

**ARTICLE: NAVIGATING IMPLIED WAIVER OF THE ATTORNEY-CLIENT  
PRIVILEGE AFTER ADOPTION OF FEDERAL RULE 502 OF THE FEDERAL  
RULES OF EVIDENCE+, + Copyright Moore & Van Allen, PLLC.**

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**Author:** JAMES P. MCLOUGHLIN JR., NEIL T. BLOOMFIELD, RENEE D.K. MILLER and TONYA L. MERCER\*

\* Mr. McLoughlin and Mr. Bloomfield are Members, Ms. Miller is an Associate and Ms. Mercer is Counsel in Moore & Van Allen, PLLC's Litigation and Government Investigation practice groups in Charlotte, North Carolina.

## **Text**

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**[\*694]**

### **INTRODUCTION**

If we intend to serve the interests of justice by encouraging consultation with counsel free from the apprehension of disclosure, then courts must work to delineate the scope of the privilege in ways that are predictable and certain. "An uncertain privilege - or one which purports to be certain, but rests in widely varying applications by the courts - is little better than no privilege." <sup>1</sup>

Assume that a publicly held New York corporation with nationwide business retains counsel for its latest filing with the United States Securities and Exchange Commission. As part of this representation, counsel advises the client on what information should and should not be included in the filing about the company's retention of independent counsel to investigate suspicions that a Virginia subsidiary bribed public officials. Based on the disclosures made in that filing, the corporation is sued in district courts in the Second and Fourth Circuits. The court in the Second Circuit, as expected, finds that the communications between the corporation and its counsel related to the filing are privileged. However, under Fourth Circuit precedent, none of the communications between the corporation and its counsel are privileged. The court in the Fourth Circuit orders production of all of the information and advice relating to the disclosure about the investigation, including information counsel advised the company not to disclose. This result shocks the client and even the attorneys, who practice in jurisdictions with more generous interpretations of the attorney-client privilege. The impact of [Rule 502 of the Federal Rules of Evidence](#) on this dichotomy - and the dichotomy's effect on Rule 502 - is the subject of this Article.

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<sup>1</sup> [In re Lott](#), 424 F.3d 446, 450 (6th Cir. 2005) (quoting [Rhône-Poulenc Rorer Inc. v. Home Indem. Co.](#), 32 F.3d 851, 863 (3d Cir. 1994)).

The circumstances under which the attorney-client privilege is deemed waived by voluntary action, whether by express waiver or the less-understood "implied waiver," are volatile and uncertain. Indeed, as recently as 2003, the First Circuit could say that "like most courts, this court has yet to develop a jurisprudence clarifying the scope of such implied waivers."<sup>2</sup> Many attorneys and their clients do not appreciate the disparate approaches that various federal courts take to implied waiver, or the uncertainty over privilege that results.

**[\*695]** [Federal Rule of Evidence 502](#), which became effective September 19, 2008, was enacted to resolve what the drafters characterized as "long-standing disputes in the courts" about the effect of disclosures of privileged information.<sup>3</sup> The Advisory Committee reported: "The rule seeks to provide a predictable, uniform set of standards under which parties can determine the consequences of a disclosure of a communication or information covered by the attorney-client privilege or work product protection."<sup>4</sup>

Our discussion focuses on Rule 502(a), which addresses "implied waiver." Implied waiver may occur in two ways. First, implied waiver may occur when the privilege-holder partially discloses confidential communications with counsel. Alternatively, implied waiver may occur when the privilege-holder puts an otherwise privileged communication into controversy - for example, by asserting the defense of attorney-client privilege. In these situations, the law implies waiver of the privilege as to other, undisclosed, communications.

The circumstances in which waiver is implied, and the scope of that waiver, vary by circuit. Generally speaking, circuits have adopted one of two views of waiver of the attorney-client privilege, referred to here as the Classic View and the Modern View. These views diverge because they are grounded upon different evaluations of the benefits and costs of the attorney-client privilege to the judicial system and society. Although it is an oversimplification, the Classic View begrudgingly acknowledges the necessity of the attorney-client privilege to allow the attorney-client relationship to function, but emphasizes the countervailing loss of transparency and the obstruction of the truth-finding process. As a result, under the Classic View, the attorney-client privilege is a necessary evil, and courts holding to the Classic View are rigorous in the application of the requirements of the privilege. The failure of a client to comply with the strictures of the classic requirements of the privilege results in a complete or broad loss of the privilege. In contrast, the Modern View emphasizes the attorney-client privilege as a useful and beneficial component of the judicial system and broader society, and so takes a more generous view of the privilege and a much more limited view of the circumstances under which the privilege is lost and the scope of that loss.

**[\*696]** Rule 502(a) provides that disclosure of privileged information or communications in a federal proceeding, or to a federal office or agency, waives the attorney-client privilege or work product protection as to the information disclosed. However, the waiver extends to undisclosed communications or information only if: "(1) the waiver is intentional; (2) the disclosed and undisclosed communications or information concern the same subject matter; and (3) they ought in fairness to be considered together."<sup>5</sup> Rule 502's use of the malleable concept of "fairness" adopts the Modern View, but leaves courts with tremendous leeway to define the context and scope of the waiver without resolving conflicts between the Modern and Classic Views.

By leaving room for both the Classic and Modern Views, Rule 502 thus provides less certainty than first appears. This Article examines the mechanics and consequences of that uncertainty. We will examine the conflict between the Classic View and the Modern View with respect to implied waiver, including the scope of implied waiver and the contexts in which implied waivers occur, particularly in investigations. We will also examine situations when a portion of privileged information is published with the intent to keep a separate portion of the information privileged.

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<sup>2</sup> [In re Keeper of the Records, 348 F.3d 16, 23 \(1st Cir. 2003\)](#).

<sup>3</sup> Advisory Comm. on Evidence Rules, Report of the Advisory Committee on Evidence Rules (May 15, 2007), available at [http://www.uscourts.gov/uscourts/RulesAndPolicies/rules/Reports/2007-05-Committee Report-Evidence. pdf](http://www.uscourts.gov/uscourts/RulesAndPolicies/rules/Reports/2007-05-Committee%20Report-Evidence.pdf).

<sup>4</sup> [Fed. R. Evid. 502](#) advisory committee's note.

<sup>5</sup> [Fed. R. Evid. 502\(a\)](#).

Along the way we will cover the essentials of the attorney-client privilege under the Classic and Modern Views and summarize the development of Rule 502.

Our analysis suggests that though Rule 502 may seem to constrain the Classic View's expansive waiver doctrine, Classic View courts may nonetheless stand their ground based on the conclusion that the balancing of "fairness" considerations required by Rule 502 can support a broad waiver.<sup>6</sup> Further, because the rule does not address privilege generally, or waiver by acts other than disclosure, Classic View courts may find other ways to preserve their broader sense of waiver.<sup>7</sup> For example, before a communication can be subject **[\*697]** to implied waiver, it must be privileged in the first place. When analyzing implied waiver, especially in the context of investigations, this threshold issue is often overlooked. A Classic View court may resolve what first appears to be a question of implied waiver by deciding the communication is not privileged in the first instance because the client anticipated disclosure of the communication not made in confidence.

This inter-circuit conflict is likely to be exacerbated by Rule 502's grant to private parties of the power to negotiate agreements regarding waiver and preservation of privilege. The Advisory Committee on Evidence Rules ("Advisory Committee") expressed the view that "parties should be able to contract around common-law waiver rules by entering into confidentiality agreements ... ." <sup>8</sup> While such contracts cannot bind third parties absent a court order, Rules 502(e) and (d) have the potential to fundamentally alter the way that privilege operates. If Modern View courts are willing to approve the panoply of possible agreements while Classic View courts balk, the conflict between Classic View and Modern View courts may produce even more confusion among the circuits as to privilege than we see today. This confusion may not be resolved for some time, as rulings on attorney-client privilege are rarely appealed and the standard for appellate review is typically deferential.

Rule 502's inability to fully resolve the tension between the Classic and Modern Views is increasingly important as corporations face heightened regulatory scrutiny not experienced since the New Deal gave birth to the era of modern regulation. Part I of this Article provides an overview of the Classic and Modern Views of privilege and implied waiver, as well as of the choice of law principles that dictate when and how the Classic View or the Modern View controls. Part II explores Rule 502 and its influence upon the dichotomy between the Classic and Modern Views. Part III describes the Classic and Modern Views of the application of the attorney-client privilege to information communicated with the intent that the information will be published. Finally, Part IV examines implied waiver of attorney-client privilege, and Part V describes the topical and temporal scope of waiver.

**[\*698]**

1.

## THE BATTLE BETWEEN THE MODERN AND CLASSIC VIEWS OF PRIVILEGE

### A. The Classic View of the Privilege and Implied Waiver

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<sup>6</sup> As recently as 2005, the Federal Circuit, sitting en banc, declared that broad, subject matter waiver, which is an essential feature of the Classic View, is a widely applied standard founded on fairness principles. [\*In re Seagate Tech., LLC\*, 497 F.3d 1360, 1372 \(Fed. Cir. 2007\)](#) (en banc) ("The widely applied standard for determining the scope of a waiver ... is that the waiver applies to all other communications relating to the same subject matter." ... This broad scope is grounded in principles of fairness and serves to prevent a party from simultaneously using the privilege as both a sword and a shield; that is, it prevents the inequitable result of a party disclosing favorable communications while asserting the privilege as to less favorable ones." (quoting [\*Fort James Corp. v. Solo Cup Corp.\*, 412 F.3d 1340, 1349 \(Fed. Cir. 2005\)](#))).

<sup>7</sup> S. Rep. No. 110-264, at 3 (2008).

<sup>8</sup> Advisory Comm. on Evidence Rules, Report of the Advisory Committee on Evidence Rules (May 16, 2006), available at [http://www.uscourts.gov/us\\_courts/RulesAndPolicies/rules/Reports/EV05-2006.pdf](http://www.uscourts.gov/us_courts/RulesAndPolicies/rules/Reports/EV05-2006.pdf). See [\*Dowd v. Calabrese\*, 101 F.R.D. 427, 439-40 \(D.D.C. 1984\)](#) (finding no waiver where the parties stipulated in advance that certain testimony at a deposition "would not be deemed to constitute any waiver of the attorney-client or work product privileges").

It cannot be said too often that the attorney-client privilege protects communications, not facts.<sup>9</sup> To be protected from disclosure, the communications must meet the requirements of privilege.<sup>10</sup> The policy imperative underpinning the Classic View is that a client must be free to disclose damaging confidences to his lawyer in order to get advice to solve the problem, but that the privilege frustrates the "search for truth,"<sup>11</sup> so any assertion of the attorney-client privilege must be construed narrowly and compliance with its requirements must be judged strictly.<sup>12</sup> This policy imperative is not mere lip service to transparency; it defines the Classic View and drives the outcomes as to virtually all facets of privilege. The United States Court of Appeals for the Fourth Circuit has been an unflagging advocate of the Classic View.

The Fourth Circuit's decision in *United States v. Jones* describes the elements of the attorney-client privilege under the Classic View:

- (1) The asserted holder of the privilege is or sought to become a client;
- (2) the person to whom the communication was made must be a lawyer or his subordinate, and acting as or on behalf of a lawyer;
- (3) the communication must relate to a fact of which the attorney was informed by his client in confidence and without the presence of "strangers;"
- (4) for the primary purpose of securing legal advice or services;
- (5) not for the purpose of committing a crime or tort; and
- (6) the privilege has not been waived by the client.<sup>13</sup>

**[\*699]** Under this classic definition, the function of the privilege is limited to the protection of the confidentiality of a client's confidences shared with counsel. Thus, a communication between the client and counsel that reflects counsel's advice is privileged only if it would reveal a confidential communication from the client to counsel made for the purpose of obtaining legal advice.<sup>14</sup> For instance, a memorandum from counsel that gives legal advice but

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<sup>9</sup> See, e.g., *Upjohn Co. v. United States*, 449 U.S. 383, 395 (1981); *P. & B. Marina, Ltd. v. Logrande*, 136 F.R.D. 50, 56 (E.D.N.Y. 1991) ("[It is] the well established rule that only the communication, not the underlying facts, are privileged." (quoting *Sneider v. Kimberly-Clark Corp.*, 91 F.R.D. 1, 4 (N.D. Ill. 1980))).

<sup>10</sup> See, e.g., *United States v. Jones*, 696 F.2d 1069, 1072 (4th Cir. 1982).

<sup>11</sup> *Burroughs Wellcome Co. v. Barr Labs., Inc.*, 143 F.R.D. 611, 615 (E.D.N.C. 1992).

<sup>12</sup> See, e.g., *Weil v. Investment/Indicators, Research & Mgmt., Inc.*, 647 F.2d 18, 24 (9th Cir. 1981) ("Because it impedes full and free discovery of the truth, the attorney-client privilege is strictly construed."); *Permian Corp. v. United States*, 665 F.2d 1214, 1219 (D.C. Cir. 1981).

<sup>13</sup> See, e.g., *Jones*, 696 F.2d at 1072.

<sup>14</sup> *Jones*, 696 F.2d at 1072-73 (questioning whether communications were privileged where the attorneys were retained for the primarily commercial purpose of preparing tax opinions for a private offering memorandum); *North Carolina Elec. Membership Corp. v. Carolina Power & Light Co.*, 110 F.R.D. 511, 514 (M.D.N.C. 1986) ("In order for the privilege to apply, the attorney receiving a communication must be acting as an attorney and not simply as a business advisor."); Charles Alan Wright & Kenneth W. Graham, Jr., *Federal Practice and Procedure: Evidence*, § 5491 (1986).

does not include a client confidence is not privileged because it fails the third and fourth prongs of the classic test.  
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The Classic View takes a sweeping approach to the question of waiver. <sup>16</sup> In virtually any context, either intentionally disclosing privileged information, or intentionally putting a privileged communication into controversy, results in a complete waiver of the privilege of all communications regarding that subject matter. <sup>17</sup>

## **[\*700]**

### **B. The Modern View of the Privilege and Implied Waiver**

A majority of federal circuits have come to a more lenient view of the privilege. These courts acknowledge that the privilege may frustrate the search for truth, but focus on the policy that for the client and counsel relationship to function, the client must be able to trust that all confidential communications are protected from disclosure. <sup>18</sup> This assessment of the privilege's impact on the judicial process is starkly different from that of the Classic View. Under the Modern View, "As the privilege serves the interests of justice, it is worthy of maximum legal protection." <sup>19</sup>

As described by the Second Circuit in *In re Grand Jury Subpoena Duces Tecum* dated Sept. 15, 1983, the generally accepted Modern View test is that the privilege attaches:

- (1) Where legal advice of any kind is sought;
- (2) from a professional legal advisor in his capacity as such;
- (3) the communications relating to that purpose;
- (4) made in confidence;
- (5) by the client;

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<sup>15</sup> See, e.g., [\*In re Grand Jury Proceedings\*, 727 F.2d 1352, 1358 \(4th Cir. 1984\)](#) (finding that communications with legal counsel for the purpose of preparing a prospectus for publication were not privileged); [\*United States v. Kelsey-Hayes Wheel Co.\*, 15 F.R.D. 461, 465 \(E.D. Mich. 1954\)](#) (holding privilege lost as to inadvertently produced documents when in-house counsel did not maintain a segregated file for privileged documents, thereby failing to take reasonable steps to ensure and maintain the confidentiality of privileged communications).

<sup>16</sup> E.g., [\*In re Sealed Case\*, 877 F.2d 976, 980-81 \(D.C. Cir. 1989\)](#) (inadvertent production of privileged documents in discovery resulted in subject matter waiver). The harshness of some precedents was used to support passage of Rule 502 in the Congress: "Outdated legal precedents from an earlier era continue to create uncertainty. There are precedents, for example, holding that an inadvertent disclosure of a single document or communication not only can waive the privilege as to that one item, but can result in a blanket waiver as to all information concerning the same subject. That can collapse a case." 154 Cong. Rec. 18,016 (2008).

<sup>17</sup> E.g., [\*Anderson v. Calderon\*, 232 F.3d 1053, 1099 \(9th Cir. 2000\)](#) ("The privilege is an evidentiary rule designed to prevent the forced disclosure in a judicial proceeding of certain confidential communications between a client and a lawyer. The rule does not apply where there is no forced disclosure of a confidential communication in a judicial proceeding. Thus, a court's authority to 'protect' the attorney-client privilege simply does not extend, at least absent some compelling circumstance, to non-compelled, voluntary, [disclosures], any more than it does to an after-dinner conversation. The attorney-client privilege is a rule of evidence.") (citations omitted).

<sup>18</sup> See [\*Swidler & Berlin v. United States\*, 524 U.S. 399, 409 \(1998\)](#) (rejecting exception that would allow for disclosure of privileged communications in criminal cases after a client's death, because such an exception would introduce "substantial uncertainty into the privilege's application"); see also [\*In re LTV Sec. Litig.\*, 89 F.R.D. 595, 600 \(N.D. Tex. 1981\)](#).

<sup>19</sup> [\*Rhone-Poulenc Rorer v. Home Indem. Co.\*, 32 F. 3d 851, 862 \(3d Cir. 1994\)](#) (citing [\*Haines v. Liggett Group Inc.\*, 975 F.2d 81, 90 \(3d Cir. 1992\)](#)).

- (6) are at his instance permanently protected;
- (7) from disclosure by himself or by the legal advisor; and
- (8) except the protection would be waived... .<sup>20</sup>

Under the Modern View, all confidential communications between the attorney and her client are protected by privilege. Modern View courts believe that the privilege cannot function unless the client can have confidence that the advice that she receives is as protected as the information that she provides in order to get that **[\*701]** advice.

<sup>21</sup> The United States Court of Appeals for the Second Circuit has been a leader in developing the Modern View.<sup>22</sup>

One hallmark of the Modern View is that it takes a forgivingly pragmatic approach to waiver of the privilege,<sup>23</sup> abandoning ideological purity in favor of seeking "fairness" in the way that the privilege operates in litigation. The Modern View takes the approach that the implied waiver of the attorney-client privilege that results from intentional disclosure of privileged information should be no broader than fairness requires.<sup>24</sup>

Of course, the Classic View courts would argue that privilege, in fairness, cannot be both a sword and a shield, and so fairness requires complete disclosure. The results of these two differing approaches are sometimes termed implied "subject matter waiver" and implied "limited waiver." The waivers are "implied" because they are not the result of publication of the information at issue; rather, the waiver results from a determination by the court that some other act compels the waiver. Under a Classic View of subject **[\*702]** matter waiver, if some communications on a subject are disclosed, all communications on the entire subject lose the privilege by implied waiver.<sup>25</sup> Under a

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<sup>20</sup> In re Grand Jury Subpoena Duces Tecum Dated Sept. 15, 1983 (Marc Rich & Co. A.G. v. United States), [731 F.2d 1032 \(2d Cir. 1984\)](#) (citations omitted).

<sup>21</sup> See [Walsh v. Northrop Grumman Corp.](#), 165 F.R.D. 16, 18 (E.D.N.Y. 1996); [Bank Brussels Lambert v. Credit Lyonnais \(Suisse\) S.A.](#), 160 F.R.D. 437, 441-42 (S.D.N.Y. 1995); see also [Sprague v. Thorn Ams., Inc.](#), 129 F.3d 1355, 1370 (10th Cir. 1997) (summarizing the difference in approach among courts as to advice from counsel that does not include a client confidence and affirming the circuit's acceptance of the broader view of the privilege). Some courts take a hybrid approach. For example, the Ninth Circuit takes a Classic View with respect to proof of the privilege and waiver "because it impedes full and free discovery of the truth, the attorney-client privilege is strictly construed." "The privilege stands in derogation of the public's "right to every man's evidence" and as "an obstacle to the investigation of the truth," [and] thus, ... "it ought to be strictly confined within the narrowest possible limits consistent with the logic of its principle."" [United States v. Ruehle](#), 583 F.3d 600, 607 (9th Cir. 2009) (citations omitted). However, the Ninth Circuit protects attorney to client communications. Id. ("The attorney-client privilege protects confidential disclosures made by a client to an attorney in order to obtain legal advice ... as well as an attorney's advice in response to such disclosures.") (citing [United States v. Bauer](#), 132 F.3d 504, 507 (9th Cir. 1997)).

<sup>22</sup> See, e.g., [Marc Rich & Co. A.G.](#), 731 F.2d at 1036.

<sup>23</sup> Compare [James Julian, Inc. v. Raytheon Co.](#), 93 F.R.D. 138, 142 (D. Del. 1982) (accepting that it was essential for the efficient operation of corporation to keep privileged documents in the general file to reduce the administrative burden, given needed access to non-lawyer executives working on that subject matter), with [United States v. Kelsey-Hayes Wheel Co.](#), 15 F.R.D. 461, 465 (E.D. Mich. 1954) (holding privilege lost as to inadvertently produced documents when in-house counsel did not maintain a segregated file for privileged documents, thereby failing to take reasonable steps to ensure and maintain the confidentiality of privileged communications).

<sup>24</sup> See, e.g., [In re Keeper of the Records](#), 348 F.3d 16, 24 (1st Cir. 2003) (noting that implied waiver is "almost invariably premised on fairness concerns").

<sup>25</sup> E.g., [United States v. Woodall](#), 438 F.2d 1317, 1324 (5th Cir. 1970) (en banc) ("[A] client's offer of his own or his attorney's testimony as to a specific communication constitutes a waiver as to all other communications on the same matter [because] 'the privilege of secret communication is intended only as an incidental means of defense, and not as an independent means of attack, and to use it in the latter character is to abandon it in the former.'" (quoting Wigmore on Evidence § 2327 (1961))).



limited waiver analysis, the unpublished material may remain privileged - subject to the imprecise qualification that no unfairness to an adversary results.<sup>26</sup>

We will see that the Modern View defines "fairness" narrowly, as the avoidance of material disadvantage to an adversary in an official, contested proceeding. With this definition, in contrast to the Classic View, the Modern View considers the context of the waiver as essential to the analysis of fairness. Thus, because waiver outside of an official contested proceeding is deemed not to be harmful to an opposing party, disclosure of privileged information outside of such a proceeding does not result in waiver of the privilege protecting any information or communications other than those actually disclosed.

### C. Choice of Law

To appreciate the uncertainty that may infect the attorney-client privilege requires a discussion of when and how the Classic View or the Modern View controls. Under *Rule 501 of the Federal Rules of Evidence*, privilege in federal criminal proceedings and in civil cases involving only federal claims is governed by the federal common law of privilege.<sup>27</sup> When an action involves both state and federal claims and the disputed evidence is relevant to both, the overwhelming majority of courts apply the federal common law of privilege, especially if federal law allows the evidence and state law excludes it.<sup>28</sup> However, if an action involves both federal and state [\*703] law claims, but the evidence is relevant only to the state law claims, the majority of federal courts apply state privilege law.<sup>29</sup>

When federal law applies, choice of law amongst federal circuits is often a misnomer for privilege because federal courts overwhelmingly apply the law of their home circuit, and most do so without discussion.<sup>30</sup> While choice of law can be a factor in transfer cases,<sup>31</sup> the decisions hold uniformly that a federal choice of law analysis is

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<sup>26</sup> See, e.g., [Pritchard v. County of Erie](#), 546 F.3d 222, 227-28 (2d Cir. 2008).

<sup>27</sup> *Fed. R. Evid. 501*; see also [Lego v. Stratos Lightwave, Inc.](#), 224 F.R.D. 576, 578 (S.D.N.Y. 2004).

<sup>28</sup> See *Fed. R. Evid. 501* (providing that in civil cases "with respect to an element of a claim or defense as to which State law supplies the rule of decision, the privilege of a witness [or] person ... shall be determined in accordance with State law"); [Guzman v. Mem'l Hermann Hosp. Sys., No. H-07-3973](#), 2009 U.S. Dist. LEXIS 13336, at 12 (S.D. Tex. Feb. 20, 2009) (listing cases); see also [Virmani v. Novant Health Inc.](#), 259 F.3d 284, 286 n.3 (4th Cir. 2001); [Pearson v. Miller](#), 211 F.3d 57, 66 (3d Cir. 2000); [Mem'l Hosp. for McHenry County v. Shadur](#), 664 F.2d 1058, 1061 n.3 (7th Cir. 1981); [Cont'l Cas. Co. v. Under Armour, Inc.](#), 537 F. Supp. 2d 761, 765 n.3 (D. Md. 2008); [Weiss ex rel. Estate of Weiss v. County of Chester](#), 231 F.R.D. 202, 205 n.19 (E.D. Pa. 2004) (listing cases).

<sup>29</sup> E.g., [Lego](#), 224 F.R.D. at 578; [Guzman](#), 2009 U.S. Dist. LEXIS 13336, at 22.

<sup>30</sup> See, e.g., [In re von Bulow](#), 828 F.2d 94 (2d Cir. 1987); *Kingsway Fin. Servs., Inc. v. PricewaterhouseCoopers, LLP*, No. 03 Civ. 556ORMBHP, 2007 WL 1837133, at 2 (S.D.N.Y. June 27, 2007).

<sup>31</sup> When a federal question case is transferred for the convenience of the parties and witnesses pursuant to [28 U.S.C. § 1404](#), the law of the transferor federal forum applies. [McMasters v. United States](#), 260 F.3d 814, 819 (7th Cir. 2001); [Newton v. Thomason](#), 22 F.3d 1455, 1459 (9th Cir. 1994); [Tel-Phonic Servs., Inc. v. TBS Int'l, Inc.](#), 975 F.2d 1134, 1138 (5th Cir. 1992). When a case is transferred pursuant to [28 U.S.C. § 1406](#) because it was brought in an improper venue, that improper venue choice cannot establish a choice of law, so the proper venue's law applies. [Nelson v. Int'l Paint Co.](#), 716 F.2d 640, 643-44 (9th Cir. 1983); [Ellis v. Great Sw. Corp.](#), 646 F.2d 1099, 1109-11 (5th Cir. 1981). The civil precedent suggests that only one circuit's law should govern privilege for all cases in the multi-district litigation context. [Highland Tank & Mfg. Co. v. PS Int'l, Inc.](#), 246 F.R.D. 239, 243-44 (W.D. Pa. 2007); *New York v. Microsoft Corp.*, No. 98-1233, 2002 WL 649492, at 1 (D.D.C. Apr. 8, 2002). When two or more cases are considered under multi-district litigation rules, the interpretation of the transferee court will most often be applied. See, e.g., [Menowitz v. Brown](#), 991 F.2d 36, 40 (2d Cir. 1993). However, some courts have found that the law of the transferor forum should apply—at least to the extent that federal law would borrow from an applicable state statute of limitations. [Eckstein v. Balcor Film Investors](#), 8 F.3d 1121, 1127 (7th Cir. 1993); [In re UMW Emp. Benefit Plans Litig.](#), 854 F. Supp. 914, 921 (D.D.C. 1994). The decisions do not address the law of privilege, so what position might control in the multi-district litigation context is an open question.

inappropriate between or among circuits because the "federal courts comprise a single system applying a single body of law, and no litigant has a right to have the interpretation of one federal court rather than that of another determine his case." <sup>32</sup> Of course, uniformity is a fiction, as circuits have adopted varying interpretations of attorney-client privilege.

**[\*704]** When state claims are at issue and state law applies, the state law of attorney-client privilege controls. <sup>33</sup> When state law applies, the federal court must determine which state's choice-of-law analysis applies, and, applying the selected choice-of-law analysis, determine which jurisdiction's privilege rules apply. <sup>34</sup> The court hearing the discovery dispute must apply the choice of law rules of the state in which it sits. <sup>35</sup>

Federal courts applying state choice of law rules may or may not yield predictable results. Applying New York's choice of law principles, federal courts in the Second Circuit have held the governing law is that of the jurisdiction which, "because of its relationship or contact with the occurrence or the parties, has the greatest concern with the specific issue raised in the litigation." <sup>36</sup> Under this rule, courts generally apply the law of the jurisdiction in which the assertedly privileged communications were made, which in most of the cases is also the jurisdiction in which the party that made the communications resides. <sup>37</sup> Courts have articulated the rationale for this rule as: "The parties who made the communications expected that those communications would remain confidential under the law of that jurisdiction, and the state has an interest in furthering the policies behind the privilege at issue." <sup>38</sup>

However, the result is not always predictable. The Eastern District of North Carolina applied North Carolina choice of law rules to determine whether New York or North Carolina law should govern privilege in a dispute over the financing of a construction project. <sup>39</sup> The district court concluded that North Carolina courts would apply "the law of the State having the most significant relationship **[\*705]** to the occurrence giving rise to the action." <sup>40</sup> Counsel and clients were from New York and the privileged communications occurred there. Nonetheless, the court concluded that North Carolina law applied because the dispute concerned construction of a waste-to-energy project located in North Carolina. <sup>41</sup>

Thus it can be difficult to predict what law will govern disputes concerning privileged communications. Whether the court takes the Classic View or the Modern View can have drastic consequences on the privilege and the nature of

<sup>32</sup> E.g., [In re Ramaekers](#), 33 F. Supp. 2d 312, 315 (S.D.N.Y. 1999) (per curiam) (quoting [Menowitz](#), 991 F.2d at 40) (holding that the First Amendment reporter's privilege of the circuit in which a subpoena was issued, and in which the court sat, governed a motion to compel compliance with the subpoena, not the law of the circuit in which the litigation was pending).

<sup>33</sup> See, e.g., [Limbach Co. v. Zurich Am. Ins. Co.](#), 396 F.3d 358, 361-62 (4th Cir. 2005).

<sup>34</sup> [Lego v. Stratos Lightwave, Inc.](#), 224 F.R.D. 576, 578 n.7 (S.D.N.Y. 2004); [Limbach Co.](#), 396 F.3d at 361-62; [Metric Constructors, Inc. v. Bank of Tokyo-Mitsubishi, Ltd.](#), No. 5:97-CV-369BR1, 1998 U.S. Dist. LEXIS 18428, at 4 (E.D.N.C. Sept. 28, 1998).

<sup>35</sup> [Lego](#), 224 F.R.D. at 578 n.7; [Limbach Co.](#), 396 F.3d at 361-62.

<sup>36</sup> [Lego](#), 224 F.R.D. at 578 (quoting [Tartaglia v. Paul Revere Life Ins. Co.](#), 948 F. Supp. 325, 326 (S.D.N.Y. 1996)).

<sup>37</sup> Id. at 579.

<sup>38</sup> Id. at 579 & n.10 (listing cases); cf. [Chin v. Rogoff & Co.](#), No. 05 Civ. 8360(NRB), 2008 WL 2073934, at 5 (S.D.N.Y. May 8, 2008) ("Since the evidence will be introduced in New York, the dispute involves an attorney-client relationship with a New York law firm, and both parties cite to New York law, we hold that New York law governs the assertion of the privilege.").

<sup>39</sup> [Metric Constructors, Inc.](#), 1998 U.S. Dist. LEXIS 18428, at 5.

<sup>40</sup> Id. at 6 (quoting [Andrew Jackson Sales v. Bi-Lo Stores](#), 314 S.E.2d 797, 799 (N.C. 1984)).

<sup>41</sup> Id.



any waiver. Rule 502 appears to have been intended, at least in part, to address this issue. As we will see, it is not always successful. The commentary to Rule 502(a), which addresses implied waiver, states that "this subdivision does not alter the substantive law regarding when a party's strategic use in litigation of otherwise privileged information obliges that party to waive the privilege regarding other information concerning the same subject matter, so that the information being used can be fairly considered in context."<sup>42</sup> How the Classic View courts and the Modern View courts interpret this instruction may decide the impact that Rule 502 has on the debate between the two views.

The scope of Rule 502, and the ways in which the rule impacts the Classic and Modern Views (and vice versa), may not be addressed by the appellate courts for some time; and until Congress or the Supreme Court speaks in a clear voice, circuit court rulings are unlikely to be definitive. Rulings over attorney-client privilege are rarely appealed, and the standards of appellate review are typically deferential. For example, in the Second Circuit, determinations about the scope of waiver are reviewed under the abuse of discretion standard.<sup>43</sup> The Fourth Circuit reviews attorney-client privilege determinations using a two-fold standard: if the district court's ruling rests on findings of fact, review is for clear error. If the district court's decision rests on legal principles, the standard is de novo review.<sup>44</sup> Exploring the tension between the Classic and **[\*706]** Modern Views and Rule 502 is therefore necessary because navigating these waters may be an uncertain enterprise for a long time.

II.

## FEDERAL RULE OF EVIDENCE 502

### A. The Rule

Into the battle between the Classic View and the Modern View, Congress inserted Rule 502. In pertinent part, Rule 502 states:

#### Rule 502 Attorney-Client Privilege and Work Product; Limitations on Waiver

The following provisions apply, in the circumstances set out, to disclosure of a communication or information covered by the attorney-client privilege or work-product protection.

a. Disclosure Made in a Federal Proceeding or to a Federal Office or Agency; Scope of a Waiver - When the disclosure is made in a Federal proceeding or to a Federal office or agency and waives the attorney-client privilege or work-product protection, the waiver extends to an undisclosed communication or information in a Federal or State proceeding only if:

- [sp'a.'+n]1. the waiver is intentional;
2. the disclosed and undisclosed communications or information concern the same subject matter; and
3. they ought in fairness to be considered together.

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<sup>42</sup> 154 Cong. Rec. 18,016 (2008).

<sup>43</sup> [\*United States v. Doe \(In re Grand Jury Proceedings\)\*, 219 F.3d 175, 182 \(2d Cir. 2000\)](#).

<sup>44</sup> [\*Hawkins v. Stables\*, 148 F.3d 379, 382 \(4th Cir. 1998\)](#); [\*Better Gov't Bureau, Inc. v. McGraw \(In re Allen\)\*, 106 F.3d 582, 601 \(4th Cir. 1997\)](#). But see [\*United States v. Ruehle\*, 583 F.3d 600, 606 \(9th Cir. 2009\)](#) ("The district court's conclusion that statements are protected by an individual attorney-client privilege is 'a mixed question of law and fact which this court reviews independently and without deference to the district court.' ... That is, whether the party has met the requirements to establish the existence of the attorney-client privilege is reviewed de novo... . We also review de novo the district court's rulings on the scope of the attorney-client privilege... . Factual findings are reviewed for clear error.") (citations omitted).

\*\*\* d. Controlling Effect of a Court Order - A Federal court may order that the privilege or protection is not waived by disclosure connected with the litigation pending before the court - in which event the disclosure is also not a waiver in any other Federal or State proceeding.

e. Controlling Effect of a Party Agreement - An agreement on the effect of disclosure in a Federal proceeding is binding only on the parties to the agreement, unless it is incorporated into a court order.

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## **[\*707]**

### B. The History of Rule 502

Rule 502 was a long time coming. The necessity of an additional rule that would address waiver of attorney-client privilege has long been the subject of debate, and an effort to enact such a rule was shelved in 2002.<sup>45</sup> At that time, the Advisory Committee agreed to continue its privilege project with the intent of providing a survey of the existing federal common law of privilege. Professor Kenneth S. Broun of the University of North Carolina School of Law and Professor Daniel J. Capra of Fordham Law School led that effort and would ultimately draft the proposed rule.<sup>46</sup>

In May of 2004, the Advisory Committee gave notice that it was proposing a rule to address the issue of inadvertent waiver of the attorney-client privilege, especially in complex litigation.<sup>47</sup> The effort was motivated primarily by the escalating costs and delay resulting from steps taken by litigants to prevent the inadvertent disclosure of privileged information in the age of electronic discovery.<sup>48</sup> Though inadvertent, such disclosures are nonetheless "voluntary," and some courts had ruled that such a disclosure resulted in subject matter waiver.<sup>49</sup> The Advisory Committee and legal commentators were troubled by the fact that, in order to prevent waiver [\*708] in this scenario, litigants were forced, at great expense, to review virtually everything produced.

In April of 2005, a draft statute was proposed. The draft began with a general statement of the fairness doctrine and followed with exceptions to waiver.<sup>50</sup> The Advisory Committee minutes focus on the inadvertent disclosure

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<sup>45</sup> Advisory Comm. on Evidence Rules, Minutes of the Meeting of April 29th and 30th, 2001, available at [www.uscourts.gov/uscourts/RulesAndPolicies/rules/Minutes/EV04-2004.pdf](http://www.uscourts.gov/uscourts/RulesAndPolicies/rules/Minutes/EV04-2004.pdf).

<sup>46</sup> Kenneth S. Broun & Daniel J. Capra, Getting Control of Waiver of Privilege in the Federal Courts: A Proposal for a [Federal Rule of Evidence 502](#) 1 n.1 (Bepress Legal Series, Working Paper No. 1485, 2006).

<sup>47</sup> See [Federal Rule of Evidence 502](#) - Timeline, Federal Evidence Review, [http:](http://federalevidence.com/node/288)

[//federalevidence.com/node/288](http://federalevidence.com/node/288) (last visited Oct. 5, 2011) (reporting that the Advisory Committee's subcommittee on privileges' survey of the existing federal law of the attorney-client privilege is near completion and reporting that the Advisory Committee is considering whether to propose a statute to cover the problem of "unintentional waiver of privileged information," particularly in complex litigation).

<sup>48</sup> [Advisory Comm. on Evidence Rules, supra](#) note 3, at 2 ("Enormous expenses are put into document production in order to protect against inadvertent disclosure of privileged information, because the producing party risks a ruling that even a mistaken disclosure can result in a subject matter waiver."). The Chairman of the Committee on the Judiciary of the House of Representatives, then Representative F. James Sensenbrenner, Jr., had requested that the issue be addressed. Memorandum from James N. Ishida to the Standing Comm. on Federal Rules of Practice, Procedure and Evidence (Dec. 18, 2006) (on file with the Administrative Offices of the U.S. Courts).

<sup>49</sup> [Advisory Comm. on Evidence Rules, supra](#) note 4, at 7 (rejecting the holding of [In re Sealed Case, 877 F.2d 976 \(D.C. Cir. 1989\)](#), which the Committee states held inadvertent disclosure of privileged communications in discovery automatically resulted in subject matter waiver).

<sup>50</sup> The draft read:

problem. At the request of Representative Sensenbrenner, Chairman of the Committee on the Judiciary of the House of Representatives, the Advisory Committee went on to address waiver of attorney-client privilege when one is the subject of a government investigation. The Advisory Committee incorporated into the proposed Rule 502 the "selective waiver" doctrine, under which disclosure of privileged information to a government agency in the course of an investigation does not result in a waiver of the privilege as to the information disclosed or the subject matter against non-government persons or entities.<sup>51</sup> The selective waiver proposal, which had been requested by Representative Sensenbrenner, generated criticism in part on the ground that it would foster a coercive "culture of waiver."<sup>52</sup>

Advocates of a robust privilege feared that adoption of selective waiver would make it impossible to resist the "pernicious" damage to the attorney-client relationship because the government would push for disclosure in all cases using the argument that the target would suffer no harm.<sup>53</sup> Ultimately, the Advisory Committee decided [\*709] not to include the selective waiver provision as part of Rule 502; instead, they included it as an option presented to the Standing Committee.<sup>54</sup> The Standing Committee adopted Rule 502 as proposed with the caveat that a "strong showing" in favor of selective waiver would have to be made during the public comment period, particularly by state attorneys general and other regulatory authorities, to incorporate the selective waiver provision. A proposed Rule 502 was approved by the Standing Committee in June 2006.<sup>55</sup> The rule, as proposed, did not incorporate selective waiver, leaving it as a separate report to Congress.<sup>56</sup> The debate over the selective waiver provision appears to have drowned out discussion of implied waiver, especially in the investigation context, perhaps leaving less of a record of the intent of the final rule than might otherwise have been available.

The Standing Committee sent the final proposed rule to Congress in June of 2007.<sup>57</sup> The Standing Committee's proposal took a decidedly Modern View approach to waiver.<sup>58</sup> Surveying the congressional materials is not as

(a) Waiver by disclosure in general. - A person waives an attorney-client privilege or work product protection if that person - or a predecessor while its holder - voluntarily discloses or consents to disclosure of any significant part of the privileged or protected information. The waiver extends to undisclosed information concerning the same subject matter if that undisclosed information ought in fairness to be considered with the disclosed information.

(b) Exceptions in general. - A voluntary disclosure does not operate as a waiver if: (1) the disclosure is itself privileged or protected; (2) the disclosure is inadvertent and is made during discovery in federal or state litigation or administrative proceedings - and if the holder of the privilege or work product protection took reasonable precautions to prevent disclosure and took reasonably prompt measures, once the holder knew or should have known of the disclosure, to rectify the error, including (if applicable) following the procedures in [Fed. R. Civ. P. 26\(b\)\(5\)\(B\)](#); or (3) the disclosure is made to a federal, state, or local governmental agency during an investigation by that agency, and is limited to persons involved in the investigation.

Broun & Capra, *supra* note 47, at 50-51.

<sup>51</sup> In short, it would have codified the decision in *Diversified Industries, Inc. v. Meredith*, 572 F.2d 596 (8th Cir. 1978). Broun & Capra, *supra* note 47, at 60.

<sup>52</sup> [Advisory Comm. on Evidence Rules](#), *supra* note 4, at 36-38.

<sup>53</sup> Advisory Comm. on Evidence Rules, Hearing on Proposed 502 (Apr. 24, 2006), available at [http://federalevidence.com/pdf/2008/06-June/MiniConf April 2006.pdf](http://federalevidence.com/pdf/2008/06-June/MiniConf%20April%202006.pdf) (Comments of David Brodsky, member of the ABA Presidential Task Force on the Attorney Client Privilege); see also Liesa L. Richter, Corporate Salvations Or Damnation? Proposed New Federal Legislation on Selective Waiver, *76 Fordham L. Rev.* 129, 173 (2007).

<sup>54</sup> Minutes of June 22-23 Meeting, Comm. on Rules of Practice & Procedure, <http://www.uscourts.gov/uscourts/rulesandpolicies/rules/minutes/st06-2006-min.pdf> (last visited Oct. 6, 2011).

<sup>55</sup> *Id.* Professor Capra was the Reporter to the Conference Committee's Advisory Committee on Evidence Rules, and Judge Jerry E. Smith was its Chair.

<sup>56</sup> The selective waiver provision - on which the Evidence Rules Committee had never voted affirmatively - was dropped from the Proposed Rule 502.

illuminating with regard to implied waiver as one might hope.<sup>59</sup> The vast majority of the advocacy with [\*710] respect to the proposed Rule 502 was addressed to the inadvertent disclosure provisions, about which there was a broad consensus.<sup>60</sup> For example, the Senate Report includes no discussion of any problem that the rule is intended to address except for inadvertent waiver, and the report's statement of purpose declares that the rule is intended to leave untouched the question of whether material is privileged in the first instance,<sup>61</sup> and "merely modifies the consequences of inadvertent disclosure once a privilege is found to exist."<sup>62</sup> Interpretation of Rule 502 to address inadvertent waiver is easily explained; the Senate Report and its disclaimer ignore the more far reaching provisions of the rule. Floor proceedings were a few short speeches in support that focused on inadvertent waiver.<sup>63</sup> Senate Bill 2450 became Rule 502 when it was passed by the House.

The limited Congressional commentary points to a preference for the Modern View, which it describes as the majority view.<sup>64</sup> Congress supplemented the Rules Committee's Explanatory Note with a Statement of Congressional Intent.<sup>65</sup> The Statement provides some guidance,<sup>66</sup> but it also appears to give courts leeway to continue to apply the Classic View, as the Statement disclaims any intent to affect the law of implied waiver - at least so far as concerns the concept [\*711] that privilege cannot be used as both a sword and a shield: "This subdivision does not alter the substantive law regarding when a party's strategic use in litigation of otherwise privileged information obliges that party to waive the privilege regarding other information concerning the same subject matter, so that the information being used can be fairly considered in context."<sup>67</sup>

<sup>57</sup> The public comment period ended in February of 2007.

<sup>58</sup> A subject matter waiver should be found only when privilege or work product has already been disclosed, and a further disclosure 'ought in fairness' to be required in order to protect against a misrepresentation that might arise from the previous disclosure." Advisory Comm. on Evidence Rules, Report of the Advisory Committee on Evidence Rules (May 16, 2006), available at <http://www.uscourts.gov/uscourts/RulesAndPolicies/rules/Reports/EV05-2006.pdf>. The comments to the proposed Rule 502 can be interpreted to settle any dispute in favor of the Modern View: "[Rule 502] resolves some longstanding disputes in the courts about the effect of certain disclosures of communications or information protected by the attorney-client privilege or as work product - specifically those disputes involving inadvertent disclosure and subject matter waiver." *Id.*

<sup>59</sup> Representative Jackson Lee of Texas, sponsor of the companion bill in the House, H.R. 6610, urged passage of the Senate Bill on the House floor. She assured the House that the rule would have "no negative impact on those lawyers representing defendants or those lawyers representing plaintiffs." 154 Cong. Rec. 18,016 (2008).

<sup>60</sup> *Id.* at 18,017; *id.* (remarks of Rep. Jackson Lee) ("The new rule 502 reaffirms and reinforces the attorney-client privilege and work product protection by clarifying how they are affected by, and withstand, inadvertent disclosure in discovery."); *id.* (remarks of Rep. King) ("The bill only modifies the consequences of an inadvertent disclosure once a privilege exists.").

<sup>61</sup> S. Rep. No. 110-264, at 1-3 (2008).

<sup>62</sup> *Id.* at 3.

<sup>63</sup> 154 Cong. Rec. 18,016 (2008).

<sup>64</sup> *Id.* at 18,016 (Rep. Jackson-Lee) ("The attorney-client privilege and work product protection are crucial to our legal system. They encourage businesses and individuals to obtain legal counsel when appropriate by protecting the confidentiality of communications between clients and their attorneys, and documents prepared by attorneys to assist their clients in litigation. In fact, this is the backbone, the infrastructure of civil and criminal litigation.").

<sup>65</sup> *Id.* at 18,016-17.

<sup>66</sup> The standard set forth in this subdivision for determining whether a disclosure operates as a waiver of the privilege or protection is, as explained elsewhere in this Note, the majority rule in the federal courts. The majority rule has simply been distilled here into a standard designed to be predictable in its application. This distillation is not intended to foreclose notions of fairness from continuing to inform application of the standard in all aspects as appropriate in particular cases ... " *Id.* at 18,016. Rep. King of Iowa spoke in support of the bill, stating in part: "The content of the new rule includes the following provisions: If a waiver is found, it applies only to the information disclosed, unless a broader waiver is made necessary by the holder's intentional and misleading use of privileged or protected communications or information." *Id.* at 18,017.

<sup>67</sup> *Id.* at 18,016.

III.

## INTENT, EXPECTATION, AND PRIVILEGE

Under both the Classic and the Modern Views, the attorney-client privilege never applies to information communicated with the intention that the information will be published.<sup>68</sup> For example, a public filing is never privileged, even if drafted by a lawyer. However, the application of this seemingly straightforward principle differs between the two views with dramatic consequences.<sup>69</sup> What we call the "publication dichotomy" becomes important for Rule 502 and implied waiver when a court considers the privileged status of information disclosed to the government. If the court rules that the intent to share some of the results with the government means that the communications were never privileged in the first instance, the court will not have the opportunity to explore the questions of implied waiver and the scope of such waiver under Rule 502. Rule 502's Commentary states it is not intended to change privilege law generally, meaning that there is a strong argument that this publication dichotomy is outside the scope of the rule.

The requirement that any communication from the client to counsel must be made with the intention that it will remain confidential is enforced strictly under the Classic View. Thus unless information is provided with the iron-clad intent that it will remain confidential, it is not privileged from the outset.

Under the Modern View, the approach is often a functional one. When the client has no expectation that the information will remain confidential, the result matches the Classic View. However, when the expectation is contingent - i.e., a client provides information with the expectation that what can be kept confidential will be, but what the attorney determines should be disclosed will be disclosed - the **[\*712]** Modern View will protect the client's contingent expectation by preserving the privilege as to the information that is not disclosed.

### A. The Classic View and the Evolution of the Modern View

A brief review of the relevant history is instructive. In *United States v. Tellier*,<sup>70</sup> decided in 1958, the Second Circuit took the Classic View. Mr. Tellier ran an underwriting firm engaged to raise funds through a public offering of debentures for an independent telephone and electric power system in Alaska. He employed counsel to handle SEC work necessary for the offering. When a third issuance of debentures was proposed by Tellier, the attorney warned that the debentures looked like a Ponzi scheme. Tellier and the attorney agreed that the attorney would put his warning in a letter in order to warn the co-venturers. Tellier stated that he had expected his attorney's warning letter to be forwarded "to the joint venturers for their enlightenment," but the attorney sent the letter only to Tellier, who did not publish the letter to anyone. When the company went bankrupt, Tellier and his co-venturers were indicted for securities fraud. Tellier's attorney testified at trial, over Tellier's objection, that the letter about the Ponzi scheme was a privileged communication. He relied in part on the fact that the warning letter was never published. The Second Circuit ruled that there was no privilege. The fact that the letter was never sent to the joint venturers (and that in all likelihood Tellier never truly intended that it be sent) was of no consequence because the letter was prepared with the professed plan of publication. The Second Circuit held:

It is of the essence of the attorney-client privilege that it is limited to those communications which are intended to be confidential. 'The moment confidence ceases,' said Lord Eldon, 'privilege ceases.' ... Thus it is well established

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<sup>68</sup> See [United States v. Tellier](#), 255 F.2d 441, 447 (2d Cir. 1958); see also [In re Grand Jury Proceedings](#), 727 F.2d 1352, 1355-56 (4th Cir. 1984).

<sup>69</sup> [United States v. Bergonzi](#), 216 F.R.D. 487, 493-94 (N.D. Cal. 2003) (investigation materials prepared with the anticipation some or all would be shared with the SEC are not privileged).

<sup>70</sup> [Tellier](#), 255 F.2d at 441.



that communications between an attorney and his client, though made privately, are not privileged if it was understood that the information communicated in the conversation was to be conveyed to others.<sup>71</sup>

Under the Classic View, drafts of any document to be published to third parties, and even drafts prepared with the intention that the final product might be published, are deemed to lack the intent to keep the communication confidential, so the drafts, including [\*713] notes on the drafts, are not privileged from the outset.<sup>72</sup> The future expectation of confidentiality is critical. Today the Classic View generates results that many corporate counsel find dangerously counter-intuitive. Drafts assumed protected from scrutiny are not. For example, in most instances privilege will not protect drafts of public securities filings or documents created in the course of preparing a report that will be turned over to government investigators, because none are prepared with an expectation that all of the information in the documents will be kept confidential.<sup>73</sup> The same is true for communications of information to prepare tax returns or patent applications.<sup>74</sup> Documents prepared for litigation are the exception.<sup>75</sup>

After *Tellier* in 1958, the Second Circuit cases exemplify the movement to the Modern View of future publication as the circuit started to move away from the convention that the attorney-client privilege does not protect communications of information intended to be published. In *Colton v. United States*, decided in 1962, the Second Circuit concluded that not all documents and communications exchanged between the client and attorney during preparation of tax returns lack an expectation of confidentiality.<sup>76</sup> The court recognized, and the government conceded, that privilege protects "confidential papers which were 'specifically prepared by the client for the purpose of consultation with his attorney' and any of the firm's memoranda and worksheets 'to the extent of any unpublished expression made by an attorney therein of confidences which had passed between him and his clients.'" <sup>77</sup>

[\*714] While the Second Circuit was moving toward the Modern View as early as 1962, in 1984, the Fourth Circuit was still committed to the Classic View.<sup>78</sup> During that year, the Fourth Circuit issued the second of four influential Classic View decisions, *In re Grand Jury Proceedings*.<sup>79</sup> Doe was a securities attorney subpoenaed to testify

<sup>71</sup> [Id. at 447](#) (citations omitted).

<sup>72</sup> [In re Grand Jury Proceedings, 727 F.2d at 1356](#); [Tellier, 255 F.2d at 447](#) (communication from counsel warning defendant not to make a public offering of debentures which was intended to be included in a letter forwarded to others renders the advice not privileged).

<sup>73</sup> [Bergonzi, 216 F.R.D. at 493-94](#); see also [United States v. Sudikoff, 36 F. Supp. 2d 1196, 1204-05 \(C.D. Cal. 1999\)](#).

<sup>74</sup> E.g., [United States v. Cote, 456 F.2d 142, 144 \(8th Cir. 1972\)](#).

<sup>75</sup> [United States v. Under Seal \(In re Grand Jury Subpoena\), 341 F.3d 331, 335-36 \(4th Cir. 2003\)](#) (holding that waiver does not apply to litigation filings and similar documents).

<sup>76</sup> [Colton v. United States, 306 F.2d 633, 638-39 \(2d Cir. 1962\)](#).

<sup>77</sup> [Id. at 639](#). In [United States v. McDonald, 313 F.2d 832, 835 \(2d Cir. 1963\)](#), the subpoena called for an attorney to produce copies of closing statements and sales contracts for all real estate closings in which the client was involved. Citing *Colton* and *Tellier*, the court held these materials were not privileged because "his client necessarily contemplated divulging the information requested to other parties at the closing." [McDonald, 313 F.2d at 835](#). However, the court did not extend disclosure to all underlying communications and documents that contained client confidences. *Id.*

<sup>78</sup> The Fourth Circuit was not alone. See [United States v. Skeddle, 989 F. Supp. 917, 919-20 \(N.D. Oh. 1997\)](#) (noting the Sixth Circuit follows the subject matter waiver rule and discussing the Classic View rationale); see also [United States v. Mendelsohn, 896 F.2d 1183, 1188-89 \(9th Cir. 1990\)](#) (relating to subject matter waiver).

<sup>79</sup> [In re Grand Jury Proceedings, 727 F.2d 1352 \(4th Cir. 1984\)](#). The first of these cases is the Fourth Circuit's 1982 decision in [United States v. Jones, 696 F.2d 1069, 1072 \(4th Cir. 1982\)](#), in which the Fourth Circuit held that information provided to an attorney related to preparation of a tax opinion for a private placement memo was not privileged.

about his work for the investigation's targets in their effort to create and market a limited partnership in coal mining equipment. Doe's clients had retained him to prepare a prospectus for marketing the limited partnership interests. He met once with the three targets to discuss "the preparation of a prospectus to be used in the enlistment of investors in the private placement," and he had conversations with one target about the information to be included.<sup>80</sup> About two weeks after he had been retained, Doe was instructed to stop. He did no further work. When he was subpoenaed, his former clients objected to his testifying about their discussions on grounds of the attorney-client privilege. The Fourth Circuit ruled, "we have no difficulty in concluding under the admitted facts of this case that all information given [Doe] by any of the joint venturers connected with the subject-matter of the proposed issuance of participations is without the protection of the attorney-client privilege."<sup>81</sup> The panel relied in part upon *Tellier*, ruling that because the intent was to prepare and publish a prospectus, the targets intended the information communicated to their lawyer could be conveyed to others.<sup>82</sup> Thus the communication was made without the intent to keep all the information confidential. The fact that no prospectus had ever been prepared was irrelevant.<sup>83</sup>

**[\*715]** Later in 1984, the Fourth Circuit decided *In re Grand Jury 83-2 John Doe No. 462 (Under Seal)*,<sup>84</sup> in which the circuit first seemed to be shifting toward the Modern View. In that case the client had retained an attorney to investigate the possibility of preparing and filing a tax opinion that, if prepared, would have been disclosed to third parties in support of a limited partnership offering. The court held that materials related to the decision of whether to make a public filing were privileged.<sup>85</sup> The court distinguished *In re Grand Jury Proceedings* on the grounds that the client expected to publish a prospectus, and thus the attorney had been retained to convey information to third parties. In *In re Grand Jury 83-2*, the panel found that the client sought advice about whether publication was required, which left the client the option to choose not to proceed. The panel in part relied on the Second Circuit's *Colton* decision.<sup>86</sup> However, the Fourth Circuit noted the types of underlying information that would be ordered

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<sup>80</sup> [\*In re Grand Jury Proceedings\*, 727 F.2d at 1354.](#)

<sup>81</sup> [\*Id.\* at 1358](#) (emphasis added).

<sup>82</sup> The Fourth Circuit cited *Colton v. United States* for the proposition that the privilege is waived as to matters disclosed to third parties, but the court did not address *Colton v. United States* with respect to the scope of that waiver. [\*Id.\* at 1356.](#)

<sup>83</sup> [\*Id.\* at 1358.](#)

<sup>84</sup> *United States v. (Under Seal) (In re Grand Jury 83-2 John Doe No. 462)*, [748 F.2d 871 \(4th Cir. 1984\)](#).

<sup>85</sup> [\*Id.\* at 875-76.](#)

The situation faced by this court in *In re Grand Jury* is significantly different from the situation, posed by some of the documents in this case, in which a client employs an attorney to research the possibility of filing public papers. Only when the attorney has been authorized to perform services that demonstrate the client's intent to have his communications published will the client lose the right to assert the privilege as to the subject matter of those communications. This result will not be changed by a fortuity that prevents publication, such as in *In re Grand Jury* where the clients simply failed to stay in contact with their attorney, but it will be altered if the client subsequently decides not to publish his communications and tells his attorney before the release of any of the communications. In the latter situation, the attorney has counseled his client in a matter that the client was able to conclude, presumably through full and frank discussions with his attorney, should remain private. A contrary result might discourage clients who had contemplated a public course of action from fully informing their attorney of all relevant facts when the possibility of refraining from public action begins to dawn. See [Trammel v. United States](#), 445 U.S. 40, 51 (1980) ("the lawyer-client privilege rests on the need for the advocate and counselor to know all that relates to the client's reasons for seeking representation if the professional mission is to be carried out").

*Id.*

<sup>86</sup> *United States v. (Under Seal) (In re Grand Jury 83-2 John Doe No. 462)*, [748 F.2d 871, 876 n.8 \(4th Cir. 1984\)](#).

disclosed once the decision to publish is made by the client. The language employed by the court is disconcerting to those who might believe that drafts are privileged:

The details underlying the published data are the communications relating the data, the document, if any, to be published containing the data, all preliminary drafts of the document, [\*716] and any attorney's notes containing material necessary to the preparation of the document. Copies of other documents, the contents of which were necessary to the preparation of the published document, will also lose the privilege.<sup>87</sup>

The essential feature of the Classic View, as played out in these cases, is a binary approach to privilege--if one expects to publish something, then everything provided to the lawyer thereafter is deemed to be provided with the expectation that it might be published. The willingness to permit publication is deemed to be irreconcilable with confidentiality.<sup>88</sup> If one has not yet decided to publish, however, information can remain confidential and privileged until the decision is made.

The Second Circuit's shift away from the Classic View is most clear in *In re Grand Jury Subpoena Duces Tecum* Dated Sept. 15, 1983.<sup>89</sup> In that case, Marc Rich & Co. moved to quash a grand jury subpoena duces tecum issued to its general counsel. The government argued that documents in the custody of the Marc Rich & Co.'s former counsel were not privileged because the documents included information about compensation plans for employees that the company had intended to publish to those employees. The Second Circuit panel disagreed, holding that the possibility that information in the documents (some of which were drafts) would be given to third parties did not vitiate the privilege or create the inference that the communications were not intended to be confidential:<sup>90</sup>

The the fact that certain information in the documents might ultimately be disclosed to AG employees did not mean [\*717] that the communications to Proskauer were foreclosed from protection by the privilege as a matter of law.

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<sup>87</sup> [Id. at 875 n.7.](#)

<sup>88</sup> In *United States v. Jones*, the Fourth Circuit noted that in *In re Sealed Case* the D.C. Circuit opined that courts retain "discretion not to impose full waiver as to all communications on the same subject matter where the client has merely disclosed a communication to a third party, as opposed to making some use of it." [United States v. Jones, 696 F.2d 1069, 1072 \(4th Cir. 1982\)](#) (quoting [In re Sealed Case, 676 F.2d 793, 809 n.54 \(D.C. Cir. 1982\)](#)). However, the *Jones* court did not adopt this view. [Jones, 696 F.2d at 1072-73.](#) The approach has been criticized in a variety of ways. See Paul R. Rice, Attorney-Client Privilege: Continuing Confusion About Attorney Communications, Drafts, Pre-existing Documents and the Source of Facts Communicated, [48 Am. U. L. Rev. 967 \(1999\).](#)

<sup>89</sup> *In re Grand Jury Subpoena Duces Tecum* Dated Sept. 15, 1983 (Marc Rich & Co. A.G. v. United States), [731 F.2d 1032 \(2d Cir. 1984\).](#)

<sup>90</sup> Of course, drafts prepared by an attorney are protected by the attorney-client privilege only if the draft contains confidential information communicated by the client, and if the draft is maintained in confidence. A draft is not privileged simply because it is prepared by an attorney. E.g., [SEC v. Beacon Hill Asset Mgmt., LLC, 231 F.R.D. 134, 145 \(S.D.N.Y. 2004\)](#) (collecting cases).

Nor did the fact that certain information might later be disclosed to others create the factual inference that the communications were not intended to be confidential at the time they were made.<sup>91</sup>

Two years later, in the 1986 case *Schenet v. Anderson*,<sup>92</sup> the District Court for the Eastern District of Michigan issued an influential decision contrasting the Modern View's pragmatic approach with the Classic View's ideologically pure approach. The district court held that if a portion of the information conveyed to counsel is published, the privilege does not apply to that published information, but the un-published portion remains privileged. In short, the Eastern District of Michigan adopted the Modern View.

In *Schenet*, the Michigan district court was willing to perform a granular analysis of the communications and the ultimate disclosure. The court was also willing to assume that the privilege protects communications provided for the purpose of assessing and preparing public filings, such as notes made on drafts, thereby protecting the confidentiality of the process of preparing the public filings. The approach depends upon the willingness to permit clients to engage in a decision process about publication that is conditional, not binary. The client is permitted to conclude: "I am willing to disclose what confidential information I must in order to comply with law and meet my objectives, but no more than is required." On several occasions, district courts in the Second Circuit have adopted *Schenet*'s approach and expounded on the protection for draft documents.<sup>93</sup> [\*718] The Modern View allows the client with this contingent intent to protect information by looking to the result of the process of evaluation, and to the client's final decision about what is to be published. As a consequence, the Modern View protects the confidentiality of the process.<sup>94</sup>

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<sup>91</sup> [Marc Rich & Co. A.G., 731 F.2d at 1037](#) (emphasis added). The court continued, "If confidentiality were not intended, of course, the privilege would not attach, but we see no indication that confidentiality was not intended. For example, although some of the documents appear to be drafts of communications the final version of which might eventually be sent to other persons, and as distributed would not be privileged, we see no basis in the record for inferring that AG did not intend that the drafts - which reflect its confidential requests for legal advice and were not distributed - to be confidential. Confidentiality may also, of course be waived; but we see no indication that a waiver has yet occurred." *Id.* (citation omitted).

The *Marc Rich & Co. A.G.* court did note that the privilege protects only confidential communications that are reflected in such documents. In focusing on confidential communications to counsel instead of information the court returned to the core principles of the privilege. Thus, even under the Modern View drafts, communications, and data related to a public filing are not automatically privileged because they are drafts or unpublished; the proponent of the privilege must prove the documents and testimony contain confidential communications.

<sup>92</sup> [Schenet v. Anderson, 678 F. Supp. 1280 \(E.D. Mich. 1988\)](#).

<sup>93</sup> [Muller v. Walt Disney Prods., No. 93 Civ. 0427 \(GLG\), 1994 WL 801529, at 1](#) (S.D.N.Y. Sep. 27, 1994) ("The attorney-client privilege applies to all information conveyed by clients to their attorneys for the purpose of drafting documents to be disclosed to third parties and all documents reflecting such information to the extent that such information is not contained in the document published and is not otherwise disclosed to third parties. Preliminary drafts may reflect not only client confidences, but also the legal advice and opinions of attorneys, all of which is protected by the attorney-client privilege.") (citing [Schenet, 678 F. Supp. at 1284](#)). In [USPS v. Phelps Dodge Ref. Corp., 852 F. Supp. 156, 163 \(E.D.N.Y. 1994\)](#), the district court noted that drafts of documents ultimately published to third parties "may be considered privileged if they were prepared with the assistance of an attorney for the purpose of obtaining legal advice and/or contain information a client considered but decided not to include in the final version." See also [Diversified Grp., Inc. v. Daugerdas, 304 F. Supp. 2d 507, 514 \(S.D.N.Y. 2003\)](#) (noting that drafts of marketing materials were privileged because the document specifically required the lawyer to review, in his capacity as a tax attorney, the section of the marketing materials summarizing the tax considerations of the strategy); [In re U.S. Healthcare, Inc. Sec. Litig., No. 88-0559, 1989 WL 11068, at 2](#) (E.D. Pa. Feb. 8, 1989).

<sup>94</sup> For one example, this contingent intent dichotomy is evident in [Daugerdas, 304 F. Supp. 2d at 514](#), in which drafts of marketing materials were held to be privileged because the client requested the lawyer to review, in his capacity as a tax attorney, the section of the marketing materials summarizing the tax considerations of the strategy. See also *Rattner v. Netburn*, No. 88 CIV.2080(GLG), 1989 WL 223059, at 4 (S.D.N.Y. June 20, 1989) (stating that a client may intend to direct or permit the release of the final version of a document while still intending that his communications with his attorney prior to the finalization of the document will remain confidential).

The courts espousing the Modern View did not adopt the published/unpublished distinction in a single decision.<sup>95</sup> For example, *Saxholm AS v. Dynal, Inc.* held that communications from a client to attorneys conveying information or requesting advice regarding a patent application were privileged, while the draft patent application was not, in part, because the communication was made with the expectation that it would be disclosed.<sup>96</sup> Later decisions expressing the view that *Saxholm AS* and similar cases took too narrow a [\*719] view of the attorney-client privilege have ruled that drafts of letters or documents ultimately sent to third parties lack the requisite confidentiality to be protected.<sup>97</sup> By 2006, in *In re Rivastigmine Patent Litigation*, the Southern District of New York felt comfortable recognizing the change in view of the privilege as applied to patent applications since *Saxholm*; the court held that drafts of patent applications, amendments, and supporting affidavits will be privileged.<sup>98</sup> Courts in other circuits have ruled likewise.<sup>99</sup> It is worth noting that some jurisdictions have justified refusing to apply the privilege to draft SEC filings based on the view that legal advice is not involved, similar to the Eastern District of New York's reasoning in *Saxholm* with respect to preparation of patent applications. For instance, the District Court for the Northern District of Illinois has held that draft proxy statements, SEC forms, comments to drafts, and letters regarding the drafts are not privileged because they are not legal advice.<sup>100</sup>

[\*720]

## B. The Reaffirmation of the Classic View

The Fourth Circuit revisited the issue of privilege waiver in *United States v. Under Seal* (*In re Grand Jury Proceedings*).<sup>101</sup> The Fourth Circuit rejected the more flexible approach crystallized in *Schenet*. *In Under Seal* (*In*

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<sup>95</sup> See *P. & B. Marina, Ltd. v. Logrande*, 136 F.R.D. 50, 56 (E.D.N.Y. 1991) ("Drafts of letters or documents to third parties lack the requisite confidentiality to be protected under the attorney-client privilege. Moreover, the privilege is generally waived upon disclosure to third-parties of otherwise confidential materials.") (citations omitted).

<sup>96</sup> *Saxholm AS v. Dynal, Inc.*, 164 F.R.D. 331, 336-37 (E.D.N.Y. 1996) (finding that the underlying communications remained privileged).

<sup>97</sup> See, e.g., *In re Rivastigmine Patent Litig.* (MDL No. 1661), 237 F.R.D. 69, 85-86 (S.D.N.Y. 2006); *Softview Computer Prods. Corp. v. Haworth, Inc.*, 97 Civ. 8815 (KMW)(HBP), 2000 U.S. Dist. LEXIS 4254, at 53 (S.D.N.Y. Mar. 31, 2000).

<sup>98</sup> *In re Rivastigmine Patent Litig.* (MDL No. 1661), 237 F.R.D. at 85-86; see also *Daugerdas*, 304 F. Supp. at 514 (noting that drafts of marketing materials were held to be privileged because the client requested the lawyer to review the section of the marketing materials summarizing the tax considerations of the strategy in his capacity as a tax attorney).

<sup>99</sup> See, e.g., *SEC v. Teo*, No. 04-1815 (SDW), 2009 WL 1684467, at 12 (D.N.J. June 12, 2009) (granting motion to quash subpoena seeking drafts of Schedule 13D filings); *Apex Mun. Fund v. N-Group Secs.*, 841 F. Supp. 1423, 1428 (S.D. Tex. 1993) (denying motion to compel discovery of the communications and documents underlying the bond offering where statements disclosed to the public); *In re U.S. Healthcare, Inc. Secs. Litig.*, No. 88-0559, 1989 WL 11068, at 2 (E.D. Pa. Feb. 8, 1989) (denying motion to compel production of documents underlying financial statements and SEC filings); see also *In re Sealed Case*, 877 F.2d 976, 979 (D.C. Cir. 1989) (refusing to enforce grand jury subpoena seeking attorney-client communications relating to "adjusting entries" for an amended tax return filed with the IRS); *Buford v. Holladay*, 133 F.R.D. 487, 492 (S.D. Miss. 1990) (refusing to permit attorney general to be questioned on attorney-client communications even though opinion letters had been published); *Ball v. U.S. Fid. & Guar. Co.*, No. M8-85 (RWS), 1989 WL 135903, at 2 (S.D.N.Y. Nov. 8, 1989) (denying motion to compel production of attorney-client communications where some of counsel's opinions were disclosed in industry committee meetings).

<sup>100</sup> See *Blau v. Harrison* (*In re JP Morgan Chase & Co. Secs. Litig.*), No. 04 C 6592, 2007 U.S. Dist. LEXIS 60095, at 9 (N.D. Ill. Aug. 13, 2007) (citing *Christman v. Brauvn Realty Advisors, Inc.*, 185 F.R.D. 251, 256-57 (N.D. Ill. 1999)). Interestingly, the Northern District of Illinois contradicted its own holdings in *JP Morgan* and *Christman* in other decisions. See *Roth v. Aon Corp.*, 254 F.R.D. 538, 541 (N.D. Ill. 2009) (holding drafts of 10-K and communications related to preparation are privileged because the determination of what information should be disclosed for compliance is not merely a business operation but a legal concern) (citing *Ziemack v. Centel Corp.*, No. 92 C 3551, 1995 WL 314526, at 4 (N.D. Ill. May 19, 1995)).



re Grand Jury Proceedings), counsel for the parent of a public company had refused to produce drafts, notes, and memoranda generated for an audit response to the company's auditor, and one of the company's subsidiaries had refused to produce drafts of SEC filings and "related documents" sought by a government subpoena. The appellants advocated that the Fourth Circuit should adopt Schenet, but the court refused. <sup>102</sup> The panel began its analysis by stating that privilege would not apply to communications made in connection with a proposed public disclosure. <sup>103</sup> The Fourth Circuit ruled that the "only way the appellants can prevail is to demonstrate to the court that they did not retain the services of the attorneys for the purpose of advice on publication." <sup>104</sup>

The Classic View can be particularly disconcerting to public companies. Few contemplate that because SEC filings are published, the process of preparing those filings, including drafts and comments on drafts, is not protected by the privilege. In *Neuberger Berman Real Estate Income Fund, Inc. v. Lola Brown Trust No. 1B*, a Maryland district court aptly summarized the Fourth Circuit precedent and ordered the disclosure of a panoply of materials related to [\*721] the defendant's Rule 13D filing, including all related emails, drafts, and documents with information necessary to prepare the filings. <sup>105</sup>

The question of contingent intent is particularly problematic in the context of government investigations. It is increasingly the practice that corporations conduct internal investigations with the express or implied understanding that the results of the investigation will be shared with government investigators. There is, therefore, from the outset, an argument that there is no expectation of confidentiality as to the final work product. What percentage of the underlying information, such as email, interview notes, and legal research will be disclosed is often decided only later. When the investigation is commenced under the cloak of the attorney-client privilege, but - as is often the

<sup>101</sup> [\*United States v. Under Seal \(In re Grand Jury Proceedings\)\*, 33 F.3d 342 \(4th Cir. 1994\).](#)

<sup>102</sup> [\*Id.\* at 355.](#)

<sup>103</sup> [\*Id.\* at 354.](#) The court relied on the Fourth Circuit's decision in [\*In re Grand Jury Proceedings\*, 727 F.2d 1352 \(4th Cir. 1984\)](#), "as modified" by *United States v. (Under Seal) (In re Grand Jury 83-2 John Doe No. 462)*, [748 F.2d 871 \(4th Cir. 1984\)](#).

<sup>104</sup> *Id.* at 355. "If a client communicates information to his attorney with the understanding that the information will be revealed to others, that information as well as 'the details underlying the data which was to be published' will not enjoy the privilege," and "the loss of the privilege [is not] confined to the particular words used to express the communication's content but extends to the substance of a communication, since the disclosure of any significant part of a communication waives the privilege and requires the attorney to disclose the details underlying the data which was to be published." *Id.* at 354-55 (citing [\*In re Grand Jury Proceedings\*, 727 F.2d at 1356](#)).

This controversy is discussed at length in an article that favors the approach taken in the Schenet decision, focusing on communications, not pre-existing information. Rice, *supra* note 88.

<sup>105</sup> [\*Neuberger Berman Real Estate Income Fund, Inc. v. Lola Brown Trust No. 1B\*, 230 F.R.D. 398, 414-15 \(D. Md. 2005\)](#). Furthermore, the communications via email that accompanied the drafts would not be privileged, as they constitute the details "underlying the published data" of the public disclosure. The Fourth Circuit has described these details as including "the communications relating the data, the document, if any, to be published containing the data, all preliminary drafts of the document, and any attorney's notes containing material necessary to the preparation of the document." Further, any copies of other documents, "the content of which were necessary to the preparation of the published document," will not be privileged. *Id.* Therefore, all the drafts of the section 13D filing and accompanying underlying "details" found in Volume II are not privileged. *Id.* (citation omitted).

The same result follows for the drafts and related communications of other disclosed documents for which privilege has been asserted. A public disclosure to a government agency is not required. "Public" can also mean "public action," i.e., disclosure to any third party outside the attorney-client relationship. See [\*United States v. Under Seal \(In re Grand Jury Subpoena\)\*, 204 F.3d 516, 522 \(4th Cir. 2000\)](#) (concluding that no privilege existed where client, through his attorney, made disclosure via letter to another attorney). "When a client hires an attorney to take public actions on the client's behalf - in this case, sending the letter to [the other attorney] in order to avoid a lawsuit - the privilege does not extend ... once that public action is taken." [\*Neuberger Berman\*, 230 F.R.D. at 414-15.](#)

case - the corporation reserves the decision whether to turn over some or all of the results of the investigation, the question of if privilege attaches becomes murkier. As one would expect, the fact that an investigation report is not published is not necessarily determinative.<sup>106</sup>

One case that illustrates the impact of expectations on whether investigation materials are privileged from the outset is *United States v. Bergonzi*.<sup>107</sup> In *Bergonzi*, HBO & Company ("HBOC") conducted an investigation of securities fraud as the result of misstatements of [\*722] the financial results of HBOC and McKesson HBOC.<sup>108</sup> HBOC began the internal investigation after McKesson's announcement in April of 1999 that its auditors had discovered accounting irregularities.<sup>109</sup> Private actions alleging securities fraud followed immediately.<sup>110</sup> The McKesson board of directors' audit committee retained counsel, who in turn retained an accounting firm to assist in the review.<sup>111</sup>

After fifty-five documented interviews of thirty-seven present and former employees, a report prepared by the audit committee's counsel and the backup materials (including all of the interview memoranda) were provided to the SEC and the local United States Attorney's Office.<sup>112</sup> McKesson entered into a confidentiality agreement with the SEC under which the SEC and the company agreed that the documents should be kept confidential, and which took extraordinary steps to shield the documents from discovery in the private lawsuits.<sup>113</sup> The confidentiality agreement recited that the company had a "common interest" with the SEC in the results of the internal investigation.<sup>114</sup> The SEC agreed it would not argue that the voluntary submission of the information would constitute a waiver of any privilege and promised to maintain the confidentiality of the materials, "except to the extent that the [SEC] determines that disclosure is otherwise required by federal law."<sup>115</sup> Later, in May of 1999, the company entered into a separate, similar agreement with the United States Attorney's Office, but that agreement provided that the United States Attorney's Office could use any documentation provided in pursuit of criminal proceedings.<sup>116</sup>

[\*723] In September of 2000, a grand jury indicted a number of former executives of HBOC for securities fraud, mail fraud, and wire fraud.<sup>117</sup> After the indictments, the U.S. Attorney's Office inadvertently produced four of the

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<sup>106</sup> [\*United States v. Tellier\*, 255 F.2d 441, 447 \(2d Cir. 1958\).](#)

<sup>107</sup> [\*United States v. Bergonzi\*, 216 F.R.D. 487 \(N.D. Cal. 2003\).](#)

<sup>108</sup> [\*Id.\* at 490.](#)

<sup>109</sup> *Id.*

<sup>110</sup> *Id.*

<sup>111</sup> *Id.*

<sup>112</sup> [\*Id.\* at 491.](#)

<sup>113</sup> *Id.*

<sup>114</sup> *Id.*

<sup>115</sup> [\*Id.\* at 494.](#) The case that gave rise to elaborate efforts between HBOC and the government is ***Diversified Industries, Inc. v. Meredith*, 572 F.2d 596 (8th Cir. 1978)**, in which the Eighth Circuit adopted the equivalent of a "selective waiver" doctrine (not to be confused with limited waiver) for voluntary disclosures made to the government under which the delivery of the documents to the government in its regulatory or law enforcement capacity did not waive the privilege as to any other parties. This effort to facilitate regulatory functions and settlements while relieving corporations of follow-on civil liability driven by the disclosure of the investigation results has been universally rejected under both the Classic and the Modern Views.

<sup>116</sup> [\*United States v. Bergonzi\*, 216 F.R.D. 487, 491 \(N.D. Cal. 2003\).](#)

<sup>117</sup> [\*Id.\* at 490.](#)

interview memoranda to the defendants.<sup>118</sup> The government immediately sought return of the four interview memoranda, but one of the defendants refused.<sup>119</sup> McKesson intervened in the criminal case for the purpose of asserting the privilege, as well as the confidentiality, of the report and the back-up material, and to obtain a return of the interview memoranda.<sup>120</sup> Meanwhile, the former officers sought production of the report and all backup materials, arguing that any privilege was waived, and, further, that they were entitled to the documents both under [Rule 16 of the Federal Rules of Criminal Procedure](#) and under the government's Brady v. Maryland obligation to provide exculpatory material.<sup>121</sup>

The Bergonzi court had little difficulty finding that the documents were not privileged, ruling that whatever the merits of a waiver argument, it was the Company's intention when the investigation began that the materials would be produced to the government.<sup>122</sup> As a result, the attorney-client privilege never attached in the first instance.<sup>123</sup> The court relied on the fact that all of the documents had been prepared after the company had agreed to provide the report and the backup materials, including the interview memoranda, to the government.<sup>124</sup> The Bergonzi court also ruled **[\*724]** that the documents were not protected by the doctrine of attorney work product, or the doctrine regarding materials prepared in anticipation of litigation.<sup>125</sup>

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<sup>118</sup> [Id. at 491.](#)

<sup>119</sup> [Id. at 490.](#)

<sup>120</sup> [Id. at 492.](#)

<sup>121</sup> *Id.*

<sup>122</sup> [Id. at 494.](#)

<sup>123</sup> *Id.*

<sup>124</sup> [Id. at 493](#) (citing [United States v. Sudikoff](#), 36 F. Supp. 2d 1196, 1204-05 (C.D. Cal. 1999)). The requirement that employees know that information is provided in confidence and not for publication for privilege to attach can be a trap for the unwary in other contexts. In [Deel v. Bank of America](#), 227 F.R.D. 456, 463 (W.D. Va. 2005), the court ruled that employee questionnaires completed for a FLSA investigation were not privileged. The bank had conducted a survey of employees to obtain information about possible FLSA violations. The court held that to secure the privilege of questionnaires sent to employees, the employer must notify the employees that it seeks their help in obtaining legal advice by the employees providing information in confidence, which was not done. Generally, the impact on arguments of work product protection has been similar under the Modern View. For example, in [In re Royal Ahold N.V. Secs. & ERISA Litig.](#), 230 F.R.D. 433 (D. Md. 2005), the plaintiffs in a class action securities fraud case sought notes and memoranda prepared by the Royal Ahold companies' outside counsel describing witness interviews conducted as part of an investigation into accounting irregularities and alleged fraud. The volume of material was startling; there was a total of at least 827 interview memoranda, of which approximately 269 had been disclosed to government agencies and approximately 558 had not. The disclosed memoranda were disclosed under a confidentiality agreement that prohibited the government from disclosing the documents to any third party, and stated that Royal Ahold had not waived any privilege. The court ruled that, as to the memos disclosed to government agencies, there was a waiver of both fact and mental impression work product. With respect to the memos that were not disclosed directly, the court ordered disclosure to the plaintiffs of all fact information in the memos that had been the basis of disclosures to the government, to accountants or to the public, but indicated an intent to preserve mental impression work product as to those memos. [Id. at 437-38](#). The trial court declined to follow *Saito v. McKesson HBOC, Inc.*, No. 18553, 2002 LEXIS 125, at 19 (Del. Ch. Oct. 25, 2000), in which the Delaware Chancery Court found that a company and the government did not share a common interest, but applied a selective waiver analysis to keep documents confidential.

<sup>125</sup> The trial court rejected the arguments of the company and the government that the two had a common interest in enforcing the relevant regulations and statutes. Relying principally on the decision of the United States Court of Appeals for the First Circuit in [United States v. Mass. Inst. of Tech.](#), 129 F.3d 681 (1st Cir. 1997), the court ruled that the common interests professed by the government and the company - their joint interest in ensuring compliance with the law and their joint interest in the government's carrying out its law enforcement responsibilities - are not the types of common interest shared by parties who are working together in the prosecution or defense of a lawsuit.

The Advisory Committee Notes state that Rule 502 makes no attempt to alter federal or state law on whether information is protected under the attorney-client privilege or work product immunity as an initial matter. The rule's failure to address privilege as an initial matter leaves open the possibility that privilege law strictly applied will moot the effort to limit the scope of the implied waiver. However, when it comes to investigations, original intent and waiver can be two sides of the same coin, and which side of the coin controls is often determined by ambiguous facts with respect to when the company decided to prepare and disclose a report to the government.

#### IV.

#### IMPLIED WAIVER

A waiver of attorney-client privileged materials is implied from the actions of a client in two basic circumstances. The attorney-client privilege may be waived "by placing the subject matter of counsel's [\*725] advice in issue"<sup>126</sup> or by making selective disclosure of only part of such advice."<sup>127</sup> We refer to the former as the "at-issue" waiver and the latter as the "disclosure" waiver. At-issue waiver results when a client takes a position in litigation, "the validity of which can only be tested by invasion of the attorney-client privilege,"<sup>128</sup> and the client asserts a claim or defense that requires the use of the privileged materials for proof.<sup>129</sup> The paradigm example of at-issue waiver is the party who asserts his good faith belief as a defense to a lawsuit on a subject about which he obtained legal advice, such as his duty to make disclosure under the securities laws. By pleading this good faith defense he puts his communications with counsel about his obligations at issue and the privilege is waived. The Classic View courts do not accept or protect limited disclosure, so the disclosure of a portion of a communication waives the privilege as to the remainder of the communications on the same subject matter.<sup>130</sup> [\*726] Similarly, whenever a privileged communication is made relevant and material by the assertion of a claim or defense, the privilege is waived. The underpinning of these limits of the attorney-client privilege under the Classic View is, again, the concept that the privilege protects confidentiality; any action by the client that is inconsistent with that imperative destroys the theoretical basis for the privilege and therefore the privilege itself.

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<sup>126</sup> [\*United States v. Jones\*, 696 F.2d 1069, 1072 \(4th Cir. 1982\)](#) ("When a party reveals part of a privileged communication to gain advantage in litigation, the party waives the attorney-client privilege as to all other communications relating to the same subject matter.").

<sup>127</sup> [\*Soho Generation v. Tri-City Ins. Brokers\*, 653 N.Y.S.2d 924, 925 \(App. Div. 1997\)](#) (citation omitted).

<sup>128</sup> The Modern View taken by the Second Circuit extends to recharacterizing the waiver itself: "Because the words implied and waiver both tend to suggest that the party possessing the privilege intended to give it up, the terms waiver, and implied waiver, are not especially appropriate designations for circumstances in which the party possessing the privilege makes no representation, express or implied, that it intends to surrender its privilege. In such circumstances, the rule is perhaps more aptly described as one of forfeiture, rather than waiver." [\*John Doe Co. v. United States \(In re Grand Jury John Doe Co.\)\*, 350 F.3d 299, 302 \(2d Cir. 2003\)](#); [\*Village Bd. of Pleasantville v. Rattner\*, 515 N.Y.S.2d 585, 586 \(App. Div. 1987\)](#) (holding that municipalities relying on good faith reliance on counsel waived the attorney-client privilege regarding communications concerning the transactions for which counsel's advice was sought; the plaintiff was entitled to test assertions of good faith).

<sup>129</sup> [\*Deutsche Bank Trust Co. v. Tri-Links Inv. Trust\*, 837 N.Y.S.2d 15, 23 \(App. Div. 2007\)](#) (citing [\*Village Bd. of Pleasantville\*, 515 N.Y.S.2d at 655](#)). Unsurprisingly, courts have also found that a party places its attorney-client communications "at issue" in legal malpractice actions. See, e.g., *Creditanstalt Inv. Bank AG. v. Chadbourne & Parke LLP*, No. 106539/01, 2005 WL 3681657, at 3 (N.Y. Sup. Ct. Nov. 18, 2005), *aff'd*, [\*831 N.Y.S.2d 705 \(App. Div. 2007\)\*](#) (finding "that the issues of what legal advice plaintiffs received regarding the Russian operation's compliance with Russian tax laws and licensure requirements are central to defendant's defense in this action [and] the application of the privilege in this case would deprive defendant of vital information"); [\*Goldberg v. Hirschberg\*, 806 N.Y.S.2d 333, 336 \(Sup. Ct. 2005\)](#) (finding that plaintiffs placed their representation by current counsel "at issue" by claiming as damages the legal fees paid to current counsel "to get them out of trouble directly caused by defendants' bad advice").

<sup>130</sup> [\*United States v. Pollard \(In re Martin Marietta Corp.\)\*, 856 F.2d 619, 623-24 \(4th Cir. 1988\)](#) (citing *United States v. (Under Seal) (In re Grand Jury 83-2 John Doe No. 462)*, [\*748 F.2d 871 \(4th Cir. 1984\)\*](#)).

It is critical to understand that Rule 502 addresses waiver by disclosure only; it is not intended to address at-issue waiver resulting from a client putting privilege at issue.<sup>131</sup> Thus, the conflict between the Classic View and the Modern View as to precisely when such waiver occurs, and the scope of that waiver, is theoretically unaffected by Rule 502's express provisions. However, Congress' Statement of Purpose makes clear that a subject matter waiver results:

This subdivision [502(a)(1)] does not alter the substantive law regarding when a party's strategic use in litigation of otherwise privileged information obliges that party to waive the privilege regarding other information concerning the same subject matter, so that the information being used can be fairly considered in context. One situation in which this issue arises, the assertion as a defense in patent-infringement litigation that a party was relying on advice of counsel, is discussed elsewhere in this Note. In this and similar situations, under subdivision (a)(1) the party using an attorney-client communication to its advantage in the litigation has, in so doing, intentionally waived the privilege as to other communications concerning the same subject matter, regardless of the circumstances in which the communication being so used was initially disclosed.<sup>132</sup>

Until recently, many courts adopted the test set forth in the Eastern District of Washington decision *Hearn v. Rhay*<sup>133</sup> for determining [\*727] whether a party has waived the attorney-client privilege by placing the advice at issue.<sup>134</sup> Now, courts adopting the Modern View have retreated from the Hearn test, finding that it results in waiver too often and produces a waiver that is too broad in scope.<sup>135</sup> The Hearn test is derived from the court's conclusion that all cases in which there was an invasion of the privilege had these factors in common:

(1) Assertion of the privilege was a result of some affirmative act;

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<sup>131</sup> The Statement of Purpose added to the Advisory Committee Note by Congress makes this point clear: "[The] rule addresses only the effect of disclosure, under specified circumstances, of a communication that is otherwise protected by attorney-client privilege, or of information that is protected by work-product protection, on whether the disclosure itself operates as a waiver of the privilege or protection for purposes of admissibility of evidence in a federal or state judicial or administrative proceeding."

<sup>132</sup> 154 Cong. Rec. H7818 (2008) (Statement of Congressional Intent Regarding [Rule 502 of the Federal Rules of Evidence](#)).

<sup>133</sup> [Hearn v. Ray](#), 68 F.R.D. 574, 581 (E.D. Wash. 1975).

<sup>134</sup> E.g., *Cornett Mgmt. Co. v. Lexington Ins. Co.*, No. 5:04- CV-22, 2007 WL 1140253, at 4 (N.D. W.Va. Apr. 17, 2007) (finding Hearn "persuasive"); [Small v. Hunt](#), 152 F.R.D. 509, 512 (E.D.N.C. 1994) (applying Hearn to find waiver where party submitted affidavit, placing privilege at issue by claiming that a commission, which included attorneys, did not foresee certain circumstances); [Santrade, Ltd. v. Gen. Elec. Co.](#), 150 F.R.D. 539, 544 (E.D.N.C. 1993) (same); 1050 [Tenants Corp. v. Lapidus](#), 817 N.Y.S.2d 491, 495 (Civ. Ct. 2006).

<sup>135</sup> E.g., [Pritchard v. County of Erie](#), 546 F.3d 222, 227-28 (2d Cir. 2008) (finding that courts have criticized Hearn and have applied its tests unevenly); *Pereira v. United Jersey Bank*, Nos. 94 Civ. 1565(LAP) & 94 Civ. 1844(LAP), 1997 WL 773716, at 3 (S.D.N.Y. Dec. 11, 1997) ("Hearn is problematic insofar as there are very few instances in which the Hearn factors, taken at face value, do not apply and, therefore, a large majority of claims of privilege would be subject to waiver."); [Allen v. West Point-Pepperell, Inc.](#), 848 F. Supp. 423, 429-30 (S.D.N.Y. 1994) (noting that district courts within the Second Circuit have reached conflicting decisions in the application of Hearn, and rejecting reliance "upon a line of cases in which courts have unhesitatingly applied a variation of the Hearn balancing test"); [Koppers Co. v. Aetna Cas. & Sur. Co.](#), 847 F. Supp. 360, 363 (W.D. Pa. 1994) (rejecting the third Hearn factor for vagueness and overbreadth); [Connell v. Bernstein-Macaulay, Inc.](#), 407 F. Supp. 420, 422 (S.D.N.Y. 1976) ("The actual holding in [Hearn] is not in point because the party there asserting the privilege had expressly relied upon the advice of counsel as a defense to the plaintiff's action.").

The test also has been subject to academic criticism. See, e.g., Richard L. Marcus, The Perils of Privilege: Waiver and the Litigator, 84 *Mich. L. Rev.* 1605, 1628-29 (1986); Note, Developments in the Law: Privileged Communications, 98 *Harv. L. Rev.* 1629, 1641-42 (1985) ("The faults in the Hearn approach are (1) that it does not succeed in targeting a type of unfairness that is distinguishable from the unavoidable unfairness generated by every assertion of privilege, and (2) that its application cannot be limited."). In view of the foregoing, it seems to us that there is a need for clarification of the scope of the at-issue waiver and the circumstances under which it should be applied.



(2) through this affirmative act the asserting party put the protected information at issue [for its own benefit] by making it relevant to the case; and

(3) application of the privilege would deny the opposing party access to information vital to its case. <sup>136</sup>

**[\*728]** In the Second Circuit's view, contrary to the approach taken in *Hearn*, the mere fact that a privileged communication contains information relevant to issues that the parties are litigating does not put privileged communication sufficiently at issue to require an implied at-issue waiver. <sup>137</sup> In *re the County of Erie*, <sup>138</sup> the [Second](#) Circuit made express its rejection of the *Hearn* test, holding that waiver occurs only when counsel's advice is relied upon in asserting a claim or defense. The court wrote, "we agree with its critics that the *Hearn* test cuts too broadly... . Nowhere in the *Hearn* test is found the essential element of reliance on privileged advice in the assertion of the claim or defense in order to affect a waiver... . We hold that a party must rely on privileged advice from his counsel to make his claim or defense." <sup>139</sup> The *County of Erie* Court distinguished *United States v. Bilzerian*, <sup>140</sup> a criminal prosecution for securities fraud in which the Second Circuit found a waiver when the defendant proposed to testify that he thought his actions were legal based upon advice of counsel, which put at issue his communications with his lawyers regarding what the law required. <sup>141</sup> However, the Second Circuit said that the assertion of the defense did not result in **[\*729]** automatic waiver: instead, waiver would result only if he chose to testify as to his good faith belief. Since *County of Erie*, courts in the Second Circuit have continued to enforce this narrower waiver standard, under which the communication must itself be at issue, or essential to fair

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<sup>136</sup> [Hearn](#), 68 F.R.D. at 581; see also [United States v. Bilzerian](#), 926 F.2d 1285, 1292 (2d Cir. 1991); [United States v. Jones](#), 696 F.2d 1069, 1072 (4th Cir. 1982) (holding that "selective disclosure for tactical purposes" waives the privilege); [Small](#), 152 F.R.D. at 512 (applying *Hearn* to find waiver where party submitted affidavit, placing privilege at issue by claiming that a commission, which included attorneys, did not foresee certain circumstances); [Garfinkle v. Arcata Nat'l Corp.](#), 64 F.R.D. 688, 689 (S.D.N.Y. 1974) ("Privilege may be waived if the privileged communication is injected as an issue in the case by the party which enjoys its protection."); [Orco Bank, N.V. v. Proteinas Del Pacifico, S.A.](#), 577 N.Y.S.2d 841, 842 (App. Div. 1992); [Hayes v. Ricard](#), 93 S.E.2d 540, 548 (N.C. Sup. Ct. 1956).

<sup>137</sup> Cf. [Deutsche Bank Trust Co. of Ams. v. Tri-Links Inv. Trust](#), 837 N.Y.S.2d 15, 23 (App. Div. 2007); [Veras Inv. Partners, LLC v. Akin Gump Strauss Hauer & Feld LLP](#), 860 N.Y.S.2d 78 (App. Div. 2008).

<sup>138</sup> [Pritchard](#), 546 F.3d at 228.

<sup>139</sup> [Id.](#) at 227 (holding that the qualified immunity defense did not put protected communications "at issue" because the defense is based on an objective evaluation of relevant case law to determine whether a right was "clearly established" and not the defendant's subjective reliance on advice of counsel); [In re Keeper of the Records](#), 348 F.3d 16, 24 (1st Cir. 2003) (adopting the view expressed in [In re von Bulow](#), 828 F.2d 94, 102-03 (2d Cir. 1987)).

<sup>140</sup> [Bilzerian](#), 926 F.2d at 1285.

<sup>141</sup> [Id.](#) at 1292; see also [Allen v. West Point-Pepperell, Inc.](#), 848 F. Supp. 423, 429-30 (S.D.N.Y. 1994) (finding that assertion of a laches defense did not waive the privilege because legal advice was not "in issue," as the defense did not depend on confidential communications with counsel, but on plaintiffs' knowledge of the facts). But see [In re Leslie Fay Co. Secs. Litig.](#), 161 F.R.D. 274, 283 (S.D.N.Y. 1995) (holding that production of the audit committee's report to the SEC waived any protection as to the report itself in that subsequent events in the litigation made it "manifestly unfair" to maintain the privilege as to interview notes and financial documents summarized in that report when the company sought to use the investigative report to incriminate an outside auditor in a securities fraud class action).

litigation before the fact-finder. <sup>142</sup> Similarly, if a party does not need a privileged communication to sustain its cause of action, no at-issue waiver results. <sup>143</sup>

#### A. Importance of Context to Implied Waiver

A court can use fairness to imply a waiver because Rule 502's approach to the question of whether undisclosed information has lost the attorney-client privilege in a federal proceeding or to a government regulator is deceptively simple: disclosure is required if the undisclosed information concerns the same subject matter as the disclosed information and "they ought in fairness to be considered together." <sup>144</sup> The context - the circumstances under which a waiver occurs - is also critical. The Classic View and the Modern View take dramatically different positions on the role of context in deciding whether waiver has occurred, and in determining the scope of any such waiver. Context has become a key element in the fairness calculus of the Modern View; the Classic View applies virtually the same implied waiver rules, regardless of context. The implications for whether an implied waiver has occurred and its scope are drastic. Indeed, as Rule 502 is applied, it is possible that the most important difference between the Modern View and the Classic View is the context in which a waiver of privilege occurs. Under the Classic View, any disclosure, anytime, anywhere, results in implied waiver as to the subject matter. By contrast, the focus of the [\*730] Modern View is the protection of the integrity of the judicial process, so implied waiver of undisclosed privileged information will not occur in an extra-judicial context because there is nothing of sufficient import to protect.

The Second Circuit articulated the Modern View with regard to context in *In re von Bulow*, <sup>145</sup> where the court made clear its substitution of the "fairness doctrine" for the Hearn test. <sup>146</sup> Claus von Bulow was famously convicted of murdering his wife, appealed that conviction successfully, and was acquitted at the re-trial. He was represented by Alan Dershowitz on appeal and in the second trial. Dershowitz wrote a book about the case, "Reversal of Fortune - Inside the von Bulow Case," which disclosed confidential communications between von

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<sup>142</sup> For example, in *Bodega Invs., LLC v. United States*, No. 08 Civ. 4065(RMB)(MHD), [2009 U.S. Dist. LEXIS 78217, at 9](#) (S.D.N.Y. Aug. 21, 2009), the court applied *County of Erie* and found a waiver of attorney-client privilege by the plaintiff, who contested interest payments based on his alleged reliance on an IRS agent's statement to his counsel that the interest would be suspended, because, the court held, the substance of counsel's communications about what the IRS agent said and counsel's communications about whether to rely on the representation were "vital to assessing plaintiff's claim that he in fact relied, as well as whether such reliance was reasonable." See also *Morande Auto. Grp., Inc. v. Metro. Grp., Inc.*, No. 3:04CV918(SRU), [2009 WL 650444, at 5](#) (D. Conn. Mar. 12, 2009) (citing *County of Erie*) (holding that although the plaintiff's privileged communications were relevant, the court found no waiver because the claim did not depend on plaintiff's reliance on legal advice, but on defendants' alleged negligent misrepresentations).

<sup>143</sup> *Carl v. Cohen*, No. 117043/06, slip op. at 3 (N.Y. Sup. Ct. Apr. 7, 2009) (citation omitted).

<sup>144</sup> [Fed. R. Evid. 502\(a\)\(2\)-\(3\)](#).

<sup>145</sup> [In re von Bulow](#), [828 F.2d 94 \(2d Cir. 1987\)](#).

<sup>146</sup> With the rise of the need to make public disclosure, including press releases, about investigations and litigation, corporations have found the need to consult their in-house or outside public relations consultants. They have also felt the need to make public statements about the underlying allegations, the corporation's response to the allegations, or the corporation's defense to the allegations. These public statements have given rise to another layer of ambiguity or uncertainty about the attorney-client privilege. There is an increasing trend in the case law to accommodate these realities without forcing the corporation to waive the attorney-client privilege (as might be predicted by the Classic View of the privilege). The fairness doctrine has played a prominent role in these analyses. See [Calvin Klein Trademark Trust v. Wachner](#), [198 F.R.D. 53, 54-55 \(S.D.N.Y. 2000\)](#) (finding disclosure to PR firm waives privilege for information disclosed); see also Deniza Gertsberg, Comment, Should Public Relations Experts Ever Be Privileged Persons?, [31 Fordham Urb. L.J. 1443 \(2004\)](#) (addressing the privilege extended to attorney communications with public relations experts). Contra *Viacom, Inc. v. Sumitomo Corp.* (*In re Copper Mkt. Antitrust Litig.*), [200 F.R.D. 213, 219-20 & n.4 \(S.D.N.Y. 2001\)](#) (interpreting [Upjohn Co. v. United States](#), [449 U.S. 383 \(1981\)](#) and holding no waiver of privileged information given to PR professionals because they are the functional equivalent of an employee for purposes of the case).

Bulow and his lawyers. After the book was published, Ms. von Bulow's children by her first marriage, who had sued their stepfather for their mother's death, sought discovery of all privileged materials from the criminal case, arguing that the publication, and related public appearances by Dershowitz and von Bulow to tout the book, affected a subject matter waiver of the attorney-client privilege. The Second Circuit held that the rule requiring disclosure of the subject matter of the communication "does not come into play when ... the privilege-holder or his attorney has made extrajudicial disclosures, and those disclosures have not subsequently been placed at issue during litigation."<sup>147</sup>

The Second Circuit had no trouble concluding that von Bulow had waived the privilege as to every portion of a communication **[\*731]** disclosed in the book; however, at the outset, the court defined the purpose of the fairness doctrine narrowly: "to prevent prejudice to a party and distortion of the judicial process that may be caused by the privilege-holder's selective disclosure during litigation of otherwise privileged information."<sup>148</sup> Then, applying the fairness doctrine, the court concluded first that "this rule protecting the party, the fact-finder, and the judicial process from selectively disclosed and potentially misleading evidence does not come into play when, as here, the privilege-holder or his attorney has made extrajudicial disclosures, and those disclosures have not subsequently been placed at issue during litigation."<sup>149</sup> The court held that the extrajudicial disclosures of the attorney-client communications in the book and on the promotional appearances did not result in implied waiver because von Bulow did not subsequently use the disclosed communications to his adversary's prejudice in a judicial proceeding.<sup>150</sup> Finding no prejudice to the children in the litigation, the court held that the fairness doctrine did not demand disclosure.<sup>151</sup>

The Modern View's narrow approach to fairness conflicts with the Classic View. In *United States v. Under Seal* (In re Grand Jury Subpoena),<sup>152</sup> the defendant told FBI agents during a non-custodial interview that he had made a misrepresentation on an INS form "under the advice of an attorney." After the grand jury subpoenaed the attorney, the client attempted to prevent the attorney from disclosing the advice to the grand jury investigating him for immigration fraud. The Fourth Circuit held that the defendant had waived the privilege when he told the FBI agents that he acted on counsel's advice.<sup>153</sup> Similarly, in *United States v. Mendelsohn*,<sup>154</sup> Mendelsohn was convicted of transporting, aiding, and abetting the interstate **[\*732]** sale of bookmaking paraphernalia after he sold a computer program used to record and analyze sports bets to an undercover agent. Mendelsohn told the agent that his attorney had said that selling the software was legal, but later qualified his statement, saying that the attorney had

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<sup>147</sup> [\*In re von Bulow\*, 828 F.2d at 102.](#)

<sup>148</sup> [\*Id.\* at 101.](#)

<sup>149</sup> [\*Id.\* at 102.](#)

<sup>150</sup> *Id.* The court had one caveat: "It is conceivable that assertions before trial may mislead or prejudice an adversary at trial and thereby impede the proper functioning of the judicial system. For that reason plaintiff is entitled to attempt to demonstrate in subsequent proceedings that von Bulow's assertion of his attorney-client privilege is misleading or otherwise prejudicial. At such time, the district court may, in its discretion, reevaluate the scope of petitioner's waiver." [\*Id.\* at 102 n.1.](#)

<sup>151</sup> [\*Id.\* at 102-03](#) (citing [\*Weil v. Investment/Indicators, Research & Mgmt., Inc.\*, 647 F.2d 18 \(9th Cir. 1981\)](#)) (finding no subject matter waiver from statement made to opposing counsel early in the proceedings and not demonstrably prejudicial to the opposing party).

<sup>152</sup> [\*United States v. Under Seal\* \(In re Grand Jury Subpoena\), 341 F.3d 331 \(4th Cir. 2003\).](#)

<sup>153</sup> [\*Id.\* at 336.](#)

<sup>154</sup> [\*United States v. Mendelsohn\*, 896 F.2d 1183 \(9th Cir. 1990\).](#)

not opined about interstate sales. The Fifth Circuit ruled that the attorney could be compelled to testify at trial because Mendelsohn's statement to the agent was a waiver of the privilege.<sup>155</sup>

The Second Circuit has refused to find waiver based on disclosures to the government in the context of an investigation, in part because such statements are extra-judicial. In *In re Grand Jury John Doe Co.*,<sup>156</sup> the "John Doe Company" was the target of an investigation into alleged firearms law violations arising from the company allowing firearms sellers to use its facilities without the company having the necessary licenses. The Company's attorneys submitted a forty-six page letter to the United States Attorney's Office professing its willingness to cooperate. Counsel argued that the company had acted in the good faith belief that its actions were legal based upon consultations with identified Alcohol, Tobacco, and Firearms ("ATF") personnel, who (counsel claimed) had repeatedly advised the company that Doe did not need a license. Counsel also stated that nothing in the letter was "intended to waive any applicable privilege or protection available under law." When the U.S. Attorney's Office sought the attorneys' notes of conversations with the ATF officials and the attorneys' interviews of employees about their conversations with those officials,<sup>157</sup> the trial court and the appellate court held that whether there was an implied waiver, and the scope of any such waiver, were functions of if Doe's use of the privilege created an unfair disadvantage to an opposing party, and that the answer to that question depended very much on the context:

The crucial issue is whether the unfairness affects the result of the judicial process, when a party uses an assertion of fact to influence the decision-maker while denying its adversary access to privileged material potentially capable of rebutting the presumption.<sup>158</sup>

**[\*733]** The Second Circuit found no implied waiver because there was no unfairness to an adversary, as the prosecutors were free to disbelieve the company and continue to investigate.<sup>159</sup>

The Fourth Circuit's *In re Martin Marietta* decision explains the justification for implied waiver outside of the courtroom. In that case, the Fourth Circuit held that the use of privileged information to persuade the government to enter into a settlement was testimonial use of privileged information and affected a full subject matter waiver. The fact that no litigation had commenced was not relevant.<sup>160</sup>

In *Martin Marietta*, one of the company's former employees, William Pollard, was indicted for a scheme in which Department of Defense ("DOD") travel cost rebates were improperly accounted for as fees instead of credits, with

<sup>155</sup> [\*Id.\* at 1189](#). The district court, affirmed by the circuit, did not find a full subject matter waiver, but did find a waiver to the extent Mendelsohn had purported to disclose specific advice. [\*United States v. Plache\*, 913 F.2d 1375, 1379-80 \(9th Cir. 1990\)](#) (asserting reliance on counsel's advice in grand jury testimony constituted waiver of privilege and requiring attorney to testify at trial).

<sup>156</sup> [\*John Doe Co. v. United States \(In re Grand Jury John Doe Co.\)\*, 350 F.3d 299 \(2d Cir. 2003\)](#).

<sup>157</sup> [\*Id.\* at 301](#).

<sup>158</sup> [\*Id.\* at 306](#).

<sup>159</sup> Contra [\*Joy v. North\*, 692 F.2d 880, 893-94 \(2d Cir. 1982\)](#) (holding that the use of special litigation committee report to move to terminate derivative litigation waives the privilege regarding the underlying material).

<sup>160</sup> [\*United States v. Pollard \(In re Martin Marietta Corp.\)\*, 856 F.2d 619, 623-24 \(4th Cir. 1988\)](#); see also [\*In re Royal Ahold N.V. Sec. & ERISA Litig.\*, 230 F.R.D. 433 \(D. Md. 2005\)](#) (finding waiver of attorney-client privilege and non-opinion work product as to the subject matter disclosed in a Form 20-F filed with the SEC and investigation reports produced to the SEC and DOJ in a securities fraud class action). Other jurisdictions have ruled similarly in the context of disclosures made during SEC investigations. See, e.g., [\*SEC v. Microtune, Inc.\*, 258 F.R.D. 310, 317 \(N.D. Tex. 2009\)](#) (finding that voluntary disclosure of documents and results concerning company's internal investigation of stock option practices to the SEC and other third parties during a government investigation resulted in waiver of the attorney-client privilege with respect to all documents "relating to the internal investigation").

the result that Martin Marietta's subsidiary was able to overbill the DOD.<sup>161</sup> Martin Marietta entered into a settlement agreement with the government that included a guilty plea to reduced charges.<sup>162</sup> In the course of the settlement negotiations, Martin Marietta submitted a fifteen page position paper to the government in which it made representations about the testimony that its employees would give and about the evidence that it had found. Privileged information from files and interviews formed one basis for the representations to the government by Martin Marietta. After the settlement agreement was reached, Pollard was indicted. In support of his defense that he was made a scapegoat by his former employer, Pollard subpoenaed fifteen categories of documents, including all witness statements taken by the company's counsel and counsel's notes of meetings with the government.

**[\*734]** The question was the extent of the implied waiver. Deciding the scope of the waiver, the Fourth Circuit panel was comfortable stating at the time that "most courts continue to state the rule of implied waiver in absolute form - any disclosure of a confidential communication outside a privileged relationship will waive the privilege as to all information related to the same subject matter...."<sup>163</sup> The Fourth Circuit found implied waiver of attorney-client privilege as to all details underlying the position paper as a result of the company's submission to the government during settlement discussions.<sup>164</sup> The Fourth Circuit's application of the concept of "testimonial use" of privileged matters recalls the paramount position given to the search for truth: "[The] privilege of secret communication is intended only as an incidental means of defense, and not as an independent means of attack, and to use it in the latter is to abandon it in the former."<sup>165</sup>

In *In re Grand Jury John Doe Co.*, the Second Circuit acknowledged the conflict with the Classic View epitomized by Martin Marietta:

We acknowledge that Martin Marietta does not conform to our description of the characteristic circumstances in which factual assertions will cause forfeiture of the privileges of the party making the assertions. The corporation's assertions in that case were not made to an adjudicative authority, as was the case in *Nobles* and *Bilzerian*. They were made only to the U.S. Attorney.

**[\*735]** At the same time, however, as compared with our facts, the facts of Martin Marietta better supported a claim that it would be unfair to the government to allow the corporation to continue thereafter to assert its privileges. In Martin Marietta, the government had entered into a global settlement with the corporation in reliance on the corporation's representations. Having irrevocably compromised its legal position in reliance on the corporation's

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<sup>161</sup> [Pollard, 856 F.2d at 620.](#)

<sup>162</sup> *Id.*

<sup>163</sup> [Id. at 623](#); see also [SEC v. Brady, 238 F.R.D. 429, 440-41 \(N.D. Tex. 2006\)](#) (providing report to the SEC waives privilege); [United States v. Woodall, 438 F.2d 1317, 1324 \(5th Cir. 1970\)](#) (en banc) ("[A] client's offer of his own or his attorney's testimony as to a specific communication constitutes a waiver as to all other communications on the same matter [because] 'the privilege of secret communication is intended only as an incidental means of defense, and not as an independent means of attack, and to use it in the latter character is to abandon it in the former.'" (quoting Wigmore on Evidence § 2327 (1961))).

<sup>164</sup> [Pollard, 856 F.2d at 623-24](#); see also [United States v. Reyes, 239 F.R.D. 591, 603 \(N.D. Cal. 2006\)](#) (relying on Martin Marietta and finding that counsel's verbal disclosure of the substance of investigation interviews, reports and conclusions to the government resulted in a broad subject matter waiver, stating "it smacks of injustice when, as in this case, the favored party seizes upon the disclosed information to exercise legal leverage against the obstructed one").

<sup>165</sup> Wigmore on Evidence § 2327 (1961); see also [SEC v. Brady, 238 F.R.D. at 441](#). The court also relied on the D.C. Circuit's position rejecting limited waiver. [In re Subpoenas Duces Tecum, 738 F.2d 1367 \(D.C. Cir. 1984\)](#) (finding that Tesoro Petroleum provided the SEC with information about illegal foreign bribes in return for more lenient treatment, and that Tesoro shareholders brought a derivative suit seeking the documents in discovery, but rejecting the limited waiver argument).



representations, the government could more plausibly assert that the corporation forfeited its legal right to withhold disclosure of privileged documents that might impeach the representations upon which the government relied.<sup>166</sup>

Although it acknowledges the argument that there is some unfairness to the government, the John Doe opinion leaves the firm impression that the Second Circuit would have decided Martin Marietta differently.<sup>167</sup> However, the distinction the Second Circuit drew between the *In re Grand Jury John Doe Co.* decision and the Martin Marietta decision is an awkward one. The court implies that if the government had rejected the positions taken by Martin Marietta in its position paper, there could be no waiver, but that since the government had accepted those arguments, a waiver resulted. In contrast, regardless of the outcome, the Fourth Circuit would focus on the use of the privileged communications. Appreciating this contrast is crucial to understanding the conflict between the two views.

It seems clear that the Second Circuit's awkward effort to distinguish the Martin Marietta decision should not be given weight. The fact is that the Modern View and the Classic View take different approaches to the issue, and the Second Circuit's position with respect to waiver is not based on reliance, or lack of reliance, by an adversary, but only on the effort to have a final decision-maker rely, whether court, arbitrator, or other tribunal. The Second Circuit stated: "The crucial issue is not merely some connection to a judicial process but rather the type of unfairness to the adversary that results in litigation circumstances when a party uses an assertion of fact to influence the decision maker while denying its adversary access **[\*736]** to privileged material potentially capable of rebutting the assertion."<sup>168</sup>

The differences between the Classic View and the Modern View are illustrated further by decisions from the Fourth and Second Circuits with respect to deposition testimony about confidential communications. In *Hawkins v. Stables*,<sup>169</sup> the [Fourth](#) Circuit found that subject matter waiver resulted from the party testifying in a deposition that she had not discussed an illegal wiretap with her counsel. This ruling was based expressly on the Fourth Circuit's refusal to adopt the concept of limited waiver.<sup>170</sup> In direct contrast, the Second Circuit held in *County of Erie* that the defendant's deposition testimony that its counsel had rewritten the policy at issue in the lawsuit did not constitute a waiver, in part because the testimony did not occur "before a decision-maker or fact finder," and the defendants had "not been placed in a disadvantage at trial."<sup>171</sup> Similarly, in *Sims v. Blot*,<sup>172</sup> the [Second](#) Circuit held that deposition testimony did not result in a waiver of his psychotherapist-patient privilege, because the testimony did not occur "before a decision-maker or fact finder."<sup>173</sup> There is enormous uncertainty resulting from the clash between the Modern View and the Classic View as to the context in which implied waiver will apply.

The text of Rule 502 contemplates that implied waiver may occur outside of the courtroom. Rule 502 states that "when the disclosure is made in a Federal proceeding or to a Federal office or agency and waives the attorney-

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<sup>166</sup> [John Doe Co. v. United States \(In re Grand Jury John Doe Co.\), 350 F.3d 299, 305 \(2d Cir. 2003\).](#)

<sup>167</sup> After enactment of the amendments to [Fed. R. Evid. 502](#), the issue of what is the waiver as decided in Martin Marietta might well change, but the issue of whether a settlement is within the scope of the fairness doctrine, when the regulator can choose not to rely and settle nonetheless, may not change.

<sup>168</sup> [In Re Grand Jury John Doe Co., 350 F.3d at 306.](#)

<sup>169</sup> [Hawkins v. Stables, 148 F.3d 379, 384 n.4 \(4th Cir. 1998\).](#)

<sup>170</sup> *Id.*

<sup>171</sup> [Pritchard v. County of Erie, 546 F.3d 222, 230 \(2d Cir. 2008\)](#) (citing [Sims v. Blot, 534 F.3d 117 \(2d Cir. 2008\)](#)).

<sup>172</sup> [Sims, 534 F.3d at 140.](#)

<sup>173</sup> *Id.* (holding that the fairness inquiry focuses on whether there is a risk that a "decisionmaker" will accept the privilege-holder's statements without his opponent having an adequate opportunity to present rebutting evidence).

client privilege or work-product protection, the waiver extends to an undisclosed communication or information in a Federal or State proceeding only if: the waiver is intentional; the disclosed and undisclosed communications or information concern the same subject matter; and they ought in fairness to be considered together." Had the drafters intended to adopt the Second Circuit's view on the context in which implied waiver might occur, one would expect to see a clear statement to that effect in the Advisory Committee Note. The text of 502(a) certainly contemplates that implied waiver may occur by disclosure to a federal agency outside of an adversary proceeding. The rule and [\*737] the Advisory Committee Note with Congress' Statement of Intent unambiguously favor the Modern View, but do not foreclose a continuing struggle between the Classic and Modern Views as to the context in which implied waiver will occur. The Advisory Committee Note to 502(a) reads in part:

The rule provides that a voluntary disclosure in a federal proceeding or to a federal office or agency, if a waiver, generally results in a waiver only of the communication or information disclosed; a subject matter waiver (of either privilege or work product) is reserved for those unusual situations in which fairness requires a further disclosure of related, protected information, in order to prevent a selective and misleading presentation of evidence to the disadvantage of the adversary. See, e.g., [In re United Mine Workers of America Employee Benefit Plans Litig.](#), 159 F.R.D. 307, 312 (D.D.C. 1994) (waiver of work product limited to materials actually disclosed, because the party did not deliberately disclose documents in an attempt to gain a tactical advantage). Thus, subject matter waiver is limited to situations in which a party intentionally puts protected information into the litigation in a selective, misleading and unfair manner. <sup>174</sup>

This portion of the Advisory Committee Note, referencing putting protected information "into litigation" might be read as a reference to adopt von Bulow and the cases that follow which hold that disclosure outside of the lawsuit is never a waiver. However, the phraseology is very awkward for that reading. In addition, the original Advisory Committee Note included in the Committee's May 6, 2006 report to the Standing Committee included a cite to the von Bulow case, but that reference was removed in the final version of the note. <sup>175</sup> Cases like *Hawkins v. Stables* that find implied waiver [\*738] only in statements before the fact-finder are clearly not supported by this text. The first clause of this comment section, which references disclosure to a federal agency as reflected by the text of Rule 502, suggests that such a disclosure might result in an implied waiver, with the scope of that waiver to be determined by the fairness doctrine. Read as a whole, the Advisory Committee Note does not distinguish between disclosures governed by federal or state law. This is clearly not the intent of the drafters, who, in resolving the issue of when State or federal privilege law should control, "determined that the proper solution for the federal court is to apply the law that is most protective of privilege and work product." <sup>176</sup>

#### B. In re Kidder Peabody Securities Litigation and Arbitrage

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<sup>174</sup> [Fed. R. Evid. 502](#) advisory committee's note (emphasis added). [In re United Mine Workers of Am. Emp. Benefit Plans Litig.](#), 159 F.R.D. 307, 312 (D.D.C. 1994), cited in the note, does not speak to the context in which implied waiver occurs. It speaks only to the extent of the waiver.

<sup>175</sup> In the May 6, 2006 report to the Standing Committee the Advisory Committee Note read: "The rule provides that a voluntary disclosure generally results in a waiver only of the communication or information disclosed; a subject matter waiver (of either privilege or work product) is reserved for those unusual situations in which fairness requires a further disclosure of related, protected information, in order to protect against a selective and misleading presentation of evidence to the disadvantage of the adversary." [Fed. R. Evid. 502](#) advisory committee's note. In the final version sent to, and adopted by Congress, the reference to von Bulow is eliminated: "The rule provides that a voluntary disclosure in a federal proceeding or to a federal office or agency, if a waiver, generally results in a waiver only of the communication or information disclosed; a subject matter waiver (of either privilege or work product) is reserved for those unusual situations in which fairness requires a further disclosure of related, protected information, in order to prevent a selective and misleading presentation of evidence to the disadvantage of the adversary."

Note that the final version adds the clause "if a waiver" when describing the effect of a voluntary disclosure, thereby giving some weight to the argument that the Advisory Committee contemplated that some voluntary disclosures would not result in waiver.

<sup>176</sup> *Id.*

under the Modern View

Kidder Peabody Sec. Litig. illustrates the transition to the Modern View and the flexibility (though some would say unpredictability) of available outcomes when using "fairness" as the criterion to determine the scope of waiver.<sup>177</sup> The decision raises questions for the application of Rule 502 and the use of the rule to keep inconvenient facts from government or public scrutiny. The Kidder Peabody court, which predates the Second Circuit's direct attack on Hearn, and so can be said to be "less modern" than cases that follow, addresses a number of issues that highlight the possible vices of the Modern View, even while continuing to rely on Hearn.

In 1994, Kidder Peabody discovered that one of its most prominent traders, Joseph Jett, had allegedly perpetrated a fraud against the firm by which he allegedly created phantom profits totaling hundreds of millions of dollars in an effort to secure larger bonuses and hide losses.<sup>178</sup> When Kidder Peabody announced the discovery, shareholder suits followed quickly against Kidder's parent General Electric Company ("GE").<sup>179</sup> Likewise, the United States Attorney's Office and the SEC launched investigations of GE, Kidder, and Jett. **[\*739]** Kidder quickly brought an arbitration against Jett.<sup>180</sup> In response, Jett brought a lawsuit to compel Kidder to indemnify him for his defense costs related to the SEC and the criminal probes, and brought an arbitration asserting other claims.<sup>181</sup> Kidder and GE were taking a beating in the press and there were questions as to whether Kidder would survive the scandal.<sup>182</sup> The company moved quickly to retain counsel (former SEC Enforcement Chief Gary Lynch) to conduct an investigation and to defend the various litigations and investigations.<sup>183</sup> Lynch and his team conducted approximately 120 interviews of sixty-five present and former employees.<sup>184</sup> In addition, they looked at a significant number of documents.

Judge Dolinger of the Southern District of New York found that, since the discovery of the scandal, Kidder and GE had engaged in an extensive public relations campaign based largely on Lynch's investigation. In interviews and press releases, Kidder and GE emphasized to the public that they were using the Lynch investigation to determine how the scheme had gone undetected for approximately twenty-eight months and whether others were involved. From the outset, Kidder indicated that the investigation would be shared with the SEC and would probably be made public. In August of 1994, Kidder sent a draft of the Lynch report to the SEC asking for comments. GE then released the final Lynch report to the public, accompanied by announcements of personnel actions and institutional changes to carry out the reforms suggested by the report. The report found that the losses were the work of Jett acting alone. Kidder and GE used the report extensively to influence the U.S. Attorney and SEC investigations.

Kidder invoked attorney-client privilege to protect the interview notes and the report. Plaintiffs and Kidder's co-defendant, Jett, moved to compel Kidder to produce the documents. The court found as a fact that, although Kidder had hired Davis Polk to represent it in bringing the arbitration against Jett and defending lawsuits, Kidder would nonetheless have hired counsel to perform the inquiry if there had been no litigation because Kidder still would have needed to address the business and public relation issues created by the scandal.<sup>185</sup> Interestingly, the court noted that Kidder's intent to use the investigation and the report raised the question of **[\*740]** if any of the investigation materials were ever protected by the privilege, due to the fact that Kidder and GE had intended to publish the

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<sup>177</sup> *In re Kidder Peabody Sec. Litig.*, 168 F.R.D. 459, 474 (S.D.N.Y. 1996).

<sup>178</sup> *Id.* at 461.

<sup>179</sup> *Id.* at 463.

<sup>180</sup> *Id.*

<sup>181</sup> *Id.*

<sup>182</sup> *Id.*

<sup>183</sup> *Id.* at 464.

<sup>184</sup> *Id.* at 462.

<sup>185</sup> *Id.* at 465.

investigation results - to the SEC, at a minimum - from the beginning. However, the district court chose to analyze the problem as one of implied waiver.

The court began its analysis with von Bulow and the "fairness doctrine." The court found that the publication of the Lynch report was "functionally indistinguishable from the book publication in von Bulow." Because both were extra-judicial disclosures, the court concluded that the publication of the Lynch report constituted a waiver only as to the report and those portions of the interview documents that were specifically alluded to or paraphrased in the Lynch report.

Kidder Peabody highlights a vice of the Modern View's limiting of implied waiver to actions in front of the final adjudicator.<sup>186</sup> By limiting an evaluation of fairness to the judicial context, the Modern View allows the client to use the selective disclosure of privileged information to its material advantage and to the disadvantage of a party with adverse or just different interests, as Kidder Peabody did in this case. One may assume that portions of the interview memoranda that underlie the Lynch report were unflattering to Kidder and possibly to its parent, but by allowing Kidder to publish the report without disclosing the underlying information, the Modern View allowed Kidder to go into the public markets and the broader public marketplace and to argue that it had engaged in no wrongdoing, while withholding evidence inconsistent with that position, in a transparent effort to influence civil and criminal federal investigations, the public perception of Jett, and GE's stock price. Kidder and GE consciously sought to have their shareholders, customers, and others (including presumably state or federal regulators who were not actively investigating Kidder) rely. Essentially, Kidder and GE engaged in privilege arbitrage, or disclosing privileged information to the general public where it may prove beneficial and seeking to conceal privileged information in legal proceedings where the information may be harmful. One can ask courts espousing the Modern View what societal good comes from allowing such arbitrage, and how does allowing such arbitrage foster those aspects of the attorney-client relationship that are of value to society.

**[\*741]** Having decided, however, that the publication of the report to the public did not result in a waiver of the privilege as to the interview memoranda, the court held that the privilege as to the interview memoranda was waived by Kidder's repeated use of the report in other litigation and in arbitration against Jett. The district court did not rely on Kidder's use of the report in the litigation before the court. Separately evaluating Kidder's use of the report with the SEC and U.S. Attorney's Office in an effort to persuade them to take no action, the court, relying on *Hearn v. Rhay* and the decision of the D.C. Circuit Court of Appeals in *In re Sealed Case*,<sup>187</sup> held that the use of the report to persuade the SEC and the U.S. Attorney's Office to do nothing was the use of the report in a "litigative context," and that use resulted in a waiver of the attorney-client privilege.<sup>188</sup> Obviously, this holding cannot be reconciled with the Second Circuit's subsequent decisions in *In re Grand Jury John Doe Co.*,<sup>189</sup> *Stable*, and *County of Erie*. Contrasting Kidder with *In re Grand Jury John Doe Co.* highlights the vice of the Modern View, which allows a litigant to extensively arbitrage the privilege, so long as the corporation or individual does not do so in a courtroom or in arbitration. Again, the Classic View courts ask how this fosters good attorney-client communications and relations, and at what cost.

The cases display the inherent tension between the attorney-client privilege on the one hand, and confidence that a governmental body, the public, or the court has been given a completely accurate picture of the events and intent of the client, on the other. The assumption of the Modern View is that a court will be able to distinguish between the situations in which privileged information is used fairly and those in which privileged information is used in a selective, misleading, and unfair manner, or to gain technical advantage. The Classic View assumes any limited

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<sup>186</sup> See [In re von Bulow](#), 828 F.2d 94, 103 (2d Cir. 1987) ("Although it is true that disclosures in the public arena may be 'one-sided' or 'misleading', so long as such disclosures are and remain extrajudicial, there is no legal prejudice that warrants a broad court-imposed subject matter waiver.").

<sup>187</sup> [In re Sealed Case](#), 676 F.2d 793, 818-22 (D.C. Cir. 1982).

<sup>188</sup> *In re Kidder Peabody Sec. Litig.*, 168 F.R.D. 459, 473 (S.D.N.Y. 1996).

<sup>189</sup> The court sidestepped the issue, choosing to use the implied waiver analysis. *Id.* at 468.

disclosure is unfair. When that tension results in a misleading disclosure, or a sufficiently unfair disclosure, is not answered by Rule 502.

We should note that under the fairness doctrine, as applied by the Second Circuit, even if the government argued that fairness entitles it to privileged information to test the representations of a company during pre-charging or plea negotiations, a third party would not be able to claim the benefits of implied waiver in order to demand access to privileged information, because that third party would have no fairness argument to make as the result of [\*742] statements to the government. In contrast, under the Classic View, the waiver may be asserted by anyone with an interest. In *Martin Marietta, Pollard*, the company's former employee, was not engaged in litigation against the company. Under the Modern View, he would not have had a claim to implied waiver of materials not conveyed to the government; by contrast, under the Classic View, once the privilege had been waived by Martin Marietta's testimonial use of privileged materials with the government, the privilege was lost for all materials on the subject matter as against everyone. In *Kidder*, the court found waiver based upon Kidder's use of the Lynch Report against Jett in other lawsuits, not based upon the federal class action in which the motion was decided. Under the Second Circuit's view, unless the unfairness results in the proceeding in which the privilege is attached, there should be no waiver. Kidder illustrates how a Modern View circuit can use the fairness doctrine to arrive at much the same result as the Classic View.

V.

#### THE SCOPE OF WAIVER AND SUBJECT MATTER WAIVER

The determination that a waiver of privilege has occurred is not the end of the inquiry. The exercise of discretion is inherent in defining what communications a waiver reaches,<sup>190</sup> and, as we have seen, the courts are not uniform in defining the subject matter and scope of a waiver. No precise test has been developed for determining what constitutes "the same subject matter."<sup>191</sup> However, the subject [\*743] matter of a waiver generally includes both a temporal component and a topical component. The time element is frequently overlooked until a litigant faces waiver of materials prepared after commencement of the litigation.<sup>192</sup> But both time and subject are important.

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<sup>190</sup> See *United States v. Doe (In re Grand Jury Proceedings)*, 219 F.3d 175, 190 (2d Cir. 2000) ("We leave it to the district court, in the first instance, to define the subject matter of the waiver."); *Electro Scientific Indus. v. Gen. Scanning, Inc.*, 175 F.R.D. 539, 544 (N.D. Cal. 1997), aff'd, 247 F.3d 1341 (Fed. Cir. 2001) (determining how broad a waiver extends is an issue that the law commits in some measure to the court's discretion); *Koster v. Chase Manhattan Bank, No. 81 Civ. 5018, 1984 WL 883, at 3* (S.D.N.Y. Sept. 18, 1984) (citations omitted) ("In view of the policies underlying the concept of waiver and the evident ambiguity of the phrase 'the same subject,' a court necessarily has some discretion in determining the appropriate scope of the waiver.").

<sup>191</sup> See, e.g., *Rambus, Inc. v. Infineon Techs., AG*, 220 F.R.D. 264, 289 (E.D. Va. 2004) ("The Fourth Circuit holds that the scope of the subject-matter waiver rule is limited to other communications relating to the same subject matter. This, of course, leaves open for interpretation what exactly constitutes the same subject matter. Indeed: Despite the centrality of the term, same subject matter, to this inquiry, courts have not defined its meaning and content precisely."); see also Jennifer A. Hardgrove, Note, Scope of Waiver of Attorney-Client Privilege: Articulating a Standard That Will Afford Guidance to Courts, 1998 U. Ill. L. Rev. 643, 662 (1998) (noting that few courts have "developed a specific list of criteria to apply when determining the appropriate breadth of waiver; instead courts seem to analyze each case on an ad hoc basis") (some citations omitted). See also Broun & Capra, supra note 47, at 16-24 (discussing cases regarding the scope of waiver and determination of the scope); *SEC v. Microtune, Inc.*, 258 F.R.D. 310, 317 (N.D. Tex. 2009) (finding that voluntary disclosure of documents and results of internal investigation of stock option practices to the SEC and other third parties during a government investigation resulted in waiver of the attorney-client privilege with respect to all documents "relating to the internal investigation," without further explanation); *SNK Corp. of Am. v. Atlas Dream Entm't Co.*, 188 F.R.D. 566, 571 (N.D. Cal. 1999) (stating that in determining scope of any subject matter waiver, courts must be "guided by 'the subject matter of the documents disclosed, balanced by the need to protect the frankness of the client disclosure and to preclude unfair partial disclosures'" (quoting *Starsight Telecast v. Gemstar Dev. Corp.*, 158 F.R.D. 650, 655 (N.D. Cal. 1994))).

<sup>192</sup> *In re Keeper of the Records*, 348 F.3d 16, 21-26 (1st Cir. 2003) (rejecting the argument that waiver was to operate without limit of time "so long as people are talking about the same subject" since no ends would be served by implying a broad



Decisions, including many discussed here, suggest that predicting the scope of a subject matter waiver is almost always difficult, given courts' discretion under the Modern View to determine what fairness requires in a given circumstance. According to the Advisory Committee, Rule 502 was not intended to affect the scope of waiver when a party puts a privileged communication into dispute,<sup>193</sup> but one of the rule's primary objectives is to narrow the scope of waiver resulting from disclosure of a portion of the privileged communications on any subject.<sup>194</sup> How the Classic View courts will implement this new instruction, particularly given the room to exercise discretion when a concept as broad as "fairness" defines the scope of the waiver, will determine whether inter-circuit uniformity increases.

#### [\*744]

##### A. The Topical Scope of Waiver

The principle adopted by Modern View courts, and by Rule 502 as it applies to waiver by disclosure, is that the subject of a waiver should be interpreted narrowly, so the subject matter information must "be directly related" to the disclosed subject. As we have noted, the rule and the Advisory Committee Note are not ambiguous:

The rule provides that a voluntary disclosure in a federal proceeding or to a federal office or agency, if a waiver, generally results in a waiver only of the communication or information disclosed; a subject matter waiver (of either privilege or work product) is reserved for those unusual situations in which fairness requires a further disclosure of related, protected information, in order to prevent a selective and misleading presentation of evidence to the disadvantage of the adversary.<sup>195</sup>

However, the application of this principle is almost necessarily imprecise.<sup>196</sup> For example, in *United States v. Bilzerian*,<sup>197</sup> the [Second](#) Circuit ruled that if Bilzerian testified at trial as to his good faith belief that his actions were legal, he would open the door to cross-examination about privileged communications with his attorney on the subject.<sup>198</sup> Neither the district court nor the circuit court defined the precise scope of the waiver; rather, the Second Circuit ruled that the district court had correctly indicated that the scope of the waiver would be based on Bilzerian's testimony.<sup>199</sup> This left counsel and client faced with tremendous risk as to the scope of the waiver that the court would deem "fair."

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prospective waiver when disclosure was made in the extrajudicial context); [Winbond Elecs. Corp. v. Int'l Trade Comm'n](#), 262 F.3d 1363, 1375-76 (Fed. Cir. 2001) (holding time period of waiver was appropriate because company's assertion that its understanding of the law changed after a court opinion put at issue the inventor's, and thus its attorneys', understanding of the law before and after the Commission's initial decision). Contra [In re Buspirone Patent Litig.](#), 210 F.R.D. 43, 53-54 (S.D.N.Y. 2002) (refusing to permit "arbitrary" date cutoff of waiver where advice of counsel defense was raised with respect to antitrust claims); *Gabriel Capital, L.P. v. Natwest Fin., Inc.*, No. 99 Civ. 10488(SAS), 2001 WL 1132050, at 1 (S.D.N.Y. Sept. 21, 2001) (finding prospective waiver effected by adoption of advice-of-counsel defense and communications revealing substance of advice given by counsel to be discoverable, regardless of when they occurred).

<sup>193</sup> [Fed. R. Evid. 502](#) advisory committee's note.

<sup>194</sup> *Id.*; see also *supra* notes 58-62.

<sup>195</sup> [Fed. R. Evid. 502](#) advisory committee's note; see also [Church & Dwight Co., Inc. v. Mayer Lab's, Inc., No. C10-4429-EMC \(JSC\)](#), 2011 U.S. Dist. LEXIS 141315, at 1 (Dec. 8, 2011) (finding waiver as to all documents provided to "a government agency during an investigation ... even when the documents are produced pursuant to a confidentiality agreement").

<sup>196</sup> E.g., [Alpex Computer Corp. v. Nintendo Co., Ltd., No. 86 Civ. 1749](#), 1994 WL 330381, at 2 (S.D.N.Y. July 11, 1994) ("Courts should simply take care to extend the scope of the waiver only so far as necessary to ensure fairness to the litigants.").

<sup>197</sup> [United States v. Bilzerian](#), 926 F.2d 1285 (2d Cir. 1991).

<sup>198</sup> *Id.* at 1291.

<sup>199</sup> *Id.*

There is an enormous amount of practical and theoretical territory between a full subject matter waiver as contemplated in the Fourth Circuit's Under Seal (In re Grand Jury Proceedings) decision,<sup>200</sup> **[\*745]** in which an exhaustive body of material was subject to implied waiver, and cases such as von Bulow,<sup>201</sup> which limit waiver to those confidences actually disclosed. This is the territory of a limited subject matter waiver, in which the court, whether using in-camera review or other means, extends the waiver to some, but not all, materials regarding the subject matter, as the prevention of "unfairness" dictates. This imprecision, and the vast territory between the extremes, is the space that the Second Circuit's In Re Marc Rich & Co. A.G decision<sup>202</sup> and the Eastern District of Michigan's Schenet decision<sup>203</sup> attempt to map. This will also be the space in which Classic View courts and Modern View courts must try to reach some common ground.

Fairness may still include, in certain cases, an implied waiver that extends to the entire transaction where the disclosure is deemed "part-and-parcel" of the whole, and a court deems disclosure necessary to avoid unfairness.<sup>204</sup> Rambus, Inc. v. Infineon Tech. AG<sup>205</sup> illustrates a result that one would not expect to survive Rule 502, but it might. The company's disclosure of its document retention policy and various details regarding the development of the policy resulted in a far more extensive waiver. The Rambus court considered "several flexible non-exhaustive factors" in determining if communications related to the same subject matter. Among these-factors were:

- (1) The general nature of the lawyer's assignment;
- (2) the extent to which the lawyer's activities in fulfilling that assignment are undifferentiated and unitary or are distinct and severable;
- (3) the extent to which the disclosed and undisclosed communications share, or do not share, a common nexus with a distinct activity;
- (4) the circumstances in and purposes for which disclosure originally was made;
- (5) the circumstances in and purposes for which further disclosure is sought;
- [\*746]** (6) the risks to the interests protected by the privilege if further disclosure were to occur; and
- (7) the prejudice which might result if disclosure were not to occur.<sup>206</sup>

The Rambus court concluded that the subject matter of the waiver should extend beyond the document retention policy to include the company's patent litigation strategy because "the text of one document rather strongly

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<sup>200</sup> [\*United States v. Under Seal \(In re Grand Jury Proceedings\)\*, 33 F.3d 342 \(4th Cir. 1994\).](#)

<sup>201</sup> [\*In re von Bulow\*, 828 F.2d 94 \(2d Cir. 1987\).](#)

<sup>202</sup> [\*Marc Rich & Co. A.G. v. United States\*, 731 F.2d 1032 \(2d Cir. 1984\).](#)

<sup>203</sup> [\*Schenet v. Anderson\*, 678 F. Supp. 1280, 1283 \(E.D. Mich. 1988\).](#)

<sup>204</sup> See, e.g., [\*In re Wilkerson\*, 393 B.R. 734 \(Bankr. D. Colo. 2008\)](#) (holding that implied waiver applied to all communications with bankruptcy attorney concerning disclosure of legal actions, duty to disclose such actions, and asking for information about such actions, including general communications regarding her duty of full disclosure).

<sup>205</sup> ***Rambus, Inc. v. Infineon Techs.*, 220 F.R.D. 264 (E.D. Va. 2004).**

<sup>206</sup> ***Id.* at 289** (citing [\*United States v. Skeddle\*, 989 F. Supp. 917, 919 \(N.D. Oh. 1997\)](#)); [\*SNK Corp. of Am. v. Atlas Dream Entm't Co.\*, 188 F.R.D. 566, 571 \(N.D. Cal. 1999\)](#) (stating that in determining scope of any subject matter waiver, courts must be "guided by 'the subject matter of the documents disclosed, balanced by the need to protect the frankness of the client disclosure and to preclude unfair partial disclosures'" (quoting [\*Starsight Telecast v. Gemstar Dev. Corp.\*, 158 F.R.D. 650, 655 \(N.D. Cal. 1994\)](#))).

indicates that Rambus' document retention policy was part-and-parcel of its intellectual property and litigation strategy." <sup>207</sup> The court reasoned: "Because Rambus has disclosed information respecting the substance of its document retention policy, it has also waived the privilege with respect to those documents that pertain to its patent litigation strategy." Repackaged as fairness with an enumeration of fairness factors, this result is not foreclosed by Rule 502.

The fairness doctrine as articulated in Rule 502 has a narrow waiver as a default position, but even in a Modern View circuit, the fairness doctrine does not per se result in a narrow scope of waiver. Deciding the scope of implied waiver arising from an at-issue waiver in 2002 in *In re Buspirone Patent Litigation*, the Southern District of New York wrote: "A party should not be permitted to define selectively the subject matter of the advice of counsel on which it relied in order to limit the scope of the waiver of the attorney-client privilege and therefore the scope of discovery. To do so would undermine the very purpose behind the exception to the attorney-client privilege at issue here - fairness." <sup>208</sup> This position is unaffected by Rule 502, which makes clear that at-issue waiver is not limited by the rule. <sup>209</sup>

**[\*747]** Decisions since enactment of Rule 502 have provided little guidance regarding the impact of the rule on the scope of subject matter waiver. For example, in a 2011 decision, *Enns Pontiac, Buick & GMC Truck v. Flores*, the Eastern District of California found that the defendant's disclosure of a report to the government during a prior investigation did not result in waiver of the entire subject matter in subsequent civil litigation. <sup>210</sup> The court concluded that the waiver was "limited to production of the underlying data referenced or contained in the report" and did not extend to "drafts or notes regarding the report." <sup>211</sup> The court was not persuaded by the plaintiffs' reliance on Rule 502(a), stating only that "the Court questions the applicability of [Rule 502] in this instance. Even applying the statutory provision, however, a broad waiver is not indicated." <sup>212</sup> Similarly, in *SEC v. Berry*, the Northern District of California found waiver as a result of counsel's verbal briefings with the government concerning facts learned through five witness interviews. <sup>213</sup> As counsel "presumably ... used the final interview memoranda to refresh their recollections when discussing the five Key Witnesses with the government," the court concluded only final interview memoranda were discoverable and that the waiver did not extend to internal notes or draft reports. <sup>214</sup> The *Berry* decision made no mention of Rule 502 and relied on a pre-Rule 502 decision, *United States v.*

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<sup>207</sup> *Rambus, Inc.*, 220 F.R.D. at 290.

<sup>208</sup> *In re Buspirone Patent Litig.*, 210 F.R.D. 43, 53 (S.D.N.Y. 2002) (citation omitted).

<sup>209</sup> *Fed. R. Evid. 502* advisory committee's note ("The rule governs only certain waivers by disclosure. Other common-law waiver doctrines may result in a finding of waiver even where there is no disclosure of privileged information or work product. The rule is not intended to displace or modify federal common law concerning waiver of privilege or work product where no disclosure has been made.") (citations omitted).

<sup>210</sup> *Enns Pontiac, Buick & GMC Truck v. Flores*, No. 1:07cv01043, [2011 U.S. Dist. LEXIS 77113, at 3](#) (E.D. Cal. July 13, 2011).

<sup>211</sup> *Id.* at 3.

<sup>212</sup> *Id.* at 4.

<sup>213</sup> *SEC v. Berry*, No. C07-4431, 2011 WL 825742, at 6 (N.D. Cal. Mar. 7, 2011).

<sup>214</sup> *Id.*

Reyes. <sup>215</sup> There is no indication from the Flores or Berry decisions that Rule 502 had any influence on the waiver analysis.

**[\*748]** By contrast, in *Bear Republic Brewing Co. v. Central City Brewing Co.*, the District of Massachusetts relied on Rule 502 in finding that the intentional production of work product materials resulted in waiver as to the materials produced and "all the circumstances involved with respect to this material, including how it came to be obtained, at whose direction it was obtained, and the manner in which it was obtained." <sup>216</sup> The court, however, provided no further explanation as to how it arrived at the scope of the subject matter waiver other than consideration of "fairness" as mandated by Rule 502. <sup>217</sup> Similarly, in *US Airline Pilots Assoc. v. Pension Benefit Guaranty Corp.*, the District of Columbia applied Rule 502 and found that reliance on an investigation in litigation and disclosure of counsel's investigative report resulted in a broad waiver as to the subject matter of the report, including the scope and methods of the investigation, the documents reviewed during the investigation, and findings of the investigation. <sup>218</sup> Even when courts apply Rule 502, no clear guidelines have emerged as to determination of the scope of the subject matter waiver.

## B. The Temporal Scope of Waiver

The temporal component can have a greater impact on the scope of a waiver than the topic of the waived privileged communications. <sup>219</sup> Courts from a variety of jurisdictions have held that the temporal scope of a waiver should be defined based on considerations of fairness and the materiality of events occurring during the time when the advice put at issue in the case guides the conduct of the client. <sup>220</sup> The cases in which courts have found broad

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<sup>215</sup> [\*United States v. Reyes\*, 239 F.R.D. 591, 604 \(N.D. Cal. 2006\)](#). Reyes similarly involved waiver as a result of government briefings regarding witness interviews. The Reyes court held that, to the extent counsel disclosed information contained in written interview summaries, notes, and memoranda, counsel waived any right to protect those writings under the attorney-client or work product privileges. *Id.* Although not addressed in Berry, Reyes can be construed as resulting in a broader waiver than Berry because it did not expressly limit the waiver to final drafts of witness memoranda. Rather than reflecting a shift in the analysis, this may have been due to the fact that the attorneys in Reyes did not prepare a final investigation report and retained solely handwritten notes and other unspecified work product relating to the investigation. [Id. at 596](#). In the absence of final interview summaries or specific evidence of available writings related to the investigation, it may have been more difficult for the Reyes court to delineate the scope of the waiver.

<sup>216</sup> [\*Bear Republic Brewing Co. v. Central City Brewing Co.\*, 275 F.R.D. 43, 49 \(D. Mass. 2011\)](#).

<sup>217</sup> *Id.*

<sup>218</sup> [\*US Airline Pilots Assoc. v. Pension Benefit Guaranty Corp.\*, 274 F.R.D. 28, 33 \(D.D.C. 2011\)](#).

<sup>219</sup> Cf. [\*In re Seagate Tech., LLC\*, 497 F.3d 1360, 1365 \(Fed. Cir. 2007\)](#) (reversing lower court ruling applying waiver through any period of patent infringement, including trial); *United States v. Weissman*, No. S1 94 CR. 760 (CSH), 1996 WL 751384, at 3 (S.D.N.Y. Dec. 26, 1996) (limiting subject matter waiver to privileged communications regarding the same subject matter that took place on only one date).

<sup>220</sup> [\*In re Keeper of the Records\*, 348 F.3d 16, 21-26 \(1st Cir. 2003\)](#) (rejecting the argument that waiver was to operate without limit of time "so long as people are talking about the same subject," since no ends would be served by implying a broad prospective waiver when disclosure was made in the extrajudicial context); [\*Winbond Elecs. Corp. v. Int'l Trade Comm'n\*, 262 F.3d 1363, 1375-76 \(Fed. Cir. 2001\)](#); [\*In re Papst Licensing GMBH & Co. KG Litig.\*, 250 F.R.D. 55, 59-60 \(D.D.C. 2008\)](#) ("In balancing competing interests at issue ... a temporal limitation is appropriate."); [\*In re Commercial Fin. Servs., Inc.\*, 247 B.R. 828, 851-52 \(Bankr. N.D. Okla. 2000\)](#) ("When communications made between a party and prior counsel have been made available, a party should not be found to have waived the benefits of its privileges with current counsel about the same subject matter unless the communications with current counsel are at issue in the litigation."); [\*Katz v. AT&T Corp.\*, 191 F.R.D. 433, 441 \(E.D. Pa. 2000\)](#) ("It would be fundamentally unfair to extend the scope of the waiver beyond the date of the patent application because the issue of the conception date of an invention and its necessary elements is constrained to the time period prior to the filing of the application."); *Weissman*, 1996 WL 751384, at 3 (refusing to extend the waiver to include privileged communications that took

temporal **[\*749]** waivers, including waiver as to communications made after the lawsuit is filed, are generally cases in which an advice-of-counsel defense has been raised <sup>221</sup> and situations where the disclosed communication continues to be placed at issue for the advantage of its proponent. <sup>222</sup> When an advice-of-counsel defense is raised, the temporal scope of waiver may be broader than the more limited waiver imposed when there is disclosure of a particular privileged communication. *Buspirone Patent Litigation*, <sup>223</sup> *Gabriel Capital, L.P. v. Natwest Finance, Inc.*, <sup>224</sup> and *United States v. Weissman* <sup>225</sup> illustrate different approaches. The court in *Weissman*, relying on the fairness doctrine, refused to extend the waiver to communications that took place on a date after the privileged communications had already been disclosed in a deposition, even though the communications dealt with the same topic, because the court did not deem the later communications material to the issues in dispute. <sup>226</sup> By contrast, **[\*750]** defendant BMS in *Buspirone* was considering raising an advice-of-counsel defense against antitrust claims. Plaintiffs alleged that, as part of its antitrust activity, BMS had instituted patent infringement actions against them in order to trigger an automatic stay of the Food and Drug Administration's approval of their generic products for up to 30 months. BMS sought to limit the temporal scope of any waiver to privileged communications occurring prior to BMS's filing the patent infringement lawsuit, but the court refused, again relying on fairness considerations and the possible relevancy of communications with counsel after institution of the suits. The court reasoned:

It is also clear that BMS cannot in fairness try to tailor an advice-of-counsel defense in an unfairly prejudicial way, so as to provide all the documents relating to the advice of counsel up until a certain arbitrary date, which may tend to support BMS's positions in this litigation, while categorically excluding any such documents thereafter, which may tend to show that BMS thereafter pursued the challenged conduct in bad faith or against the advice of counsel.

The Magistrate Judge was also correct that some of the allegedly illicit conduct in this case spanned into the period in which BMS was prosecuting its patent infringement claims, and that some documents from this period would in fairness likely need to be subject to discovery to test any factual assertions BMS might make in raising an advice-of-counsel defense. There are clearly circumstances in which documents that ... were created after the patent infringement actions were filed would be relevant to assessing the factual basis for a reliance-on-counsel defense or to placing the disclosures that were made to BMS into an accurate context. <sup>227</sup>

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place on a different date than privileged communications already disclosed due to fairness considerations, even though communications dealt with the same topic).

<sup>221</sup> [\*In re Buspirone Antitrust Litig.\*, 210 F.R.D. at 53-54](#) (refusing to permit "arbitrary" date cutoff of waiver where advice-of-counsel defense raised with respect to antitrust claims); *Gabriel Capital, L.P. v. Natwest Fin., Inc.*, No. 99 Civ. 10488, 2001 WL 1132050, at 1 (S.D.N.Y. Sept. 21, 2001) (finding prospective waiver effected by adoption of advice-of-counsel defense discoverable regardless of when they occurred); see also [\*In re Keeper of the Records\*, 348 F.3d at 26](#) ("Courts have generally allowed prospective waivers in discrete and limited situations, almost invariably involving advice of counsel defenses.").

<sup>222</sup> E.g., [\*Bd. of Trustees of the Leland Stanford Junior Univ. v. Roche Molecular Sys.\*, 237 F.R.D. 618, 627 \(N.D. Cal. 2006\)](#) (holding "once a waiver has occurred, it is inappropriate to limit waiver on a temporal basis" where party "continues to place the issue of inventorship of the [invention] before the PTO as it files continuation and divisional applications [derived] from the [invention]").

<sup>223</sup> [\*In re Buspirone Patent Litig.\*, 210 F.R.D. at 53-54.](#)

<sup>224</sup> *Gabriel Capital, L.P.*, 2001 WL 1132050, at 1.

<sup>225</sup> *Weissman*, 1996 WL 751384, at 3.

<sup>226</sup> *Id.* at 3. Similarly, in [\*In re Commercial Fin. Servs., Inc.\*, 247 B.R. 828, 848-52 \(Bankr. N.D. Okla. 2000\)](#), the court refused to extend a proposed privilege waiver to communications with current bankruptcy counsel because the communications that the debtor proposed to disclose were made prior to the engagement of current counsel and "fairly disclosed facts regarding the debtor's operations and financial status during the time periods relevant to creditors and investors interested in the case." Communications with current counsel were not at issue in any litigation and the debtor was not seeking to use the privileged communications to gain a tactical advantage. [\*Id.\* at 849.](#)

<sup>227</sup> [\*In re Buspirone Patent Litig.\*, 210 F.R.D. at 53-54.](#)



These precedents, as they are outside the ambit of Rule 502, may not affect post-502 decisions, but the "fairness" principles that they espouse will appeal to Classic View courts. However, the Classic View approach to fairness is not necessarily boundless subject matter waiver. For instance, a growing number of courts have followed the view espoused by the Federal Circuit in *In re Seagate Technology, LLC*, <sup>228</sup> that "as a general proposition, asserting the advice of counsel defense and disclosing opinions of patent counsel do not constitute waiver of the attorney-client privilege for communications with trial counsel." <sup>229</sup> The Federal Circuit, which has espoused the Classic View in the past, <sup>230</sup> concluded that the interference with the trial counsel relationship, balanced against the risk of loss of relevant evidence, weighed in favor of limiting waiver to non-trial counsel.

## CONCLUSION

Contrasting the cases under the Modern View and the Classic View, one can foresee a court articulating a fairness justification for **[\*752]** the decisions taken under the Classic View. This has at least two consequences. First, courts that have adopted the Classic View may proceed under Rule 502 with their approach to waiver unchanged, while using the nomenclature of fairness. Second, whatever the court, the fairness test is so flexible that Rule 502 may bring less certainty to the application of the attorney-client privilege than the drafters and Congress had hoped, at least when the question concerns waiver arising from an intentional disclosure of a portion of privileged communications or information.

Even after the enactment of Rule 502, application of the attorney-client privilege may remain inconsistent and uncertain. This uncertainty undermines the attorney-client relationship, because clients and counsel remain unsure of whether and when their communications will be protected. The inconsistency, and the uncertainty that it creates, can only be resolved by a federal law that demands uniformity. Ultimately, a uniform body of federal privilege law should provide certainty as to what will and will not be considered privileged.

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<sup>228</sup> [\*In re Seagate Tech., LLC\*, 497 F.3d 1360, 1372 \(Fed. Cir. 2007\).](#)

<sup>229</sup> [\*Id.\* at 1374-76.](#) Compare [\*Akeva LLC v. Mizuno Corp.\*, 243 F. Supp. 2d 418, 422-23 \(M.D.N.C. 2003\)](#) (assertion of advice of counsel defense against willful infringement waived privilege as to "all opinions received by the client relating to infringement ... even if they come from defendants' trial attorneys, and even if they pre-date or post-date the advice letter of opinion counsel"), with *Parker-Hannifin Corp. v. Seiren Co.*, No. Civ. 07-104- [MPT, 2009 WL 840594, 4](#) (D. Del. Mar. 31, 2009) (citing *In re Seagate Tech., LLC* for the proposition that waiver of attorney-client privilege and work product generally does not extend to trial counsel); *New River, Inc. v. Newkirk Products, Inc.*, No. 1:08-MISC-61(GLS/RFT), 2008 WL 5115244, at 2-3 (N.D.N.Y. Dec. 4, 2008) ("It is clear that the scope of discovery is relegated to pre-litigation and gaining trial counsel's opinions is not relevant. The accuser needs to focus on whose opinion the defendant is relying upon and then needs to separate from all other privileged communications those communications made and created before litigation, which were shared with the alleged infringer.") (citation omitted); [\*Reedhycalog UK, Ltd. v. Baker Hughes Oilfield Operations Inc.\*, 251 F.R.D. 238, 241-42 \(E.D. Tex. 2008\)](#) (citing *In re Seagate Technology, LLC* for proposition that generally, disclosure of opinions of opinion counsel do not constitute waiver of attorney-client privilege as to communications between the client and trial counsel or work product of trial counsel); [\*SPX Corp. v. Bartec USA, LLC\*, 247 F.R.D. 516, 525-27 \(E.D. Mich. 2008\)](#) (acknowledging the holding *In re Seagate Technology, LLC* that communications with trial counsel that post-date the filing of the lawsuit most likely have little bearing on the question of willfulness or reliance upon counsel's advice to shape accused pre-suit conduct, but noting that communications with trial counsel that occurred before the lawsuit was filed are not presumptively beyond the scope of relevancy identified by the *In re Seagate Technology, LLC* court); *Convolve, Inc. v. Compaq Computer Corp.*, 2007 WL 4205868, at 5 (S.D.N.Y. Nov. 26, 2007) ("Whether the waiver applies to post-litigation communications by in-house counsel concerning their opinions is a closer question... However, in *Seagate*, the court found that post-litigation opinions even of outside opinion counsel are of 'marginal value' because the willfulness analysis focuses on pre-litigation conduct. Given that reasoning, there is no basis here for taking discovery of in-house counsel's communications after the litigation was commenced.").

<sup>230</sup> E.g., [\*Fort James Corp. v. Solo Cup Corp.\*, 412 F.3d 1340, 1349 \(Fed. Cir. 2005\).](#)

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