WILMERHALE

Privilege Standing Committee Update

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Tenth Circuit Announces Three-Factor Test for Determining Whether Involuntary Production Constitutes Waiver

In the recently decided *United States v. Ary*, No. 06-3383, 2008 U.S. App. LEXIS 4633 (10th Cir. Mar. 4, 2008), the Tenth Circuit considered an issue of first impression: whether a defendant waives attorney-client privilege and work product protection when he is compelled to produce privileged material. *Id.* at *14. The Court announced a three-factor test for determining whether involuntary production constitutes waiver, *id.* at *15, and upheld the district court's finding of waiver. *Id.*at *16.

Max Ary, the President and CEO of a space museum in Kansas, allegedly sold several artifacts on loan from NASA and kept the proceeds. *Id.* at *2-3. He was charged with money laundering, theft of government property, and mail and wire fraud. *Id.*at *1. At trial, the prosecution introduced two boxes of material that investigators had seized from Ary's home during a warranted search. *Id.*at *4. Defense counsel moved to suppress any use of the documents in the two boxes, arguing that they were prepared in anticipation of litigation and thus subject to work product protection. *Id.* at *6-7. The district court held that the protection was waived because Ary produced the material (albeit involuntarily) and failed to claim work product protection at the Rule 16 discovery meeting before trial. *Id.*at *7.

On appeal, Ary argued that the district court's finding of waiver constituted reversible error. The Tenth Circuit acknowledged that "[a]lthough this court has addressed waiver of the work-product doctrine and attorney-client privilege for voluntary or inadvertent disclosures, we have not addressed the issue of waiver when production of the evidence is compelled." *Id.*at *14.

The Tenth Circuit held that in determining whether attorney-client privilege and work product protection are waived when material is involuntarily disclosed, it would consider "(1) the specificity

with which the defendant identifies the material; (2) the expediency by which the defendant informs the government that it seized protected material; and (3) the expediency by which the defendant seeks judicial action to enforce the protection." *Id*.at *15. These factors, the court explained, are often employed by other courts and serve the goals underlying the attorney-client privilege and work product doctrine. *See id.* at *15-19. "The key is that the party seeking protection must treat the document or communication as confidential. When a party delays in asserting protection, however, the adverse party is free to continue to use the material, thereby negating its confidential character." *Id*.at *18.

The Tenth Circuit affirmed Ary's conviction based on its three-factor test. "Examining the above factors, we cannot conclude the district court erred. In his communications with the United States Attorney, Ary never identified the contents of the [boxes] as protected under the work-product doctrine or the attorney-client privilege. Further, Ary did not assert protection in a timely fashion. He waited six weeks to assert protection after the Rule 16 discovery meeting. The district court concluded this delay was sufficient to constitute a waiver. We agree and hold that Ary waived work-product protection and attorney-client privilege." *Id*.at *19.

District Court Finds Waiver by Inadvertent Disclosure to Testifying Expert

In litigation related to a contract dispute between Wunderlich-Malec Systems, Inc. ("Wunderlich") and Eisenmann Corp. ("Eisenmann"), the Northern District of Illinois (Ashman, M.J.) ordered the production of two undisputedly privileged communications, finding that the privilege had been waived by Wunderlich's inadvertent disclosure to both its testifying expert and subsequently to Eisenmann. *Wunderlich-Malec Sys., Inc. v. Eisenmann Corp.*, No. 05 C 4343, 2007 U.S. Dist. LEXIS 786620 (N.D. Ill. Oct. 18, 2007).

The challenged documents were communications from Wunderlich employees to the company's counsel "in furtherance of an ongoing relationship of legal advice and consultation," *id.* at *8, and were included among 11,000 pages of documents given to a Wunderlich testifying expert. *Id*.at *4. As required by the Federal Rules of Civil Procedure, Wunderlich made a duplicate production of those documents available to Eisenmann. According to an affidavit submitted by a Wunderlich lawyer, the documents were reviewed for privilege and confidentiality both before they were given to the testifying expert and then again before they were produced to opposing counsel.

After the production to Eisenmann, an Eisenmann attorney contacted Wunderlich to notify it that two disputed documents, which had been included on Wunderlich's privilege log, were among the documents produced. *Id*.at *5. Wunderlich requested the prompt destruction of the documents, and when Eisenmann did not comply, moved to compel their return. Eisenmann opposed, arguing that Wunderlich had waived the privilege first by revealing the documents to its testifying expert, and then by repeating the error in its production to Eisenmann.

In considering whether the documents should be returned to Wunderlich, the Court applied the three-part standard developed in *Harmony Gold U.S.A., Inc. v. FASA Corp.*, 169 F.R.D. 113, 155 (N.D. Ill. 1996) (evaluate whether: (1) the documents are privileged; (2) the disclosure was truly inadvertent; and (3) fairness and other factors require waiver of the privilege). *Wunderlich*, 2007 U.S.

Dist. LEXIS 786620,at *6. The Court found no real dispute as to the first two factors: from the Court's own *in camera* review of one of the two contested documents, it held that the two communications were indeed privileged, and despite the vagueness of the Wunderlich affidavit describing review procedures, the Court found that the inclusion of the contested documents in Wunderlich's privilege log was highly indicative of inadvertence. *Id.*

The last factor—whether fairness required waiver—was dispositive. The Court found that Wunderlich's review procedures, which "fail[ed] in two consecutive reviews to reveal documents that have already been identified as privileged," were unreasonable. *Id* at *14. Further, the Court found that fairness required production to Eisenmann because the privileged documents had been made available to Wunderlich's expert, and at least one of them related to topics addressed in the expert's Report. *Id.*at *15. The Court held that without access to the privileged documents Eisenmann would be prejudiced in its ability to effectively cross-examine the expert, including with respect to the expert's declaration swearing that he did not notice, nor rely upon, the privileged communications in preparing his report. *Id.*at *16. The Court considered the declaration ripe for cross-examination because it was probative of how thoroughly Wunderlich's expert reviewed the materials upon which his expert opinion was based, and held that "proportionality" required a finding of waiver with respect to the inadvertently produced documents. *Id.*

District Court Orders Deposition of Plaintiff's Attorney

The Southern District of California ordered the deposition of Plaintiff's attorney after finding that he had information crucial to Defendant's statute of limitations defense, and that the information could not be otherwise obtained. *Pastrana v. Local 9509 Commc'ns Workers of Am.*, No. 06cv1779 W (AJB), 2007 U.S. Dist. LEXIS 73219 (S.D. Cal. Sept. 28, 2007).

Plaintiff brought suit against Local 9509 after he was fired from his job with AT&T, and the union declined to appeal his grievance to arbitration. *Id.*at *3. Local 9509 raised the six-month statute of limitations as a defense to Plaintiff's claim that it had breached its duty of fair representation. Thus the date by which the union notified Plaintiff and his attorney that it would not appeal was significant. *Id.* at *3-4.

If Plaintiff had been given notice by the union prior to February 28, 2006, his claim, brought on September 1, would be untimely. *Id.*at *4. Defendant claimed that a union employee had informed Plaintiff and his attorney via several teleconferences in February 2006 that it would not pursue his grievance to arbitration; Plaintiff disputed this account and offered a Declaration of his counsel that these teleconferences had not occurred until March 2006. *Id.*at *4. Defendant filed a motion to compel the deposition of Plaintiff's counsel on the grounds that he was the only person besides Plaintiff and a union employee to participate in those conversations. *Id.* at *4-5. Defendant also moved to compel the production of any notes Plaintiff's attorney took during those conversations. Plaintiff opposed the motion and moved for a protective order on the grounds that the testimony and documents sought were protected by the attorney-client privilege and work product doctrine. *Id.*

The Court (Battaglia, M.J.) first considered the deposition of Plaintiff's counsel, and noted that neither the Federal Rules of Civil Procedure nor of Evidence preclude a party from seeking to

depose an opponent's attorney. *Id.*at *5. The Court then applied the widely accepted three-part standard set forth in *Shelton v. Am. Motors Corp.*, 805 F.2d 1323 (8th Cir. 1986) ("(1) no other means exist to obtain the information than to depose opposing counsel; (2) the information sought is relevant and nonprivileged; and (3) the information is crucial to the preparation of the case"), and held that there was no genuine dispute as to the relevance of the testimony, or to the fact that such information would be crucial to the union's defense. *Pastrana*, 2007 U.S. Dist. LEXIS 73219,at *7-8. The Court found unpersuasive Plaintiff's claim that the information was available from other sources, as Plaintiff, his lawyer, and a union employee were the only three people to participate in the pivotal teleconferences. Further, Plaintiff failed to identify any additional witnesses who would have this information, and only intended to introduce the Declaration of his attorney as evidence that the statute of limitations on his claim had not run. *Id.*at *9.

The Court then evaluated Plaintiff's claim that the attorney-client privilege and work product doctrine prevented disclosure of the conversation, and held that although it was clear that the privilege did not protect facts learned during a conversation with a third party during the course of a representation, *id.* at *10, it was less clear whether the work product doctrine would immunize the attorney's notes from discovery. *Id.*at *11. The Court concluded that portions of the attorney's notes merely detailing facts learned must be produced: "the courts have consistently held that the work product doctrine furnishes no shield against discovery, by interrogatories or by deposition, of the facts that the adverse party's lawyer has learned, or the person from whom he has learned such facts." *Id.*at *15. However, because opinion work product might be included among the lawyer's teleconference notes, the Court first ordered production for *in camera* review and redaction. *Id.*at *17.

Seventh Circuit Suggests That Criminal Defendant's Agent Cannot Create Work Product

In *United States v. Smith*, 502 F.3d 680 (7th Cir. 2007), Smith appealed his conviction for federal offenses related to mailing a pipe bomb. On appeal, Smith argued that the trial court erred by allowing the prosecution to impeach his testimony with a letter that he had sent to a friend of his. *Id.*at 688. Smith claimed that the friend, a private investigator, was his agent and that the letter was therefore entitled to work product protection. *Id.* The Seventh Circuit held that Smith waived this objection by failing to raise it at trial: "From defense counsel's comments, it appears that he considered whether to argue that the letter was privileged and made an affirmative decision not to do so. He did not carelessly or accidentally fail to raise an objection, rather, he intentionally chose to forego the argument. Thus, it has been waived, and we cannot revisit the district court's decision to allow the government to use the letter to impeach Smith." *Id.*at 689.

"However," the Seventh Circuit added, "even absent the waiver, allowing the use of the letter for impeachment purposes was proper because the letter is not privileged work product. The work-product privilege protects documents prepared by an attorney or the attorney's agent to analyze and prepare the client's case. It is not up to the client to determine whom to make an agent for the purposes of asserting the work-product privilege; the privilege extends to the work of the attorney's agents, not the client's agents." *Id.* Thus, *Smith* indicates that at least in the criminal context, the Seventh Circuit is only willing to grant work product protection to an attorney's agents, not a client's

agents.

The *Smith* opinion contains no acknowledgment of the expanded work product protection offered to non-lawyers in civil matters, *see* Fed. R. Civ. P. 26(b)(3)(A), nor does it reconcile its narrow view of work product protection with the Supreme Court's admonition that work product protection is "even more vital" in the criminal context than in the civil context. *United States v. Nobles*, 422 U.S. 225, 238 (1975). By contrast, at least some courts have extended work product protection under Rule 26 beyond the civil context. *See, e.g.*, *In re Grand Jury Subpoena Dated Oct. 22, 2001*, 282 F.3d 156 (2d Cir. 2002) (citing Rule 26 in grand jury context). Also, Federal Rule of Criminal Procedure 16(b)(2) could be read to suggest that materials prepared by a defendant's agents are entitled to work product protection. See Fed. R. Crim. P. 16(b)(2) (exempting from Rule 16 discovery "reports, memoranda, or other documents made by the defendant, *or the defendant's attorney or agent*, during the case's investigation or defense" (emphasis added)).