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## Privilege Standing Committee Update

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### **Sixth Circuit rejects use of government “taint team” and upholds third party’s right to conduct privilege review prior to government review of subpoenaed documents.**

The Sixth Circuit Court of Appeals recently rejected a government proposal to use a “taint team” to conduct a privilege review of documents responsive to a grand jury subpoena issued to a third party. *In re: Grand Jury Subpoenas 04-124-03 and 04-124-05*, Nos. 05-2274 / 05-2275, 2006 U.S. App. LEXIS 17475 (6th Cir. July 13, 2006). In 2003, Venture Holdings LLC (Venture), owned by appellant Larry Winget, filed for bankruptcy and replaced Winget as CEO. After an internal investigation, Venture’s post-filing management filed suit against Winget for fraudulent conveyance of goods and services from Venture to other entities under Winget’s control. Soon thereafter, a federal grand jury investigating the claims subpoenaed Venture to produce documents related to Winget’s conveyances. Winget filed a motion to intervene, claiming the right to conduct a review of a subset of the subpoenaed Venture documents containing material that Winget claimed was protected by his own (rather than Venture’s) attorney-client privilege or work-product protection. **The government, citing the need to maintain grand jury secrecy, claimed that its own “taint team,” consisting of government attorneys not participating in the case, should conduct the initial privilege review.** The district court agreed with the government’s proposed procedure.

On appeal, the Sixth Circuit (Boggs, C.J.) overturned the district court's decision and **rejected the use of a government "taint team."** Noting the dangers of creating a procedure whereby "the government's fox is left in charge of the appellants' henhouse, and may err by neglect or malice, as well as by honest differences of opinion," *id.* at \*34-35, **the court concluded that Winget must have the opportunity to conduct a privilege review and submit a privilege log prior to the government's review of the subpoenaed documents.** The Sixth Circuit reminded the district court that "the government must show sufficient cause for overcoming [any applicable] privilege," *id.* at \*25, noting that even in the case of *in camera* inspections (which, unlike government reviews, do not destroy privilege), the law requires "a prior showing that is weakly analogous to probable cause." *Id.* at \*26. While acknowledging the importance of maintaining grand jury secrecy, the court noted that the **danger of violating privilege in this case outweighed the relatively minimal "risk that the appellants could divine or reverse-engineer the grand jury's investigative purpose** by reviewing a set of their own documents." *Id.* at \*32-33. To minimize the potential invasion of grand jury secrecy and to avoid any significant delay in the investigation, the court ordered the district court to employ a special master to conduct a word search from an approved list and extract those documents containing the search terms for Winget's review. *Id.* at \*37.

#### **Northern District of Illinois holds that audit letters enjoy work-product protection, which is not waived by disclosure to auditors.**

Audit letters summarizing current or potential litigation constitute work product, according to the Northern District of Illinois. *Lawrence E. Jaffe Pension Plan v. Household Int'l, Inc.*, No. 02-C-5893, 2006 U.S. Dist. LEXIS 49319 (N.D. Ill. July 6, 2006). In order to enjoy work-product protection, a document must be prepared "in anticipation of litigation." *Id.* at \*7. Jurisdictions differ dramatically, however, with respect to the relationship required between the document and the expected litigation. The Fifth Circuit, for example, has adopted a strict formulation, affording protection only to documents created with "the primary motivating purpose . . . to aid in possible future litigation." *Id.* at \*7. Other circuits, however, including the Second, grant work-product protection to documents created "because of the prospect of litigation," whether or not the documents were created to aid the litigation in some way. *Id.* at \*8-10.

As the court (Nolan, Mag. J.) noted, "[t]he Seventh Circuit has not directly decided whether audit letters constitute work product." *Id.* at \*11. However, the Seventh Circuit did, in *Logan v. Commercial Union Ins. Co.*, 96 F.3d 971, 976 (7th Cir. 1996), endorse the broader "because of" test for work-product protection. *Lawrence E. Jaffe Pension Plan*, 2006 U.S. Dist. LEXIS 49319, at \*11-12. In the court's opinion, because the audit letters at issue "were not prepared due to some remote possibility of litigation but, rather, summarize pending and actually threatened litigation," **the audit letters deserved work-product protection, regardless of whether they were intended to play any role in the litigation itself.** *Id.* at \*14-15. The court distinguished earlier Seventh Circuit jurisprudence denying protection to tax returns as "dual-purpose documents" in part on the grounds that, although tax returns can be completed by a non-lawyer, "only an attorney could have drafted the legal Opinion Letters evaluating the pending and threatened litigation." *Id.* at \*15-16.

The court also **rejected plaintiffs' arguments that defendants had waived work-product**

**protection by disclosing the audit letters to their auditors.** Citing *Medinol, Ltd. v. Boston Scientific Corp.*, 214 F.R.D. 113, 116 (S.D.N.Y. 2002), which stated that independent auditors “*must* not share common interests with the company they audit” (emphasis in original), plaintiffs argued that disclosure to the auditors, who performed a “public watchdog” function, substantially increased the opportunity for potential adversaries to obtain the information. *Lawrence E. Jaffe Pension Plan*, 2006 U.S. Dist. LEXIS 49319, at \*20-21. The court, however, stressed that “the fact that an independent auditor must remain independent from the company it audits does not establish that the auditor also has an adversarial relationship with the client as contemplated by the work product doctrine.” *Id.* at \*21.

**Southern District of New York concludes that waiver of attorney-client privilege does not require waiver of work-product protection for documents concerning same subject matter.**

A recent Southern District of New York opinion provides some definition to the boundaries of subject-matter waiver in the context of the advice-of-counsel defense. *Urban Box Office Network, Inc. v. Interfase Managers, L.P.*, No. 01 Civ. 8854, 2006 U.S. Dist. LEXIS 51858 (S.D.N.Y. July 26, 2006). The court previously concluded that the defendants had waived the privilege by relying on an advice-of-counsel defense in an earlier arbitration. The defendants then produced thousands of pages of documents from their counsel’s files but **withheld certain documents concerning the same subject matter on the grounds that these documents had not been produced in the arbitration but instead were notes and other documents from the attorney work files.***Id.* at \*3-4.

Acknowledging the correctness of the defendants’ point that extrajudicial disclosure of privileged communications does not necessarily lead to waiver of all non-disclosed documents on the same subject matter, the court (Katz, Mag. J.) found that **the attorney-client privilege was waived.** The court explained that the communications were disclosed in arbitration, “a quasi-judicial adversarial proceeding, and in the malpractice action against [the defendants’ counsel], which is clearly a judicial proceeding. **Defendants placed their privileged communications at issue in those proceedings, thus resulting in a subject matter waiver of all privileged communications on the same issues.**” *Id.* at \*6.

Significantly, however, the court concluded that **subject-matter waiver of the attorney-client privilege did not require waiver of the work-product protection** for documents concerning the same subject matter. *Id.* at \*8-9. The court stated simply that, although it had concluded that the defendants had waived the attorney-client privilege, “there has been no waiver of attorney work product, and Plaintiffs have not demonstrated that they have ‘substantial need’ for counsels’ [sic] work product.” *Id.* at \*9.

**Plaintiff in patent suit cannot present evidence that defendant asserted attorney-client privilege over opinion of counsel on which it did not rely to defend against claim of willful infringement.**

The plaintiff in a patent infringement suit cannot present evidence that the defendant sought the advice of counsel and has asserted the attorney-client privilege over that advice, according to the Eastern District of California. In *McKesson Information Solutions, Inc. v. Bridge Medical, Inc.*, 434 F. Supp. 2d 810 (E.D. Cal. 2006), the defendant brought a **motion in limine to preclude evidence or**

**testimony pertaining to its assertion of attorney-client privilege over an opinion of counsel on which it did *not* intend to rely** in defending against a claim of willful infringement. *Id.* at 811. The parties agreed that, under *Knorr-Bremse Systeme Fuer Nutzfahrzeuge GmbH v. Dana Corp.*, 383 F.3d 1337 (Fed. Cir. 2004), the plaintiff could not argue to the jury that it should infer that the opinion obtained by the defendant was unfavorable. *McKesson*, 434 F. Supp. 2d at 811. The question before the court was whether the plaintiff could “nonetheless inform the jury that [the defendant] asserted the attorney-client privilege over the opinion it received regarding [the plaintiff’s] patent.” *Id.*

The court (Damrell, J.) answered in the negative, distinguishing cases applying *Knorr-Bremse* to permit a jury to consider a defendant’s failure to seek an opinion of counsel. *Id.* at 812 (“**Unlike those cases, any possible inference that the jury could draw from knowing that [the defendant] received an unfavorable opinion of counsel, but refuses to reveal it under a claim of privilege, would run directly afoul of the rationale of *Knorr*.**”).

Emphasizing the sanctity of the attorney-client privilege, the court elaborated, “Were the court to permit such evidence, even with a cautionary instruction imposing *Knorr*’s limitations (of no adverse inference), the jury would nonetheless be left to speculate why [the defendant] would not reveal its counsel’s opinion. **It is inescapable that the jury would likely conclude that [the defendant] received an unfavorable opinion, otherwise [the defendant] would reveal it.**” *Id.* For this reason, the court granted the motion in limine.

#### **Sixth Circuit joins majority view that attorney opinion work product shared with testifying expert is discoverable.**

The Sixth Circuit recently considered whether Fed. R. Civ. P. 26 requires disclosure of an attorney’s opinion work product that has been shared with a testifying expert, resolving the question in favor of the majority view. In *Regional Airport Authority v. LFG, LLC*, the court reviewed several district court rulings related to the Regional Airport Authority’s (the Authority’s) suit to recover environmental cleanup costs under CERCLA and state common law claims for a parcel of land it condemned during an airport expansion project. No. 05-5754, 2006 U.S. App. LEXIS 21035, at \*1 (6th Cir. Aug. 17, 2006). **On appeal, the Authority challenged, among other things, the enforcement of a discovery order requiring that the Authority disclose to LFG all opinion work product provided to its testifying experts.***Id.* at \*3.

The court (Suhrheinrich, J.) noted that two lines of cases had developed since the 1993 amendments to Fed. R. Civ. P. Rule 26 created the requirement that testifying experts submit written reports. According to the minority view, the amendments had no impact on the pre-amendment rule that opinion work product was protected even if shared with a testifying expert, while **the majority view held that the amendments imposed a duty to disclose all materials shared with such experts, including attorney opinion work product.***Id.* at \*48-50. The minority view found support for its approach (1) based on the lack of explicit language in the amended rule informing parties that work-product protection would not apply to materials given to testifying experts and (2) in the language of Fed. R. Civ. P. 26(b)(3) and (4), both of which provide for the discovery of work product only under special circumstances. *Id.* at \*49-50. The majority view relied on the notes of the Advisory Committee, which characterized the addition of (a)(1)-(4) as the creation of a disclosure duty. *Id.* at

\*49.

The court held that Rule 26(a)(2) requires disclosure of all material, including opinion work product, provided to a testifying expert. *Id.* at \*51. The court reasoned, “[a] plain reading of *subsections(a)(2)* and *(b)* makes clear that *(b)* applies to the *discovery* of information provided to experts generally, while *(a)(2)* applies to the *disclosure* of information provided to testifying experts specifically.” *Id.* Thus, the language in the rule limiting the discovery of work product to special circumstances did not also limit the expert disclosure obligations established in a separate subsection. In addition, the court observed that this approach conformed with the Advisory Committee Notes to the 1993 amendments, which stated, “‘Given [Rule 26’s] obligation of disclosure, litigants should no longer be able to argue that materials furnished to their experts to be used in forming their opinion—whether or not ultimately relied upon by the expert—are privileged or otherwise protected from disclosure when such persons are testifying or being deposed.’” *Id.* at \*53 (citation omitted).

### **Courts take varying approaches in wake of *EchoStar*.**

The Federal Circuit’s May 2006 opinion in *In re EchoStar Communications Corp.*, 448 F.3d 1294 (Fed. Cir. 2006), addressed the scope of waiver of the attorney-client privilege and work-product doctrine when a defendant accused of willful patent infringement relies on an opinion of counsel in its defense. In the months following *EchoStar*, a number of district courts have interpreted the decision differently. Jordan L. Hirsch and Michael J. Summersgill of WilmerHale’s IP Litigation Group examine [the state of the law post-EchoStar](#).

**Practice Tip:** When an attorney uses an agent such as an expert witness or outside accountant, the privilege is more likely to be retained if the agent is directly employed by counsel, if the stated purpose for employment is to facilitate the rendering of legal advice, and if the agent communicates findings to counsel, not to the client. For this reason, expert witnesses, especially “consulting” experts who will not be called to testify, should be retained by the attorney rather than the client. An engagement letter, sent on firm letterhead, should make clear that communications will be subject to the attorney-client privilege and that confidentiality will be maintained. (The engagement letter may nonetheless provide that the client, not the firm, is ultimately responsible for paying the expert’s fees.)