 408 F.3d 1142, 1149 \(9th Cir. 2005\)](#). Factors to be considered in deciding whether waiver has occurred include the timeliness of objections and whether the parties and the Court have enough information to evaluate any work product claim. *Id.* Here, Plaintiff responded to Defendants' request for production of litigation funding agreements by asserting the work product doctrine and stating that any such documents were not discoverable. Doc. 344-1 at 20. Plaintiff made a similar objection to Defendants' request for the identities of persons with a financial interest in the litigation. *Id.* at 32. These timely objections and the subsequent conference call and briefing have enabled the Court and the parties to address Plaintiff's assertion of work product protection.

The Court finds that work product protection [**15] for the funding agreements has not been waived.

C. Substantial Need.

As noted above, the work product protection provided by [Rule 26\(b\)\(3\)](#) may be overcome if Defendants show that they have a "substantial need for the materials" and "cannot, without undue

hardship, obtain their substantial equivalent by other means." [Fed. R. Civ. P. 26\(b\)\(3\)\(A\)\(ii\)](#). Defendants contend that they have a substantial need to discover information "such as the identities of the litigation funders, the timing of the investment, the amount of [**1023] money invested, and the potential return on investment," and that they cannot obtain such information elsewhere. Doc. 360 at 6. But Defendants argue only that the information is relevant; they never explain why their need for the information is substantial.

The Advisory Committee Note to [Rule 26\(b\)\(3\)](#) makes clear that a "special showing" must be made to overcome work product protection. [Fed. R. Civ. P. 26\(b\)\(3\)](#) advisory committee's note to 1970 amendment. That showing requires more than mere relevancy. As a well-regarded treatise has noted: "Substantial need for material otherwise protected by the work product doctrine is demonstrated by establishing that the facts contained in the requested documents are essential elements of the requesting party's prima [**16] facie case." 6 [Moore's Federal Practice - Civil § 26.70](#) (2019); see also [Nevada v. J-M Mfg. Co., 555 F. App'x 782, 785 \(10th Cir. 2014\)](#) ("A substantial need exists where the information sought is essential to the party's defense, is crucial to the determination of whether the defendant could be held liable for the acts alleged, or carries great probative value on contested issues.") (quotation marks and footnotes omitted); [Fletcher v. Union Pac. R.R. Co., 194 F.R.D. 666, 671 \(S.D. Cal. 2000\)](#) (citing standard from Moore's Federal Practice).⁴

⁴ At least one court has concluded that the [Rule 26](#) work product protection can be overcome by demonstrating "that the materials are relevant to the case, the materials have a unique value apart from those already in the movant's possession, and 'special circumstances' excuse the movant's failure to obtain the requested materials itself." [F.T.C. v. Boehringer Ingelheim Pharms., Inc., 778 F.3d 142, 155, 414 U.S. App. D.C. 188 \(D.C. Cir. 2015\)](#). To the extent this case adopts a mere relevancy standard, the Court concludes that it provides too low a threshold for access to work product and misreads the Advisory Committee Note to [Rule 26\(b\)\(3\)](#). The note repeatedly states that a party seeking to overcome work product protection must

Defendants have not shown that obtaining the litigation funding agreements is essential to an element of their defense or the preparation of their case. Because they have not shown a "substantial need" as required by [Rule 26\(b\)\(3\)\(A\)\(ii\)](#), the Court concludes that they are not entitled to production of the agreements.

IV. Second Request — Intangible Work Product.

Although [Rule 26\(b\)\(3\)](#) applies only to documents and tangible things, the work product doctrine established by the Supreme Court in [Hickman v. Taylor](#), 329 U.S. 495, 67 S. Ct. 385, 91 L. Ed. 451 (1947), is not so limited. As one court has explained:

The government mistakenly assumes that [Rule 26\(b\)\(3\)](#) provides an exhaustive definition of what constitutes work product. On the contrary, [Rule 26\(b\)\(3\)](#) only partially codifies the work-product doctrine announced [**17] in [Hickman](#). [Rule 26\(b\)\(3\)](#) addresses only "documents and tangible things," but [Hickman's](#) definition of work product extends to "intangible" things. [329 U.S. at 511](#). [**1024] Moreover, in [Hickman](#), the Court explained that the attorney's "mental impressions" were protected from discovery, so that he could not be forced to "repeat or write out" that information in discovery. [Id. at 512-13](#). Thus [Hickman](#) provides work-product protection for intangible work product

make a "special showing," and instructs that the showing should address "the importance of the materials sought to the party seeking them in preparation of his case and the difficulty he will have obtaining them by other means[.]" [Fed. R. Civ. P. 26\(b\)\(3\)](#) advisory committee's note to 1970 amendment (emphasis added). The note also clearly states that it is following [Hickman v. Taylor](#), 329 U.S. 495, 67 S. Ct. 385, 91 L. Ed. 451 (1947), the Supreme Court's seminal decision on work product, and [Hickman](#) states that "[w]here relevant and non-privileged facts remain hidden in an attorney's file and where production of those facts is essential to the preparation of one's case, discovery may properly be had." [Id. at 511](#) (emphasis added). "Essential to the preparation of one's case" is more than merely relevant.

independent of [Rule 26\(b\)\(3\)](#).

[United States v. Deloitte LLP](#), 610 F.3d 129, 136, 391 U.S. App. D.C. 318 (D.C. Cir. 2010); see also [In re Cendant Corp. Sec. Litig.](#), 343 F.3d 658, 662 (3d Cir. 2003).

As noted in this explanation, the purpose of extending work product protection to intangible information is to shield an attorney's mental impressions from discovery. Plaintiff cites no authority suggesting that every unwritten fact collected or developed by an attorney in preparation for litigation is protected from discovery. Defendants second request — for the identities of all persons or entities (other than counsel) with a fiscal interest in the outcome of the litigation — does not seek attorney mental impressions. The Court therefore concludes that these facts are not protected from discovery by the work product doctrine.⁵

IT IS ORDERED:

1. Defendants' motion to compel (Doc. 344) is **granted in part and denied in part**. Plaintiffs shall provide Defendants [**18] with the identities of all persons or entities (other than counsel) with a fiscal interest in the outcome of this litigation within five business days of this order.
2. The parties' joint motions to seal (Docs. 340, 350, 362) are **granted**. The Clerk is directed to accept for filing under seal Docs. 341, 351, 363 and 364. The Clerk is further directed to maintain the numbering of the sealed documents as currently indicated on the docket.

Dated this 27th day of January, 2020.

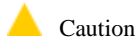
/s/ David G. Campbell

David G. Campbell

⁵ As noted early in this order, the Court likewise concludes that the fact of the funding agreements' existence does not disclose attorney mental impressions and therefore is not shielded from discovery by the work product protection for intangible information.

Senior United States District Judge

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Caution

As of: November 12, 2020 1:31 PM Z

In re Regents of the Univ. of Cal.

United States Court of Appeals for the Federal Circuit

November 14, 1996, Date

MISCELLANEOUS DOCKET NO. 471

Reporter

101 F.3d 1386 *; 1996 U.S. App. LEXIS 30617 **; 40 U.S.P.Q.2D (BNA) 1784 ***; 40 U.S.P.Q. (BNA) 1784; 36 Fed. R. Serv. 3d (Callaghan) 641

IN RE THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, Petitioner.

Judicial orders may be overturned by extraordinary writ only when there has been a clear abuse of discretion or usurpation of judicial authority in the grant or denial of the order. The petitioner has the burden of establishing that its right to issuance of the writ is clear and indisputable, and that it lacks adequate alternative means to obtain the relief sought.

Subsequent History: **[**1]** Certiorari Denied April 21, 1997, Reported at: [1997 U.S. LEXIS 2652](#).

Civil Procedure > ... > Discovery > Privileged Communications > General Overview

Prior History: United States District Court for the Southern District of Indiana. Senior Judge Dillin.

Evidence > Privileges > Attorney-Client Privilege > General Overview

Civil Procedure > Remedies > Writs > General Overview

Disposition: Writ of mandamus is granted.

Civil Procedure > ... > Writs > Common Law Writs > Mandamus

[HN2](#) **Discovery, Privileged Communications**

LexisNexis® Headnotes

A writ of mandamus may be sought to prevent the wrongful exposure of privileged communications. Because maintenance of the attorney-client privilege up to its proper limits has substantial importance to the administration of justice, and because an appeal after disclosure of the privileged communication is an inadequate remedy, the extraordinary remedy of mandamus is appropriate.

Civil Procedure > Remedies > Writs > General Overview

[HNI](#) **Remedies, Writs**

Civil Procedure > Remedies > Writs > General Overview

Civil Procedure > ... > Discovery > Privileged Communications > General Overview

[HN3](#) [↓] Remedies, Writs

Mandamus review may be granted of discovery orders that turn on claims of privilege when (1) there is raised an important issue of first impression, (2) the privilege would be lost if review were denied until final judgment, and (3) immediate resolution would avoid the development of doctrine that would undermine the privilege.

Evidence > Privileges > Attorney-Client Privilege > General Overview

[HN4](#) [↓] Privileges, Attorney-Client Privilege

When the same attorney represents the interests of two or more entities on the same matter, those represented are viewed as joint clients for purposes of privilege.

Evidence > Privileges > Attorney-Client Privilege > General Overview

[HN5](#) [↓] Privileges, Attorney-Client Privilege

The joint client doctrine typically has been applied to overcome what would otherwise have constituted a waiver of confidentiality because a communication had been shared between two clients.

Evidence > Privileges > Attorney-Client Privilege > General Overview

[HN6](#) [↓] Privileges, Attorney-Client Privilege

The protection of communications among clients and attorneys allied in a common legal cause has

long been recognized. Where there is consultation among several clients and their jointly retained counsel, allied in a common legal cause, it may reasonably be inferred that resultant disclosures are intended to be insulated from exposure beyond the confines of the group; that inference, supported by a demonstration that the disclosures would not have been made but for the sake of securing, advancing, or supplying legal representation, will give sufficient force to a subsequent claim to the privilege.

Patent Law > Originality > Joint & Sole Inventorship

Patent Law > Jurisdiction & Review > Personal Jurisdiction & Venue > Service of Process

[HN7](#) [↓] Originality, Joint & Sole Inventorship

A community of legal interests may arise between parties jointly developing patents; they have a common legal interest in developing the patents to obtain greatest protection and in exploiting the patents.

Evidence > Privileges > Attorney-Client Privilege > General Overview

[HN8](#) [↓] Privileges, Attorney-Client Privilege

The issue is not who employed the attorney, but whether the attorney was acting in a professional relationship to the person asserting the privilege. The professional relationship for purposes of the privilege for attorney-client communications hinges upon the client's belief that he is consulting a lawyer in that capacity and his manifested intention to seek professional legal advice.

Evidence > Privileges > Attorney-Client Privilege > General Overview

[HN9](#)  **Privileges, Attorney-Client Privilege**

The scope of the attorney-client privilege is narrowly drawn in the Seventh Circuit.

Evidence > Privileges > Attorney-Client
Privilege > Scope

Evidence > Privileges > Attorney-Client
Privilege > General Overview

[HN10](#)  **Privileges, Attorney-Client Privilege**

It is well established that the attorney-client privilege is not limited to actions taken and advice obtained in the shadow of litigation. Persons seek legal advice and assistance in order to meet legal requirements and to plan their conduct; such steps serve the public interest in achieving compliance with law and facilitating the administration of justice, and indeed may avert litigation. When such pre-litigation advice and assistance serve a shared legal interest, the parties to that interest do not lose the privilege when litigation arises.

Evidence > Privileges > Attorney-Client
Privilege > Elements

Evidence > Privileges > Attorney-Client
Privilege > General Overview

[HN11](#)  **Attorney-Client Privilege, Elements**

Consultation with counsel during patent prosecution meets the criteria of compliance with law and meeting legal requirements, thereby reducing or avoiding litigation, and is within the scope of subject matter that is subject to the attorney-client privilege.

Counsel: Gerald P. Dodson, Arnold, White & Durkee, of Menlo Park, California, submitted the

petition for writ of mandamus for petitioner. With him on the petition were Emily A. Evans and Karen J. Kramer. Also with him on the petition was P. Martin Simpson, Jr., The University of California, Office of Technology Transfer, of Alameda, California.

John E. Kidd, Rogers & Wells, of New York, New York, submitted the response to the petition for writ of mandamus for respondent Genentech, Inc. Of counsel was Joseph Ferraro.

Donald R. Dunner, Finnegan, Henderson, Farabow, Garrett & Dunner, L.L.P., of Washington, D.C., submitted the response to the petition for writ of mandamus for respondent Eli Lilly and Company. Of counsel were Howard W. Levine and Charles E. Lipsey.

Judges: Before NEWMAN, Circuit Judge, SKELTON, Senior Circuit Judge, and LOURIE, Circuit Judge.

Opinion by: Pauline Newman

Opinion

[***1785] [*1387] NEWMAN, Circuit Judge.

ORDER

The Regents of the University of California ("UC") petition for a writ of mandamus to the United States District Court for the Southern District of [**2] Indiana, to vacate the court's July 2, 1996 order ¹

¹Genentech, Inc. v. The Regents of the University of California, MDL Docket No. 912, IP-90-1679-C-D/G (S.D. Ind. July 2, 1996).

granting Genentech, Inc.'s motion to compel the deposition testimony of three attorneys employed by Eli Lilly and Company.

[HNI](#)^[↑] Judicial orders may be overturned by extraordinary writ only when there has been a clear abuse of discretion or usurpation of judicial authority in the grant or denial of the order. *In re The Regents of the University of California*, 964 F.2d 1128, 1135, 22 U.S.P.Q.2D (BNA) 1748, 1754 (Fed. Cir. 1992). See *Gulfstream Aerospace Corp. v. Mayacamas Corp.*, 485 U.S. 271, 289, 99 L. Ed. 2d 296, 108 S. Ct. 1133 (1988) ("The federal courts traditionally have used the writ only 'to confine an inferior court to a lawful exercise of its prescribed jurisdiction or to compel it to exercise its authority when it is its duty to do so.'") (quoting *Roche v. Evaporated Milk Ass'n*, 319 U.S. 21, 26, 87 L. Ed. 1185, 63 S. Ct. 938 [***3] (1943)); *In re Calmar, Inc.*, 854 F.2d 461, 464 (Fed. Cir. 1988) ("Mandamus may be employed in exceptional circumstances to correct a clear abuse of discretion or usurpation of judicial power by a trial court.") The petitioner has the burden of establishing that its right to issuance of the writ is clear and indisputable, *Allied Chem. Corp. v. Daiflon, Inc.*, 449 U.S. 33, 35, 66 L. Ed. 2d 193, 101 S. Ct. 188 (1980), and that it lacks adequate alternative means to obtain the relief sought. *Mallard v. United States District Court*, 490 U.S. 296, 309, 104 L. Ed. 2d 318, 109 S. Ct. 1814 (1989).

Genentech argues that discovery orders are not routinely appealable. However, the issue before us is not a routine discovery dispute, but one of attorney-client privilege. [HN2](#)^[↑] A writ of mandamus may be sought to prevent the wrongful exposure of privileged communications. As stated in *Harper & Row Publishers, Inc. v. Decker*, 423 F.2d 487, 492 (7th Cir. 1970), *aff'd per curiam*, 400 U.S. 348, 91 S. Ct. 479, 27 L. Ed. 2d 433 (1971), "because maintenance of the attorney-client privilege up to its proper limits has substantial importance to the administration of justice, and because an appeal after disclosure of the privileged communication is an inadequate [***4] remedy, the

extraordinary remedy of mandamus is appropriate." See also, e.g., *Rhone-Poulenc Rorer Inc. v. Home Indem. Co.*, 32 F.3d 851, 861 (3d Cir. 1994) ("Mandamus may properly be used as a means of immediate appellate review of orders compelling the disclosure of documents and information [***1388] claimed to be protected from disclosure by privilege or other interests in confidentiality.")

The district court ruled that the attorney-client privilege was waived, or never vested, when the Eli Lilly attorneys provided legal advice and services to UC. This is "not a mere discretionary [ruling] but rather turns on legal questions appropriate for appellate review." *In re Burlington Northern, Inc.*, 822 F.2d 518, 522-23 (5th Cir. 1987), *cert. denied*, 484 U.S. 1007, 108 S. Ct. 701, 98 L. Ed. 2d 652 (1988). This case meets the rigorous requirements stated in *Chase Manhattan Bank, N.A. v. Turner & Newall, PLC*, 964 F.2d 159, 163 (2d Cir. 1992), that [HN3](#)^[↑] mandamus review may be granted of discovery orders that turn on claims of privilege when (1) there is raised an important issue of first impression, (2) the privilege would be lost if review were denied until final judgment, and (3) immediate resolution would avoid the [***5] development of doctrine that would undermine the privilege. See *Schlagenhauf v. Holder*, 379 U.S. 104, 110, 13 L. Ed. 2d 152, 85 S. Ct. 234 (1964).

This petition arises in connection with consolidated pretrial proceedings in the Southern District of Indiana, established by the Judicial Panel on Multidistrict Litigation in *In re Recombinant DNA Technology Patent and Contract Litigation*, Docket No. 912 (J.P.M.L. Feb. 19, 1992), *aff'd*, *In re The Regents of the University of California*, 964 F.2d 1128, 22 U.S.P.Q.2D (BNA) 1748 (Fed. Cir. 1992). The proceedings initially involved six cases, concerning various patents, research arrangements, and license agreements among UC, Genentech, and Lilly, in the field of recombinant DNA technology and its use in the production of human insulin and human growth hormone (hGH). Lilly was a party to various of these actions until December 1994, when Lilly and Genentech stipulated to the dismissal with

prejudice of all claims against each other.

In the case in which this petition originated Genentech seeks a declaration that UC's United States Patent No. 4,363,877 (the [***1786] '877 patent) is invalid, unenforceable, or not infringed by Genentech's [**6] production of hGH products. Genentech sought the discovery depositions of three Lilly in-house attorneys relating to the prosecution of the '877 patent and its counterparts in foreign countries. The district court ordered the testimony, but stayed completion of this discovery pending this appeal.

Meanwhile, on September 27, 1996 the district court dismissed the declaratory action that had been brought by Genentech (IP-90-1679-C), granting UC's renewed motion for summary judgment on [Eleventh Amendment](#) grounds. The district court then requested the Judicial Panel on Multidistrict Litigation to remand the remaining action, IP-92-0223-C, to the Northern District of California for trial. The district court stated that "because the two cases are mirror images, the discovery that has taken place in IP-90-1679-C fully is applicable to IP-92-0223-C." Slip op. at 16. The Multidistrict Panel issued a Conditional Remand Order on October 4, 1996; Genentech states that it has opposed the remand order on the ground that this discovery is incomplete, thus delaying the order's effectiveness, in accordance with Rule 14(f)(ii) of the Panel.

On October 15, 1996 the Federal Circuit ordered UC and Genentech [**7] to advise whether this mandamus petition should appropriately be dismissed in view of the district court's action. UC and Genentech are of one mind in opposing dismissal. They point out that the discovery to which this petition is directed is applicable whether or not the consolidation of pre-trial procedures is otherwise terminated, and that completion of the challenged discovery was stayed pending this appeal.

Taking note of the stay in conclusion of the multidistrict proceedings, we agree that we have

not been divested of jurisdiction of the petition. For the reasons discussed we grant the writ of mandamus.

DISCUSSION

On April 19, 1978 UC filed the United States patent application that led to the '877 patent. In September 1978 UC and Lilly entered into an exclusive option agreement for certain license rights to ensuing United States and corresponding foreign patents; [*1389] the license would become exclusive upon certain conditions subsequent. Those conditions did occur and the license became exclusive. Lilly agreed to pay the foreign patent costs, and in 1984 Lilly in-house attorneys assumed direct responsibility for prosecuting the foreign patent applications, in collaboration with [**8] UC patent counsel. Genentech is seeking to discover the legal advice that was given and that relates to the United States '877 patent.

According to Genentech, the UC and Lilly attorneys frequently discussed certain prior art, which Genentech alleges is material to the '877 United States patent. Genentech states that testimony about those communications is relevant to the issue of inequitable conduct. Genentech also seeks testimony from a Lilly attorney about his investigation and advice to UC concerning errors in the '877 patent, which led to UC's application for a Certificate of Correction. Genentech states that obtaining the Certificate of Correction also involved inequitable conduct by UC.

Genentech argues that an attorney-client communication is not privileged if it is shared with a third party, and that Lilly was a third party despite its status as optionee/licensee. UC responds that the Lilly attorneys represented both UC and Lilly in a shared effort to obtain these United States and foreign patent rights, and that the communications between UC and the Lilly attorneys were protected by the attorney-client privilege. The district court held that "the UC-Lilly relationship arising [**9] from the option agreement created no need for a common defense" because "the entities were

prosecuting patents, and at that point, apparently were bound only by the prospects of financial gain and heightened reputation." The district court concluded that UC and Lilly did not share the requisite community of interest to allow UC to invoke attorney-client privilege as an exception to the general rule favoring full discovery.

The Community of Interest Doctrine

[HN4](#)^[↑] When the same attorney represents the interests of two or more entities on the same matter, those represented are viewed as joint clients for purposes of privilege. See *Simpson v. Motorists Mutual Ins. Co.*, 494 F.2d 850, 855 (7th Cir.) ("Where the same attorney represents two parties having a common interest, and each party communicates with the attorney, the communications are privileged from disclosure at the instance of a third person."), cert. denied, 419 U.S. 901, 42 L. Ed. 2d 147, 95 S. Ct. 184 (1974). As explained in *Griffith v. Davis*, 161 F.R.D. 687, 693 (C.D. Cal. 1995), [HN5](#)^[↑] "the joint client doctrine typically has been applied to overcome what would otherwise have constituted a waiver of confidentiality **[**10]** because a communication had been shared between two clients." **[***1787]**

[HN6](#)^[↑] The protection of communications among clients and attorneys "allied in a common legal cause" has long been recognized. As one court explained:

Where there is consultation among several clients and their jointly retained counsel, allied in a common legal cause, it may reasonably be inferred that resultant disclosures are intended to be insulated from exposure beyond the confines of the group; that inference, supported by a demonstration that the disclosures would not have been made but for the sake of securing, advancing, or supplying legal representation, will give sufficient force to a subsequent claim to the privilege.

In re Grand Jury Subpoena Duces Tecum, 406 F. Supp. 381, 386 (S.D.N.Y. 1975). The issue has previously arisen in connection with patent rights.

See, e.g., *Baxter Travenol Labs. Inc. v. Abbott Labs.*, 1987 WL 12919, *1 (N.D. Ill. June 19, 1987) [HN7](#)^[↑] ("A community of legal interests may arise between parties jointly developing patents; they have a common legal interest in developing the patents to obtain greatest protection and in exploiting the patents."); *SCM Corp. v. Xerox Corp.*, **[**11]** 70 F.R.D. 508, 514 (D. Conn.) ('whether the legal advice was focused on pending litigation or on developing a patent program that would afford maximum protection, the privilege should not be denied when the common interest is clear.'), appeal dismissed, 534 F.2d 1031 (2d Cir. 1976).

UC argues that it and Lilly were, in the circumstances that here obtained, both clients of the Lilly lawyers, and that UC and Lilly shared a common legal interest in gaining sound patent rights to this technology, **[*1390]** which had been developed by UC and optioned and licensed by Lilly. UC also cites the fact that from the inception of the option agreement, Lilly's license rights had the potential to become and ultimately did become exclusive and that that fact gave Lilly and UC an identity of interest. Thus UC argues that its communications with the Lilly attorneys are subject to the attorney-client privilege, along with Lilly's work product on behalf of UC.

Genentech argues that UC and Lilly lacked the requisite common interest for the attorney-client privilege to attach to the communications between UC and the Lilly attorneys. Genentech also argues that UC was not a client of the Lilly in-house attorneys. **[**12]** Indeed, the Lilly attorneys testified that they considered Lilly, and not UC, to be their "client." However, [HN8](#)^[↑] the issue is not who employed the attorney, but whether the attorney was acting in a professional relationship to the person asserting the privilege. "The professional relationship for purposes of the privilege for attorney-client communications 'hinges upon the client's belief that he is consulting a lawyer in that capacity and his manifested intention to seek professional legal advice.'" *Westinghouse Elec.*

Corp. v. Kerr-McGee Corp., 580 F.2d 1311, 1319 (7th Cir.), cert. denied, 439 U.S. 955, 58 L. Ed. 2d 346, 99 S. Ct. 353 (1978) (quoting McCormick, Evidence § 88 at 179 (2d ed. 1972)).

The Lilly attorneys advised and consulted frequently with UC counsel on matters relating to UC's patents. It is not disputed that the Lilly attorneys received confidential information from UC and gave legal advice to UC. However, Genentech argues that even if UC were deemed to be a "client" of the Lilly attorneys, Lilly and UC lacked a common legal interest because UC was the inventor/patentee and Lilly was an optionee and a potential licensee. As we have discussed, in order for **[**13]** the communications between UC and the Lilly attorneys to be protected by the attorney-client privilege, Lilly and UC as clients must share a common legal interest, or have a community of interest, with respect to the subject of the communications. The district court held that the community of interest standard required that "the nature of the interest be identical, not similar, and be legal, not solely commercial," citing Duplan Corp. v. Deering Milliken, Inc., 397 F. Supp. 1146, 1172 (D.S.C. 1974). Although the district court recognized that it was imposing a stringent standard, it relied on United States v. Lawless, 709 F.2d 485, 487 (7th Cir. 1983) for the proposition that the scope of the attorney-client privilege should be narrowly drawn.

Accepting that HN9^[↑] the scope of the attorney-client privilege is narrowly drawn in the Seventh Circuit,² we conclude that the legal interest between Lilly and UC was substantially identical because of the potentially and ultimately exclusive nature of the Lilly-UC license agreement. Both parties had the same interest in obtaining strong and enforceable patents. The district court erred in concluding that Lilly and UC did not have an

identical **[**14]** legal interest in the '877 patent and its foreign counterparts because "a patentee and a nonexclusive licensee do not share identical legal interests." Lilly was more than a non-exclusive licensee, and shared the interest that UC would obtain valid and enforceable patents. UC is a university **[***1788]** seeking valid and enforceable patents to support royalty income. Lilly is an industrial enterprise seeking valid and enforceable patents to support commercial activity. Valid and enforceable patents on the UC inventions are in the interest of both parties. See Duplan, 397 F. Supp. at 1172 ("The fact that there may be an overlap of a commercial and a legal interest for a third party does not negate the effect of the legal interest in establishing a community of interest.")

Genentech also **[**15]** contends that the communications between UC and the Lilly attorneys are not covered by the privilege because they were not made in anticipation of litigation. HN10^[↑] It is well established that the attorney-client privilege is not limited to actions taken and advice obtained in the shadow of litigation. Persons seek legal advice **[*1391]** and assistance in order to meet legal requirements and to plan their conduct; such steps serve the public interest in achieving compliance with law and facilitating the administration of justice, and indeed may avert litigation. Upjohn Co. v. United States, 449 U.S. 383, 389, 66 L. Ed. 2d 584, 101 S. Ct. 677 (1981). When such pre-litigation advice and assistance serve a shared legal interest, the parties to that interest do not lose the privilege when litigation arises. See SCM Corp., 70 F.R.D. at 513 ("The privilege need not be limited to legal consultations between corporations in litigation situations, however. Corporations should be encouraged to seek legal advice in planning their affairs to avoid litigation as well as in pursuing it.") See generally Paul R. Rice, Attorney-Client Privilege in the United States § 1:13 (1993) (the attorney-client **[**16]** privilege in the United States is free of the "pending or in anticipation of litigation" limitation).

²For procedural matters that are not unique to patent issues, we apply the perceived law of the regional circuit. National Presto Indus., Inc. v. West Bend Co., 76 F.3d 1185, 1188 n.2, 37 U.S.P.Q.2D (BNA) 1685, 1686 n.2 (Fed. Cir. 1996).

The district court cited Edward Lowe Indus., Inc. v. Oil-Dri Corp., of America, 1995 WL 410979 (N.D. Ill. July 11, 1995), for its statement that "the patent prosecution process does not create a need" for the "common defense" privilege. The Edward Lowe court, however, held that it would apply the common interest doctrine to documents that "address either anticipated litigation or a joint effort to avoid litigation," id. at *2, and observed that Baxter Travenol Labs., supra, and SCM Corp., supra, are not inconsistent with this general rule. We agree. HNI[\[↑\]](#) Consultation with counsel during patent prosecution meets the criteria of compliance with law and meeting legal requirements, thereby reducing or avoiding litigation, and is within the scope of subject matter that is subject to the attorney-client privilege.

We conclude that the joint client doctrine and the community of interest doctrine apply to and protect legal advice and communications between the patent applicant or patentee and attorneys of its optionee/licensee.

Accordingly, IT IS ORDERED THAT:

The writ of **[**17]** mandamus is granted. The communications for which discovery is sought are protected by the attorney-client privilege.

FOR THE COURT

Nov. 14, 1996

Date

Pauline Newman

Circuit Judge



Neutral

As of: November 12, 2020 1:22 PM Z

[Impact Engine, Inc. v. Google LLC](#)

United States District Court for the Southern District of California

October 20, 2020, Decided; October 20, 2020, Filed

CASE NO. 3:19-cv-01301-CAB-DEB

Reporter

2020 U.S. Dist. LEXIS 194517 *

IMPACT ENGINE, INC., Plaintiff, vs. GOOGLE LLC, Defendant.

Opinion by: Cathy Ann Bencivengo

Prior History: [Impact Engine, Inc. v. Google LLC, 2020 U.S. Dist. LEXIS 70534 \(S.D. Cal., Apr. 21, 2020\)](#)

Counsel: [*1] For Impact Engine, Inc., Plaintiff: Garret A. Leach, Kyle M. Kantarek, Megan M. New, Kirkland & Ellis, LLP, Chicago, IL; Sharre S. Lotfollahi, LEAD ATTORNEY, Kirkland & Ellis LLP, Los Angeles, CA; Nikhil Krishnan, Kirkland & Ellis LLP, Chicago, IL.

For Google LLC, Defendant: David Aaron Nelson, LEAD ATTORNEY, PRO HAC VICE, Quinn Emanuel Urquhart & Sullivan LLP, Chicago, IL; Andrea Pallios Roberts, Quinn Emanuel Urquhart & Sullivan, LLP, Redwood Shores, CA; Antonio R. Sistos, Quinn Emanuel, San Francisco, CA; David A. Perlson, Quinn Emanuel Urquhart Oliver & Hedges, San Francisco, CA.

Judges: Hon. Cathy Ann Bencivengo, United States District Judge.

Opinion

ORDER ON MOTION TO COMPEL PRODUCTION OF CERTAIN DOCUMENTS

Google propounded a request on Impact Engine for production of "[all] Documents Regarding any contracts or agreements between Plaintiff and any Third Party concerning (1) This Litigation and/or (2) any Asserted Patent or Related Patent." [Doc. No. 101.] Impact Engine indicated it would produce non-privileged responsive documents except for potential agreements related to litigation funding on the basis such documents were not relevant. The magistrate judge found the withheld [*2] documents relevant and therefore discoverable. He did not however make any determination regarding privilege or other protections. [Id.]

Impact Engine appealed the order and finding no clear error in the magistrate judge's ruling, the Court overruled Impact Engine's objection to the relevancy determination. [Doc. No. 113.] Impact Engine was then instructed to produce the responsive documents and/or serve a privilege log for those documents it asserts are protected and submit the documents to the Court for *in camera* review. Impact Engine made the submission. [Doc.

No. 118.] Google filed a response. [Doc. No. 122].

Impact Engine asserts work product protection for the documents at issue. Under the work product doctrine, [Fed.R.Civ.P. 26\(b\)\(3\)\(A\)](#), a party generally may not obtain discovery of "documents and tangible things that are prepared in anticipation of litigation or trial by and for another party or its representative (including the other party's attorney, consultant, surety, indemnitor, insurer or agent)." This protect may be overcome if the requesting party shows that they have a "substantial need for the materials" and cannot "obtain their substantial equivalent by other means." *Id.* Even if a party makes [*3] this showing, they cannot obtain core work product - information revealing "the mental impressions, conclusions, opinions, or legal theories of a party's attorney or other representative concerning the litigation." [Fed.R.Civ.P. 26\(b\)\(3\)\(B\)](#).

Impact Engine submitted a non-disclosure agreement and a litigation funding agreement, along with drafts of that agreement, term sheets and a "case discussion." The Court has reviewed each of the documents. It is clear these documents were created because of the litigation they will fund.

"A document should be deemed prepared 'in anticipation of litigation' and thus eligible for work product protection under [Rule 26\(b\)\(3\)](#) if 'in light of the nature of the document and the factual situation in the particular case, the document can be fairly said to have been prepared or obtained because of the prospect of litigation." *United States v. Torf (In re Grand Jury Subpoena)*, 357 F.3d 900, 907 (9th Cir. 2004) (quoting Charles Alan Wright, Arthur R. Miller, and Richard L. Marcus, 8 Federal Practice and Procedure § 2024 (2d ed. 1994)). The submitted documents satisfy the "because of" test and constitute work product. *See e.g., Continental Circuits LLC v. Intel Corp.* 435 F.Supp.3d 1014, 1020-21(D. Ariz 2020).

The work product protection is not waived because it was shared with another person or entity. Work product doctrine protects against disclosure to

potential [*4] adversaries. In this case, disclosure of the litigation funding agreement, including the preparatory materials, to the litigation funder, a party to the agreements, did not substantially increase the opportunity for Google, Impact Engine's litigation adversary, to obtain the agreements. The documents reviewed by the Court included confidentiality provisions regarding the agreements, the terms and the information related to them.

Disclosure to a person with interest common to that of the attorney or the client is not inconsistent with the intent to invoke the protection of the work product doctrine. *Id. at 1022*. The documents at issue reflect a common interest between Impact Engine and the funder. They also reflect the clear expectation of both parties to the documents that the information would remain confidential.

Several courts have held that the work product protection for litigation funding documents is not waived when such documents containing confidentiality provision are disclosed to litigation funders with common interests. *Id.* (cases cited therein).

The Court finds that work product protection applies to the documents produced *in camera* and Impact Engine is not required to produce them. [*5]

IT IS SO ORDERED.

Dated: October 20, 2020

/s/ Cathy Ann Bencivengo

Hon. Cathy Ann Bencivengo

United States District Judge

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA – SOUTHERN DIVISION

LIMESTONE MEMORY SYSTEMS
LLC, a California Limited Liability
Company,

Plaintiff,

vs.

MICRON TECHNOLOGY, INC., a
Delaware Corporation,

Defendant.

**REPORT BY DISCOVERY
MASTER**

[Discovery Master Order No. 8]

Case No: SA CV 15-0278-DOC (KESx)

Coordinated with Case Nos.:

- SA CV 15-0648-DOC (KESx)**
- SA CV 15-0650-DOC (KESx)**
- SA CV 15-0652-DOC (KESx)**
- SA CV 15-0653-DOC (KESx)**
- SA CV 15-0654-DOC (KESx)**
- SA CV 15-0658-DOC (KESX)**

1 **I. INTRODUCTION**

2 On December 26, 2018, the Discovery Master filed a Report (Dkt. 154)
3 granting the motion (“Motion”) of Micron Technology, Inc. (“Micron”)
4 requesting an *in camera* review of 72 documents withheld from production by
5 plaintiff Limestone Memory Systems, LLC (“Limestone”) on the grounds that
6 they constitute privileged attorney client communications and/or work product
7 (the “Withheld Documents”). After conducting a review of the Withheld
8 Documents *in camera*, the Discovery Master provided the parties with his
9 tentative ruling and, at the parties’ request, then conducted a telephonic hearing on
10 January 17, 2019. The Discovery Master then filed a Report (Dkt. 162) on
11 January 25, 2019 (the “Prior Ruling”) reflecting the results of his review of the
12 Withheld Documents and ordering that certain of the Withheld Documents be
13 produced.

14 On January 30, 2019, counsel for Micron informed the Discovery Master
15 that certain documents produced by Limestone five days earlier provided, in
16 Micron’s opinion, new and highly relevant information regarding the privilege
17 and work product claims of Limestone that was not available to the Discovery
18 Master when he prepared the Prior Ruling. Micron asked that the Discovery
19 Master consider this additional information and, as necessary, issue a new Report
20 amending his findings in the Prior Ruling. Limestone responded that the
21 information cited by Limestone was not new as it had previously been made
22 available to Micron and, in any event, did not warrant revisiting the findings made
23 in the Prior Ruling.

24 In order to resolve the dispute, the Discovery Master requested that the
25 parties submit briefs outlining their positions and then, on February 6, 2019,
26 conducted a telephonic hearing. Having considered the parties’ briefs and
27 arguments presented at the hearing, the Discovery Master now issues the
28 following Report, which supersedes and replaces the Prior Ruling.

1 **II. LEGAL FRAMEWORK**

2 **A. The Attorney Client Privilege and Work Product Doctrine**

3 Rule 26(b)(1) permits discovery in civil actions of “any matter, not
4 privileged, that is relevant to the claim or defense of any party....” Generally, the
5 purpose of discovery is to remove surprise from trial preparation so the parties can
6 obtain evidence necessary to evaluate and resolve their dispute. *Oakes v. Halvorsen*
7 *Marine Ltd.*, 179 F.R.D. 281, 283 (C.D.Cal.1998). The party who resists discovery
8 has the burden to show discovery should not be allowed, and has the burden of
9 clarifying, explaining, and supporting its objections. *Blankenship v. Hearst Corp.*,
10 519 F.2d 418, 429 (9th Cir.1975).

11 Questions of evidentiary privilege arising in the course of the adjudication
12 of federal rights, as in this instance, are governed by the principles of federal
13 common law. *United States v. Zolin*, 491 U.S. 554, 562 (1989); Fed.R.Evid. 501.
14 Under the attorney-client privilege, “[c]onfidential disclosures by a client to an
15 attorney made in order to obtain legal assistance are privileged.” *Fisher v. United*
16 *States*, 425 U.S. 391, 403 (1976); *Clarke v. American Commerce Nat'l Bank*, 974
17 F.2d 127, 129 (9th Cir.1992). As noted in Limestone’s moving papers, the attorney-
18 client privilege arises in circumstances where each of the following elements are
19 present: “(1) Where legal advice of any kind is sought (2) from a professional legal
20 adviser in his capacity as such, (3) the communications relating to that purpose, (4)
21 made in confidence (5) by the client, (6) are at his instance permanently protected
22 (7) from disclosure by himself or by the legal adviser, (8) unless the protection be
23 waived.” *In re Grand Jury Investigation*, 974 F.2d 1068, 1071 n. 2 (9th Cir.1992);
24 *United States v. Martin*, 278 F.3d 988, 999 (9th Cir.2002).

25 Under the attorney work product doctrine, material obtained and prepared by
26 an attorney or the attorney’s agent in anticipation of litigation or preparation for
27 trial may be immune from discovery. Fed.R.Civ.P. 26(b)(3); *Hickman v. Taylor*,
28 329 U.S. 495, 509–12 (1947). One of the primary purposes of the work product

1 doctrine is to prevent one party exploiting the other party's efforts to prepare for
2 litigation. *Holmgren v. State Farm Mut. Auto. Ins. Co.*, 976 F.2d 573, 576 (9th
3 Cir.1992). The work product doctrine establishes a qualified immunity, rather than
4 a privilege, and the qualification of the immunity is to be determined upon a
5 showing of necessity or good cause. *Admiral Ins. Co.*, 881 F.2d at 1494; *Doubleday*
6 *v. Ruh*, 149 F.R.D. 601, 605 n. 3 (E.D.Cal.1993). The party claiming work product
7 immunity has the burden of proving the applicability of the doctrine. *United States*
8 *v. City of Torrance*, 163 F.R.D. 590, 593 (C.D.Cal.1995).

9 Because the attorney-client privilege is in derogation of the search for truth,
10 it is “narrowly and strictly construed.” *United States v. Gray*, 876 F.2d 1411, 1415
11 (9th Cir.1989), cert. denied, 495 U.S. 930 (1990); *see also Fisher*, 425 U.S. at 403
12 (holding since attorney-client privilege “has the effect of withholding relevant
13 information from the factfinder, it applies only where necessary to achieve its
14 purpose”). “The burden is on the party asserting the privilege to establish all the
15 elements of the privilege[.]” *Martin*, 278 F.3d at 999-1000; *United States v.*
16 *Blackman*, 72 F.3d 1418, 1423 (9th Cir.1995), cert. denied, 519 U.S. 911 (1996).
17 “To meet this burden, a party must demonstrate that its documents adhere to the
18 essential elements of the attorney-client privilege adopted by [the Ninth Circuit].
19 [Citation omitted.] In essence, the party asserting the privilege must make a prima
20 facie showing that the privilege protects the information the party intends to
21 withhold.” *In re Grand Jury Investigation*, 974 F.2d at 1070-1071.

22 According to the Ninth Circuit, an adequate privilege log is one way in
23 which a party can satisfy this burden. *Id.* A privilege log that includes the
24 following information is “sufficient to establish the attorney-client privilege:” (1)
25 the identity of the attorney and client involved; (2) the nature of the document
26 (e.g., letter, memorandum, etc.); (3) all persons or entities shown as recipients on
27 the document; (4) all persons or entities known to have been informed of the
28 substance of the document; and (5) the date the document was generated, prepared,

1 or dated. *Dole v. Milonas*, 889 F.2d 885, 888 n.3, 890 (9th Cir. 1989). Here, as
2 stated in the Report (Dkt. 154, at 5:18-21), Limestone provided Micron with a
3 privilege log sufficient to satisfy Limestone’s initial burden of supporting its
4 claims of privilege and work product.

5 **B. Legal Standard for Determining Whether Specific Documents Are**
6 **Entitled to Protection**

7 The threshold issue presented by Micron’s Motion is the proper standard to
8 be applied in determining whether the Withheld Documents are protected by the
9 attorney client privilege and/or the attorney work product doctrine.

10 **1. Micron’s Position**

11 Micron asserts that “Limestone ...may not withhold documents created for a
12 business purpose, even if the document also touches on legal issues. *McCaugherty*
13 *v. Siffermann*, 132 F.R.D. 234, 238 (N.D.Cal.1990) (‘No privilege can attach to
14 any communication as to which a business purpose would have served as a
15 sufficient cause, i.e., any communication that would have been made because of a
16 business purpose, even if there had been no perceived additional interest in
17 securing legal advice.’).” (Motion, p. 3:17-4:5). Rather, a document can only be
18 deemed privileged if its primary purpose was to seek or provide legal advice.

19 Micron also argues that Limestone lacks standing to invoke the attorney
20 work product doctrine, because the Withheld Documents were created on or before
21 the date Limestone acquired the patents-in-suit (February 16, 2015). (Motion, p.
22 7:19-23). Further, Micron argues that “[n]umerous Withheld Documents predate
23 Limestone’s existence, and Limestone could not have anticipated litigation before
24 Limestone existed.” (*Id.*, pp. 7:24-8:1).

25 In Micron’s view, even if Limestone had standing to assert a claim of
26 attorney work product as to the Withheld Documents, Limestone must show that
27 each challenged document “would not have been generated but for the pendency
28 or imminence of litigation.” (*Id.*, pp. 8:8-9:1 quoting *Griffith v. Davis*, 161 F.R.D.

1 687, 698 (C.D.Cal. 1995)). Micron argues that, under that standard, the Withheld
2 Documents cannot be attorney work product, because, even without the prospect
3 of litigation, Limestone would have performed an investigation of the patents-in-
4 suit before acquiring them and, consequently, the work-product protection does
5 not apply. (*Id.*, p. 8:8-12, citing *Diagnostics Sys. Corp. v. Symantec Corp.*, 2008
6 WL 9396387 (C.D.Cal. 2008)).

7 According to Micron, documents produced for the first time by Limestone
8 on January 25, 2019, establish that, during the three-week period prior to the filing
9 of this Action (and the time during which virtually all of the Withheld Documents
10 were generated), outside counsel for Limestone was involved in evaluating and
11 advising Acacia (Limestone’s parent company and the entity that held the option
12 to purchase the patents-in-suit) regarding not only the patents-in-suit but also two
13 additional patents which Acacia has not yet purchased (the “Non-Acquired
14 Patents”). Micron argues that outside counsel’s involvement in this process
15 proves that outside counsel was performing a business function rather than a legal
16 one at the time the Withheld Documents were generated, namely assessing the
17 economic value and reasonable purchase price of both the patents-in-suit and the
18 Non-Acquired Patents. Accordingly, as a matter of law, the attorney-client
19 privilege cannot attach to any such dual purpose documents under *McCaugherty*,
20 *supra*, because these documents reflect communications that would have been
21 made in any event (i.e., to evaluate whether Acacia should purchase the patents)
22 even if Acacia had no interest in securing legal advice.

23 **2. Limestone’s Position**

24 Limestone argues that it has standing to assert a claim of attorney work
25 product based on the fact (which Micron does not dispute) that Limestone’s parent
26 company, Acacia, had an exclusive option to acquire the patents-in-suit at the time
27 the Withheld Documents were created. Limestone argues that such an interest is
28 sufficient for the attorney work product protection to attach both as to Acacia and

1 also as to Limestone, Acacia’s wholly-owned subsidiary created for the purpose of
2 enforcing the patents-in-suit. (Opp., pp. 4:19-5:13; 12:15-14:15).

3 According to Limestone, the test for work-product protection is not whether
4 litigation was a primary or secondary motive behind the creation of a document,
5 but rather whether, under the totality of the circumstances, it can fairly be said that
6 the document was created *because of* anticipated litigation. (Opp., p. 10:7-17
7 quoting *United States v. Torf (In re Grand Jury Subpoena)*, 357 F.3d 900, 907 (9th
8 Cir. 2004) (emphasis added)). As long as anticipated litigation was *one* purpose in
9 creating the communication, the document is entitled to protection.

10 Limestone argues that this test (the “*Torf* standard”) governs situations in
11 which the documents at issue were created for a “dual purpose,” i.e., the
12 documents seek or provide both business and legal advice that is inseparably
13 interrelated. (Opp., p. 10:20-24 (where the “litigation purpose so permeates any
14 non-litigation purpose that the two purposes cannot be discretely separated from
15 the factual nexus as a whole,” the document should be deemed protected) (quoting
16 *Torf*). Limestone argues that the *Torf* standard supplants the “primary purpose”
17 standard for determining whether a dual purpose document is a privileged
18 communication or work product.¹

19 Finally, with respect to the fact that outside counsel participated in the
20 evaluation of the Non-Acquired Patents and patents-in-suit concurrently,
21 Limestone argues that there is no way to separate the business elements from the
22 legal elements of outside counsel’s pre-filing evaluation. In other words, there is
23 no way to tell whether advice that Acacia purchase the patents-in-suit, but not the
24 Non-Acquired Patents, was based on outside counsel’s business considerations or
25 legal analysis. Limestone posits that legal analysis may in fact have been the basis

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27 ¹ Although Limestone’s Opposition advocated application of the *Torf* standard to
28 support Limestone’s claim of work product (as opposed to privilege), in oral
argument, Limestone took the position that the *Torf* standard is appropriate to
determine both claims of work product and also claims of privilege.

1 for the business decision, stating “Clearly, there is no reason to exercise an option
2 on a patent if there is a legal decision not to assert such a patent.” (Limestone
3 Supp. Brief, p. 5:16-17). Limestone also contends that Micron has been aware at
4 least since October of 2018 that Limestone was considering purchasing the Non-
5 Acquired Patents from the same source as the patents-in-suit although Limestone
6 apparently concedes that Micron was not aware that the ultimate decision was not
7 made until January and February of 2015, i.e., during the three-week period
8 preceding the filing of this Action.

9 **3. Standard Applied in This Ruling**

10 At oral argument on January 17, 2019, the parties were in sharp
11 disagreement regarding the appropriate standard to be applied in resolving whether
12 the Withheld Documents are discoverable. Micron argued that the Discovery
13 Master should only allow Limestone to shield the Withheld Documents from
14 production if the author(s)’ *primary* purpose in creating those documents was to
15 obtain or provide legal advice or analysis. Limestone disagreed, arguing that the
16 Withheld Documents are not discoverable as long as *one* purpose was to request or
17 provide legal advice or analysis regardless of whether the author also intended to
18 address business considerations such as the potential validity and license value of
19 the patents. Neither party distinguished between documents withheld on the basis
20 of privilege, on the one hand, and documents withheld on the basis of work
21 product, on the other hand.

22 To the extent that the parties argue that the same standard is appropriate for
23 determining the existence of both the attorney client privilege and the work
24 product protection, such an approach is not supported by the relevant case law. In
25 the Ninth Circuit, claims of privilege and claims of work product are governed by
26 two different standards.

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1 *Inc.*, 2013 WL 6869933 (N.D.Cal. Oct. 10, 2013) (noting that different courts have
2 applied differing tests and declining to choose which to apply).²

3 **b. Attorney Work Product**

4 Limestone correctly cites *Torf* as setting forth the proper standard for
5 evaluating whether a document is work product entitled to qualified immunity
6 from discovery. To restate that standard: In cases where a document could have
7 more than one purpose, a document should be deemed prepared “in anticipation of
8 litigation” and thus eligible for work product protection under Rule 26(b)(3) if, “in
9 light of the nature of the document and the factual situation in the particular case,
10 the document can be fairly said to have been prepared or obtained because of the
11 prospect of litigation.” *Torf*, 907-908. “The ‘because of’ standard does not
12 consider whether litigation was a primary or secondary motive behind the creation
13 of a document.” *Id.* “[W]ork product protection cannot be decided simply by
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17 ² There are two unpublished District Court opinions in the Ninth Circuit that
18 applied the *Torf* standard to evaluate a claim of privilege. *Therapeutics, Inc.*
19 *Securities Litig., Case*, 2006 WL 1699536 (N.D. Cal. June 16, 2006) and *Visa*
20 *U.S.A., Inc. v. First Data Corp.*, 2004 WL 1878209 at *4, 2004 (N.D.Cal., Aug.23,
21 2004). In support of its reliance on *Torf*, the *Therapeutics, Inc.* Court reasoned:

22 While [*Torf*] addressed the work product doctrine, and not the
23 attorney-client privilege, parallel issues arise in both contexts where
24 dual purpose documents are involved. In the former context, the
25 Court must determine whether a document should be protected if it
26 has not only a litigation purpose but also a nonlitigation purpose. In
27 the context of attorney-client privilege, it must similarly determine
28 whether the privilege applies to mixed communications which involve
both legal and business advice. Accordingly, the Court applies the
“because of” test to dual purpose documents for which Defendants
claim attorney-client privilege.

Despite this reasoning, the Discovery Master concludes that, given the silence of
the Ninth Circuit on this question, as well as various reported cases rejecting this
approach, the sounder approach is to confine *Torf* to claims of attorney work
product.

1 looking at one motive that contributed to a document's preparation. The
2 circumstances surrounding the document's preparation must also be considered.”³

3 Further, the work product doctrine contemplates that litigation counsel may
4 employ experts and other agents to assist them in preparing a case for litigation,
5 and the doctrine may extend to those individuals' preparations as well. *Id.*
6 (“[A]ttorneys often must rely on the assistance of investigators and other agents in
7 the compilation of materials in preparation for trial. It is therefore necessary that
8 the doctrine protect material prepared by agents for the attorney as well as those
9 prepared by the attorney himself”).

10 Lastly, Limestone is correct that it may invoke the attorney work product
11 protection with respect to materials generated before it acquired the patents-in-suit.
12 Courts have held that an option to acquire a patent can give rise to attorney-client
13 privilege protections as to communications between the company with the option
14 and inventors. *In re Regents of the University of California*, 1010 F.3d 1386
15 (Fed.Cir. 1996) (“*UC Regents*”); *Rembrandt Patent Innovations, LLC v. Apple*
16 *Inc.*, 2016 WL 427363 at **6-7 (N.D. Cal. February 4, 2016) (“once Rembrandt
17 had acquired an exclusive option to purchase the patent, it was already ‘engaged[d]
18 in a common legal enterprise’ with the named investors and communications

19 _____
20 ³ Micron does not address *Torf* in its briefing but did state in oral argument that
21 *Torf* is factually distinguishable. Instead, as noted above, Micron advances the
22 “but for” standard articulated in *Griffith, supra*, i.e., that the attorney work product
23 doctrine only applies if the subject document would not have been created but for
24 the pendency or imminence of litigation. There are two reasons for rejecting that
25 standard in the present case. First, subsequent courts have noted that the *Griffith*
26 test does not apply where “the litigation purpose and the ‘non-litigation’ purpose
27 are inseparably intertwined.” *U.S. ex rel. Bagley v. TRW, Inc.*, 212 F.R.D. 554,
28 560 (C.D.Cal. 2003) (“[A] document created because of anticipated litigation ...
does not lose work-product protection merely because it is intended to assist in the
making of a business decision influenced by the likely outcome of the anticipated
litigation”) (quoting *United States v. Adlman*, 134 F.3d 1194, 1195 (2d Cir.1998)).
Second, *Griffith* was decided almost a decade before *Torf*, and to the extent the
two standards are in conflict, the latter decision by the Ninth Circuit controls.

1 between them were ‘part of an on-going and joint effort to set up a common ...
2 strategy’ for perfecting title in the patent and enforcing it through litigation”).

3 In its Reply brief, Micron argued that both *UC Regents* and *Rembrandt*
4 *Patent* are distinguishable on a variety of grounds. (Reply, pp.8:16-11:28). I find
5 these distinctions unpersuasive. The central point here is that, like the
6 pharmaceutical company in *UC Regents*, Acacia’s attorneys conducted an analysis
7 of the enforceability and strength of the patents-in-suit on behalf of itself and the
8 party that would ultimately own and enforce the patents-in-suit (i.e., its wholly
9 owned subsidiary, Limestone). That analysis was conducted in the two or three
10 week period immediately prior to the acquisition of the patents-in-suit and
11 concurrently with the preparation of the Complaint. Further, even accepting as
12 true that “Acacia is a patent assertion company whose business is acquiring and
13 enforcing patents” (Reply, p. 9:19-24), that fact does not defeat the work product
14 protection so long as that business analysis was permeated by a concurrent legal
15 purpose, namely evaluating the legal strength and enforceability of the patents-in-
16 suit. *Bagley, supra*, 212 F.R.D. at 560 (“[A] document created because of
17 anticipated litigation ... does not lose work-product protection merely because it is
18 intended to assist in the making of a business decision influenced by the likely
19 outcome of the anticipated litigation”).

20 **III. RESULTS OF *IN CAMERA* REVIEW**

21 **A. Documents Properly Withheld from Production**

22 Applying the legal standards summarized above, I find as follows with
23 respect to each of the 72 Withheld Documents.

24 **1. Privileged Communications**

25 The below documents are privileged attorney client communications. The
26 primary bases for my conclusion are: (1) the substance of the communications
27 themselves, each of which seeks or provides legal guidance from counsel
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1 regarding the factual or legal basis for the allegations in the soon-to-be filed
2 litigation; and (2) the proximity in time between those communications and the
3 filing of this litigation.⁴

4 After reviewing the parties' supplemental briefing and considering their
5 respective arguments made at the February 6, 2019 hearing, I once again reviewed
6 the Withheld Documents to ascertain whether the additional information and
7 arguments provided by the parties changed my conclusion regarding any of the
8 documents I had previously found to be privileged in the Prior Ruling. I
9 concluded that, despite the fact that a business evaluation of the patents-in-suit
10 and the Non-Acquired Patents may have been occurring simultaneously through
11 parallel channels and in some instances involving outside counsel, each of the
12 specific communications below was generated primarily for the purpose of
13 obtaining legal advice. In other words, Acacia and Limestone's business
14 objectives did not require that these communications be generated in this format
15 and among these participants, and the communications would not have been
16 generated if Acacia and Limestone had merely been conducting their ordinary and
17 usual business of evaluating and purchasing patents.

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19 ⁴ All of the communications were made within three weeks of the date the
20 Complaint was filed (February 17, 2015) with the exception of two (nos. 19 and
21 43) that occurred in late December of 2014, i.e., within 60 days of the filing of the
22 Complaint. In this respect, the current case differs markedly from the situation
23 presented in *Diagnostics Systems Corp. supra*, in which the plaintiff patent holder
24 sent letters to over 100 potential licensees with offers to license and without
25 accusations of infringement. As the court in that case noted, "After sending the
26 letters, [the plaintiff] waited several months to sue the Defendants in this action,
27 then waited another ten months to add additional Defendants. The anticipation of
28 litigation was a developing process and varied as to the relevant Defendants. [The
plaintiff] initially pursued its business to monetize the patents, and had not yet
formalized specific litigation plans." *Id.*, 208 WL 9396387 at *6. Accordingly,
communications made between the client and counsel involving this prelitigation
process were found to be non-privileged communications relating to the plaintiff's
ordinary course of business and licensing plans. *Id.*, at **10-11.

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- **Nos. 3-4** : E-mail from litigation counsel to client (no. 3) forwarding draft list (no. 4) of potential defendants and accused products and seeking comment/ additional information from client prior to filing of Complaint.
- **No. 13**: E-mail from litigation counsel to client attaching draft complaint and subsequent e-mail exchanges between counsel and client regarding edits, revisions and further information to be included in Complaint.
- **No. 14**: E-mail from client’s consultant to client and client’s counsel regarding validity of ‘504 patent and response from client cc’ing its counsel as well as outside litigation counsel. The initial e-mail from the consultant: (a) is labeled “Attorney-Client Privileged, Confidential work product;” (b) answers a request for specific information and analysis; and (c) concludes “If you want me to look some more, please let me know.”
- **No. 29**: 5 e-mails (each one involving litigation counsel) regarding accused products and identity of various defendants to be named in Complaint.
- **No. 30**: 5 e-mails (each one involving litigation counsel) regarding accused products manufactured by two of the defendants to be named in Complaint.
- **Nos. 32-33**: E-mails between client and litigation counsel regarding specific products manufactured by two of the defendants that contain allegedly infringing Micron parts.
- **No. 36**: E-mail from consultant to client and client’s counsel attaching PPT presentation (no. 37) with re line “New Chart on ... patent [‘504] – Attorney client privileged.”
- **Nos. 38-39**: E-mails from client to client’s counsel regarding potentially infringing products and further e-mails forwarding same to litigation counsel.
- **No. 40**: E-mail from client’s counsel to litigation counsel forwarding research requested by client’s counsel regarding potential defendants and stating that counsel continues search to identify other potential defendants.
- **No. 44**: E-mail from client to litigation counsel regarding current list of potential defendants.
- **No. 45**: 4 e-mails (each of which includes litigation counsel as recipient) discussing potential infringing products and defendants.
- **No. 46**: Portion of no. 30, omitting final e-mail in the chain.
- **No. 47**: Duplicate of no. 31.

- 1 • **No. 48:** E-mail from client’s lawyer to litigation counsel instructing the
2 latter to exclude potential defendant from Complaint and explaining basis
3 therefor.
- 4 • **No. 52:** E-mail from consultant to client, client’s counsel, and litigation
5 counsel attaching PPT presentation (no. 53) with re line “ ‘441 references –
6 Attorney client privileged,” together with further exchange of 2 e-mails
7 involving all recipients (same re line).
- 8 • **No. 54:** Initial e-mail from chain designated no. 52, with four subsequent
9 exchanges among the recipients (same re line).
- 10 • **No. 60:** 2 initial e-mails from chain designated no. 52.
- 11 • **No. 68:** Portion of no. 54, omitting final 2 e-mails in chain.
- 12 • **No. 69:** Initial e-mail of no. 54 with response by one of the recipients.
- 13 • **No. 70:** Portion of no. 54, omitting final e-mail in chain.
- 14 • **No. 71:** E-mail from client (C. Raasch) to litigation counsel with re line
15 “PRIVILEGED AND CONFIDENTIAL: Reference to consider” and
16 providing analysis regarding validity of ‘441 patent.
- 17 • **No. 73:** E-mail response to no. 71 from K. Fekih-Romdhane (same re line
18 and recipients).
- 19 • **No. 77:** Same as no. 3, with 8 subsequent e-mails responding to same from
20 other litigation counsel, client and client’s counsel.
- 21 • **No. 78:** Portion of no. 77, omitting final 5 e-mails in chain.
- 22 • **No. 79:** Portion of no. 78, omitting final 2 e-mails in chain and adding 2
23 others addressed to litigation counsel.
- 24 • **No. 80:** Portion of no. 77, omitting final two e-mails in chain and adding 2
25 others (from client’s counsel and litigation counsel, respectively).
- 26 • **No. 81:** Portion of no. 79, omitting final e-mail in chain and adding one
27 (from client’s counsel).
- 28 • **No. 82:** E-mail from litigation counsel to client and client’s counsel
attaching current version of draft Complaint and requesting information and
revisions to same.
- **No. 83:** E-mail from client’s consultant to client and client’s attorney with
heading “Attorney Client Privileged, Confidential work product” responding
to request for information and e-mail from client forwarding same to
litigation counsel.

- 1 • **No. 86:** Initial e-mail from chain designated no. 52.
- 2 • **No. 90:** E-mail from client to litigation counsel (cc'ing other counsel and
- 3 client representatives) identifying accused products marketed by some of the
- 4 defendants and subsequent e-mail exchanges among the recipients.
- 5 • **No. 91:** E-mail from litigation counsel to client representative (cc'ing other
- 6 counsel and client representatives) regarding Dell products containing
- 7 allegedly infringing chips.
- 8 • **No. 94:** Duplicate of No. 30.
- 9 • **No. 96:** E-mail from client to litigation counsel (2) cc'ing client
- 10 representatives regarding accused products and further exchanges among
- 11 recipients regarding same.
- 12 • **No. 97:** Initial e-mail of chain designated as no. 96.
- 13 • **No. 98:** E-mail designated as no. 3, above and 3 responses from client
- 14 representatives to litigation counsel.
- 15 • **No. 99:** E-mail from client to litigation counsel and response regarding
- 16 status of infringement analysis on '504 patent.
- 17 • **No. 100:** E-mail from client to litigation counsel and other client
- 18 representatives regarding file history on '504 patent and responses from
- 19 recipients.
- 20 • **No. 101:** E-mail from client to litigation counsel, client counsel and client
- 21 representatives labeled "Attorney client privileged" referencing attached
- 22 information regarding '441 patent.
- 23 • **No. 108:** E-mail designated no. 36, above referencing PPT presentation
- 24 regarding '504 patent (no. 37) and e-mail forwarding same to litigation
- 25 counsel.
- 26 • **No. 109:** E-mail designated no. 36, above referencing PPT presentation
- 27 regarding '504 patent (no. 37) and further e-mail exchanges among original
- 28 recipients.
- **No. 110:** Chain designated as no. 109 with further response from original
- sender.

2. Work Product

The below documents are attorney work product. I find that each was prepared in anticipation of this litigation and that, to the extent they involve a business purpose, that purpose is inextricably intertwined with the legal purpose

1 of the document. Despite the existence of communications demonstrating that
2 outside counsel was providing advice relating to Acacia and Limestone’s decision
3 whether to purchase the patents in suit, those communications do not alter my
4 analysis as to whether the documents are work product, because the business and
5 legal elements of counsel’s advice are inextricably intertwined. Given Acacia’s
6 intention to enforce the patents-in-suit and the proximity of the filing of this
7 Action, the legal analysis performed by outside counsel in the evaluation process
8 permeated the subject communications and therefore give rise to the work product
9 protection of those documents.

10 As to communications between counsel, on the one hand, and Acacia or
11 Limestone’s consultants, on the other hand (Nos. 14, 36, 52, 83, and all variants of
12 those communications), I have concluded that the work product protection attaches
13 to these communications because it is clear from the content and/or context that the
14 latter were acting under the direction and oversight of counsel to achieve a
15 litigation purpose, even though there might also be a concurrent business objective.
16 *Torf*, at 907 (“[A]ttorneys often must rely on the assistance of investigators and
17 other agents in the compilation of materials in preparation for trial. It is therefore
18 necessary that the doctrine protect material prepared by agents for the attorney as
19 well as those prepared by the attorney himself”).

- 20 • **No. 4:** Draft list of potential defendants and accused products.
- 21 • **No. 19:** Internal e-mail between two of plaintiff’s litigation counsel
22 regarding litigation strategy.
- 23 • **No. 20:** Internal e-mail exchange between two of plaintiff’s litigation
24 counsel regarding information to be included in Complaint.
- 25 • **No. 14:** E-mail from client’s consultant to client and client’s counsel
26 regarding validity of ‘504 patent and response from client cc’ing its counsel
27 as well as outside litigation counsel. The initial e-mail from the consultant:
28 (a) is labeled “Attorney-Client Privileged, Confidential work product;” (b)
answers a request for specific information and analysis; and (c) concludes
“If you want me to look some more, please let me know.”

- 1 • **No. 28:** Internal e-mail exchange among litigation counsel regarding
2 analysis of accused products.
- 3 • **Nos. 34-35, 37:** Draft PowerPoint presentations analyzing ‘504 patent; each
4 page labeled “Confidential: For Discussions with Counsel Attorney-Client
5 Privileged Work Product Immunity.”
- 6 • **No. 36:** E-mail from consultant to client and client’s counsel attaching PPT
7 presentation (no. 37) with re line “New Chart on ... patent [‘504] – Attorney
8 client privileged.”
- 9 • **No. 43:** Internal e-mail between litigation counsel regarding potential
10 damages.
- 11 • **No. 52:** E-mail from consultant to client, client’s counsel, and litigation
12 counsel attaching PPT presentation (no. 53) with re line “ ‘441 references –
13 Attorney client privileged,” together with further exchange of 2 e-mails
14 involving all recipients (same re line).
- 15 • **No. 53:** Draft PowerPoint presentation analyzing ‘441 patent; each page
16 labeled “Confidential: For Discussions with Counsel Attorney-Client
17 Privileged Work Product Immunity.”
- 18 • **No. 54:** Initial e-mail from chain designated no. 52, with four subsequent
19 exchanges among the recipients (same re line).
- 20 • **No. 60:** 2 initial e-mails from chain designated no. 52.
- 21 • **No. 65:** Duplicate of no. 4.
- 22 • **No. 83:** E-mail from client’s consultant to client and client’s attorney with
23 heading “Attorney Client Privileged, Confidential work product”
24 responding to request for information and e-mail from client forwarding
25 same to litigation counsel.
- 26 • **No. 86:** Initial e-mail from chain designated no. 52.
- 27 • **No. 92:** Internal e-mail among litigation counsel regarding claims in
28 Complaint based on ‘260 patent.
- **No. 93:** Internal e-mail among litigation counsel providing chart showing
some of accused products of various defendants.
- **No. 108:** E-mail designated no. 36, above referencing PPT presentation
regarding ‘504 patent (no. 37) and e-mail forwarding same to litigation
counsel.

- 1 • **No. 109:** E-mail designated no. 36, above referencing PPT presentation
2 regarding '504 patent (no. 37) and further e-mail exchanges among original
3 recipients.
- 4 • **No. 110:** Chain designated as no. 109 with further response from original
5 sender.

6 **B. Documents As to Which Limestone Has Failed to Establish
7 Sufficient Grounds for Protection**

8 As to portions of some e-mail chains/ attachments, it was impossible to
9 conclude with any degree of certainty based solely on the contents that the
10 communications were privileged or constituted attorney work-product. Since
11 Limestone did not provide declarations by any of the persons who authored or
12 received the below e-mails establishing the surrounding circumstances and facts
13 supporting a claim or privilege, these documents must be produced, as specified
14 below.

- 15 • **No. 15:** 4 e-mail exchanges between client and outside consultant regarding
16 prior art search for '441 patent. The e-mails do not involve an attorney and
17 make no reference to a legal objective for conducting the search.
- 18 • **No. 16:** Invalidation Search Report dated February 9, 2015 and attached to
19 final e-mail in chain (no. 15) between client and consultant.
- 20 • **No. 24:** 8 e-mail exchanges (not 7, as indicated in log) between client and
21 consultant for purpose of assembling data. The first four e-mails do not
22 involve an attorney and make no reference to a legal objective or reason for
23 the request for data. The fifth e-mail is a communication to an-in-house
24 attorney (Mr. Rosmann) from the client representative who initially
25 requested the information forwarding the information to counsel and asking
26 that counsel advise "whether this information is sufficient." The sixth,
27 seventh and eighth e-mails in the chain are: (a) an e-mail from client's
28 counsel forwarding the information to litigation counsel; and (b) two
responses from litigation counsel requesting further discussion,
respectively. No privilege established as to first 4 e-mails in chain; the
balance are privileged.
- **No. 25:** Portion of no. 24, omitting the final 2 e-mails in the chain (both
from litigation counsel, D. Gosse and E. Broxterman). No privilege
established as to first 4 e-mails in chain; the balance are privileged.

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- **No. 26:** Information provided pursuant to nos. 24 and 25, above. Since there is insufficient basis to establish that the information was a privileged communication or work product when it was initially prepared, the fact that it was subsequently forwarded to counsel cannot make it retroactively privileged. While the fact that the information was ultimately forwarded to counsel might create an inference that the information was gathered at the direction of counsel, there is no affirmative showing that this is in fact the case. Since it is the burden of the party claiming the privilege to establish a sufficient basis for the claim, the lack of an evidentiary basis for the claim requires that the information be deemed non-privileged and subject to discovery.
 - **No. 27:** E-mail chain including 5 earliest communications in No. 24, together with 6 subsequent e-mails, including one from the client asking the consultant to provide further information “for the law firm,” the consultant’s response, and e-mails forwarding and discussing the response with litigation counsel. No privilege established as to first 4 e-mails in chain; the balance are privileged.
 - **No. 31:** Same as 27, with 3 subsequent e-mails between litigation counsel, client and consultant regarding further information requested by litigation counsel. No privilege established as to first 4 e-mails in chain; the balance are privileged.
 - **No. 49:** E-mail among 3 business personnel of Acacia regarding Kingston product and second e-mail forwarding same to client counsel and client representative. No privilege established as to first e-mail; second is privileged.
 - **No. 50:** Same as no. 27, with one additional e-mail from client responding to question from litigation counsel regarding products to be identified in Complaint. No privilege established as to first 4 e-mails in chain; the balance are privileged.
 - **No. 51:** Portion of no. 27, but omitting final e-mail in chain (response from litigation counsel). No privilege established as to first 4 e-mails in chain; the balance are privileged.
 - **No. 61:** Portion of no. 24, but omitting final e-mail in chain. No privilege established as to first 4 e-mails in chain; the balance are privileged.
 - **No. 62:** Duplicate of no. 26.
 - **No. 63:** Portion of no. 24, omitting final 2 e-mails and replacing them with a different e-mail from litigation counsel (D. Gosse). No privilege established as to first 4 e-mails in chain; the balance are privileged.

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- **No. 95:** Duplicate of no. 31.
- **No. 102:** Duplicate of nos. 26 and 62.
- **No. 107:** Portion of no. 27, omitting final two e-mails in chain and replacing with 3 others discussing information “for the law firm.” No privilege established as to first 4 e-mails in chain; the balance are privileged.

IV. CONCLUSION

Limestone’s claims of privilege and/or work product protection are sustained with respect to the documents identified in Section III.A, above as well as the applicable portions of e-mails identified as privileged in Section III.B, above. Limestone shall produce, within five business days of this Report (or, in the event of an appeal to the Court, within five business days of the Court’s Order on such appeal) the e-mails identified in Section III.B, above as to which Limestone has failed to establish privilege or work product protection.

Date: February 19, 2019

By: /s/ Roy Silva
Discovery Master