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**THE ATTORNEY-CLIENT
PRIVILEGE AND WORK PRODUCT
IN THE
POST-ENRON ERA**

— presented by —

**Committee on Professional Conduct
Committee on Business Corporate Litigation
Committee on Cyberspace Law**

of

The ABA Section of Business Law

THE ATTORNEY-CLIENT PRIVILEGE AND WORK PRODUCT IN THE POST-ENRON ERA

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The Panel will compare the Attorney-Client Privilege and Work Product Doctrine to the relevant lawyer confidentiality ethics rules, describe Joint Defense Agreements and the Common Interest Doctrine in context with recent case law, and review exceptions, waivers and inadvertent loss of the privilege. More detailed review will be devoted to recent cases involving Inadvertent Waiver by Client or Lawyer and Waiver through disclosing Lawyer-Conducted Internal Investigations. The Panel also will address privilege issues when in-house lawyers “wear several hats;” when outside counsel serve on boards or as officers of clients; and communications with officers and former officers of represented entities. The special problems created by the Information Technology Explosion will be developed along with ways to protect privacy.

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**THE ATTORNEY-CLIENT PRIVILEGE AND WORK PRODUCT
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By

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I. PRIVILEGE, WORK PRODUCT AND CONFIDENTIALITY

A. The Attorney-Client Privilege

The attorney-client privilege is one of the oldest common law privileges protecting confidential communications. *Swidler & Berlin v. United States*, 524 U.S. 399, 403 (1998); *see also Wemark v. State*, 602 N.W.2d 810, 815 (Iowa 1999); *Doe v. Maret*, 984 P.2d 980, 982 (Utah 1999). It has now been widely codified. The privilege is intended to “ensure full disclosure by clients who feel safe confiding in their attorney.” *Lane v. Sharp Packaging Sys., Inc.*, 640 N.W.2d 788, 798 (Wis. 2002).

Although some formulations of tests used to determine whether communications are privileged may imply that the privilege attaches only to communications from the client to the attorney, confidential communications from an attorney to a client are also privileged. *Byrd v. State*, 929 S.W.2d 151, 154 (Ark. 1996); *Metro. Life Ins. Co. v. Aetna Cas. & Sur. Co.*, 730 A.2d 51, 60 (Conn. 1999); *Clausen v. Nat’l Grange Mut. Ins. Co.*, 730 A.2d 133, 137-38 (Del. Super. Ct. 1997); *Squealer Feeds v. Pickering*, 530 N.W.2d 678, 684 (Iowa 1995); *Rent Control Bd. v. Praught*, 619 N.E.2d 346, 350 (Mass. App. Ct. 1993); *Palmer v. Farmers Ins. Exch.*, 861 P.2d 895, 906 (Mont. 1993); *Boyd v. Comdata Network, Inc.*, 88 S.W.3d 203, 213 (Tenn. Ct. App. 2002). Both clients and lawyers are “privileged persons.” RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 70 (2000) [hereinafter RESTATEMENT].

The right to assert the privilege belongs to the client. *OXY Resources Cal. LLC v. Superior Court*, 9 Cal. Rptr. 3d 621, 644-45 (Cal. Ct. App. 2004); *Boyd*, 88 S.W.3d at 213; *Lane*, 640 N.W.2d at 798. The privilege exists for the client’s benefit. *State ex rel. Polytech, Inc. v. Voorhees*, 895 S.W.2d 13, 14 (Mo. 1995). The privilege may be invoked any time during the attorney-client relationship, or after the relationship terminates. As a practical matter, it generally falls to lawyers to raise the privilege on their clients’ behalf.

There is no blanket privilege covering all attorney-client communications. *Wesp v. Everson*, 33 P.3d 191, 197 (Colo. 2001). The privilege must be claimed with respect to each specific communication at issue, and a court called upon to examine a party’s privilege claims must examine each communication independently. Of course, the party asserting the privilege bears the burden of establishing its application to a particular communication. *Id.* at 198. Nonverbal communications may be privileged just as are written and spoken ones. *See, e.g., State v. Meeks*, 666 N.W.2d 859, 868-70 (Wis. 2003) (involving client’s nonverbal communications bearing on competence to stand trial).

A written or electronic communication does not have to be identified as being “privileged” or “confidential” for the attorney-client privilege to attach. *See Chrysler Corp. v. Sheridan*, No. 227511, 2001 WL 773099, at *3 (Mich. Ct. App. July 10, 2001) (involving the inadvertent disclosure of an e-mail that was not identified as “privileged” or “confidential”). On the other side of the coin, a party cannot shield a communication from discovery simply by branding it “confidential” or “privileged.” *Cf. Ledgin v. Blue Cross & Blue Shield of Kan. City*, 166 F.R.D. 496, 499 (D. Kan. 1996) (describing a party’s document stamp of “attorney work product” as a “self-serving embellishment” that did not preclude discovery). The test always is whether a

communication satisfies the elements necessary to establish the privilege—not how the communication is identified or labeled.

The attorney-client privilege does not belong just to individuals; a corporation is entitled to assert the attorney-client privilege. *Hertzog, Calamari & Gleason v. Prudential Ins. Co. of Am.*, 850 F. Supp. 255, 255 (S.D.N.Y. 1994); *Shriver v. Baskin-Robbins Ice Cream Co.*, 145 F.R.D. 112, 114 (D. Colo. 1992). So is a partnership. See, e.g., *In re Bieter Co.*, 16 F.3d 929, 935 (8th Cir. 1994) (discussing the applicability of the attorney-client privilege in the partnership context). In the corporate context, the most common privilege problem is determining who among the corporation's employees speaks on its behalf. Courts have traditionally applied two tests to analyze privilege claims: the "control group" test and the "subject matter" test. A few courts have adopted a third test that closely tracks the subject matter test.

Under the control group test, the communication must be made by an employee who is in a position to control or take a substantial part in the determination of corporate action in response to legal advice for the privilege to attach. Only such employees qualify as the "client" for attorney-client privilege purposes. The control group test essentially requires that the employee with whom an attorney communicates be a member of senior management for the communication to be privileged. The control group test has been severely criticized because of its chilling effect on corporate communications, because it frustrates the very purpose of the privilege by discouraging subordinate employees from communicating important information to corporate counsel, because it makes it difficult for corporate counsel to properly advise their clients and to ensure their clients' compliance with the law, and because it yields unpredictable results. See *Upjohn Co. v. United States*, 449 U.S. 383, 391-93 (1981). Nonetheless, a few jurisdictions still adhere to this test. See, e.g., *Consolidation Coal Co. v. Bucyrus-Erie Co.*, 432 N.E.2d 250, 256-58 (Ill. 1982).

Under the subject matter test, a communication may be privileged if it is made for the purpose of securing legal advice for the corporation, the employee making the communication does so at a superior's request or direction, and the employee's responsibilities include the subject matter of the communication with counsel. The subject matter test also includes a "need to know" element; that is, the communication must not be disseminated beyond those persons who, because of the corporate structure, need to know its contents. See *S. Bell Tel. & Tel. Co. v. Deason*, 632 So. 2d 1377, 1383 (Fla. 1994). The subject matter test has the beneficial effect of allowing employees with direct responsibility for relevant tasks or areas to convey crucial information to counsel in legitimate service to the corporation.

The third test is for all intents and purposes indistinguishable from the subject matter test. This test is commonly referred to as the "modified *Harper & Row* test," or the "*Diversified Industries* test," after the cases from which it derives, *Harper & Row Publishers, Inc. v. Decker*, 423 F.2d 487 (7th Cir. 1970), and *Diversified Industries, Inc. v. Meredith*, 572 F.2d 596 (8th Cir. 1977). Under this approach, the privilege attaches to an employee's communication if (1) the communication was made for the purpose of securing legal advice; (2) the employee making the communication did so at the direction of his corporate superior; (3) the superior made the request so that the corporation could secure legal advice; (4) the subject matter of the communication is within the scope of the employee's duties; and (5) the communication is not disseminated

beyond those persons who, because of the corporate structure, need to know its contents. *In re Bieter Co.*, 16 F.3d at 936 (quoting *Diversified Indus., Inc.*, 572 F.2d at 609).

The modified *Harper & Row* or *Diversified Industries* test was crafted as an alternative to the subject matter test to focus more on why the attorney was consulted and to prevent the routine routing of information through counsel to prevent later disclosure. *Deason*, 632 So. 2d at 1383 n.10. Again, however, this test differs hardly at all—if at all—from the subject matter test in practice.

With respect to partnerships, it is generally the rule that all partners are considered to be the client in all attorney-client communications involving partnership affairs. 1 PAUL R. RICE ET AL., ATTORNEY CLIENT PRIVILEGE IN THE UNITED STATES § 4.49, at 266 (2d ed. 1999) (discussing general partnerships and distinguishing limited partnerships). Employees of the partnership may serve as its agents for purposes of making privileged communications. Whether a partnership employee's communications with partnership counsel are in fact privileged is determined by any of the tests applied to corporations. See *In re Bieter Co.*, 16 F.3d at 935-40 (applying modified *Harper & Row* test in case involving a partnership).

Courts narrowly construe the attorney-client privilege because it limits full disclosure of the truth. *PSE Consulting, Inc. v. Frank Mercede & Sons, Inc.*, 838 A.2d 135, 167 (Conn. 2004); *In re Bryan*, 61 P.3d 641, 656 (Kan. 2003); *E.I. du Pont de Nemours & Co. v. Forma-Pack, Inc.*, 718 A.2d 1129, 1138 (Md. 1998); *Whitehead v. Nev. Comm'n on Judicial Discipline*, 873 P.2d 946, 948 (Nev. 1994); *In re Grand Jury Subpoena Dated June 30, 2003*, 770 N.Y.S.2d 568, 572 (N.Y. Sup. Ct. 2003); *Callahan v. Nystedt*, 641 A.2d 58, 61 (R.I. 1994); *Lane*, 640 N.W.2d at 798 (quoting cases).

There is much the privilege does not protect. For example, the privilege ordinarily does not protect a client's identity. *United States v. BDO Seidman*, 337 F.3d 802, 811 (7th Cir. 2003) (noting, however, that "the identity of a client may be privileged in the rare circumstance when so much of an actual confidential communication has been disclosed already that merely identifying the client will effectively disclose that communication"). Similarly, while the privilege protects the content of an attorney-client communication from disclosure, it does not protect from disclosure the facts communicated. *Mackey v. IBP, Inc.*, 167 F.R.D. 186, 200 (D. Kan. 1996). Nor does the privilege shield from discovery communications generated or received by an attorney acting in some other capacity, or communications in which an attorney is giving business advice rather than legal advice.

The attorney-client privilege certainly is not absolute, and it may be waived either voluntarily or by implication. The burden of establishing a waiver is borne by the party seeking to overcome the privilege. *Wesp*, 33 P.3d at 198.

B. The Work Product Doctrine

"The attorney-client privilege and the work product doctrine are separate and distinct." *Elkton Care Ctr. Assocs. Ltd. P'ship v. Quality Care Mgmt., Inc.*, 805 A.2d 1177, 1183 (Md. Ct. Spec. App. 2002). Unlike the attorney-client privilege, which is the client's to assert, work product immunity is held by the lawyer, *OXY Resources*, 9 Cal. Rptr. 3d at 645, *Clausen*, 730

A.2d at 138, although either the lawyer or the client may assert it to avoid discovery. *In re Grand Jury Subpoena Duces Tecum*, 112 F.3d 910, 924 n.15 (8th Cir. 1997).

The work product doctrine protects lawyers' effective trial preparation by immunizing certain information and materials from discovery. The doctrine traces its roots to *Hickman v. Taylor*, 329 U.S. 495 (1947), in which the Supreme Court sought to foreclose unwarranted inquiries into attorneys' files and mental impressions in the guise of liberal discovery. *Id.* at 510.

There are two categories or types of attorney work product: "fact" or "ordinary" work product, but better described as "tangible" work product; and "opinion" or "core" work product, sometimes termed "intangible" work product. Tangible work product includes memoranda, notes, witness statements, and the like. To qualify as tangible work product, the material sought to be protected must be a document or tangible thing prepared in anticipation of litigation by or for a party, or by for the party's representative. FED R. CIV. P. 26(b)(3). "Opinion" work product refers to an attorney's conclusions, legal theories, mental impressions, or opinions.

The work product doctrine is codified in Federal Rule of Civil Procedure 26(b)(3) and its state counterparts.

Work product protection is not absolute. A party may discover its adversary's tangible work product if it demonstrates substantial need of the materials to prepare its case and it is unable without undue hardship to obtain the substantial equivalent of the materials by other means. The discovering party must specifically explain its need for the materials sought. "Undue hardship" generally devolves into an issue of what it will cost the discovering party to obtain the same or comparable information by other means. Whether work product immunity will be abrogated in any particular case typically depends on available alternative sources of the information sought, the parties' relative resources, and the need to protect the target party's expectation of confidentiality.

Opinion work product, on the other hand, receives almost absolute protection against discovery. To discover an adversary's opinion work product a party must demonstrate something far greater than the substantial need and undue hardship necessary to obtain tangible work product. Discovery of opinion work product may be permitted only where the attorneys' conclusions, mental impressions or opinions are at issue in the case and there is a compelling need for their discovery. See *Holmgren v. State Farm Mut. Auto. Ins. Co.*, 976 F.2d 573, 577 (9th Cir. 1992). A court that allows the discovery of tangible work product must be careful to ensure that it does not also expose to discovery the opinion work product of the lawyer from whom the discovery is sought. *LaPorta v. Gloucester County Bd. of Chosen Freeholders*, 774 A.2d 545, 548 (N.J. Super. Ct. App. Div. 2001) (quoting *Hickman v. Taylor*, 329 U.S. 495 (1947)). There is, for example, a significant difference between a witness's statement and an attorney's notes concerning that statement, the latter being opinion work product and therefore strictly protected. *Rico v. Mitsubishi Motors Corp.*, 10 Cal. Rptr. 3d 601, 608 (Cal. Ct. App. 2004) ("While [a witness's statement] may be discoverable, the [attorney's notes are] protected from discovery based on [their] derivative or interpretive nature. These materials no longer consist solely of the witness' statements, but they also expose the attorney's impressions, including his evaluation of the strengths and weaknesses of the case.") (footnotes omitted).

A key discovery issue may be whether information claimed to be work product was generated or prepared “in anticipation of litigation.” Unlike the attorney-client privilege, which is not limited to communications made in anticipation of litigation, *In re Tex. Farmers Ins. Exch.*, 990 S.W.2d 337, 340 (Tex. App. 1999), information must be generated or prepared in anticipation of litigation to qualify for protection as work product. *Wichita Eagle & Beacon Pub. Co. v. Simmons*, 50 P.3d 66, 85 (Kan. 2002); *Miller v. J.B. Hunt Transp., Inc.*, 770 A.2d 1288, 1291-93 (N.J. Super. Ct. App. Div. 2001). It is “not necessary that litigation be threatened or imminent, as long as the prospect of litigation is identifiable because of claims that have already arisen.” *Nat’l Tank Co. v. 30th Judicial Dist. Ct.*, 851 S.W.2d 193, 205 (Tex. 1993). Some courts state the “anticipation of litigation” requirement a bit differently, holding that work product immunity attaches only if there is “a substantial probability that litigation will ensue.” *Wichita Eagle & Beacon*, 50 P.3d at 85.

C. Lawyers’ Ethical Duty of Confidentiality

“It is axiomatic that among the highest duties an attorney owes a client is the duty to maintain the confidentiality of client information.” *Commonwealth v. Downey*, 793 N.E.2d 377, 381 (Mass. App. Ct. 2003). Lawyers’ ethical duty to maintain clients’ confidences is found in Rule 1.6(a) of the *Model Rules of Professional Conduct*, which states that a lawyer “shall not reveal information relating to the representation of a client unless the client gives informed consent, the disclosure is authorized to carry out the representation or the disclosure is permitted by [Rule 1.6(b)].” MODEL RULES OF PROF’L CONDUCT R. 1.6(a) (2004) [hereinafter MODEL RULES]. In those few states still adhering to the *Model Code of Professional Responsibility*, lawyers’ duty of confidentiality is enforced by way of DR 4-101(B)(1), which provides that with few exceptions a lawyer “shall not knowingly . . . reveal a confidence or secret of his client.” MODEL CODE OF PROF’L RESPONSIBILITY DR 4-101(B)(1) (1969) (footnote omitted) [hereinafter MODEL CODE]. These rules are intended to encourage clients to trust their attorneys and to be candid with them. See *In re Disciplinary Proceeding Against Schafer*, 66 P.3d 1036, 1041 (Wash. 2003) (discussing Washington version of Rule 1.6).

Lawyers’ duty of confidentiality under Rule 1.6(a) and DR 4-101(B)(1), although not absolute, is very broad. *In re Bryan*, 61 P.3d 641, 656 (Kan. 2003). Any exceptions the rules provide are narrowly limited. *Id.* (discussing Kansas version of Rule 1.6). Lawyers’ duty of confidentiality continues after the conclusion of a representation. *Kala v. Aluminum Smelting & Ref. Co.*, 688 N.E.2d 258, 262 (Ohio 1998).

Rule 1.6 and DR 4-101 (B)(1) prevent the disclosure of information that is neither privileged nor work product. See *In re Gonzalez*, 773 A.2d 1026, 1031 (D.C. 2001) (“An attorney’s duty of confidentiality applies not only to privileged ‘confidences,’ but also to unprivileged secrets; it ‘exists without regard to the nature or source of the information or the fact that others share the information.’”) (quoting *Perillo v. Johnson*, 205 F.3d 775, 800 n.9 (5th Cir. 2000)). “Confidential” is not synonymous with “privileged” or “immune.” See *Doe v. Md. Bd. of Social Workers*, 840 A.2d 744, 749 (Md. Ct. Spec. App. 2004) (stating that information “can be confidential and, at the same time, non-privileged,” and explaining that “privilege” is the legal protection given to certain communications and relationships, while “confidential” describes a type of communication or relationship). Thus, and by way of example, a lawyer’s

duty of confidentiality prevents her from revealing a client's identity or facts that a client communicates, even though they are not protected by the attorney-client privilege or immune from discovery as work product. Moreover, lawyers are bound by their duty of confidentiality at all times, not only in situations where they face inquiry from others. *Lawyer Disciplinary Bd. v. McGraw*, 461 S.E.2d 850, 860 (W. Va. 1995).

Lawyers' duty of confidentiality is especially broad in the many jurisdictions that have enacted versions of Model Rule 1.6(a). In these jurisdictions a lawyer's duty of confidentiality attaches "not merely to matters communicated in confidence by the client, but also to all information relating to the representation, whatever its source." *State ex rel. Okla. Bar Ass'n v. McGee*, 48 P.3d 787, 791 (Okla. 2002). Indeed, a lawyer may breach her duty of confidentiality under Rule 1.6(a) by revealing information that is publicly available. See, e.g., *In re Anonymous*, 654 N.E.2d 1128, 1129-30 (Ind. 1995) (holding that lawyer violated Rule 1.6(a) by revealing information "readily available from public sources"); *McGraw*, 461 S.E.2d at 861-62 ("The ethical duty of confidentiality is not nullified by the fact that information is part of a public record or by the fact that someone else is privy to it.").

II. LOSING THE PRIVILEGE: "LET ME COUNT THE WAYS"

To borrow from a poem by Elizabeth Barrett Browning: "How do I love thee? Let me count the ways."

A. Express Waiver by Client or Client's Lawyer

Clients can waive the privilege voluntarily. RESTATEMENT § 78. As to waiver of the work product doctrine, see § 91. The same sections provide that the client's lawyer can waive the privilege or work product protection. Neither principle is controversial. *But see Harold Sampson Children's Trust v. The Linda Gale Sampson 1979 Trust*, 679 N.W.2d 794, 803 (Wis. 2004) (concluding that "a lawyer, without the consent or knowledge of a client, cannot voluntarily waive the attorney-client privilege by voluntarily producing privileged documents (which the attorney does not recognize as privileged) to an opposing attorney in response to a discovery request").

In the corporate context, a company's board, in the face of allegations of misconduct, may choose to waive the privilege as a public relations strategy. The Enron board did this in the face of allegations that Enron had been responsible for the California energy fiasco. As a result, several law firms representing Enron saw their communications with and about Enron made public. Testimony of Stephen Hall before the Senate Committee on Commerce, Science, and Transportation, May 15, 2002, *available at* <http://commerce.senate.gov/hearings/051502hall.pdf> (last visited June 10, 2004).

B. Crime/Fraud Finding

If the tribunal finds that at the time of the lawyer-client communication the client was participating in, or planning a fraud or crime, the tribunal can find that there is no privilege protection. RESTATEMENT § 81. As to the work product doctrine, see § 93. The lawyer's knowledge, or lack thereof, of the misconduct is irrelevant; it is the client's state of mind that

controls. See RESTATEMENT § 81 cmt. c (as to privilege); *id.* § 93 cmt. c (as to work product). Historically, this has been the most widely used way method of obviating the privilege and work product immunity, and the cases are legion. We will not attempt to explore here the many facets of the cases on crime or fraud. Suffice it to say that if a lawyer is uncomfortable with a given situation, she had better get to the bottom of it, or her entire file may be subject to discovery.

C. Waiver by Trustee/Receiver/Examiner

Trustees in bankruptcy have the power to waive the privilege on behalf of the debtor under *Commodity Futures Trading Comm'n v. Weintraub*, 471 U.S. 343, 358 (1986).

In the late '80s and early '90s many banks and thrifts were taken over by regulators, and various agencies became receivers for the institutions. The agencies sued the institutions' law firms for assisting institutional managers in looting or otherwise harming the institutions. Standing in the shoes of the institutions, the receivers demanded that the law firms turn over their entire files. In the face of a defense by the firms that these files contained privileged materials, the receivers declared that the privilege was waived, and in some cases the courts ruled that the law firms had to turn over everything. The issue, then, was who had control over the failed institution's attorney-client privilege. In several cases the court said that because the agency was acting in its corporate capacity versus its fiduciary capacity, the agency had no power to assert or waive the privilege. See, e.g., *FDIC v. McAtee*, 124 F.R.D. 662, 664 (D. Kan. 1988); *FDIC v. Amundson*, 682 F. Supp. 981, 986-87 (D. Minn. 1988). In other cases the court ruled the agency did have the power. See, e.g., *FDIC v. Cherry, Bekaert & Holland*, 131 F.R.D. 202, 205 (M.D. Fla. 1990); *Odmark v. Westside Bancorp.*, 636 F. Supp. 552, 554-56 (W.D. Wash. 1986). In several of these cases the court considered whether the receiver had the power to assert the institution's privilege, the clear implication being that if it had the power to assert it, it had the power to waive it.

A more recent case, in which a different agency, as receiver, succeeded in waiving the privilege and getting the lawyer's files is *Commodity Futures Trading Comm'n v. Standard Forex*, 882 F. Supp. 40, 44-45 (E.D.N.Y. 1995).

Even more recently, in the Enron bankruptcy, the court appointed an examiner to investigate whether various persons and entities, including Enron's law firms, have liability for Enron's problems. Included in the order appointing the examiner was a provision authorizing the examiner to waive the privilege whenever the examiner felt it appropriate, *In re Enron Corp.*, Order Pursuant to 11 U.S.C. §§ 1104(c) and 1106(b) Directing Appointment of Enron Corp. Examiner, No. 01-16034 (AJG) (S.D.N.Y. Apr. 8, 2002). The order read in part:

ORDERED that the Examiner shall have the power to waive, on an issue-by-issue basis, the attorney-client privilege of the Debtors' estates with respect to pre-petition communications relating to matters to be investigated by the Examiner hereunder. In making any such determination, the Examiner shall act in the best interests of the Debtors' estates after consultation with Debtors and the Committee of Unsecured Creditors preserving the right in the Debtors and the

Committee to make prompt objection to the Court on two business days' notice. Such waiver shall be limited and not a general waiver;

D. Inadvertent Waiver by Client or Lawyer

This is dealt with in detail at Part III below.

E. Plea Bargain Condition

The Department of Justice has for several years been incorporating into plea agreements and civil penalty settlements a provision providing that the organizational respondent waives its attorney-client privilege. Thus, the organization's lawyers must turn over to the government their entire files regarding the matter in question. This would, of course, include all E-mails within the law firm, as well as E-mails to and from the client. For a good overview of how the DOJ uses this technique, see John Gibeaut, *Junior G-Men*, A.B.A. J., June 2003, at 46.

On April 30, 2004, the United States Sentencing Commission submitted to Congress amendments to the Sentencing Guidelines for United States Courts. The Commentary to § 8C2.5 captioned "Application Notes" would be amended in Note 12 by adding the following:

Waiver of attorney-client privilege and of work product protections is not a prerequisite to a reduction in culpability score under subdivisions (1) and (2) of subsection (g) unless such waiver is necessary to provide timely and thorough disclosure of all pertinent information known to the organization.

Thus, federal courts making sentencing decisions may take into account whether the defendant was willing to waive its privilege to assist prosecutors pursue others suspected of wrongdoing. The clear implication for lawyers is that if their organizational clients are engaged in wrongdoing, they may have to reveal all to prosecutors, including materials that could be used to charge them with crimes.

F. Submitting Privileged Documents to Government – "Selective Privilege?"

In governmental investigations organizations may wish to cooperate. This may include giving privileged documents to government agencies or to law enforcement. Absent a confidentiality agreement all circuits but one addressing the issue have held that the organization has waived the privilege as to those documents, not just as to the agency in question, but for all purposes. *United States v. Mass. Inst. Tech.*, 129 F.3d 681, 686 (2d Cir. 1997); *In re Steinhardt Partners, L.P.*, 9 F.3d 230, 234-36 (2d Cir. 1993); *Westinghouse Elec. Corp. v. Republic of the Philippines*, 951 F.2d 1414, 1426-27 (3d Cir. 1991); *In re Martin Marietta Corp.*, 856 F.2d 619, 623-24 (4th Cir. 1988); *In re Columbia/HCA Healthcare Corp. Billing Practices Litig.*, 293 F.3d 289, 302-04 (6th Cir. 2002); *In re Subpoenas Duces Tecum*, 738 F.2d 1367 (D.C. Cir. 1984). The exception is the Eighth Circuit, which went the other way in *Diversified Industries, Inc. v. Meredith*, 572 F.2d 596, 611 (8th Cir. 1978).

Can an organization accomplish a "selective waiver" by requiring the government entity to enter into a confidentiality agreement? Certainly not in the Sixth Circuit according to the

court in *Columbia/HCA*. Cases holding that a confidentiality agreement results in a selective waiver are *Saito v. McKesson HBOC, Inc.*, No. Civ.A. 18553, 2002 WL 31657622 (Del. Ch. Ct. Nov. 13, 2002), and *Maruzen Co., LTD v. HSBC USA, Inc.*, No. 00 CIV. 1079(RO), 00 CIV. 1512(RO), 2002 WL 1628782 (S.D.N.Y. July 23, 2002). Such was not the case in *McKesson HBOC, Inc. v. Superior Court*, 9 Cal. Rptr. 3d 812, 819 (Cal. Ct. App. 2004) (finding a waiver).

What about a “Wells submission” to the SEC? *In re Initial Public Offering Securities Litigation*, 2003 U.S. Dist. LEXIS 23102 (S.D.N.Y. Dec. 24, 2003), is not a privilege or work product case, but is tangentially relevant, nonetheless. In that case, a company submitted to the SEC a document responding to a notice from the SEC that it was being investigated. The submission contained principally facts and argument to the effect that the company had behaved appropriately. The submission, as is common, contained an offer of settlement. In this securities litigation the plaintiffs sought to obtain the document. The company responded not that the document was privileged, but that it was a settlement offer, which is not admissible in evidence. The court rejected the company’s arguments and ordered the document produced.

G. Tax Shelters and Aggressive Tax Planning

United States v. Frederick, 182 F.3d 496 (7th Cir. 1999), was a harbinger of the more recent attempts by the IRS to learn from law firms the identities of their tax planning clients. The court ruled that the IRS right to see communications between tax-planning lawyers and their clients was broad. The court basically limited the attorney-client privilege and work product doctrine to situations in which the law firm was representing the client in an audit context, or in litigation, where the law firm was interpreting the law. As to other situations, “the taxpayer should not be permitted, by using a lawyer in lieu of another form of tax preparer, to obtain greater confidentiality than other taxpayers.” *Id.* at 501. More recently, in *United States v. Jenkins & Gilchrist, P.C.*, 2004 U.S. Dist. LEXIS 6919 (N.D. Ill. Apr. 21, 2004), *United States v. Sidley Austin Brown & Wood LLP*, 2004 U.S. Dist. LEXIS 6452 (N.D. Ill. Apr. 20, 2004), and *Doe v. KPMG, L.L.P.*, 2004 U.S. Dist. LEXIS 6191 (N.D. Tex. Apr. 4, 2004), the courts ruled that the identities of clients utilizing certain tax avoidance techniques were not privileged.

H. Reliance on “Advice of Counsel”

Section 80 of the RESTATEMENT provides as follows:

§ 80. Putting Assistance or a Communication in Issue

(1) The attorney-client privilege is waived for any relevant communication if the client asserts as to a material issue in a proceeding that:

(a) the client acted upon the advice of a lawyer

The cases are uniform on this point. *See, e.g., Harter v. Univ. of Indianapolis*, 5 F. Supp. 2d 657 (S.D. Ind. 1998), *Am. Int’l Airways, Inc. v. Am. Int’l Group, Inc.*, 1991 U.S. Dist. LEXIS 17400 (E.D. Pa. Nov. 27, 1991); *United States v. Mierzwicki*, 500 F. Supp. 1331 (D. Md. 1980).

I. Patent Opinions

This is an important sub-set of Section H above. For some time manufacturers or sellers of products, in the face of a potential patent infringement claims, have asked lawyers to opine on whether their product did infringe existing patents. If the opinion was that the product did not infringe, that opinion could be used in an infringement case to avoid a finding that the infringement was willful. This protocol was established in two cases: *Underwater Devices Inc. v. Morrison-Knudsen Co., Inc.*, 717 F.2d 1380 (Fed. Cir. 1983), and *Kloster Speedsteel A.B. v. Crucible Inc.*, 793 F.2d 1565 (Fed. Cir. 1986). The Federal Circuit has declared an intention to re-examine the role of lawyers' opinions in willfulness determinations in *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 344 F.3d 1336 (Fed. Cir. 2003).

A very recent case that discusses these principles and traces their history is *Convolve, Inc. v. Compaq Computer Corp.*, 2004 U.S. Dist. LEXIS 9572 (S.D.N.Y. May 28, 2004). What is relevant about the case to this discussion is its treatment of a waiver of the privilege and work product doctrine by relying on such an opinion. The court held that where a party did so rely, the privilege was waived as to all communications with all counsel (not just opining counsel, and including trial counsel) on the subject of the patents in question. The reason for including all the lawyers was that any of their communications might have reflected the party's willfulness, or lack thereof. The time period covering such communications was from the date the party first was aware of the patents until the alleged infringement ceased. As to communications between the party and trial counsel regarding the opinion and discussing "trial strategy and planning," the court ordered submission of those communications for the court's review. The court took a different approach to work product materials and ordered that only work product that was transmitted to the party during the period in question should be produced. The difference was that if the material was not transmitted to the party, it could not have affected the party's willfulness, or lack thereof. The court cited other cases holding that reliance on non-infringement opinions waives the privilege; no purposes would be served by listing them here.

J. Communications with Testifying Experts

Communications with testifying experts are generally deemed not to be covered by the privilege or work product doctrine. See, e.g., *Lugosch v. Congel*, 219 F.R.D. 220, 249-50 (N.D.N.Y. 2003); *Baum v. Village of Chittenango*, 218 F.R.D. 36, 39-40 (N.D.N.Y. 2003); *Vitalo v. Cabot Corp.*, 212 F.R.D. 478, 478-79 (E.D. Pa. 2002); *Shooker v. Superior Court*, 4 Cal. Rptr. 3d 334, 339-40 (Cal. Ct. App. 2003); *Adler v. Shelton*, 778 A.2d 1181, 1192 (N.J. Super. Ct. App. Div. 2001). The *Shooker* court, however, held that the communications do not lose their protected status until the expert actually states an opinion in a deposition or declaration, or the experts' communications are produced to the other side in discovery. See *Shooker*, 4 Cal. Rptr. 3d at 339-40.

K. Audit Letter Responses

The American Bar Association Statement of Policy Regarding Lawyers' Responses to Auditors' Requests (1975) ("ABA Statement") has governed the way lawyers respond to audit letter requests on behalf of entity clients for almost thirty years. The ABA Statement is

structured so that, except in rare cases, the lawyer is not required to state anything much other than is what is public record. Probably, for that reason, we are not aware of any case in which a court made a finding that the privilege or work product protection was waived by such a letter. This could all change with the implementation of Section 303 of The Sarbanes-Oxley Act of 2002 and the SEC regulation under Section 303, Rule 13b2-2(b), which make it unlawful to “mislead” an auditor. The SEC staff has steadfastly refused to state that compliance with the ABA Statement provides some sort of “safe harbor” for lawyers complying with it. Thus, we may see a new set of guidelines emerge that may require lawyers to respond to auditors’ requests with a level of detail heretofore not seen. That could provide hostile parties with ammunition to claim that the responses and subsequent disclosures by the auditors constituted a waiver of the privilege or work product protection.

L. “Cooperation Clause” in Insurance Policies

Many insurance policies contain a “cooperation clause.” Among other things, that clause may require insureds to turn over various kinds of information to their insurers. Some courts have construed the cooperation clause to require the insured to turn over information that is otherwise subject to the attorney-client privilege. See, for example, *Beloit Liquidating Trust v. Century Indemnity Co.*, 2003 U.S. Dist. LEXIS 2082 (N.D. Ill Feb. 13, 2003), *First Fidelity Bancorp. v. National Union Fire Insurance Co.*, 1992 U.S. Dist. LEXIS 3087 (E.D. Pa. Mar. 13, 1992), and *Waste Management, Inc. v. International Surplus Lines Insurance Co.*, 579 N.E.2d 322 (Ill. 1991). Other courts have not. See, e.g., *Remington Arms Co. v. Liberty Mut. Ins. Co.*, 142 F.R.D. 408 (D. Del. 1992); *Bituminous Cas. Corp. v. Tonka Corp.*, 140 F.R.D. 381 (D. Minn. 1992); *Rockwell Int’l Corp. v. Superior Court*, 32 Cal. Rptr. 2d 153 (Cal. Ct. App. 1994).

M. Public Relations Consultants’ Communications with Lawyers

Suppose, in a crisis, a lawyer decides that she needs to consult with a public relations consultant for ideas and strategies for managing responses to information being made public. In part, the lawyer wants to do this to aid the client in managing the client’s affairs. It may also be to help create a public atmosphere in which the opposition in litigation has a more difficult time taking unpopular positions against the client in the litigation. Can the opponent in civil litigation, or the government in a grand jury proceeding, obtain communications between the lawyer and the public relations consultant? The cases have not been uniform, but there are a few.

In the following cases the courts recognized either privilege or work product in communications between lawyers and public relations consultants: *Federal Trade Comm’n v. GlaxoSmithKline*, 294 F.3d 141, 148 (D.C. Cir. 2002), *In re Grand Jury Subpoena*, 265 F. Supp. 2d 321, 331 (S.D.N.Y. 2003), and *In re Copper Market Antitrust Litigation*, 200 F.R.D. 213, 219 (S.D.N.Y. 2001).

Cases finding communications with public relations consultants are not privileged are: *Haugh v. Schroder Investment Management North America Inc.*, No. 02 Civ. 7955 DLC, 2003 WL 21998674 (S.D.N.Y. Aug. 25, 2003), and *Calvin Klein Trademark Trust v. Wachner*, 198 F.R.D. 53, 54-55 (S.D.N.Y. 2000).

In analyzing the cited cases, it is difficult to find consistency. *In re Grand Jury Subpoena* involved a pending grand jury looking into Martha Stewart's trade of ImClone stock. The court accepted Stewart's contention that the purpose of the consultant was to create a public relations climate in New York City that would motivate prosecutors not to seek an indictment. The court in *Haugh* noted *In re Grand Jury Subpoena*, but was not impressed. In finding that the communications were not protected the court said:

There is no need here to determine whether *In re Grand Jury Subpoenas* was correctly decided. Haugh has not identified any legal advice that required the assistance of a public relations consultant. For example, she has not identified any nexus between the consultant's work and the attorney's role in preparing Haugh's complaint or Haugh's case for court. A media campaign is not a litigation strategy. Some attorneys may feel it is desirable at times to conduct a media campaign, but that decision does not transform their coordination of a campaign into legal advice.

Haugh, 2003 WL 21998674, at *3.

N. Communications with Close Relatives (and Certain other Third Parties)

United States v. Stewart, 287 F. Supp. 2d 461 (S.D.N.Y. 2003), is unique. Martha Stewart prepared an E-mail to her lawyers purporting to recap the circumstances surrounding her sale of ImClone stock. The next day she forwarded the very same E-mail to her adult daughter, Alexis. Prosecutors claimed that by doing so Martha waived the attorney-client privilege and work product immunity. The court flatly declared that the privilege was waived. However, the court found that work product immunity was not. The court cited cases that held that sharing work product materials with persons allied with the client did not waive work product immunity because the risk of the opposition obtaining the information was slight. The court said: "By forwarding the e-mail to a family member, Stewart did not substantially increase the risk that the Government would gain access to materials prepared in anticipation of litigation." *Id.* at 469.

The court did not cite cases in which the client shared such materials with a close family member. Section 91(4) of the RESTATEMENT is consistent:

§ 91. Voluntary Acts

Work-product immunity is waived if the client, the client's lawyer, or another authorized agent of the client:

* * *

(4) discloses the material to third persons in circumstances in which there is a significant likelihood that an adversary or potential adversary in anticipated litigation will obtain it.

O. In-House Lawyers Wearing Several Hats

Organizations employing in-house lawyers expect their lawyers to “know the business” of the organization, and in many cases they expect their lawyers to participate in business decisions. Which hat, then, is the lawyer wearing during the conversation, and how does that affect the privilege? Comment *i* to § 73 of the RESTATEMENT provides:

i. Inside legal counsel and outside legal counsel. The privilege . . . applies without distinction to lawyers who are inside legal counsel or outside legal counsel for an organization Communications *predominantly for a purpose other than obtaining or providing legal services* for the organization are not within the privilege

Cases cited in the Reporter’s Note to § 73, in which the privilege was either lost or jeopardized, because of the business role of in-house counsel are *Georgia-Pacific Corp. v. GAF Roofing Manufacturing Corp.*, 1996 U.S. Dist. LEXIS 671 (S.D.N.Y. Jan. 25, 1996), *In re Grand Jury Subpoena*, 561 F. Supp. 1247 (E.D.N.Y. 1982), and *United Jersey Bank v. Wolosoff*, 483 A.2d 821 (N.J. Super. Ct. App. Div. 1984).

P. Outside Lawyer Serving on Board or as Officer of Entity

When is the lawyer rendering legal services or giving legal advice versus acting as a board member or officer? In one of the latter capacities, there is no privilege. Opinion 589 (1988) of the New York State Bar Association Committee on Professional Ethics provides that a lawyer in that position must advise the client of the danger that the privilege may not cover some communications. Cases in which certain lawyer/director’s communications were deemed not privileged include: *Securities & Exchange Comm’n v. Gulf & Western Industries, Inc.*, 518 F. Supp. 675 (D.D.C. 1981); *FSLIC v. Fielding*, 343 F. Supp. 537 (D. Nev. 1972); and *United States v. Vehicular Parking, Ltd.*, 52 F. Supp. 751 (D. Del. 1943). In *Deutsch v. Cogan*, 580 A.2d 100 (Del. Ch. Ct. 1990), the court held that a law firm with a lawyer on the board of a client had fiduciary duties to certain shareholders. As a result there was no privilege as to certain communications between the law firm and the corporation. To a similar effect is *Valente v. PepsiCo, Inc.*, 68 F.R.D. 361 (D. Del. 1975). A case in which a lawyer’s serving on a board undercut indirectly the ability of the company to claim privilege is *AOC Ltd. Partnership v. Horsham Corp.*, 1992 Del. Ch. LEXIS 110 (Del. Ch. Ct. 1992).

Q. Death of Client

For most purposes the majority rule is that the privilege does not terminate at the death of the client. A lawyer for a deceased client has a continuing obligation to assert the privilege. RESTATEMENT § 77 cmt. c. Cases recognizing this concept are: *Swidler & Berlin*, 524 U.S. 399 (1998) (construing federal evidence rules); *State v. Macumber*, 544 P.2d 1084 (Ariz. 1976); *HLC Properties Ltd. v. Superior Court*, 4 Cal. Rptr. 3d 898 (Cal. Ct. App. 2003); *In re John Doe Grand Jury Investigation*, 562 N.E.2d 69 (Mass. 1990); and *People v. Modzelewski*, 611 N.Y.S.2d 22 (N.Y. App. Div. 1994).

In *State v. Doe*, 803 N.E.2d 777 (Ohio 2004), the court held that a surviving spouse could waive the privilege for the deceased client. Other cases holding that the personal representative or assignee of a decedent can waive the privilege are *In re Estate of Colby*, 723 N.Y.S.2d 631 (N.Y. Sur. Ct. 2001), and *Mayorga v. Tate*, 752 N.Y.S.2d 353 (N.Y. App. Div. 2002).

Section 81 of the RESTATEMENT states an exception:

§ 81. A Dispute Concerning a Decedent's Disposition of Property

The attorney-client privilege does not apply to a communication from or to a decedent relevant to an issue between parties who claim an interest through the same deceased client, either by testate or intestate succession or by an inter vivos transaction.

The Reporter's Note to § 81 cites no cases, but relies on treatises, the Revised Uniform Rules of Evidence, the Proposed Federal Rules of Evidence (the rule on privilege was not adopted), and the Model Code of Evidence. We will not detail them here.

R. Use of E-mail

In *City of Reno v. Reno Police Protective Ass'n*, 59 P.3d 1212 (Nev. 2002), *modified at* 2003 Nev. LEXIS 25 (Nev. May 14, 2003), the court held that the fact that a lawyer-client communication was sent via E-mail did not strip the message of its privileged status.

III. COMMON INTEREST ARRANGEMENTS

A. General

There are times that those who share common interests want to coordinate their efforts without destroying the privileged status of their communications with their respective lawyers. Thus, there is within the law of attorney-client privilege the "common interest doctrine," which is an exception to the law of waiver. The common interest doctrine effectively widens the circle of people to whom clients may disclose confidential communications. *Boyd v. Comdata Network, Inc.*, 88 S.W.3d 203, 214 (Tenn. Ct. App. 2002).

Under the common interest doctrine, the sharing of privileged information that otherwise would constitute a waiver does not abrogate the privilege, so long as the parties maintain the confidentiality of the shared information. Although developed in the context of the attorney-client privilege, the common interest doctrine has expanded to protect against the waiver of work product immunity. See *Ariz. Indep. Redistricting Comm'n v. Fields*, 75 P.3d 1088, 1100-01 (Ariz. Ct. App. 2003).

The common interests protected by the doctrine may be factual, legal, or strategic. RESTATEMENT §76 cmt. e. Parties' interests need not be "entirely congruent" for the common interest doctrine to apply, but they obviously cannot be adverse.

Finally, it is necessary to distinguish common interest arrangements from situations in which a single lawyer represents two clients with common interests. Where a single lawyer represents co-clients, communications between co-clients to their common lawyer are not privileged as between the clients unless the clients agree that separate communications may be kept confidential. *See* RESTATEMENT § 75 cmt. d. Under the common interest doctrine, on the other hand, the parties' common interest does not imply an undertaking or agreement to share all relevant information. *Id.* § 76 cmt. e. "Confidential communications disclosed to only some members of the arrangement remain privileged against other members as well as against the rest of the world." *Id.* (contrasting common interest and co-client relationships).

B. Joint Defense Agreements in Litigation

The common interest doctrine often becomes an issue where a plaintiff sues multiple defendants, who then share a common interest in defeating the plaintiff's claims. The easiest way to present a unified defense would be for all of the defendants to hire a single lawyer. Because representation by a single attorney is often impossible, however, multiple defendants represented by separate lawyers often agree to coordinate their defense by way of a "joint defense agreement." This has led to the announcement or invocation of a "joint defense privilege." In fact, the joint defense privilege is not a new or separate privilege. *Gulf Islands Leasing, Inc. v. Bombardier Capital, Inc.*, 215 F.R.D. 466, 470 (S.D.N.Y. 2003). Rather, it is a common interest arrangement that, like all other common interest arrangements, assumes the existence of a valid underlying attorney-client privilege. A joint defense agreement itself does not create a common interest or joint defense privilege. *Ariz. Indep. Redistricting Comm'n*, 75 P.3d at 1099 n.11; *OXY Resources*, 9 Cal. Rptr. 3d at 637-38; *Brooklyn Navy Yard Cogeneration Partners, L.P. v. PMNC*, 753 N.Y.S.2d 343, 345 (N.Y. Sup. Ct. 2002) (quoting case).

The joint defense privilege also protects defense group members' work product. *Ferko v. Nat'l Ass'n for Stock Car Auto Racing, Inc.*, 219 F.R.D. 396, 401 (E.D. Tex. 2003); *Lugosch v. Congel*, 219 F.R.D. 220, 240 (N.D.N.Y. 2003). For the joint defense privilege to apply to work product it must be shown that the information at issue falls within the ambit of the qualified immunity afforded by the work product doctrine. Again, the joint defense privilege protects against waiver and thus assumes valid underlying immunity—it does not create a new form of protection. *Metro Wastewater Reclamation Dist. v. Cont'l Cas. Co.*, 142 F.R.D. 471, 478 (D. Colo. 1992).

To assert the joint defense privilege, a party must establish (1) that the protected communications were made in the course of a joint litigation effort (such as within the confines of a joint defense group); and (2) that the communications were designed to further that effort. *In re Grand Jury Proceedings*, 156 F.3d 1038, 1042-43 (10th Cir. 1998). With respect to the first element, there must be pending litigation or a "strong possibility" of future litigation. *Metro Wastewater*, 142 F.R.D. at 479. The privilege does not attach if the communications to be protected were not made for the purpose of rendering legal service or advice. Some courts also require that a party asserting the privilege prove that it has not been waived. *See, e.g., Ageloff v. Noranda, Inc.*, 936 F. Supp. 72, 76 (D.R.I. 1996).

Of course, the communications to be protected must have been made in confidence, *Boyd*, 88 S.W.3d at 214, and must further the parties' joint defense. If communications are not

intended to further the parties' joint defense, but instead relate to claims that the parties may have against one another, for example, they are discoverable. *See, e.g., Brooklyn Navy Yard*, 753 N.Y.S.2d at 345-46.

The joint defense privilege is not waived by one defendant asserting defenses or making claims that may be adverse to another joint defense group member. *Old Tampa Bay Enters., Inc. v. Gen. Elec. Co.*, 745 So. 2d 517, 518 (Fla. Dist. Ct. App. 1999). To find a waiver in such tepid adversity would render the privilege worthless. Furthermore, a waiver by one party to a joint defense agreement does not waive any other party's privilege with respect to the same communications. *Sec. Investor Protection Corp. v. Stratton Oakmont, Inc.*, 213 B.R. 433, 436 n.3 (Bankr. S.D.N.Y. 1997). A waiver of the joint defense privilege requires the consent of all members of the joint defense group. *See Metro Wastewater*, 142 F.R.D. at 478.

Unless the parties to a joint defense agreement consent to terminating the privilege, it can only be waived by subsequent litigation between the joint defendants. *Stratton Oakmont*, 213 B.R. at 436. A joint defense group member who wants to keep information it shares with its attorney from being disclosed to other members of the joint defense group must request such confidentiality from counsel. Otherwise, it is assumed that any information exchanged as part of the joint defense effort can be freely disclosed to other members of the defense group and their counsel. *Ageloff*, 936 F. Supp. at 76-77.

Most joint defense problems involve successive client conflicts and the threatened disclosure of client confidences, coupled with the alleged revelation of those confidences to other members of the joint defense group. In the typical situation, counsel for one member of a joint defense group is found to have represented the plaintiff in the past. The plaintiff then alleges that its former attorneys possess its confidential information, claims that the attorneys have shared that information with the other members of the joint defense group or should be presumed to have done so, and argues that all defense counsel must be disqualified as a result. Alternatively, a lawyer that has received confidential information about his client's co-defendants changes law firms and later seeks to accept a representation that is directly adverse to his former client's co-defendants (but not the former client) in a matter where the confidential information is material.

Former client conflicts of interest are governed by Model Rule 1.9(a), which, as amended in 2002, provides:

A lawyer who has formerly represented a client in a matter shall not thereafter represent another person in the same or a substantially related matter in which that person's interests are materially adverse to the interests of the former client unless the former client gives informed consent, confirmed in writing.

The prior version of the rule was nearly identical, except that the former client was only required to consent "after consultation"; the principle that such consent had to be informed was implied rather than express, and there was no requirement that the consent be confirmed in writing. A.B.A., *THE 2002 CHANGES TO THE ABA MODEL RULES OF PROF'L CONDUCT* 37-40 (2003) (showing the 2002 amendments to Model Rule 1.9) [hereinafter *THE 2002 CHANGES*].

Rule 1.9 has as one of its primary purposes the protection of the former client's confidences. Because it would be difficult for the former client to demonstrate that the attorney revealed its confidences to its detriment, most courts presume a breach of confidence once the potential for the disclosure of confidential information is shown. See, e.g., *Bergeron v. Mackler*, 623 A.2d 489, 494 (Conn. 1993); *Chrispens v. Coastal Ref. & Mktg., Inc.*, 897 P.2d 104, 114 (Kan. 1995); *Sullivan County Reg'l Refuse Disposal Dist. v. Town of Acworth*, 686 A.2d 755, 758 (N.H. 1996); *State v. Crepeault*, 704 A.2d 778, 783 (Vt. 1997); *State ex rel. McClanahan v. Hamilton*, 430 S.E.2d 569, 573 (W. Va. 1993). Some courts further impute the disclosure of the former client's confidences to other lawyers in the subject lawyer's firm, thus disqualifying the entire firm. See, e.g., *Flatt v. Superior Court*, 885 P.2d 950, 954 (Cal. 1994); *In re Guardianship of Mowrer*, 979 P.2d 156, 159 (Mont. 1999); *Bechtold v. Gomez*, 576 N.W.2d 185, 190 (Neb. 1998); *Nat'l Med. Enters., Inc. v. Godbey*, 924 S.W.2d 123, 131 (Tex. 1996).

A lawyer may use information relating to the representation of a former client to that client's disadvantage if the information is generally known. MODEL RULES R.1.9(c)(1). Thus, in *IMC Global, Inc. v. Moffett*, (Nos. Civ. A. 16387-NC, Civ. A. 16393-NC, 1998 WL 842312 (Del. Ch. Nov. 12, 1998), the court declined to disqualify two law firms who were parties to a joint defense agreement where the information obtained from other counsel who had once represented the plaintiffs was information to which all of the parties had access. Because the information at the center of the alleged conflict was generally known to the parties, the plaintiffs were not able to demonstrate how the potential conflict would "prejudice the fairness of the proceeding." *Id.* at *3. The *IMC Global* court reasoned that fairness was best served by focusing on the substantive legal issues in the case, rather than disqualifying counsel on a superfluous matter.

Although courts should be reluctant to disqualify law firms representing joint defense group members who have not directly represented the member crying foul, double imputation and disqualification are very real threats. See, e.g., *Nat'l Med. Enters., Inc. v. Godbey*, 924 S.W.2d 123 (Tex. 1996).

C. Drafting Joint Defense Agreements

Although joint defense agreements need not be written, joint defense group members clearly should structure their relationship by way of a written agreement, for that document likely will be the focus of any judicial scrutiny of the parties' relationship. Furthermore, the lack of a written agreement breeds confusion and may lead a court to conclude that no common interest arrangement exists. In *United States v. Weissman*, 195 F.3d 96 (2d Cir. 1999), for example, where there was no written agreement and the attorneys involved could not agree on whether such an agreement had been reached at the time of a key meeting, the defendant could not meet his burden to demonstrate that such an agreement existed. *Id.* at 99-100. The defendant's damaging revelations at that meeting were therefore admissible in his criminal trial, and led to his conviction. See *id.* at 98-100. As the *Weissman* court observed, "[s]ome form of joint strategy is necessary to establish a [joint defense agreement], rather than merely the impression of one side." *Id.* at 100.

All joint defense agreements ought to include certain essential provisions.

First, all defense counsel should represent in the agreement that they have completed thorough conflict of interest checks and that they know of no conflicts with the plaintiff. Although such a provision is no guarantee that an unknown or unsuspected conflict will not surface later, it may encourage more thorough conflicts inquiries by group members.

Second, the agreement should state clearly that each law firm represents its own client only and does not represent any other defendant. Defense counsel should expressly disavow an attorney-client relationship with any party other than their own client, and the agreement should clearly state that each party will look only to its own attorneys for advice. Such a provision is important because the existence of an attorney-client relationship is a question of fact, and all defense group members should want to prevent an attorney-client relationship from being implied between them. This disclaimer is also important because the existence of an attorney-client relationship sometimes turns on the subjective belief of the prospective client, and a party's belief that it shares an attorney-client relationship with another party's counsel in the face of an express provision to the contrary arguably is unreasonable. Douglas R. Richmond, *Joint Defense Agreements and the Attorney-Client Privilege*, in *THE ATTORNEY-CLIENT PRIVILEGE* 101 (Def. Research Inst. 2002).

Third, the agreement should not provide for the engagement or payment of common counsel, and the joint defense group should not engage common counsel. The use of common counsel risks creating an attorney-client relationship where one would not otherwise exist. *See, e.g., City of Kalamazoo v. Mich. Disposal Serv. Corp.*, 125 F. Supp. 2d 219, 231-38 (W.D. Mich. 2000).

Fourth, the agreement should provide that confidential information, privileged communications and counsel's work product will not be revealed to third-parties absent the consent of all group members. It should also provide that information sharing between group members does not waive the attorney-client privilege and work product immunity with respect to third-parties. It may be wise to state that a voluntary or implied waiver of the privilege by one defense group member will not bind or affect other group members. This provision should also permit consultants or experts retained by group members to review protected information so long as they execute written agreements in which they promise to maintain confidentiality.

Fifth, the agreement must state that the defendants have a common interest in the defense of the lawsuit, and that the agreement is intended to further that interest. The agreement need not specify the common interest in great detail. If, however, the agreement is entered into for some limited purpose, it should specify that purpose so that problems do not develop later regarding the scope of the agreement.

Sixth, the agreement should state that the parties agree to share and use confidential information in the subject case only, and only pursuant to the terms of the joint defense agreement. This provision should also include language which prohibits any group member from using any information outside the case at bar without the consent of all group members.

Seventh, the agreement should provide for group members' withdrawals. Similarly, the agreement should address group members' settlements or dismissal from the case.

Finally, the agreement should be signed by the parties, not just the defense attorneys. If nothing else, this forces client representatives to read the agreement, thus reducing the risk of subsequent problems. For example, a client that acknowledges that it will look only to its own attorneys for advice should not be able to argue later that it shared an implied attorney-client relationship with counsel for another defendant, or subjectively believed that it did so.

D. Common Interest Arrangements in Business Transactions Where Litigation is Anticipated

Parties may enter into business transactions that affect the interests or rights of others, thus exposing the parties to the transaction to related litigation. Sometimes these transactions require the parties to share information that they do not want to share with competitors or interested parties who may challenge their deal in subsequent adversary proceedings. The issue, then, is whether parties to a transaction can enter into a common interest arrangement that allows them to exchange privileged information without fear of waiver long before they are actually sued by a third-party. Indeed, that was the issue in a California case, *OXY Resources California LLC v. Superior Court*. 9 Cal. Rptr. 3d 621, 626-27 (Cal. Ct. App. 2004).

In *OXY Resources*, two companies, OXY Resources California LLC (“OXY”) and EOG Resources, Inc. (“EOG”), entered into a complex transaction in which they exchanged interests in a number of oil and gas producing properties, including property subject to a preferential purchase right held by Calpine Natural Gas LP (“Calpine”). Roughly six weeks before finalizing their transaction, EOG and OXY, and two of OXY’s affiliates or predecessors, entered into a joint defense agreement. The agreement recited that the parties intended to exchange certain assets; that they anticipated that the past and future ownership and operation of those assets would present various factual and legal issues common to them, and that as “anticipated potential defendants” they would share a common interest in defending claims by third-parties; that they might wish to make joint efforts in preparing any defense to anticipated actions or proceedings; that the documents and information exchanged in the transaction, and associated communications, were privileged, immune, and otherwise exempt from discovery; and that no sharing of information between them would be deemed to waive any otherwise applicable privilege or exemption from disclosure. *Id.* at 628-29.

EOG and OXY publicly announced their transaction several days after it was completed. Calpine later sued them on a variety of theories, all related to the alleged deprivation of its preferential purchase right.

In discovery, Calpine sought the production of 202 documents from EOG and OXY, 30 of which were pre-acquisition communications, while the remaining documents were prepared after EOG and OXY completed their deal. EOG and OXY sought to shield all of the documents from discovery under their joint defense agreement. Seeking to compel production of the documents, Calpine argued that there is no joint defense privilege in California; that EOG and OXY could not retroactively invoke their joint defendant status to shield communications made long before the action was filed; and that they waived any privilege by disclosing communications “to an adverse party on the opposite side of a business transaction.” *Id.* at 630.

The trial court granted Calpine's motion to compel as to the post-acquisition documents, but denied it with respect to the pre-acquisition documents. Both OXY and Calpine petitioned for writs of mandamus.

At the outset, the *OXY Resources* court noted that it was not free to create a new privilege; it could apply only those privileges created by California statutes. *Id.* at 634. Rejecting OXY's characterization of its claimed "joint defense privilege" or "common interest privilege" as an extension of the attorney-client privilege, the *OXY Resources* court determined that "the common interest doctrine is more appropriately characterized under California law as a non-waiver doctrine, analyzed under standard waiver principles applicable to the attorney-client privilege and the work product doctrine." *Id.* at 635 (footnote omitted).

With respect to EOG's and OXY's joint defense agreement itself, Calpine colorfully alleged that it was void as against public policy because it was "'a premeditated and intentional plan to shield conspiratorial communications involving a transaction that directly and adversely affected [its] contractual rights.'" *Id.* at 638 (quoting Calpine's brief). Though recognizing that there is a potential for abuse when parties rely on common interest arrangements to protect pre-lawsuit communications, the *OXY Resources* court explained that such concern did not render the agreement void, because the agreement could not shield non-privileged communications from disclosure. *Id.* Again, the common interest doctrine requires a valid underlying claim of privilege. *Id.* Thus, the court held that the trial court abused its discretion in denying Calpine's motion to compel the production of thirteen documents withheld from it solely on the basis of the joint defense agreement. *Id.* at 638-39.

Turning next to the common interest doctrine generally, the court noted that the non-waiver principles expressed in the California Evidence Code were not limited in application to communications disclosed to others during litigation. *Id.* at 642. For example, section 912 of the California Evidence Code provides: "A disclosure in confidence of a communication that is protected by [the attorney-client privilege] . . . when disclosure is reasonably necessary for the accomplishment of the purpose for which the lawyer . . . was consulted, is not a waiver of the privilege." *Id.* at 635-36 (citations and footnote omitted). Furthermore, the need to share privileged information may arise in the negotiation of commercial transactions. *Id.* at 642. By refusing to find a waiver where parties share privileged information in commercial transactions, courts can create an environment in which businesses deal more openly with one another, and in so doing promote commerce generally. *See id.* (quoting *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 115 F.R.D. 308, 311 (N.D. Cal. 1987)).

Having determined that the common interest doctrine protects otherwise privileged communications where litigation is not imminent, the *OXY Resources* court held that the trial court abused its discretion in denying Calpine's motion to compel the production of the pre-acquisition documents at issue and in granting that motion with respect to post-acquisition documents. In short, the trial court's findings in both respects rested on an inadequate evidentiary foundation. *Id.* at 641-44.

The *OXY Resources* court reached the correct decision. Businesses often need to share otherwise privileged or confidential information in order to make reasonable acquisition, merger and sale decisions, and they ought not have to enter into transactions blindly for fear that sharing such information with their deal partners will expose it to unfriendly others. Before seizing upon the *OXY Resources* holding to enter into similar arrangements, however, lawyers should keep a couple of things in mind. First, *OXY Resources* turned on the language of key sections of the California Evidence Code. The attorney-client privilege has been widely codified, and other states may have very different statutes or evidence rules.

Second, in *OXY Resources*, OXY and EOG could be virtually certain of litigation with Calpine by virtue of Calpine's contractual right of first refusal in the disputed property. What if the likelihood of litigation is not so clear? In those jurisdictions that require existing litigation or the "strong possibility" of future litigation for joint defense agreements to be enforceable, *see, e.g., Metro Wastewater*, 142 F.R.D. at 479, the abstract possibility of litigation may not implicate the common interest doctrine.

For attorneys drafting documents memorializing common interest arrangements in connection with transactions, the principles that apply to preparing joint defense agreements once litigation is underway remain valid. The chance of future litigation should be phrased as being a strong possibility. If likely litigants can be identified at the time the agreement is drafted they should be identified and the reasons for their expected adversity specified, although the agreement should not be too limited in scope.

IV. LAW FIRM INTERNAL INVESTIGATIONS

A. Cases and Controversies

Law firms' ability to protect the results of their internal investigations has been an issue since the 1980's, when firms that represented failed financial institutions were targeted in litigation resulting from those institutions' demise. *See* Douglas R. Richmond, *Law Firm Internal Investigations: Principles and Perils*, 54 SYRACUSE L. REV. 69, 77 (2004).

In *In re Sunrise Securities Litigation*, 130 F.R.D. 560 (E.D. Pa. 1989), for example, the law firm of Blank Rome, which had represented the insolvent Sunrise Savings and Loan Association, was sued by the Federal Savings and Loan Insurance Corporation ("FSLIC") and Sunrise depositors. Blank Rome declined to provide four categories of documents to the FSLIC, citing the attorney-client privilege. After initially rejecting Blank Rome's contention that a law firm can consult with its own attorneys as though they were traditional in-house counsel and thus obtain the protection of the attorney-client privilege on the basis that it is its own client, the court reconsidered its position. The court conceded the possible correctness of Blank Rome's position. The *Sunrise* court further observed, however, that a law firm's consultation with its own lawyers may give rise to conflicts of interest between the firm's two clients, i.e., the firm itself and the original client. The question thus becomes whether the interest in protecting clients who may be harmed by such a conflict "affects the applicability of the attorney client privilege to a law firm's communications with in house counsel seeking legal advice for the firm." *Id.* at 595-96. The *Sunrise* court concluded that it does, relying on another federal case, *Valente v. PepsiCo.*, 68 F.R.D. 361 (D. Del. 1975).

In *Hertzog, Calamari & Gleason v. Prudential Insurance Co. of America*, 850 F. Supp. 255 (S.D.N.Y. 1994), a New York federal court endorsed law firm's ability to use its own lawyers as counsel in a short but strongly-worded opinion. The *Hertzog* court noted that a partnership, like a corporation, cannot appear in court pro se; it must appear through counsel. A corporation may appear through "in-house counsel on the corporate payroll," and it is settled that the attorney-client privilege attaches to a corporation's communications with its in-house counsel so long as the attorney is acting as such rather than as a participant in the underlying events. Thus: "No principled reason appears for denying a comparable attorney-client privilege to a law partnership which elects to use a partner or associate as counsel of record in a litigated matter."

Both *Sunrise* and *Hertzog* involved privilege claims arising in the course of litigation. In *United States v. Rowe*, 96 F.3d 1294 (9th Cir. 1996), the issue was whether the firm's internal investigation in anticipation of litigation could likewise be shielded from discovery. The *Rowe* court held that it could.

Although law firms' ability to assert the attorney-client privilege with respect to communications with firm lawyers serving as loss prevention counsel or general counsel is well-settled, courts recently have taken aggressive and misguided approaches to finding that the privilege has been waived in cases where the firm is adverse to a current client. Courts have increasingly taken the approach that the existence of a current client relationship operates to waive the firm's privilege. See, e.g., *Bank Brussels Lambert v. Credit Lyonnais (Suisse), S.A.*, 220 F. Supp. 2d 283 (S.D.N.Y. 2002); *Koen Book Distributors v. Powell, Trachtman, Logan, Carrle, Bowman & Lombardo, P.C.*, 212 F.R.D. 283 (E.D. Pa. 2002).

B. Recommendations for Law Firms

First, law firms wanting to best ensure the confidentiality of their internal communications should first appoint a regular general counsel or ethics counsel charged with loss prevention and managing the firm's compliance with professional standards. Most large law firms have already done so. Furthermore, it is advisable to designate more than one such lawyer in the event the firm's primary counsel has once represented the aggrieved client, or is representing the client in the matter that has spawned the dispute. Under no circumstances should the firm's in-house counsel charged with conducting an internal investigation or giving the firm legal advice about a dispute have a relationship with the client involved.

Second, when a professional liability or responsibility issue affecting the firm surfaces, firm management should specifically request that counsel act upon or investigate it for the purpose of providing legal advice to the firm. This request should be in writing, and should explicitly state that the firm requests legal advice based on the investigation undertaken.

Third, firm counsel should treat the investigation as though it were a client matter. She should open a file like she would open a file were she accepting a new matter from a regular client. She should account for her time spent on the internal investigation as though she was going to bill that time to the firm. Of course, in-house counsel should not bill the firm's client for his time spent on behalf of the firm. Similarly, the lawyers involved in the subject client's representation should not bill the client for time spent assisting the firm's counsel in his inquiry.

Fourth, the firm's counsel must be sure to safeguard the firm's attorney-client privilege and his work product. He cannot discuss investigations with curious partners or associates, and written communications must be kept confidential. In-house counsel should report to the firm's management committee or to its managing partner, depending on the firm's structure. Counsel must confine his communications to only those lawyers in the firm's structure who, because of their positions or responsibilities, need to know the information conveyed. Counsel must, in the course of any investigation, advise those attorneys or staff with whom he speaks that their communications are confidential and must be kept that way. Special caution is called for if counsel must interview former employees as part of his investigation, because communications with a former employee after the employee has left the firm will not be privileged.

Lawyers who are responsible for the firm's representation of the client or who manage the client relationship must be instructed not to discuss the firm's investigation with the client. If this recommendation seems obvious, it is important to remember that many lawyers develop friendships with their clients, and that friendship sometimes erodes discretion.

Fifth, the firm may want to consider withdrawing from the client's representation. See *Koen Book*, 212 F.R.D. at 286 (suggesting this alternative). Although there are many cases in which this cannot be accomplished because of timing issues, or in which ceasing the representation is undesirable, withdrawal eliminates the conflict of interest problems that the *Sunrise*, *Bank Brussels* and *Koen Book* courts focused on. Even if the firm does not withdraw from a client's representation altogether, it may wish to consider withdrawing from the particular matter out of which the complaint arose.

Sixth, a law firm that wishes to continue representing a client while conducting an internal investigation might seek a waiver of any potential conflict of interest from the client. See *Koen Book*, 212 F.R.D. at 286 (suggesting this alternative). This option obviously is more attractive where the client has called a problem to the firm's attention, as compared to the situation where the firm has identified a potential problem of which the client may not be aware.

Finally, a firm may wish to engage outside counsel to conduct the investigation. This approach best insulates the attorney representing the firm against all claims of conflict of interest or common interest. Outside counsel may be required where firm lawyers are for some reason reluctant to cooperate in an internal investigation, or do not take an internal investigation as seriously as they should.

V. RECENT DEVELOPMENTS IN THE LAW OF INADVERTENT WAIVER

A. General

They are every lawyer's nightmare—the letter to the client detailing litigation strategy inadvertently delivered to the adversary among a mountain of other documents produced in discovery, the letter faxed to another party in a transaction instead of being faxed to the client, the e-mail accidentally copied to recipients for which it was never intended. Over the years, many lawyers confronting these situations have desperately tried to shove the genie back in the bottle in the name of inadvertent disclosure, sometimes successfully, but often not. Of course,

the lawyers on the receiving end of materials inadvertently disclosed are not without their own problem. That is, just what are they to do with the privileged or immune materials that have come into their hands? The wrong decision may mean their disqualification.

Courts struggle with determinations whether the inadvertent disclosure of privileged materials waives any protection that would otherwise attach. Courts confronted with inadvertent disclosures typically take one of three approaches to determining whether the disclosure waives any claims of privilege or work product immunity. *See Elkton Care Ctr. Assocs. Ltd. P'ship v. Quality Care Mgmt., Inc.*, 805 A.2d 1177, 1183 (Md. Ct. Spec. App. 2002) (asserting that in cases of inadvertent waiver, any distinction between waiver of attorney-client privilege and work product immunity disappears) (quoting *Hartford Fire Ins. v. Garvey*, 109 F.R.D. 323, 328 (N.D. Cal. 1985)).

Under the “lenient approach,” the privilege must be knowingly waived, and the determination of inadvertence ends the analysis. *Harp v. King*, 835 A.2d 953, 966 (Conn. 2003). The lenient approach is subject to criticism because it provides little incentive for lawyers to maintain tight control over privileged material, and it ignores the importance of confidentiality in the privilege calculus. *Id.* (quoting *Gray v. Bicknell*, 86 F.3d 1472 (8th Cir. 1996)).

Under the “strict approach,” sometimes called the “absolute waiver rule,” any document produced, whether inadvertently or otherwise, loses its privileged status upon production. *See id.* This approach is to be faulted for sacrificing the value of protecting client confidences for the sake of certain results and for chilling attorney-client communications. *Id.* at 966 (quoting *Gray*).

Finally, there is the “middle” or “moderate” approach, which requires courts to make fact specific waiver determinations on a case-by-case basis. *Elkton*, 805 A.2d at 1184. Courts applying this approach consider (1) the reasonableness of the precautions taken to avoid inadvertent disclosure; (2) the time taken to rectify the error; (3) the scope of the discovery; (4) the extent of the disclosure; and (5) whether the overriding interests of fairness and justice would be served by absolving the party of its error. *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 104 F.R.D. 103, 105 (S.D.N.Y. 1985) (involving documents produced by defendant in lieu of answering an interrogatory). The first of these five elements typically is the most critical, *see id.* (focusing on this factor), although all of the factors are important and must be considered. *See Harp*, 835 A.2d at 969-70 (applying and discussing all five factors); *Elkton*, 805 A.2d at 1185 (same). The middle or moderate approach is the majority rule.

B. Recent Cases and Opinions

Jasmine Networks, Inc. v. Marvell Semiconductor, Inc., 12 Cal. Rptr. 3d 123 (Cal. Ct. App. 2004), illustrates the danger of carelessness in communications. In that case, Marvell was negotiating with Jasmine to purchase a portion of Jasmine’s semiconductor business and to employ a group of Jasmine’s engineers. Three Marvell executives, including its general counsel and an in-house patent attorney, used a speakerphone to call a senior Jasmine executive. The executive was out and they got her voicemail. After leaving a message, they continued to talk among themselves, not realizing that they failed to hang up their speakerphone. Their conversation revealed that Marvell’s real intention was not to purchase anything, but rather to

steal Jasmine's technology and pirate away Jasmine personnel using purloined information about their compensation and stock options.

The Jasmine executive checked her voicemail and heard the entire conversation. That caused Jasmine to further investigate the intended transaction, and thus to discover more misconduct by Marvell.

Jasmine sued Marvell for trade secret misappropriation. Marvell moved for a preliminary injunction, seeking to enjoin Jasmine from using the recorded voicemail conversation. Marvell argued that because the conversation involved its attorneys, its contents were protected by the attorney-client privilege. Jasmine argued that Marvell had waived its privilege by disclosing the information in the voicemail message, and that the conversation fell within the crime-fraud exception to the privilege. *Id.* at 124. The trial court granted Marvell's motion for a preliminary injunction, concluding that the contents of the conversation were privileged, *id.* at 126, and further finding that Marvell had not waived the privilege because it did not intend to disclose the contents of the conversation. *Id.* at 127.

The appellate court concluded that the trial court erred when it found that Marvell had not waived the privilege. Under California law, an "intent to disclose is not required in order for the holder to waive the privilege through uncoerced disclosure." *Id.* at 128. Although it is true in California "that an attorney's inadvertent disclosure does not waive the privilege absent the privilege holder's intent to waive," *id.* (citing *State Comp. Ins. Fund v. WPS, Inc.*, 82 Cal. Rptr. 2d 799 (Cal. Ct. App. 1999)), in this case a non-lawyer executive participated in the call and Marvell's general counsel had business responsibilities unrelated to his legal function. *Id.* at 128-29. Accordingly, California inadvertent waiver rules that might have saved Marvell had only its lawyers been involved did not apply, see *id.* at 128, and the crime-fraud exception stripped the conversation of its privilege in any event. *Id.* at 132.

Jasmine teaches, among other things, that technology is not always lawyers' friend. Wholly ignoring the stupidity of the Marvell bunch, speakerphones may transmit background conversations that participants do not intend to share with others outside their office. "Mute" buttons on telephones may not work. The camera and microphone on videoconference equipment may be working when the lawyers in the room think they are off. There is plenty of opportunity for error in electronic communication, and abundant need for caution.

Although inadvertent waiver would appear to be of greatest concern to the party alleged to have waived its privilege, lawyers receiving privileged materials as a result of adversaries' inadvertence must mind their own ethical obligations. In Formal Opinion 92-368, the American Bar Association's Committee on Ethics and Professional Responsibility opined that a lawyer "who receives materials that on their face appear to be subject to the attorney-client privilege or otherwise confidential, under circumstances where it is clear that they were not intended for the receiving lawyer, should refrain from examining the materials, notify the sending lawyer and abide the instructions of the lawyer who sent them." ABA Comm. on Ethics and Prof'l Responsibility, Formal Op. 92-368, at 1 (1992). In *Holland v. Gordy Co.*, (Nos. 231183, 231184, 231185, 2003 WL 1985800 (Mic. Ct. App. Apr. 29, 2003), the Michigan Court of Appeals went so far as to state that the position expressed in Formal Opinion 92-368 binds ABA members. (*Id.*

at *10 n.20 (citing *Resolution Trust Corp. v. First of Am. Bank*, 868 F. Supp. 217, 221 (W.D. Mich. 1994)). The court in *Resolution Trust Corp. v. First of America Bank* (868 F. Supp. 217 (W.D. Mich. 1994)), reached the same conclusion nearly a decade earlier, further suggesting the converse—that lawyers who are not ABA members are not bound by the opinion. *Id.* at 221 (“The ABA’s interpretations [in Formal Op. 92-368] are binding *only on* ABA members.”) (emphasis added).

The suggestion that ABA ethics opinions bind ABA members is nonsense. Lawyers are bound by the ethics rules of the states in which they practice, and by rules of conduct adopted by courts and regulatory authorities before which they appear. If lawyers are bound by the positions expressed in ABA ethics opinions then they presumably are also bound to accept or adopt the political or social positions taken by the ABA, and surely no court is willing to go that far. More fundamentally, it makes no sense to have one set of ethical duties for ABA members and another set for lawyers who do not belong to the ABA, especially since ABA membership is not mandatory for lawyers to practice.

The ABA retreated from the guidance offered in Formal Opinion 92-368 when it created Rule 4.4(b) in 2002. Model Rule 4.4(b) provides: “A lawyer who receives a document relating to the representation of the lawyer’s client and knows or reasonably should know that the document was inadvertently sent shall promptly notify the sender.” According to the comment to Rule 4.4(b), whether a lawyer who receives a misdirected document is required to take additional steps, such as returning the document to the sender, is beyond the scope of the *Model Rules*. MODEL RULES R. 4.4 cmt. 2. If the law in a particular jurisdiction does not require a lawyer to return a document inadvertently sent to her, “the decision to voluntarily return such a document is a matter of professional judgment ordinarily reserved to the lawyer.” *Id.* cmt. 3.

The Association of the Bar of the City of New York’s Committee on Professional and Judicial Ethics (the “New York Committee”) analyzed a lawyer’s obligations upon receiving a communication containing confidences or secrets that is not intended for him in an April 2004 opinion. Ass’n of the Bar of the City of N.Y., Comm. on Prof’l & Judicial Ethics, Formal Op. No. 2003-04 (Apr. 9, 2004) [hereinafter NYC Eth. Op. 2003-04]. The New York Committee determined that:

[A] lawyer receiving a misdirected communication containing confidences or secrets (1) has obligations to promptly notify the sending attorney, to refrain from review of the communication, and to return or destroy the communication if so requested, but, (2) in limited circumstances, may submit the communication for in camera review by a tribunal, and (3) is not ethically barred from using information gleaned prior to knowing or having reason to know that the communication contains confidences or secrets not intended for the receiving lawyer. However, it is essential as an ethical matter that the receiving attorney promptly notify the sending attorney of the disclosure in order to give the sending attorney a reasonable opportunity to promptly take whatever steps he or she feels are necessary.

The New York Committee concluded that a lawyer who receives a misdirected communication may retain the communication for the sole purpose of submitting it to a tribunal for in camera review, if the lawyer (1) promptly notifies the sending lawyer about the mistaken transmission, and, if requested, provides a copy to the sending lawyer; (2) believes in good faith, and in good faith anticipates arguing to the tribunal, that the inadvertent disclosure has waived the attorney-client or other applicable privilege or that the communication may not appropriately be withheld from production for any other reason; and (3) reasonably believes disclosing the communication to the tribunal is relevant to the argument that privilege has been waived or otherwise does not apply. *Id.* at *8. This limited permitted use does not apply, however, if the sender notifies the receiving attorney of the inadvertent disclosure and demands the return of the documents without review before the receiving attorney actually gets them. In that circumstance there has effectively been no disclosure.

Attorneys who review or retain misdirected communications in circumstances when they know they should not may violate Rule 8.4(c), which prohibits lawyers from engaging in conduct involving dishonesty, and Rule 8.4(d), which provides that it is professional misconduct for a lawyer to engage in conduct that is prejudicial to the administration of justice. Lawyers also risk being sanctioned by the court in which the action is pending, or being disqualified from further representation.

A more difficult question arises where the receiving attorney reviews all or part of a communication before having reason to know that he is not the intended recipient. Suppose, for example, an attorney receives a one page facsimile transmission containing the other side's confidential information. It is not reasonable to expect that lawyer to purge the information from his mind, or to be able to litigate or negotiate further as though he has never seen it. *See* NYC Eth. Op. 2003-04, at *8. To disqualify, sanction, or discipline the receiving lawyer in that situation would be unfair to the lawyer and to the client. *See id.* ("To put the attorney at ethical risk for using information that cannot be suppressed from knowledge potentially would penalize the innocent receiving attorney and their [sic] client for the error of another.").

In summary, the law relating to lawyers' obligations upon the receipt of confidential information inadvertently disclosed by the other side varies significantly between jurisdictions. In those jurisdictions where the law is unsettled, ABA Formal Opinion 92-368 is likely of little persuasive force given the promulgation in 2002 of Model Rule 4.4(b), even if *Holland v. Gordy Co.*, Nos. 231183, 231184, 231185, 2003 WL 1985800 (Mich. Ct. App. Apr. 29, 2003), suggests otherwise.

INFORMATION TECHNOLOGY: GETTING THE UPPER HAND

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INTRODUCTION

The explosion of technology over the past several years has allowed for greater productivity and accessibility, both within and outside the office, with on-line availability through wireless hookups (WiFi), e-mail available through personal digital assistants (PDAs), and cell phones that receive text messaging and take photographs. This technology explosion has also increased the amount of information created and stored. A 2003 study by the University of California at Berkeley's School of Information Management and Systems estimated that almost five exabytes of new information were produced in 2002.¹ Of that information, 92% of new information is stored on magnetic media, primarily hard disk, film represents 7% of the total, paper 0.01%, and optical media 0.002%.² Instant messaging generates five billion messages a day (750GB), or 274 Terabytes a year,³ and e-mail generates about 400,000 terabytes of new information each year worldwide.⁴

While technology provides quick and easy access to enormous amounts of information, it is a massive task to manage this information. Therein lies the problem, the management – or failure to manage – the information and provide adequate security and access controls for privileged, confidential and private information. This lack of management can raise issues of spoliation in litigation, loss of privilege by the inadvertent disclosure of information to a third-party by a

¹ Peter Lyman and Hal R. Varian, Executive Summary, *How Much Information*, 2003, at <http://www.sims.berkeley.edu/research/projects/how-much-info-2003/execsum.htm#summary> (last visited June 3, 2004). *How big is five exabytes?* If digitized with full formatting, the seventeen million books in the Library of Congress contain about 136 terabytes of information; five exabytes of information is equivalent in size to the information contained in 37,000 new libraries the size of the Library of Congress book collections.

² Id.

³ Id.

⁴ Id.

well-intentioned employee who forwards or copies e-mail inappropriately, or sanctions by a government agency for privacy violations of electronically-retained information.

When discussing privileged matters, it is a good policy not to use an electronic or written method of communication. That which is not created or written and preserved cannot be produced for discovery and does not need to be reviewed for privilege. Privileged material can have unique identifiers which a system can automatically read and determine the material is privileged. This provides for better management of privileged information. Looking at the volume of material that is being created on a daily basis, when privileged material is co-mingled with all the other data, the review process becomes time-consuming and costly.

GETTING A HANDLE ON TECHNOLOGY

First, it must be understood that technology is a tool, albeit a highly functional tool, it is still only a tool. In order for this tool to work effectively, there must be policies and procedures developed to help it function effectively and efficiently. Without underlying policies and procedures, the tools are minimally effective. However, the policies and procedures are not the exclusive domain of the IT professionals. While they are an important member of the team, the policies and procedures must be developed by a group of individuals who look at the total use of technology and the information created, how it is used and what laws, regulations or business uses affect that information. This is the area where most organizations have failed and why many organizations have a difficult time identifying or locating information requested for litigation discovery or regulatory audits – an efficient methodology for creating, using, storing, and deleting information in the regular course of business has not been developed. The lack of policies and procedures then causes the information to be stored and managed in haphazard ways that makes searching the information time-consuming and costly.

There is no question about it, electronic records⁵ are different than paper records. More and more, records are being created and stored in electronic format than ever before. According to *The Sedona Principles*, “at least 93 percent of information created today is first generated in

⁵**“Electronic record.”** An electronic record is a subset of the broader defined term “record.” It is any record created, used or stored in a medium other than paper (see definition of electronic). Uniform Electronic Transactions Act, 1999, <http://www.law.upenn.edu/bll/ulc/uecicta/uetast84.htm>. (Accessed June 3, 2004).

digital format, 70 percent of corporate records may be stored in electronic format, and 30 percent of electronic information is never printed to paper.”⁶ With these statistics, it is imperative that methodologies be adopted to effectively manage electronic records. One method of managing privileged material would be to use a good indexing or tagging scheme. When privileged material is created electronically it can be automatically saved in either a separate repository or can be easily identified from other electronic information so it is removed from the scope of material to be reviewed during discovery. But given the vast array of systems that create and retain electronic information, that is easier said than done.

What type of electronic information is involved? Anything and everything, it seems – systems or programs that create, route, access and store information, such as; word processing, spreadsheets, databases, presentations, e-mail, instant messaging, hard drives, floppy disks, USB stick drives, laptops, networks, intranets, extranets, websites, magnetic tape, optical disks, backup tapes, CD-ROM, electronic data interchange (EDI), document management systems, records management systems, accounting systems, imaging systems, workflow management systems, procurement systems, computer assisted design (CAD) systems – any type of system that is used in an aspect of the business operation.

Effective management means understanding the business uses, legal requirements, types of systems and system limitations. Records management programs help organizations identify their records and to determine the length of time records are to be retained for legal, business use or regulatory purposes with the development of record retention schedules. Without an effective records retention schedule, most organizations retain records too long, exposing the organization to unnecessary costs and/or sanctions in discovery proceedings or regulatory audits. If the records are no longer needed, they can be destroyed, as long as there is a written policy which is used in the regular course of business.

⁶ *The Sedona Principles: Best Practices, Recommendations and Principles for Addressing Electronic Document Production*, January, 2004, The Sedona Conference Working Group Series. <http://www.thesedonaconference.org/publications.html>. (Accessed June 3, 2004).

In order to effectively manage information, an organization must also identify all the systems that create, receive, store and retain the information, plus any information that is retained on old media -- created by systems no longer in use. Does your organization have a complete information system inventory? Without a complete inventory it is all but impossible to identify all the information of an organization, let alone review for privilege and produce it for discovery or regulatory assessment in a cost-effective manner. Where is privileged information stored? Is there a separate repository for electronic information identified as privileged? Is there a methodology created to identify privileged information electronically, other than indicating “privileged” in the subject line or in a disclaimer? Does privileged information have greater security and access controls than regular electronic information? These questions should be answered by the IT department and a plan developed to help readily identify privileged material in an electronic environment.

Another problem with electronic records is how to effectively delete the information when required by the retention schedules. Deleting electronic information has been thought of as the same as physically destroying hard copy records – shredding, recycling, burning, pulverizing – which are methods of getting rid of the physical record. However, this process is not so easily accomplished for electronic records. Delete does not mean “delete”. Simply selecting the delete key does not, in fact, delete any information, but merely removes the pointers making it difficult to locate within the system. Deleting a file only places it in the free space of the hard drive (also referred to as unallocated space), where it remains until the time when it will be randomly overwritten. Only at that time is it truly deleted and then, with computer forensic tools, it may still be recoverable, depending upon the number of times it has been overwritten. Wiping the disk is the effective removal of the data – but again, the data is not removed, merely recorded over a set number of times by random characters. This is true for removing e-mail or database information, anything that resides on a tape or disk.

The IT department should be aware of the legal and business risks to not permanently removing or rendering unrecoverable data that is marked as “deleted”. These risks should be assessed and the decision made on what is the best manner to render “deleted” information unrecoverable. Many systems are active enough that the data is overwritten within a short period of time, which

may make the material unrecoverable. However, some systems are not that active and “deleted” material may not be overwritten for many months. It would be beneficial to understand how each system overwrites data to determine if further measures should be taken to mitigate the risks of the information remaining on computer systems after the retention period has expired. The Department of Defense⁷ has developed requirements for record retention software that indicates an over-write of at least seven times is necessary to effectively consider information “deleted” electronically.

ELECTRONIC MESSAGES

E-mail is the dark cloud hanging over many organizations. Most users are unaware of how e-mail is transmitted, how it is received or retained. Some systems retain copies of all e-mails in a separate location – a process which is transparent to the user, but done for administrative purposes to capture and index all e-mail traffic. Some systems co-mingle e-mail with all other types of electronic records, while some have a dedicated server for e-mail. How and where e-mail is handled in any organization is usually a decision made by the IT department.

However, there is a problem with some of the methodologies adopted for e-mail use and retention. The problem stems from the fact that e-mail is not only a delivery system but also business record, depending upon the content of that message, which is often forgotten. Developing policies to delete e-mail within a certain period of time, like 60 days, is a system policy that has nothing to do with evaluating the e-mail content for business use. How to do so in a cost-effective, efficient manner without burdening the user, but still permitting IT to manage the system is not an easy task. This is another area where there should be some type of tagging or indexing created to identify material considered privileged. This will allow the information to be easily identified in a search for privileged material and enable such information to be segregated. Again, the best policy may be to not send any information considered privileged in an electronic format – e-mail or otherwise. If it doesn’t exist in paper or electronic form, it cannot be produced.

⁷ See DoD 5015.2, Design Criteria for Electronic Records Management Software Applications, (2002) at http://www.dtic.mil/whs/directives/corres/pdf/50152std_061902/p50152s.pdf.

Developing policies and procedures to manage e-mail have fallen short in that most policies only skim the surface. Many policies indicate that users can only have a certain allocation of space for their e-mail and when that space is full the user must do something. It is that “something” that is nebulous. Allowing users to archive e-mail to their hard drives in order to free up network space is dangerous. This removes the e-mail from a controlled area where it might be managed, to the sole control of the user – on a hard drive that is inaccessible to anyone else within the organization who might need that information. Plus it now places the responsibility on the user to adhere to the records retention requirements of that e-mail and delete it or move it to be deleted when required – which rarely happens. How is this audited for compliance? How is this information reviewed for privilege?

E-mail is not the only type of electronic messaging system that is causing legal and operational headaches, instant messaging (IM) and text messaging are two fast-growing, popular messaging methods. The Securities and Exchange Commission (SEC) and the NASD have determined that instant messages are considered a form of communication that falls under their requirement of a 3-year retention for broker/dealers under Rule 17a-4.⁸ These communications must now be managed – in addition to the e-mail systems, and policies and procedures developed to retain this information for the 3-year period required by the SEC. There are methods available for the retention and archiving of instant messages on a corporate system, but the system must be identified as an official repository. Many instant messaging programs are available through the internet and are often not sanctioned by corporations. It is unknown how much proprietary or privileged information may be sent through this medium without the knowledge of corporate IT departments.

Text messaging may be even more difficult to retain due to the technology involved with a third-party vendor, usually the telephone provider. Hand-held devices, such as Blackberrys or other PDAs, also create and send text messages. These devices may be synchronized with an organizations network and the information saved, but this is another gray area – does the policy

⁸ See NASD notice to members, July, 2003. <http://www.naskr.com/pdf-text/03333.ntm.pdf> (Accessed June 12, 2004)

and procedures for the use of these devices clearly outline the users responsibilities in downloading or synchronizing systems on a regular basis?

DISCOVERY OF ELECTRONIC INFORMATION

If any area of litigation has changed drastically due to the increase in technology, it would be the area of discovery. There are now many more areas to search; active systems, archival systems, back-up tapes, CD-ROM, hard drives, optical disks, laptops, PDAs, third-party systems and outsourced services, anywhere information has been stored is a potential source of discoverable information – even if it has seemingly been “deleted”. This also poses a problem with identifying privileged material – if there has been no electronic identifier tagged to a privileged document, then each item must be reviewed individually – again incurring unnecessary expenses.

The scope of discovery is governed by Rule 26 (b) of the Rules of Civil Procedure, which states:

“Parties may obtain discovery regarding any matter, not privileged, that is relevant to the claim or defense of any 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 any discoverable matter. For good cause, the court may order discovery of any matter relevant to the subject matter involved in the action. Relevant information need not be admissible at the trial if the discovery appears reasonably calculated to lead to the discovery of admissible evidence. All discovery is subject to the limitations imposed by Rule 26(b)(2)(i), (ii), and (iii).”⁹

The limitations in Rule 26(b)(2) are:

- (i) the discovery sought is unreasonably cumulative or duplicative, or is obtainable from some other source that is more convenient, less burdensome, or less expensive;
- (ii) the party seeking discovery has had ample opportunity by discovery in the action to obtain the information sought; or

⁹ Federal Rules of Civil Procedure, Legal Information Institute <http://www.law.cornell.edu/rules/frcp/Rule26.htm>. (Accessed June 12, 2004).

(iii) the burden or expense of the proposed discovery outweighs its likely benefit, taking into account the needs of the case, the amount in controversy, the parties' resources, the importance of the issues at stake in the litigation, and the importance of the proposed discovery in resolving the issues. The court may act upon its own initiative after reasonable notice or pursuant to a motion under Rule 26(c).¹⁰ Courts have ruled that these rules are adequate for the discovery of electronic records and e-mail.¹¹

Courts are continually addressing the issues of burdensome discovery and cost-shifting, particularly in the production of back-up tapes. Early decisions on cost of production held that the producing party usually was responsible for the total cost of the production. The basis for such decisions was the corporation created the system that retained the information and if the creation of that system did not provide for an easy accessibility to records for production, then that was a cost the company would have to bear, in that the corporation developed the system to function in that manner.¹²

Courts now consider a variety of issues when deciding about cost-shifting in production. In *McPeck v. Ashcroft*, the court utilized the concept of marginal utility in determining whether to shift costs: "The more likely it is that the backup tape contains information that is relevant to a claim or defense, the fairer it is that the [responding party] search at its own expense. The less likely it is, the more unjust it would be to make [that party] search at its own expense. The difference is "at the margin.""¹³

¹⁰ Id.

¹¹ See *Medtronic Sofamor Danek, Inc. v. Michelson*, 2003 U.S. Dist. Lexis 14447 (D. Tenn., 2003), *Anti-Monopoly, Inc. v. Hasbro, Inc.*, No. 94CIV2120, 1995 U.S. Dist. (S.D.N.Y. 1995) and *Bills v. Kennecott Corp.*, 108 F.R.D. 459, 462 (D. Utah 1985).

¹² See *In re Brand Name Prescription Drugs Antitrust Litigation*, 1995 WL 360526 (N.D. Ill. June 15, 1995).

¹³ *McPeck v. Ashcroft*, 202 F.R.D. 31 (D.D.C., 2001)

The court in *Rowe Entm't, Inc. v. William Morris Agency, Inc.* addressed the issue of reviewing privileged material and indicated that expenses to review privileged material is usually borne by the responding party.¹⁴ “In this case, the defendants retained privileged or confidential documents in electronic form but failed to designate them to specific files. This situation is analogous to one in which a company fails to shred its confidential paper documents and instead leaves them intermingled with non-confidential, discoverable papers. The expense of sorting such documents is properly borne by the responding party, and the same principle applies to electronic data. Accordingly, if any defendant elects to conduct a full privilege review of its e-mails prior to production, it shall do so at its own expense.”¹⁵

In *Zubulake v. UBS Warburg*, the court identified six factors to be considered to determine whether cost-shifting is appropriate for the discovery of inaccessible data: “... weighted more-or-less in the following order: 1). the extent to which the request is specifically tailored to discover relevant information; 2). the availability of such information from other sources; 3). the total cost of production, compared to the amount in controversy; 4). the total cost of production, compared to the resources available to each party; 5). the relative ability of each party to control costs and its incentive to do so; 6). the importance of the issues at stake in the litigation; and 7). the relative benefits to the parties of obtaining the information.”¹⁶

While discovery is important in litigation, another side of the discovery issue is the duty to preserve. Many courts are now issuing preservation orders to ensure that information that is the subject of discovery is preserved. At a recent conference on electronic discovery, the problem of how much and what evidence needs to be preserved was discussed. Richard Marcus, a professor at the University of California Hastings College of Law and an advisor to the Advisory Committee on Civil Rules said, “the topics of discussion include defining what sort of materials or data will be covered, building upon local rules, stating what form of electronic document may

¹⁴ See [Rowe Entm't, Inc. v. William Morris Agency, Inc.](#), 205 F.R.D. 421 (D.N.Y., 2002) at 432.

¹⁵ *Id.*

¹⁶ *Zubulake v. UBS Warburg LLC*, 216 F.R.D. 280 (D.N.Y., 2003), at 284.

be requested in discovery, inaccessible data, privacy waivers, preservation and sanctions, and defining what is a document, which the professor said could be a major point of controversy over such areas as embedded data.”¹⁷

In a recent news article about the Kobe Bryant case, text messaging is now being sought for discovery.¹⁸ Although Europe and Asia have used text messaging evidence in criminal cases, the Bryant case appears to be the first U.S. criminal case in which cell phone text messages could be entered as evidence. The article indicates that the defense had subpoenaed the text messages from AT & T. “The company fought the subpoena, but retained the messages. The company fought the subpoena, but last month state District Judge Terry Ruckriegle ordered the company to turn the messages over to him. He will review them in private to determine whether they are relevant to the case, in which Bryant has pleaded not guilty.”¹⁹

This adds a whole new level to the electronic discovery problem. When questioned for the article, most large U.S. wireless companies indicated that text messages were deleted when transmitted and received, or retained for a short length of time if undelivered, then deleted. However, information is saved on the sender, recipient and location of sender. Interesting to note – although AT & T indicates on their website that text messages are only retained for 72 hours for more delivery attempts, the messages in question in the *Bryant* case were available after four months – “most likely they were retrieved from an archival storage system.”²⁰ These cases should put attorneys on notice – by using seemingly innocuous technology – putting information in writing may come back in an unexpected and unpleasant manner.

¹⁷ *Everyone Is Struggling with E-discovery, According to Jurist, Practitioners*, Digital Discovery and e-Evidence Newsletter, (Pike & Fisher), Vol. 4, No. 2, February 2004 at 1.

¹⁸ Jon Sarche, *Text Messages May Turn Up in Bryant Case*, Yahoo News (June 7, 2004) at http://story.news.yahoo.com/news?tmpl=story&cid=528&e=1&u=/ap/20040607/ap_on_hi_te/text_messaging_recor ds.

¹⁹ Id.

²⁰ Id.

WHAT YOU SEE IS NOT ALWAYS WHAT YOU GET

Most office programs allow for the creation, deletion, and insertion of text or data in a document, spreadsheet or database. This is to facilitate the ease of drafting and reviewing information. The functionalities of many of the tools used today, such as Word, Word Perfect, Excel or Lotus, are to allow for mistakes to be corrected and the recreation of information easily without having to retype the information. The purpose of the functions, such as the “undo” key or “track changes”, allows for the ease of document creation. This ease, however, can be harmful in discovery, or even when sending information to a client or adversary. If a document is not saved properly, it can be sent electronically and the recipient may have the ability to see all the changes made before the document was sent. The same is true of spreadsheets – comments and notes can be hidden in a spreadsheet – when printed one would assume they are looking at all information. However, when the spreadsheet is sent in electronic form, any hidden data can be viewed, unless the document is protected. For this reason, it is extremely important to request all electronic information in electronic format for discovery purposes, rather than hard copy. Hard copy does not reveal any of the underlying hidden information or comments.

Word processing software also has metadata tags which automatically identify certain properties. In MS Word, for instance, there are two categories of information that are automatically populated or can be added for each new document. Information is stored on each file you save in MS Word. In the origin category, the types of information collected are: author, last saved by, revision number, application name, company (Licensee), date created, date last saved and edit time. Under Description, the categories are: title, subject, category, keywords, template, pages, word count, character count, line count, paragraph count, scale, links dirty, comments. These categories may vary depending upon the version in use. Some of the information in the Origin category, such as “Author”, comes from the information input when installing and registering the application. Other information comes from working and then saving the document. The registration information is retained in the Windows System register. All information is saved as part of the document and is thus transported with the document.

A good practice to use when sending documents for review is to protect the document by using the function available in the word processing application. This allows the receiving party to

“view only”, which means they can only read and print the document, but cannot make unauthorized changes to the document. This is a very simple and easy feature to use, but few companies require out-going documents to be protected. Another method is to convert the document into a .pdf format, using Adobe Acrobat. This makes the document unalterable by the recipient. Once a document has been converted into the .pdf format from a native word processing format, it is very difficult to convert back to the original format to make changes. This method requires the recipient to contact the sender to indicate the changes to be made in a document. While this may not be required or needed for every document, it does provide a higher level of certainty that the document has not been altered.

ELECTRONIC COMMUNICATION: DOING IT WELL

Sometimes, “telling it like it is” is not the best business practice. E-mail tends to provide a false sense of security in communications – it is not private and is saved on a regular basis. Because e-mail is subject to discovery and can be used as evidence, it is critical that all users, not just lawyers, understand the implications of sending inappropriate, poorly-worded e-mails. E-mail lends itself to casual conversation and accordingly, standard business writing techniques have not been incorporated when writing e-mail.

Responding to an e-mail emotionally, whether in anger, defensively, etc., is never a good idea. It is always best to draft the e-mail and “let it rest”, giving the writer time to reflect on the content of the message before transmission. Once the “send” key has been clicked, there is no retrieving the document, unless it is sent to a queue within the system for transmission at a later time. Another risk is inserting personal opinions into an e-mail. Some may construe a personal opinion as the opinion of the corporation, which may be detrimental to the corporation and difficult to defend when in litigation.

Privileged material should be marked as such in any electronic communication, whether by indicating in the subject line, in a footer or header of the material, or by an electronic tag, making it easy to identify. It may also be necessary to provide a higher level of protection and security to privileged electronic records through system rights and controls. Digital Rights Management (DRM) software may be useful in controlling privileged material. DRM systems were created

to restrict the use of digital files in order to protect the interests of copyright holders. DRM technologies can control file access (number of views, length of views), altering, sharing, copying, printing, and saving. These technologies may be contained within the operating system, program software, or in the actual hardware of a device. While this technology was not created to address the issue of privileged material, it may be useful to control the forwarding, printing and alteration of privileged materials.

It is also important for users to understand the risks in forwarding or sharing privileged material. Inadvertent disclosure to a third-party may waive the privilege. For this reason, specific policies and procedures and training of all employees who create, send or receive privileged information is advisable. Having a system in place, like a DRM, which does not permit unauthorized transmission or forwarding, would be helpful in minimizing this risk.

Language that is obscene, racist, discriminatory, harassing, politically charged or in any other way offensive should never be permitted. Many employees are unaware of the type of language that may be considered offensive. Effective training can help keep e-mail offenses from occurring. Utilizing monitoring software, which can detect “trigger” words, can help a company keep on top of language violations.

Many companies have developed specific policies and training classes to help employees understand the legal risks involved when composing e-mail messages and to compose electronic business messages effectively. It is advisable to have a separate electronic writing policy that outlines the acceptable method of drafting and submitting electronic communications. Training users to understand that an e-mail, as a business communication, should be given the same professional tone as other “written” materials, and not a casual, conversational tone. In some instances the casual tone is acceptable, especially when dealing internally. Those messages that are sent to outside business clients and counsel should have the same decorum as other type of communication – when the content is controlled, risk is controlled.

DOING WHAT IS BEST

The best policy for not producing or inadvertently sending privileged information is not to have privileged information in writing, when possible. Face-to-face or land-line telephone

communications are the best methods to ensure that privileged information will not be compromised. But there will be some instances where this is not possible or privileged material is received. Having appropriate policies and procedures in place that can help identify privileged material for ease of access, enhanced security, and appropriate disposition is necessary. Remember, once a document is in writing, it is subject to discovery. All records have a useful life. Be sure that privileged records are identified within the retention schedules so they may be effectively removed, deleted or destroyed pursuant to the retention policy, or preserved, if necessary.

BIOGRAPHIES

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Bill was a trial lawyer from 1965 until 1988, handling matters in the following substantive areas: antitrust; securities; civil rights; and products liability. He is a member of the American Law Institute, where he was a member of the Members' Consultative Group for the RESTATEMENT OF THE LAW GOVERNING LAWYERS project. He was a member of the Advisory Council to the American Bar Association "Ethics 2000" Commission, and he is a member of the ABA Business Law Section Legal Opinions Committee.

Bill has written and spoken extensively in the areas of legal ethics and loss prevention. He is the author of FREIVOGEL ON CONFLICTS, a comprehensive online guide to conflicts of interest, <http://www.freivogelonconflicts.com>. A partial list of his other writings includes: *Selected Ethics Issues in Litigation Practice*, 72 TULANE L. REV. 637 (1997)(co-author); *Conflicts of Interest and the Business Lawyer: A Professional Liability Epidemic*, 11 DELAWARE LAWYER 32 (Winter 1993); *Emerging Conflict of Interest Issues*, 79 ILL. BAR J. 628 (December 1991).

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Ms. Valihura received her law degree from the University of Pennsylvania where she was on the Law Review. She received her undergraduate degree from Washington & Jefferson College where she was valedictorian. A former Law Clerk to the Honorable Robert E. Cowen, U.S. Court of Appeals for the Third Circuit and member of the Delaware Bar Association and the Pennsylvania Bar Association, Ms. Valihura is the author of numerous publications including Attorney-Client Privilege and Work Product Doctrine: Corporate Applications, 22-3rd C.P.S. (BNA 2002); Outside Counsel As Director, 53 The Business Lawyer 479 (Feb. 1998); Delaware Perspective on Advancing Directors' and Officers' Litigation Expenses, Bank and Corporate Governance Law Reporter, Vol. 12, No. 1 (March 1994). She is also a member of the American Bar Association; the Council of the Corporation Law Section of the Delaware Bar Association; the Delaware Bar Foundation (Director), and the Delaware Law Review (Board of Editors).