EXHIBIT H-2

▻

United States Court of Appeals,
Third Circuit.
In re FORD MOTOR COMPANY, Petitioner,
Susan I. KELLY, Administratrix and Personal Representative of the Estate of
Gerald A. Kelly, deceased, on Behalf of Said Decedent's Heirs-At-Law and Next-Of-Kin and on Her Own Behalf, Respondent/Appellee
v.
FORD MOTOR COMPANY, Appellant.
Nos. 96-2092, 96-2133.

Argued Jan. 28, 1997.
Decided April 9, 1997.
As Amended May 2, 1997.

In a motor vehicle product liability action, plaintiff sought production of certain documents for which vehicle manufacturer claimed privilege. The United States District Court for the Eastern District of Pennsylvania, Lowell A. Reed, Jr., J., ordered production of documents. Manufacturer appealed and sought writ of mandamus. The Court of Appeals, Becker, Circuit Judge, held that: (1) issue was sufficiently important that order was appealable collateral order; (2) meeting minutes were protected by attorney-client privilege; and (3) agendas were protected by work product doctrine.

Reversed in part and remanded with directions.

West Headnotes

[1] **Mandamus** ⚿1
250k1 Most Cited Cases
Writ of mandamus is extraordinary exercise of jurisdiction of Court of Appeals.

[2] **Mandamus** ⚿4(1)
250k4(1) Most Cited Cases
Writ of mandamus is not a substitute for appeal.

[3] **Mandamus** ⚿4(1)
250k4(1) Most Cited Cases
Appellate court will not issue writ of mandamus if relief may be granted by way of ordinary appeal.

[4] **Federal Courts** ⚿594
170Bk594 Most Cited Cases
As general rule, discovery orders are not final orders of district court for purposes of obtaining appellate jurisdiction. 28 U.S.C.A. § 1291.

[5] **Federal Courts** ⚿572.1
170Bk572.1 Most Cited Cases
Collateral order doctrine provides narrow exception to general rule permitting appellate review only of final orders, and allows appeal of nonfinal order if order conclusively determines disputed question, resolves important issue that is completely separate from merits of dispute, and is effectively unreviewable on appeal from final judgment.

[6] **Federal Courts** ⚿574
170Bk574 Most Cited Cases
For purposes of determining whether order requiring production of allegedly protected documents was appealable collateral order, determination of issues of privilege and work product would not implicate merits of underlying dispute; resolution of privilege and work product issues largely involved questions of context, involving content only insofar as appellate court had to ensure that documents were prepared in certain contexts.

[7] **Federal Courts** ⚿572.1
170Bk572.1 Most Cited Cases
For purposes of appealable collateral order test, issue is "important" if interests that would potentially go unprotected without immediate appellate review of that issue are significant relative to efficiency interests sought to be advanced by adherence to final judgment rule.

[8] **Federal Courts** ⚿572.1
170Bk572.1 Most Cited Cases
Although it is not a sine qua non, presence of serious and unsettled question is sufficient to satisfy

importance criterion of the appealable collateral order test.

[9] **Federal Courts** ⚿574
170Bk574 Most Cited Cases
For purposes of determining whether order requiring production of documents was appealable collateral order, requirement that issue must be important was satisfied where documents were claimed to be subject to attorney-client privilege or were claimed to be core work product.

[10] **Federal Courts** ⚿574
170Bk574 Most Cited Cases
For purposes of collateral order test, there was no effective means of reviewing, on appeal after final judgment, order requiring production of documents subject to attorney-client privilege and work product doctrine.

[11] **Federal Courts** ⚿751
170Bk751 Most Cited Cases

[11] **Mandamus** ⚿172
250k172 Most Cited Cases
Practical difference between appellate jurisdiction and mandamus jurisdiction is standard of review; standard under appellate jurisdiction is plenary, while standard under mandamus jurisdiction is for clear error of law.

[12] **Mandamus** ⚿26
250k26 Most Cited Cases
Comity between district and appellate courts is best served by resort to mandamus only in limited circumstances.

[13] **Federal Courts** ⚿416
170Bk416 Most Cited Cases
In civil diversity case in which state law governed, state law would govern issue of privilege. Fed.Rules Evid.Rule 501, 28 U.S.C.A.

[14] **Privileged Communications and Confidentiality** ⚿129
311Hk129 Most Cited Cases
(Formerly 410k200)
Under Pennsylvania attorney-client privilege in civil matters, communications must be for purpose of obtaining legal advice. 42 Pa.C.S.A. § 5928.

[15] **Privileged Communications and Confidentiality** ⚿123
311Hk123 Most Cited Cases
(Formerly 410k199(2))
Corporation may claim attorney-client privilege under Pennsylvania law for communications between its counsel and its employees who have authority to act on its behalf. 42 Pa.C.S.A. § 5928.

[16] **Privileged Communications and Confidentiality** ⚿102
311Hk102 Most Cited Cases
(Formerly 410k198(1))
Under Michigan law, attorney-client privilege attaches to confidential communications made by client to his attorney acting as legal adviser and made for purpose of obtaining legal advice on some right or obligation.

[17] **Privileged Communications and Confidentiality** ⚿129
311Hk129 Most Cited Cases
(Formerly 410k200)
For attorney-client communication to be privileged under Pennsylvania and Michigan law, it must have been made for purpose of securing legal advice.

[18] **Privileged Communications and Confidentiality** ⚿129
311Hk129 Most Cited Cases
(Formerly 410k198(1))

[18] **Privileged Communications and Confidentiality** ⚿132
311Hk132 Most Cited Cases
(Formerly 410k198(1))
Law of attorney-client privilege makes no distinction between communications made by client and those made by attorney, provided communications are for purpose of securing legal advice.

[19] **Privileged Communications and Confidentiality** ⚿138

311Hk138 Most Cited Cases
(Formerly 410k204(2))
Minutes of meeting attended by top-level executives of automobile manufacturer, at which general counsel briefed attendees about report he had drafted regarding vehicle that was subject of plaintiff's product liability claims, were protected by attorney client privilege, as ultimate decision at meeting was reached only after legal implications of doing so, and disclosure of documents would reveal legal advice secured by attendees.

[20] **Federal Civil Procedure ⇐1604(1)**
170Ak1604(1) Most Cited Cases
(Formerly 170Ak1600(3))
Work product doctrine protects materials prepared by agent of the attorney, provided that material was prepared in anticipation of litigation. Fed.Rules Civ.Proc.Rule 26(b)(3), 28 U.S.C.A.

[21] **Federal Civil Procedure ⇐1604(1)**
170Ak1604(1) Most Cited Cases
(Formerly 170Ak1600(3))
Meeting agendas for automobile manufacturer were prepared in anticipation of litigation and were protected by work product doctrine, as they disclosed material prepared as part of manufacturer's legal strategy for defending product liability suits regarding vehicle model that was subject of plaintiff's suit; agendas outlined results of work-product protected studies conducted as to safety of vehicle and highlighted important aspects of those studies, and experts working backwards from agendas could determine methodology of studies. Fed.Rules Civ.Proc.Rule 26(b)(3), 28 U.S.C.A.

[22] **Federal Civil Procedure ⇐1604(1)**
170Ak1604(1) Most Cited Cases
(Formerly 170Ak1600(3))
Handwritten notations referring to work-product protected agendas were themselves protected by work product doctrine; notations employed same language as appeared on agendas, provided clear hints as to what was contained in agendas, and notations would allow plaintiff to determine methodology of work-product protected studies that were subject of agendas. Fed.Rules Civ.Proc.Rule 23(b)(3), 28 U.S.C.A.

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Robert C. Daniels (argued), Larry Bendesky, Daniels, Saltz, Mongeluzzi & Barrett, Ltd., Philadelphia, PA, for Respondent in No. 96-2092. Appellee in No. 96-2133, Susan I. Kelly.

Before: BECKER, ROTH, Circuit Judges, and ORLOFSKY, District Judge. [FN*]

FN* Honorable Stephen M. Orlofsky, United States District Judge for the District of New Jersey, sitting by designation.

OPINION OF THE COURT

BECKER, Circuit Judge.

By this appeal and companion petition for a writ of mandamus in one of the Bronco II product liability cases, the defendant Ford Motor Company, invoking the attorney-client privilege and/or the work product doctrine, challenges a district court order denying it protection from disclosure in discovery of certain documents requested by the plaintiff, Susan Kelly. The question of the appropriate jurisdictional vehicle is precedentially important, for our ability to review such disputes is frequently called into question. Therefore, as a threshold matter, we address the question whether the challenged order is appealable, *see* 28 U.S.C. § 1291, or reviewable by mandamus, *see* 28 U.S.C. § 1651.

We conclude that, because the district court's order finally resolved an important issue separate from the merits that would be effectively unreviewable after final judgment, we have appellate jurisdiction under the collateral order doctrine. In reaching this conclusion, we consider in some detail the anatomy of the "importance" facet of that doctrine, and

we necessarily resolve certain tensions that exist in our recent jurisprudence in the area. Because we have appellate jurisdiction, we do not review the challenged order by way of mandamus, even though our case law would require us to do so if we lacked appellate jurisdiction.

In contrast, the merits issues are quite straightforward. We have examined each of the documents in question *in camera*. They fall into two groups--minutes of a meeting attended by top-level executives of Ford Motor Company regarding the Bronco II, and agendas for a discussion of the technical characteristics of the Bronco II. We conclude that the minutes of the meeting reflect that the recorded communications were for the purpose of obtaining legal advice and hence are protected by the attorney-client privilege. With respect to the agendas and the handwritten notes referring to them, we determine that they were produced by an agent of an attorney in preparation for litigation and hence are protected by the work product doctrine; the other requirements for work product doctrine are not at issue. We will, therefore, reverse the challenged portions ***957** of the district court's order and remand with directions to issue an appropriate order protecting the documents from discovery.

I. FACTS AND PROCEDURAL HISTORY

In the underlying lawsuit, Kelly claims that Ford defectively designed the Bronco II, a four-wheel drive utility vehicle with a relatively high center of gravity, by rendering it too susceptible to rollover. [FN1] That defective design, Kelly submits, caused the death of her husband, Gerald Kelly, who was killed when the Bronco II he was driving rolled over. Kelly sought to discover Ford documents related to the development, marketing, and safety of the Bronco II. Ford responded, in part, by asserting that the attorney-client privilege and the work product doctrine shielded certain documents from discovery. Ford sought from the district court a protective order that would have preserved the confidentiality of those documents. By letter ruling of October 4, 1996, the district court held that, for the vast majority of documents for which Ford sought protection, the attorney-client privilege and/or the work product doctrine applied. However, the court found that two sets of documents--those at issue here--were discoverable.

> FN1. Jurisdiction is based on diversity of citizenship. *See* 28 U.S.C. § 1332.

The first set of documents is the final draft of the minutes of a November 18, 1982 meeting of Ford's Policy and Strategy Committee. The Policy and Strategy Committee is made up of top executives at Ford, and acts as an advisory body to Ford's chief executive officer. At the meeting in question, Ford's general counsel, Henry R. Nolte, Jr., briefed the committee about a report he had drafted regarding the Bronco II. According to the minutes, the committee engaged in an extensive discussion of the report and ultimately adopted the recommendations contained therein.

The second set of documents is composed of a series of agendas, one with handwritten notations, for a meeting in 1988, and one document pertaining to a 1989 meeting on which handwritten notes refer to the 1988 agendas. By 1988, numerous lawsuits similar to that brought by Kelly were pending, alleging faulty design of the Bronco II. As part of its defense strategy, Ford retained an outside technical consultant, Failure Analysis Associates (FAA), to assist in the defense of those lawsuits. FAA, in turn, relied in part on the help of in-house technical assistants to Ford. Ernest Grush, one of these technical assistants, prepared the agendas for the 1988 meeting. The meeting was called to explain the technical aspects of the Bronco II litigation defense strategy, and Ford attorneys were present. Grush has declared that the handwritten notes on the document pertaining to the 1989 meeting are his, and that they refer to the 1988 meeting.

On October 4, 1996, the district court made a letter ruling denying protection for the documents here at issue. Ford requested that the court reconsider its decision. On November 13, 1996, the court denied

Ford's request and, by a subsequent letter ruling of November 27, 1996, ordered the production of the documents by December 18, 1996. The mandamus petition followed. On December 18, the court again ordered the production of the documents. Ford sought and we granted a motion for a stay of the December 18 order. Ford also filed a notice of appeal from the December 18 ruling. We consolidated the appeal and the petition for a writ of mandamus and will, therefore, consider them together.

II. APPELLATE AND MANDAMUS JURISDICTION

A. *Introduction; The First Prong of* Cohen

[1][2][3] The question of our jurisdiction is somewhat complicated. A writ of mandamus is an extraordinary exercise of our jurisdiction; moreover, such a writ is not a substitute for appeal. *See* Madden v. Myers, 102 F.3d 74, 77 (3d Cir.1996). Because we will not issue a writ of mandamus if relief may be granted by way of an ordinary appeal, we must first determine whether Ford may appeal the district court's ruling. *See* ***958**Hahnemann Univ. Hosp. v. Edgar, 74 F.3d 456, 461 (3d Cir.1996). *A fortiori,* ouly if an appeal is unavailable will we determine whether a writ of mandamus will issue. *See* PAS v. Travelers Ins. Co., 7 F.3d 349, 352 (3d Cir.1993).

[4][5] As a general rule, discovery orders are not final orders of the district court for purposes of obtaining appellate jurisdiction under 28 U.S.C. § 1291. *See* Hahnemann Univ., 74 F.3d at 461. Therefore, discovery orders normally may not be appealed until after final judgment. *See id.* However, the collateral order doctrine, first enunciated by the Supreme Court in Cohen v. Beneficial Indus. Loan Corp., 337 U.S. 541, 69 S.Ct. 1221, 93 L.Ed. 1528 (1949), provides a narrow exception to the general rule permitting appellate review only of final orders. An appeal of a nonfinal order will lie if (1) the order from which the appellant appeals conclusively determines the disputed question; (2) the order resolves an important issue that is completely separate from the merits of the dispute; and (3) the order is effectively unreviewable on appeal from a final judgment. *See* Rhone-Poulenc Rorer Inc. v. Home Indem. Co., 32 F.3d 851, 860 (3d Cir.1994).

It is beyond cavil that the first element is satisfied here. The district court's December 18 order requiring the production of the disputed documents leaves no room for further consideration by the district court of the claim that the documents are protected.

B. *The Second Prong of* Cohen

1. Separability

[6] The most familiar aspect of the second prong of *Cohen* is separability from the merits. Kelly submits that a determination of the issues of privilege and work product will in fact implicate the merits of the underlying dispute. We believe that it will not. As we understand the merits of the underlying case, Kelly seeks to show what Ford knew about the alleged rollover propensity of the Bronco II, when it knew about this alleged propensity, and what it did about the alleged propensity. The contents of the documents will certainly shed some light on these questions. However, our resolution of the privilege and work product issues has nothing to do with them. We are not concerned at this juncture about what Ford knew, when it gained this knowledge, or what it did about it. Our inquiry largely involves questions of context--e.g., who prepared the relevant documents, when were they prepared, and what was their purpose. It involves content only insofar as we must ensure that the documents were prepared in certain contexts--e.g., do the documents contain legal advice or do they disclose legal strategies? We are not required, nor will we undertake, to resolve disputed questions of Ford's knowledge of and Ford's actions with respect to the alleged rollover propensity.

Kelly's assertions to the contrary notwithstanding, neither Cipollone v. Liggett Group, Inc., 785 F.2d 1108 (3d Cir.1986), nor State of New York v. United States Metals Refining Co., 771 F.2d 796 (3d Cir.1985) [hereinafter *USMR*], undermine this

conclusion. In both *Cipollone* and *USMR*, the defendants sought to protect materials gathered for or discovered during litigation from public dissemination. Each defendant claimed that the sought-after material somehow distorted the actual facts and would, therefore, mislead the public about those facts. [FN2] That claim, we held in both cases, would require us to examine the merits of the underlying dispute because we would need to make some determination of the actual facts presented by the case so as to compare them to the allegedly distorting or misleading material. *See Cipollone*, 785 F.2d at 1117; *USMR*, 771 F.2d at 799-800. No such determination need be made here. We can resolve the privilege and work product issues without delving into the disputed facts about Ford's knowledge and actions.

> FN2. In *Cipollone*, the defendants claimed that the material at issue, though not trade secrets, would nonetheless cause embarrassment if released. *See Cipollone*, 785 F.2d at 1121. In *USMR*, the defendant sought to keep confidential a report that the plaintiffs had prepared detailing the pollution at the defendant's plant. *See USMR*, 771 F.2d at 798.

2. Importance

The parties have not suggested that the "importance" criterion is not satisfied. However, because of our independent responsibility to examine our own jurisdiction ***959** *sua sponte*, and because the jurisprudence surrounding the importance criterion is somewhat murky, we will undertake a close analysis of this aspect of the collateral order doctrine. Although "[m]ost courts have paid little attention to the 'importance' requirement," John C. Nagel, *Replacing the Crazy Quilt of Interlocutory Appeals Jurisprudence With Discretionary Review*, 44 Duke L.J. 200, 207 (1994), the Supreme Court has recently made patent that confusion over the criterion cannot lead to the conclusion that " 'importance' is itself unimportant." *Digital Equip. Corp. v. Desktop Direct, Inc.*, 511 U.S. 863, 878, 114 S.Ct. 1992, 2001, 128 L.Ed.2d 842 (1994). [FN3] Rather, application of the *Cohen* collateral order doctrine is incomplete without an analysis of the importance of the issue sought to be reviewed.

> FN3. In some formulations of the collateral order doctrine, the importance criterion is contained in the second prong of the test; in others, it is considered a factor in the third prong. *See Digital Equip.*, 511 U.S. at 877-79, 114 S.Ct. at 2001. Although the language in *Cohen* itself implies that it is a separate element of the collateral order test, *see Cohen*, 337 U.S. at 546, 69 S.Ct. at 1225-26 ("This decision appears to fall in that small class which finally determine claims of right separable from, and collateral to, rights asserted in the action, *too important to be denied review* and too independent of the cause itself to require that appellate consideration be deferred until the whole case is adjudicated.") (emphasis added), the most frequently cited Supreme Court statement of the test incorporates the importance criterion in the second prong, *see Coopers & Lybrand v. Livesay*, 437 U.S. 463, 468, 98 S.Ct. 2454, 2458, 57 L.Ed.2d 351 (1978) ("To come within the 'small class' of decisions excepted from the final-judgment rule by *Cohen*, the order must conclusively determine the disputed question, resolve an *important issue* completely separate from the merits of the action, and be effectively unreviewable on appeal from a final judgment.") (emphasis added). However, the Supreme Court recently suggested that the importance criterion is a necessary part of the third prong of the test. *See Digital Equip.*, 511 U.S. at 878-79, 114 S.Ct. at 2001 ("[T]he third *Cohen* question ... simply cannot be answered without a judgment about the value of the interests that would be lost through rigorous application of the final judgment requirement."). In-

> deed, the ratio decidendi of this portion of the opinion, *see infra,* has third prong overtones. Yet, in its most recent pronouncement on the collateral order doctrine, the Court included "importance" as a separate prong. *See Quackenbush v. Allstate Ins. Co.,* 517U.S. 706, ---- - ----, 116 S.Ct. 1712, 1718-19, 135 L.Ed.2d 1 (1996). As noted in the text, this court generally incorporates the importance criterion within the second prong. No matter where it is placed, however, it is clear that it must be examined in order to satisfy the collateral order doctrine.

[7] Importance has a particular meaning in this context. It does not only refer to general jurisprudential importance. Rather, the overarching principle governing "importance" is that, for the purposes of the *Cohen* test, an issue is important if the interests that would potentially go unprotected without immediate appellate review of that issue are significant relative to the efficiency interests sought to be advanced by adherence to the final judgment rule. [FN4] In *Johnson v. Jones,* 515 U.S. 304, 115 S.Ct. 2151, 132 L.Ed.2d 238 (1995), for example, the Supreme Court noted that any analysis of the *Cohen* test required an examination of the competing considerations that underlie finality, i.e., the costs of piecemeal review on the one hand against the costs of delay on the other. *See id.* at ----, 115 S.Ct. at 2157. The Court in *Digital Equipment* stated this in a slightly different manner, noting that the *Cohen* test requires a "judgment about the value of the interests that would be lost through rigorous application of a final judgment requirement," *Digital Equip.,* 511 U.S. at 878-79, 114 S.Ct. at 2001, and that " 'important' in *Cohen* 's sense [means] being weightier than the societal interests advanced by the ordinary operation of final judgment principles," *id.* at 879, 114 S.Ct. at 2002. As a final example, Justice Scalia, in a concurrence, stated that a right is important for *Cohen* purposes only if it "overcome[s] the policies militating against interlocutory ***960** appeals." *See Lauro Lines s.r.l. v. Chasser,* 490 U.S. 495, 503, 109 S.Ct. 1976, 1980, 104 L.Ed.2d 548 (1989) (Scalia, J., concurring).

> FN4. The Supreme Court has recently described the interests protected by the final judgment rule as follows:
> An interlocutory appeal can make it more difficult for trial judges to do their basic job--supervising trial proceedings. It can threaten those proceedings with delay, adding costs and diminishing coherence. It also risks additional, and unnecessary, appellate court work either when it presents appellate courts with less developed records or when it brings them appeals that, had the trial simply proceeded, would have turned out to be unnecessary. *Johnson v. Jones,* 515 U.S. 304, ----, 115 S.Ct. 2151, 2154, 132 L.Ed.2d 238 (1995).

Although one might assume that collateral finality would be determined by a bright-line rule, the importance determination under the Supreme Court's jurisprudence is rather a function of a balancing process. *See, e.g., Behrens v. Pelletier,* 516 U.S. 299, ----, 116 S.Ct. 834, 844, 133 L.Ed.2d 773 (1996) (Breyer, J., dissenting) (canvassing recent collateral order jurisprudence and noting that the importance analysis is a balancing of interests); *Johnson,* 515 U.S. at ----, 115 S.Ct. at 2157 (stating that in determining appealability a court must look to the competing considerations that underlie questions of finality, namely "the inconvenience and costs of piecemeal review on the one hand and the danger of denying justice by delay on the other" (citations omitted)). When engaging in this balancing, the Court has relied on a number of factors. We mention here only a few contained in recent cases.

In *Quackenbush v. Allstate Ins. Co.,* 517 U.S. 706, 116 S.Ct. 1712, 135 L.Ed.2d 1 (1996), the Court allowed the immediate appeal of an abstention-based remand in part because the interests implicated by the appeal--namely, the scope of federal jurisdiction and the desire for comity between the federal

and the individual state judicial systems--were sufficiently important. *See id.* at ---- - ----, 116 S.Ct. at 1719-20. In *Digital Equipment,* the Court reasoned that a right contained in a private settlement agreement was not sufficiently important in part because that right did not "originat[e] in the Constitution or statutes." *Digital Equip.*, 511 U.S. at 879, 114 S.Ct. at 2001. In *Puerto Rico Aqueduct and Sewer Auth. v. Metcalf & Eddy, Inc.*, 506 U.S. 139, 113 S.Ct. 684, 121 L.Ed.2d 605 (1993), the Court allowed the immediate appeal of a denial of Eleventh Amendment immunity in part because the right at issue "involves a claim to a fundamental constitutional protection." *Id.* at 145, 113 S.Ct. at 688. And, in *Mitchell v. Forsyth*, 472 U.S. 511, 105 S.Ct. 2806, 86 L.Ed.2d 411 (1985), the Court allowed the immediate appeal of a claim to qualified immunity in part because such immunity was intended to reduce " 'the general costs of subjecting officials to the risks of trial--distraction of officials from their governmental duties, inhibition of discretionary action, and deterrence of able people from public service.' " *Id.* at 526, 105 S.Ct. at 2815 (quoting *Harlow v. Fitzgerald*, 457 U.S. 800, 816, 102 S.Ct. 2727, 2737, 73 L.Ed.2d 396 (1982)).

In all of these cases, the Court has compared the apple of the desire to avoid piecemeal litigation to the orange of, for example, federalism. [FN5] In terms of analytic purity, the results of such comparisons are, of course, debatable. What is important for present purposes is that, in a number of the just-cited cases, the Court felt that, because of the imperative of preventing impairment of some institutionally significant status or relationship, the danger of denying justice hy reason of delay in appellate adjudication outweighed the inefficiencies flowing from interlocutory appeal. By the same calipers, we are convinced that in the present case the ***961** orange of the interests protected by the attorney-client privilege (which would be eviscerated by forced disclosure of privileged material) is sufficiently significant relative to the apple of the interests protected by the final judgment rule to satisfy the importance criterion of the second *Cohen* prong.

FN5. In addition to the collateral order doctrine cases cited elsewhere in this opinion, we list in this footnote a number of Supreme Court collateral order doctrine cases and the issues that were appealed therein as illustrative of the type of balancing that might be implicated. The list is not exhaustive, nor does the Court explicitly engage in balancing in each of the cases. Those cases are: *Swint v. Chambers County Comm'n*, 514 U.S. 35, 115 S.Ct. 1203, 131 L.Ed.2d 60 (1995) (municipal liability); *Midland Asphalt Corp. v. United States*, 489 U.S. 794, 109 S.Ct. 1494, 103 L.Ed.2d 879 (1989) (public disclosure of grand jury matters); *Van Cauwenberghe v. Biard*, 486 U.S. 517, 108 S.Ct. 1945, 100 L.Ed.2d 517 (1988) (service of process and *forum non conveniens*); *Gulfstream Aerospace Corp. v. Mayacamas Corp.*, 485 U.S. 271, 108 S.Ct. 1133, 99 L.Ed.2d 296 (1988) (abstention-related stay); *J.B. Stringfellow, Jr. v. Concerned Neighbors in Action*, 480 U.S. 370, 107 S.Ct. 1177, 94 L.Ed.2d 389 (1987) (intervention); *Richardson- Merrell, Inc. v. Koller*, 472 U.S. 424, 105 S.Ct. 2757, 86 L.Ed.2d 340 (1985) (disqualification of counsel); *Moses H. Cone Mem'l Hosp. v. Mercury Constr. Corp.*, 460 U.S. 1, 103 S.Ct. 927, 74 L.Ed.2d 765 (1983) (abstention-related stay); *Firestone Tire & Rubber Co. v. Risjord*, 449 U.S. 368, 101 S.Ct. 669, 66 L.Ed.2d 571 (1981) (disqualification of counsel); *Helstoski v. Meanor*, 442 U.S. 500, 99 S.Ct. 2445, 61 L.Ed.2d 30 (1979) (Speech and Debate Clause); *United States v. MacDonald*, 435 U.S. 850, 98 S.Ct. 1547, 56 L.Ed.2d 18 (1978) (speedy trial); *Abney v. United States*, 431 U.S. 651, 97 S.Ct. 2034, 52 L.Ed.2d 651 (1977) (double jeopardy).

In the few cases in which our court has addressed

the importance criterion, we have been less than pellucid in our discussion. For example, we stated in *Nemours Found. v. Manganaro Corp., New England*, 878 F.2d 98 (3d Cir.1989), that the issue on appeal must be important "in a jurisprudential sense," *see id.* at 100, without explaining what is meant by "jurisprudential." And, in examining whether the relevant issue was important, we have from time to time (though not consistently) raised the question whether the issue presents "a serious and unsettled question." *See, e.g., Federal Ins. Co. v. Richard I. Rubin & Co.*, 12 F.3d 1270, 1282 (3d Cir.1993); *Praxis Properties v. Colonial Sav. Bank*, 947 F.2d 49, 56 (3d Cir.1991). "A serious and unsettled question" is a factor mentioned in *Cohen, see Cohen*, 337 U.S. at 547, 69 S.Ct. at 1226, but, for the most part, it has been ignored by the courts, *see* Robert J. Martineau, *Defining Finality and Appealability by Court Rule: Right Problem, Wrong Solution*, 54 U. Pitt.L.Rev. 717, 740 (1993).

[8] We believe that presenting a serious and unsettled question is merely one means by which an issue may be important under *Cohen*. It is clear that if a question presents a serious and unsettled question of law, resolution of that issue in an interlocutory appeal protects an interest that is significant relative to the interests protected by deferring review until final judgment. Resolution of a serious and unsettled question has an impact beyond the parties before the court; it not only ensures the proper adjudication of the case before the court, but also may prevent erroneous adjudications in other cases and head off unnecessary appeals in those other cases. These incidental effects promote some of the same goals the final judgment rule promotes. Therefore, though it is not a sine qua non, the presence of a serious and unsettled question is sufficient to satisfy the importance criterion of the *Cohen* test. [FN6]

> FN6. *Nixon v. Fitzgerald*, 457 U.S. 731, 102 S.Ct. 2690, 73 L.Ed.2d 349 (1982), is a case in which the Supreme Court stated that an appeal must present a serious and unsettled question to fall within *Cohen* 's scope. *See id.* at 742, 102 S.Ct. at 2697. However, in so doing, the Court seemed to imply that a serious and unsettled question is merely one part of *Cohen* 's importance requirement. In determining that the appeal before it did present a serious and unsettled question, the Court relied on the fact that *it* had never ruled on the question; that the Court of Appeals had done so did not settle the question for *Cohen* purposes. *See id.* at 743, 102 S.Ct. at 2697-98. This is curious reasoning; following it to its logical extreme, it would categorize as serious and unsettled any issue the Supreme Court has not decided. At all events, later in *Nixon* the Court seems to limit this reasoning. It noted that the case before it pertained to sensitive issues related to the separation of powers between the executive and judicial branches of government. *See id.* The mention of these sensitive issues "might hint that the calculus of appeal includes the importance of the interests involved as well as the general importance of the question to other litigants." 15A Charles Alan Wright, Arthur R. Miller & Richard L. Marcus, *Federal Practice and Procedure* § 3911.5, at 431 (2d ed. 1994). As is evident in the text, our rendering of the importance prong is consistent with this discussion.

[9] Given our analysis of importance for *Cohen* purposes, we believe that the attorney-client privilege question before us also satisfies the importance criterion because the interests protected by the privilege are significant relative to the interests advanced by adherence to the final judgment rule. It is often stated that the attorney-client privilege is at the heart of the adversary system; its purpose is to support that system by promoting loyalty and trust between an attorney and a client. *See* Recent Case, 108 Harv.L.Rev. 775, 779 n. 39 (1995). The privilege is thereby intended to advance the "broad[ ]

public interests in the observance of law and administration of justice," *Upjohn Co. v. United States*, 449 U.S. 383, 389, 101 S.Ct. 677, 682, 66 L.Ed.2d 584 (1981), by encouraging the full and frank communication between attorney and client necessary for vigorous and effective advocacy. Rightly or wrongly, our system assumes that the competition between vigorous and effective advocates, when pitted against each other in an adversary setting, will help to produce the ***962** best legal result in any given litigation. In short, the attorney-client privilege is one of the pillars that supports the edifice that is our adversary system. As such, it is "deeply rooted in public policy." *Digital Equip.*, 511 U.S. at 884, 114 S.Ct. at 2004.

Privilege doctrine assumes that protecting that loyalty and trust and thereby advancing these broader interests can only be accomplished if privileged material is never disclosed, for only then will clients be encouraged to make full disclosure to their attorneys. By fostering confidentiality, the attorney-client privilege, when vindicated, undermines some of the goals the final judgment rule seeks to realize. Without the benefit of the material protected by the attorney-client privilege, trial courts face a more difficult fact-finding task. Ferreting out the facts of a case becomes more costly, even if only marginally. Often, the privilege will keep trial courts, juries, and appellate courts from considering certain facts, thereby forcing them to decide cases based on less than complete records.

In all, the privilege introduces certain inefficiencies into the judicial system, the same inefficiencies with which the final judgment rule is concerned. *See supra* note 4. Yet, every jurisdiction in this nation recognizes the attorney-client privilege. For the reasons set forth *supra,* the attorney-client privilege is thus important in the *Cohen* sense; the status or relationship, deeply embedded in our legal culture, is of sufficient importance that the danger of denying justice by delay in appellate adjudication (which would result in irremediable disclosure of privileged material) outweighs the inefficiencies introduced by immediate appeal. Accordingly, prong two of *Cohen* is satisfied as to the attorney-client privilege question.

For similar reasons, the work product doctrine, at least at its "core," satisfies the importance criterion. [FN7] Like the attorney-client privilege, the work product doctrine seeks to promote the adversary system. It does so "by protecting the confidentiality of papers prepared by or on behalf of attorneys in anticipation of litigation." *Westinghouse Elec. Corp. v. Republic of the Philippines*, 951 F.2d 1414, 1428 (3d Cir.1991). Absent such protection, attorneys would "fear that their work product will be used against their clients," *id.*, and may become overly circumspect in preparing for litigation thereby reducing their effectiveness as advocates. Such circumspection frustrates the assumptions on which the adversary system is based. "Core" work product thus reflects an institutionally important status or relationship in the law.

> FN7. By the "core," we mean the "mental impressions, conclusions, opinion, or legal theories of an attorney or other representative of a party concerning the litigation." Fed.R.Civ.P. 26(b)(3). Such core work product is generally afforded near absolute protection from discovery. *See* 8 Charles Alan Wright, Arthur R. Miller & Richard L. Marcus, *Federal Practice and Procedure* § 2026 (2d ed. 1994). Because, as we discuss *infra,* the work product at issue here is at the core of the doctrine, we have no occasion to discuss whether work product generally is important for *Cohen* purposes.

As with the attorney-client privilege, the work product doctrine rests on the non-disclosure of information. Some of this information is potentially relevant to the disposition of the litigation; keeping it confidential might therefore impede the efficient functioning of the judicial system. Yet, the work product doctrine, or a form of it, is widely recognized. Thus, for the same reasons put forth in our

treatment of the attorney-client privilege, core work product, such as at issue here, meets the importance criterion and satisfies the second *Cohen* prong.

C. *Effective Review: The Third Prong of* Cohen

[10] The only remaining issue is the third element of the *Cohen* test, whether Ford can seek effective review of the privilege and work product issues on appeal after final judgment. The Supreme Court has stated that review after final judgment is ineffective if the right sought to be protected would be, for all practical and legal purposes, destroyed if it were not vindicated prior to final judgment. *See, e.g., Lauro Lines*, 490 U.S. at 497-99, 109 S.Ct. at 1978. In the context of mandamus jurisdiction, we have repeatedly held that appealing privilege and work product issues after final judgment is ineffective. ***963** *See Rhone-Poulenc*, 32 F.3d at 861 (discussing "privilege or other interests of confidentiality"); *Haines v. Liggett Group, Inc.*, 975 F.2d 81, 89 (3d Cir.1992) (discussing both attorney-client privilege and work product doctrine protections); *Westinghouse*, 951 F.2d at 1422 (same); *Sporck v. Peil*, 759 F.2d 312, 314-15 (3d Cir.1985) (discussing work product doctrine protections); *Bogosian v. Gulf Oil Corp.*, 738 F.2d 587, 591 (3d Cir.1984) (same); *see also Hahnemann Univ.*, 74 F.3d at 461 (discussing possible mandamus jurisdiction to review claim that documents were protected by, inter alia, a state law psychotherapist-patient privilege); *Glenmede Trust Co. v. Thompson*, 56 F.3d 476, 483-84 (3d Cir.1995) (discussing mandamus jurisdiction over review of the terms of a protective order); *Smith v. BIC Corp.*, 869 F.2d 194, 198-99 (3d Cir.1989) (discussing the collateral order doctrine in the context of reviewing a claim that disputed documents contained trade secrets requiring protection); *Cipollone v. Liggett Group, Inc.*, 822 F.2d 335, 340 (3d Cir.1987) (discussing mandamus jurisdiction over review of a protective order).

Undergirding those previous holdings is the notion that, once putatively protected material is disclosed, the very "right sought to be protected" has been destroyed. *Bogosian*, 738 F.2d at 591. That is so because, as we noted previously, underlying the attorney-client privilege is the policy of encouraging full and frank communications between an attorney and client, without the fear of disclosure, so as to aid in the administration of justice. *See, e.g., Westinghouse*, 951 F.2d at 1423. Concomitantly, the work product doctrine is designed to promote the adversarial process by maintainiug the confidentiality of documents prepared by or for attorneys in anticipation of litigation. *See, e.g., id.* at 1428. Appeal after final judgment cannot remedy the breach in confidentiality occasioned by erroneous disclosure of protected materials. At best, on appeal after final judgment, an appellate court could send the case back for re-trial without use of the protected materials. At that point, however, the cat is already out of the bag.

As the Second Circuit aptly stated with respect to the attorney-client privilege, the limited assurance that the protected material will not be disclosed at trial "will not suffice to ensure free and full communication by clients who do not rate highly a privilege that is operative only at the time of trial." *Chase Manhattan Bank, N.A. v. Turner & Newall, PLC*, 964 F.2d 159, 165 (2d Cir.1992). With respect to material otherwise protected by the work product doctrine, the party will be similarly irremediably disadvantaged by erroneous disclosure. "[A]ttorneys cannot unlearn what has been disclosed to them in discovery"; they are likely to use such material for evidentiary leads, strategy decisions, or the like. *Id.* More colorfully, there is no way to unscramble the egg scrambled by the disclosure; the baby has been thrown out with the bath water.

Our conclusions with respect to privilege and work product issues are buttressed by Supreme Court decisions allowing immediate appeal of official, qualified, and Eleventh Amendment immunities; of double jeopardy challenges; and of speech or debate challenges. In each of those cases, the Court held that the rights asserted protected the claimant

against trial, not just liability. [FN8] Therefore, delaying review of orders implicating these asserted rights would preclude vindication of those very rights because delay would allow trial to proceed. The same is true as to privilege and work product issues. Delay in such cases would allow the very disclosure against which those rules protect.

> FN8. *See* *Puerto Rico Aqueduct and Sewer Auth. v. Metcalf & Eddy, Inc.*, 506 U.S. 139, 142-47, 113 S.Ct. 684, 687-89, 121 L.Ed.2d 605 (1993) (examining Eleventh Amendment immunity); *Mitchell v. Forsyth*, 472 U.S. 511, 525-27, 105 S.Ct. 2806, 2814-16, 86 L.Ed.2d 411 (1985) (examining qualified immunity); *Nixon v. Fitzgerald*, 457 U.S. 731, 741-43, 102 S.Ct. 2690, 2696-98, 73 L.Ed.2d 349 (1982) (examining absolute immunity); *Helstoski v. Meanor*, 442 U.S. 500, 506-08, 99 S.Ct. 2445, 2448-49, 61 L.Ed.2d 30 (1979) (examining the Speech and Debate Clause); *Abney v. United States*, 431 U.S. 651, 660-662, 97 S.Ct. 2034, 2040-42, 52 L.Ed.2d 651 (1977) (examining double jeopardy).

In most of our previous cases in which a party sought appellate review of an order requiring the disclosure of putatively protected documents, we did not allow review under ***964** the collateral order doctrine either because it was not raised at all by the parties or because the parties did not satisfy either element (1) or element (2) of the *Cohen* test. In only two cases did we examine element (3) of the *Cohen* test in this context. In *Smith,* we held that a party does not have an effective means of appealing after a final judgment an order requiring the disclosure of trade secrets. As we stated there, "once trade secrets are made public, they can obviously never be 'secrets' again." *Smith*, 869 F.2d at 199. Therefore, the court allowed an interlocutory appeal under the *Cohen* test and did not reach the question whether a writ of mandamus was appropriate. *See id.* at 199 n. 3.

In the later *Rhone-Poulenc* case, the other case to examine element (3) of the *Cohen* test, the panel distinguished *Smith* by reasoning that any harm caused by the erroneous disclosure of material protected by the attorney-client privilege or the work product doctrine can be remedied. According to that panel, an appellate court can, after final judgment, vacate the ruling of a trial court, remand the case for a new trial, and prohibit the use of the protected material or any material derived from the protected material at the new trial. *See Rhone-Poulenc*, 32 F.3d at 860. We believe, however, that this part of the holding in *Rhone-Poulenc* is inconsistent with both *Smith* and the mandamus line of cases that hold that there can be no effective review after final judgment of an order requiring the disclosure of putatively protected material. *See supra.* In fact, *Rhone-Poulenc* seems to say as much when it held that mandamus jurisdiction existed because there is "no other adequate means to attain relief from the district court's order that compels the disclosure of privileged information and work product," citing the mandamus line of cases for support. *Id.* at 861.

Because they precede *Rhone-Poulenc,* we are bound by the holdings in *Smith* and the mandamus line of cases. *See Q. Hommel Co. v. Ferro Corp.*, 659 F.2d 340, 354 (3d Cir.1981) ("[A] panel of this court cannot overrule a prior panel precedent."). Therefore, we hold that there is no effective means of reviewing after a final judgment an order requiring the production of putatively protected material. Accordingly, the strictures of the collateral order doctrine have been met in this case, and we have jurisdiction over the appeal. Our review of the district court order will be plenary.

D. *Mandamus*

Because we have appellate jurisdiction, there is no need to examine whether we have original, mandamus jurisdiction. However, we also believe that if we did not have appellate jurisdiction, we would have mandamus jurisdiction to review the district court's order. *See, e.g., Rhone-Poulenc*, 32 F.3d at

861 (exercising mandamus jurisdiction over review of privilege and work product issues); *Haines*, 975 F.2d at 88-91 (exercising mandamus jurisdiction over review of work product issues); *Westinghouse*, 951 F.2d at 1422 (exercising mandamus jurisdiction over privilege and work product issues); *Sporck*, 759 F.2d at 314-15 (exercising mandamus jurisdiction over work product issues); *Bogosian*, 738 F.2d at 591 (same).

[11][12] The practical difference between appellate jurisdiction and mandamus jurisdiction is the standard of review. Our standard of review under mandamus jurisdiction is exceedingly narrow, *see Westinghouse*, 951 F.2d at 1423; our standard of review under appellate jurisdiction varies depending on the issue that we are called on to review. Accordingly, mandamus jurisdiction affords an appellate court less opportunity to correct district court error in the case before it and less opportunity to provide guidance for future cases. Moreover, comity between the district and appellate courts is best served by resort to mandamus only in limited circumstances. Review under appellate jurisdiction is therefore preferable to review under mandamus jurisdiction. In light of this preference, the wisdom of our holding that an appeal will lie in this case is confirmed.

III. MINUTES OF THE 1982 MEETING; ATTORNEY-CLIENT PRIVILEGE

[13] After an *in camera* review of the relevant documents, we conclude that the final minutes of the 1982 meeting are protected by the attorney-client privilege. Primarily ***965** at issue is whether the communications memorialized by the minutes were made for the purpose of obtaining legal advice. Federal Rule of Evidence 501 states:

> [I]n civil actions and proceedings, 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, person, government, State, or political subdivision thereof shall be determined in accordance with State law.

Fed.R.Evid. 501. In this civil, diversity case in which state law governs, Rule 501 provides that state law will govern the issue of privilege. *See Rhone-Poulenc*, 32 F.3d at 861-62.

It is not clear whether the law of Pennsylvania, the forum state, or the law of Michigan, the state in which the communications occurred, will supply the rule as to privilege. We need not reach this potentially thorny issue, however, because the law as to attorney-client privilege in Pennsylvania does not differ in any significant way from that in Michigan. The elements of the attorney-client privilege are well-known and are not, in any material respect, disputed here. We need not, therefore, dwell on them, except to note their basic contours in Pennsylvania and Michigan.

[14][15] In Pennsylvania, the attorney-client privilege in civil matters has been codified. The relevant statutory provision reads:

> In a civil matter counsel shall not be competent or permitted to testify to confidential communications made to him by his client, nor shall the client be compelled to disclose the same, unless in either case this privilege is waived upon the trial of the client.

42 Pa.Cons.Stat.Ann. § 5928 (West 1982). The communications must be for the purpose of obtaining legal advice. *See* Leonard Packel & Anne Bowen Poulin, *Pennsylvania Evidence* § 501.1(c), at 306 & n. 22 (1987 & Supp.1995). A corporation may claim the privilege for communications between its counsel and its employees who have authority to act on its behalf. *See Maleski v. Corporate Life Ins. Co.*, 163 Pa.Cmwlth. 36, 641 A.2d 1, 3 (1994); Packel & Poulin, *supra*, § 501.1(b).

[16] In Michigan, the standard is stated in similar terms. The attorney-client privilege "attaches to the confidential communications made by a client to his attorney acting as a legal adviser and made for the purpose of obtaining legal advice on some right or obligation." *Kubiak v. Hurr*, 143 Mich.App. 465, 372 N.W.2d 341, 345 (1985). Case law in Michigan also recognizes the right of a corporation to claim the privilege to protect com-

munications between certain of its employees and its counsel. *See* Hubka v. Pennfield Township, 197 Mich.App. 117, 494 N.W.2d 800, 802 (1992) (citing *Mead Data Central, Inc. v. U.S. Dep't of the Air Force*, 566 F.2d 242, 253 n. 24 (D.C.Cir.1977) (interpreting the federal Freedom of Information Act)), *rev'd on other grounds*, 443 Mich. 864, 504 N.W.2d 183 (1993).

[17][18] Our brief review of Pennsylvania and Michigan law as to the attorney-client privilege reveals that the two states agree in the respect most relevant to our case: for a communication to be privileged, it must have been made for the purpose of securing legal advice. *See, e.g.*, Rhone-Poulenc, 32 F.3d at 862 (setting out the traditional elements of the attorney-client privilege and including the requirement that the communication be made for the purpose of securing legal advice); Restatement of the Law Governing Lawyers §§ 118, 122 (Proposed Final Draft No. 1 1996) (same). [FN9] We now turn to determining whether the communications contained in the relevant document satisfy this standard. [FN10]

> FN9. It should be noted that the law makes no distinction between communications made by a client and those made by an attorney, provided the communications are for the purpose of securing legal advice. *See* Restatement of the Law Governing Lawyers §§ 118, 120 (Proposed Final Draft No. 1 1996). In other words, the entire discussion between a client and an attorney undertaken to secure legal advice is privileged, no matter whether the client or the attorney is speaking.
>
> FN10. The parties do not dispute that Nolte was Ford's attorney at all relevant times and that the members of the Policy and Strategy Committee had the authority to act on behalf of Ford. Although Kelly does argue that Ford did not intend for the communications to be kept confidential, we find that argument to be without merit. Ford's actions with respect to these documents clearly evinced such an intent.

***966** [19] Our review of the final minutes, the draft minutes, the report Nolte summarized at the meeting, and relevant affidavits, leads us to conclude that the communications in the meeting were made for the purpose of securing legal advice. Ford clearly had concerns about the Bronco II; this is not surprising given that the product was in the early stages of its development. Nolte examined the legal implications of some of those concerns and proposed a particular course of action, contained in his report to the Policy and Strategy Committee, to address them. The Policy and Strategy Committee meeting itself was called in part to discuss Nolte's proposal. The discussion at the meeting, then, was intended to secure Nolte's legal advice.

The district court initially ruled that the minutes "disclose only factual material, contain no legal discussion, were not created in anticipation of litigation ..., and contain no communication to counsel which was intended to be kept confidential." The court later stated that the minutes were "business records" that memorialized "essentially business and safety decisions." We disagree with the district court's conclusions as to the nature of the documents. The documents do not contain merely factual material nor do they detail mere business decisions; in that respect, the district court clearly erred in describing these documents. Certainly, the ultimate decision reached by the Policy and Strategy Committee could be characterized as a business decision, but the Committee reached that decision only after examining the legal implications of doing so. Even if the decision was driven, as the district court seemed to assume, principally by profit and loss, economics, marketing, public relations, or the like, it was also infused with legal concerns, and was reached only after securing legal advice. At all events, disclosure of the documents would reveal that legal advice. We thus hold that the minutes of the 1982 meeting are protected from

discovery by the attorney-client privilege. [FN11]

FN11. Discussion in a published opinion of our conclusions based upon an *in camera* review is necessarily limited. We cannot reveal too much about the contents of the documents for fear of undermining the very purposes of such review. Our methodology is to reveal only as much of the content as is necessary to produce a reasoned opinion that can itself be reviewed. If further review is necessary, the en banc court or the Supreme Court can examine for itself the relevant documents in conjunction with our opinion. We recognize that the advocacy of the attorneys representing the party seeking allegedly protected documents is hampered by their inability to review those same documents. That disadvantage is one we must accept; otherwise, the very purpose of the privilege will be destroyed.
The observations made in this footnote apply equally to our discussion of the documents allegedly protected by the work product doctrine.

IV. THE AGENDAS; THE WORK PRODUCT DOCTRINE

Similarly, our *in camera* review leads us to conclude that the agendas for the 1988 meeting and the handwritten notes on the document pertaining to the 1989 meeting are protected from discovery by the work product doctrine. [FN12] Codified in the Federal Rules of Civil Procedure, the work product doctrine allows a party to discover material prepared in anticipation of litigation or for trial only upon a showing that the requesting party has a substantial need for the material and cannot obtain the material or its equivalent elsewhere without incurring a substantial hardship. *See* Fed.R.Civ.P. 26(b)(3). The rule as *967 codified provides that "[i]n ordering discovery of such materials when the required showing has been made, the court shall protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party concerning the litigation." *Id.*

FN12. Ford claims that the agendas are also protected by the attorney-client privilege. We disagree. There is no indication in the record that the relevant 1988 meeting at which the agendas were discussed involved the kind of communications the privilege protects. Ford's assertions to the contrary and the affidavits supporting them are nothing more than conclusory.
Ford also claims that the handwritten notes on a document pertaining to the 1989 meeting are protected by the attorney-client privilege because they refer to legal advice provided at the 1988 meeting. (Ford does not claim that the meeting itself or the typewritten portions of the document are protected.) Because we do not see the 1988 meeting as involving confidential communications made to secure legal advice, we do not believe these handwritten notes are privileged. However, these notes do refer to the agendas from the 1988 meetings and to the studies on which the agendas were based. We will, therefore, consider these notes as being equivalent to the 1988 agendas. As we discuss in the text, the 1988 agendas are protected by the work product doctrine. These notes, then, are similarly protected.

[20] It is also clear that the work product doctrine protects materials prepared by an agent of the attorney, provided that material was prepared in anticipation of litigation. *See* 8 Charles Alan Wright, Arthur R. Miller & Richard L. Marcus, *Federal Practice and Procedure* § 2024, at 359 (2d ed. 1994). These elements, like those of the attorney-client privilege, are well-known and are not, in any relevant respect, disputed here. We need not, therefore, elaborate on them. Rather, the dispute over the

agendas turns on whether they were prepared in anticipation of litigation, since the other elements necessary for work product protection are met. [FN13]

> FN13. The record makes it clear that the agendas were prepared by an agent of Ford's attorneys. In addition, Kelly has not made the requisite showing of substantial need to overcome the work product doctrine protections.

[21] It is clear from our review of the record that the agendas disclose material prepared as part of Ford's legal strategy for defending the type of case Kelly brought here. The agendas outline the results of studies conducted as to the safety of the Bronco II and, in so doing, highlight important aspects of those studies. Those studies were found by the district court to be protected by the work product doctrine because they would be used in defending anticipated lawsuits. Ford persuasively contends that experts acting on behalf of Kelly and working backwards from the agendas could determine the methodology of the studies. [FN14] Ford's attorneys and their agents called for the studies, and Ford credibly demonstrates that if Kelly learns the methodology of the studies, then she has effectively learned of the issues of most concern to Ford's litigation defense team. Moreover, the agendas themselves were for meetings at which the experts would, inter alia, explain the technical aspects of Ford's legal defense strategy by referring to those studies. We are satisfied, in view of the foregoing, that these agendas, core work product, were prepared in anticipation of litigation.

> FN14. Although Kelly does not dispute this contention, we suspect that it might have been difficult for Kelly to do so given that she has not seen the agendas.

[22] The handwritten notations that appear on the document pertaining to the 1989 meeting are similarly protected by the work product doctrine. Although not as extensive as the agendas themselves, the notations refer to the agendas. In some places, the notations employ the same language as that which appears on the agendas. In others, the notations, when read in connection with the typewritten portions of the document to which they refer, provide clear hints as to what is contained in the agendas. In all instances, the notations, like the agendas themselves, would allow Kelly to determine the methodology of the studies.

It is true, of course, that the agendas and the handwritten notations (and, for that matter, the studies themselves) were not prepared with this particular litigation in mind. However, that is of no import given the facts of this case. At the time the relevant material was prepared, Ford was a defendant in numerous lawsuits alleging defects in the Bronco II, and this material was prepared in anticipation of those lawsuits. The literal language of Rule 26(b)(3) requires that the material be prepared in anticipation of *some* litigation, not necessarily in anticipation of the *particular* litigation in which it is being sought. *See In re Grand Jury Proceedings*, 604 F.2d 798, 803 (3d Cir.1979) (holding that the work product doctrine will protect material prepared in anticipation of civil proceedings from discovery in a grand jury proceeding); *see also* 8 Wright, Miller & Marcus, *supra*, § 2024, at 350-51 (collecting cases and concluding that most courts consider the work product doctrine to protect material prepared in anticipation of previous litigation). [FN15]

> FN15. As in *In re Grand Jury Proceedings*, there is "an identity of subject matter" between the litigation for which the material was prepared and the present litigation. *See In re Grand Jury Proceedings*, 604 F.2d at 803. We therefore need not decide whether the work product doctrine protects material prepared for *any* previous litigation, or only previous litigation *related* to the present litigation.

***968** The district court ruled that nothing in the record indicated "that the meetings [for which the

agendas were prepared] involved discussion or agenda items about any particular litigation or that the meetings were in anticipation of litigation nor do the documents disclose any legal advice or opinions, or that legal advice was given." Instead, the court ruled that the "meetings were in the nature of product safety meetings, not legal department meetings." As our discussion makes clear, the agendas were prepared in anticipation of litigation. That the agendas do not necessarily include legal advice is, as a matter of law, irrelevant provided, as we note above, they were prepared in anticipation of litigation. Moreover, it is of no import, again as a matter of law, that the meetings for which the agendas were prepared were not legal department meetings. Thus, the district court clearly erred (a function in part of legal error) in concluding that the agendas were not prepared in anticipation of litigation. In this case, the context in which the agendas were discussed does not change the reasons for their preparation.

In sum, we conclude that the work product doctrine, as codified in Rule 26(b)(3), protects the agendas from discovery.

V. CONCLUSION

In view of the foregoing, the order of the district court dated December 18, 1996 will be reversed in part and the case remanded to the district court with directions to deny discovery of the documents stamped with Bates numbers 6680- 82, 13882, 14236, and 21831 in their entirety, and to deny discovery of the handwritten notations on the document stamped with Bates number 14241.

•FORD MOTOR COMPANY, Appellant/Petitioner, v. Susan I. KELLY, Administratrix and Personal Representative of the Estate of Gerald A. Kelly, Deceased, on Behalf of Said Decedent's Heirs-At-Law and Next-Of-Kin and on her Own Behalf Appellee/Respondent., 1997 WL 33710404 (Appellate Brief) (C.A.3 January 21, 1997), Brief of Appellee/Respondent

•IN RE: FORD MOTOR COMPANY, Petitioner Susan I. Kelly et al., Appellees, v. Ford Motor Company, Appellant., 1997 WL 33710405 (Appellate Brief) (C.A.3 January 24, 1997), Ford Motor Company's Reply Brief

110 F.3d 954, 65 USLW 2668, 37 Fed.R.Serv.3d 600

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Only the Westlaw citation is currently available.

United States District Court,
E.D. Louisiana.
SOUTHERN SCRAP MATERIAL CO., et al,
v.
George M. FLEMING; Fleming & Associates L.L.P., Fleming, Hovenkamp & Grayson, P.C.; John L. Grayson; Mark A. Hovenkamp; Bruce B. Kemp; L. Stephen Rastanis; The Law Offices of L. Stephen Rastanis; John B. Lambremont, Sr.; The Law Offices of John B. Lambremont, Sr.; Ken J. Stewart; Frederick A. Stolzle, Jr.; Frederick A. Stolzle, Jr. & Associates
No. Civ.A. 01-2554.

June 18, 2003.

MEMORANDUM OPINION AND ORDER

KNOWLES, Magistrate J.

*1 This action, which invokes the civil RICO jurisdiction of the Court under 18 U.S.C. § 1964, [FN1] involves claims by plaintiffs, Southern Scrap Material Co., LLC, SSX, L.C., and Southern Recycling, LLC, against the defendant attorneys listed above. This matter is before the undersigned magistrate judge pursuant to the mandate of the Fifth Court of Appeals [Rec. Doc. 107] and the reference of district judge to consider arguments of the parties that certain documents for which discovery is sought are protected by the work-product doctrine or the attorney-client privilege. More particularly, presently before the Court are the following contested discovery motions:

> FN1. On August 20, 2001, plaintiffs filed their Complaint [Rec. Doc. 1] pursuant to the 28 U.S.C. §§ 1331 and 1337, and 18 U.S.C. §§ 1964(a) and 1964(c), Title IX of the Organized Crime Crime Control Act of 1970, also known as the Racketeer Influenced and Corrupt Organization Act (RICO).

(1) Plaintiffs Southern Scrap Material Co., LLC, SSX, L.C., and Southern Recycling Co. LLC's (hereinafter collectively referred to as "Southern Scrap") Motion and Memorandum in Support of Maintenance of Privilege over various documents submitted for *in camera* review [Rec. Doc. # 188];
(2) Defendants Frederick A. Stolzle, Jr. and Frederick A. Stolzle, Jr. & Associates' ("Stolzle defendants") Motion to Sustain Attorney-Client and Work Product Privileges [Rec. Doc. # 187];
(3) Defendants Fleming & Associates, L.L.P., and George Fleming's ("Fleming defendants") Joint Motion and Memorandum to Sustain Work Product and Attorney/Client Privileges [Rec. Doc. # 189];
(4) Defendant Ken J. Stewart's Motion and Memorandum to Sustain the Privilege on Documents Produced for *In Camera* Inspection [Rec. Doc. # 198]; and
(5) Defendant John B. Lambremont, Sr. and Law Offices' Memorandum in Support of Sustaining Work Product and Attorney-Client Privileges. [Rec. Doc. # 186].

I. BACKGROUND

Necessarily predicate to any ruling on the privileges claimed is some understanding of the climate in which the instant case arose and the tenor and substance of the allegations which presaged the instant motions to compel. On August 20, 2001, the plaintiff, Southern Scrap, filed a complaint naming the following trial attorneys as defendants, to wit: George M. Fleming, Fleming & Associates, L.L.P., Fleming, Hovenkamp & Grayson, P.C., John L. Grayson, Mark A. Hovenkamp, Bruce B. Kemp, L. Stephen Rastanis, The Law Offices of L. Stephen Rastanis, John B. Lambremont, Sr., The Law Offices of John B. Lambremont, Sr., Ken J. Stewart, Frederick A. Stolzle, Jr. and Frederick A. Stolzle, Jr. and Associates. *See* Southern Scrap's Complaint [Rec. Doc. # 1]. Southern Scrap seeks-relief pursuant to §§ 1961-68, § 901(a) of Title IX of the Organized Crime Control Act of 1970, as amended, otherwise known as the Racketeering Influenced and Corrupt Organizations Act of 1970 ("RICO"), and in particular, under 18 U.S.C. § 1964.

Following the filing of the Southern Scrap's RICO case statement [Rec. Doc. # 3], defendants filed their motion to dismiss pursuant to Fed.R.Civ.P. 12(b)(6). [Rec. Doc. # 11]. Finding that the alleged "improprieties and calculated manipulations set out in the RICO case statement" were sufficient to defeat the defendants' motion to dismiss the Court denied same, as well as the defendants' Motion for More Definite Statement. [Rec. Doc. 's 23 and 27]. The parties were ordered to exchange initial disclosures by March 12, 2002. The claims against the defendant Mark A. Hovenkamp were dismissed with prejudice. [Rec. Doc. # 41]. On May 6, 2002, Southern Scrap filed an amended complaint with respect to its damages. [FN2] [Rec. Doc # 65].

> FN2. Plaintiff amended their original RICO complaint alleging "severe financial and business losses, and damage to reputation, negative publicity, decreased company productivity, decreased employee morale, and fear of frivolous lawsuits," to state: "As a proximate cause of the Attorneys' violation of 18 U.S.C. § 1962(c) and (d), Plaintiffs have been injured in their business or property for the reasons described above and because they were forced to expend a significant amount of time and money in the maintenance of defenses to these numerous, yet meritless lawsuits. The Attorneys have caused Plaintiffs damages consisting of the attorneys fees, expenses, costs, and time associated with the defense of these frivolous lawsuits." *See* Amended Complaint at ¶ 152 [Rec. Doc. # 65].

*2 In its application presently before the Court in the nature of a Motion to Compel Production of Documents, Southern Scrap characterizes the defendant attorneys as "a group of plaintiffs' attorneys that encircled Southern Scrap like jackals in an attempt to extort settlement funds," [FN3] from plaintiff scrap metal companies, which are along, with the judicial system and others, victims of the defendant attorneys' RICO conspiracy. [FN4] Plaintiffs' RICO complaint casts the defendant attorneys into two groups of actors, the Baton Rouge area plaintiffs' attorneys and the Texas plaintiffs' attorneys, who allegedly came together in 1995, formed an association-in-fact, and, working together, "unleashed a torrent of eleven (11) frivolous and baseless lawsuits against [Southern Scrap], alleging everything from mass exposure to toxic torts to discriminatory hiring practices." [FN5] Southern Scrap contends that "all of the resolved underlying cases were either dismissed on summary judgment, by the Court of Appeals, or in exchange for not seeking sanctions against the defendants," and "not a single one of these cases had any merit." [FN6]

> FN3. *See* Plaintiffs' Motion and Incorporated Memorandum in Support of Maintenance of Privilege over Various Documents Submitted for In Camera Review, at p. 2.
>
> FN4. *See* Complaint at ¶ IV [Rec. Doc. 1].
>
> FN5. Southern Scraps' Motion and Incorporated Memorandum in Support of Maintenance of Privilege over Various Documents Submitted for In Camera Review, at p. 3.
>
> FN6. *Id.* at 4.

Southern Scrap specifically alleges that the defendant attorneys (*i.e.*, plaintiffs' attorneys in the underlying state court litigation), exceeded any legitimate role they may have had as diligent adversaries by filing baseless claims and, in so doing, committed mail fraud (18 U.S.C. § 1341) and wire fraud (18 U.S.C. § 1343) in furtherance of their scheme to bring extortionate pressure to settle cases, inflicting heavy costs in terms of legal expenses for defense against the false and fraudulent claims. Additionally, Southern Scrap claims violations of the Hobbs Act, 18 U.S.C. § 1951, referring to attempts by defendant attorneys to induce the scrap metal companies to pay funds to settle the fraudulent state court suits by threats of filing more of the same and thus inflicting even heavier financial losses.

The defendant attorneys have denied the allegations against them and submit that the allegations in the RICO case statement are unsupported allegations. Defendants response to the plaintiffs' characterization of the underlying state court litigation and their roles, in

that Southern Scrap's statement erroneously suggests that all of the attorney defendants assisted in the prosecution of all eleven (11) underlying lawsuits. Moreover, Defendants contend that the Court should give little or no credence to Southern Scrap's argument that the underlying lawsuits were frivolous and baseless, in light of the fact that three of the underlying state court cases remain pending, one having survived a La.Code Civ. Proc. Art. 863 motion to dismiss hearing.

II. CONTENTIONS OF THE PARTIES

1. SOUTHERN SCRAP'S CHALLENGES TO DEFENDANTS' PRIVILEGE LOGS

Southern Scrap challenges the documents listed in the various defendant attorneys' privilege logs on various grounds, including the following, to wit: (1) regarding documents which relate to the business aspects of the defendants' legal practices, including fee agreements and agreements between counsel entered prior to the commencement of the litigation, Southern Scrap contends that they are discoverable and do not constitute the rendition of legal advice, nor are they protected work product; (2) articles, including maps, photographs, videos, and the like, all without attorney commentary, are discoverable; (3) documents which discuss purely factual matters without the addition of mental impressions or strategy of counsel are discoverable and do not constitute protected work product; (4) vintage documents dating back one to six years prior to the institution of the first lawsuit are discoverable; (5) the attorney-client privilege was waived with respect to the publication of "Scrap Notes"; (6) any claim of privilege was waived with respect to "the Becnel communications;" (7) "ALR Customer" and "CLR Customer" documents are not privileged; and (8) certain miscellaneous items, including the "Letters to Reverends," are also discoverable. Plaintiffs argue that, in any event, they have demonstrated their substantial need for the challenged documents. Southern Scrap highlights that the attorney defendants have denied the RICO claim and alleged the affirmative defense of good faith, and contends that the documents are necessary impeachment and cannot be obtained from an alternative source.

*3 The Stolzle defendants submit that they currently represent individuals in toxic exposure/personal injury litigation against the Southern Scrap plaintiffs. Defendants further advise that three of the "eleven (11) underlying cases" were filed in Louisiana's Nineteenth Judicial District and are still pending, to wit: *Harmason v. Southern Scrap Material Co., Inc.*, Docket No. 415,360 "C"; *Curry v. Southern Scrap Material Co.*, Docket No. 421,244 "C"; and *Banks v. Southern Scrap Material Co.*, 421,023 "H." Essentially, the Stolzle defendants argue that Southern Scrap's discovery requests demand the production of nearly every document maintained in client and attorney work files of the aforesaid underlying toxic tort litigation, and Stolzle submits that certain documents are protected by the work product and/or attorney-client privileges. Per the Court's October 16, 2002 order, Stolzle submitted a tabular log identified as Exhibit "B" which identifies each of eighty-five (85) documents withheld, along with the corresponding documents in tabbed binders for *in camera* review. Stolzle notes that the list of eighty-five documents was narrowed down from an October 11, 2002 privilege log, which previously identified tens of thousands of pages of privileged documents.

Regarding the documents listed on Exhibit "B," the Stolzle defendants argue that the fact that defendants have denied the allegations asserted against them in Southern Scrap's RICO complaint does not "place-at-issue" any "factual information," resulting in a waiver of the privileges claimed. Defendants further hearken back to the strictures of Rules 9(b) and 11, and more particularly, remind Southern Scrap plaintiffs that, prior to filing the instant lawsuit, they should have had knowledge of the specific "facts" and "law," which support their allegations, and thus may not, consistently with their Rule 11 obligation, now claim they do not have access to the facts and/or that they have substantial need within the meaning of Rule 26(b)(3). [FN7] Defendants admit that the work product doctrine protects documents and not underlying facts, but highlight federal law which stands for the proposition that a document does not lose its privilege status merely because its contains factual information. [FN8]

FN7. *See* Stolzle Defendants' Motion to Sustain Attorney Client Privilege, at p. 5 n. 3 (*citing Williams v. WMX Technologies, Inc.*, 112 F.3d 175, 177 (5th Cir.1997)).

FN8. *Id.* at 6 (*citing High Tech Communications, Inc. v. Panasonic Co.*, 1995 WL 45847 at *6 (E.D.La., Feb. 2, 1995), *inter alia*).

The Stolzle defendants, along with the other defendants in this case, accuse Southern Scrap of attempting to use this RICO action to circumvent Louisiana's scope of discovery regarding experts in the pending state court litigation, *i.e.*, "experts" identified in an article 863 hearing in the underlying state court litigations. [FN9] Finally, the Stolzle defendants submit that surveillance videos, photographs, and all communications with prospective clients are clearly subject to the work product doctrine and the attorney-client privilege. [FN10]

FN9. *See id.*, at p. 8 (*noting* La. Civ.Code of Proc. Art. 1424, *inter alia,* recognizing that under Louisiana law there is an absolute privilege against the discovery of writing, mental impressions, conclusions or opinions of an expert or any attorney).

FN10. *Id.* at 11-12.

The Fleming defendants have submitted their own privilege log and corresponding tabbed binder of documents for *in camera* review. In addition to the arguments made by the Stolzle defendants, the Fleming defendants contend that Southern Scrap has failed to demonstrate either substantial need or the inability to discover the same evidence by other means as required by Fed.R.Civ.P. 26(b)(3). Moreover, the Fleming defendants submit that the following categories of documents are protected work product, to wit: (1) correspondence among co-counsel relating to legal strategy, legal issues, and division of labor; (2) counsel/co-counsel communications; (3) attorney notes regarding depositions, subpoenas, and testimony; (4) compilations of documents; (5) documents that set out a case plan of action and discuss legal issues; (6) documents that relate or refer to investigations and/or factual information; (7) sworn statements; and (8) defendants' communications with experts.

**4 Ken Stewart submitted his privilege log and corresponding tabbed binder of eighty (80) documents withheld under claims of privilege. To prevent repetition of legal arguments, Stewart adopted the arguments set forth in the Fleming Defendants' memorandum in support of sustaining work product and attorney-client privileges. Like the Stolzle Defendants, Stewart similarly points out that three of the eleven underlying cases identified in Southern Scrap's RICO complaint remain pending in state court. Although he contends that certain documents are protected from disclosure under the federal case law as well, Stewart urges the Court to carefully consider that law, in conjunction with Louisiana law strictly prohibiting disclosure of expert documents to opposing parties.

Defendant John B. Lambremont, Sr. submitted a privilege log, alleging both work product protection and/or attorney-client privilege with respect to the documents tabbed 1-4, 6, 7, 12, and 14. Defendant Lambremont filed a memorandum in support of his objections, arguing more specifically that: (1) Southern Scrap has not demonstrated substantial need or inability to discover the same evidence by other means; (2) the mere denial of an association-in-fact does not effect a waiver of the applicable privileges; (3) correspondence and communications among co-counsel relating to legal strategy, legal issues, and division of labor are protected work product; (4) attorney notes regarding depositions, subpoenas, and testimony are protected work product; (5) documents that set out a case plan of action and discuss legal issues among co-counsel are protected work product; (6) case expense reports, invoices, and billing for experts and attorneys are privileged because they reveal legal strategies and attorney client communications; (7) communications with experts are protected; (8) discussions of expert testing results are protected work product because they reveal attorney thoughts and impressions; (9) communications between attorney and client are covered by the attorney client privilege; and (10) discussions with and information received from clients are privileged. [FN11]

FN11. *See* John B. Lambremont, Sr.'s Memorandum to Sustain Work Product and Attorney/Client Privileges [Rec. Doc. No. 186].

2. DEFENDANTS' CHALLENGES TO SOUTHERN SCRAP'S PRIVILEGE LOG

Southern Scrap has withheld a total of twenty-two (22) documents, which it contends are shielded from discovery by either the work product or attorney-client privileges, or both. The defendant attorneys challenge the plaintiffs' claims of privilege on the basis that the plaintiffs waived any privilege they may have possessed over their files by filing the instant RICO complaint. The defendants contend that the "the Audit Letters" and "the Becnel Correspondence" are the core of plaintiff's RICO claims. Additionally, defendants contend that the audit letters were not prepared exclusively in anticipation of litigation. As for the Becnel correspondence, Ken Stewart notes that Southern Scrap has labeled Daniel Becnel as a fact witness, knowledgeable of some of the alleged RICO violations in the underlying cases.

*5 The Court will first address the applicable law generally, and then, the parties' privilege logs/documents serially.

III. THE LAW

1. WORK-PRODUCT DOCTRINE

The attorney work-product privilege first established in *Hickman v. Taylor*, 329 U.S. 495 (1947), and codified in Fed.R.Civ.P. Rule 26(b)(3) for civil discovery, protects from disclosure materials prepared by or for an attorney in anticipation of litigation. *Varel v. Banc One Capital Partners, Inc.*, 1997 WL 86457 (N. D.Tex.) (*citing Blockbuster Entertainment Corp. v. McComb Video, Inc.*, 145 F.R.D. 402, 403 (M.D.La.1992)). Since *Hickman, supra,* courts have reaffirmed the "strong public policy" on which the work-product privilege is grounded. The Supreme Court in *Upjohn Co. v. United States*, 449 U.S. 383 (1981) found that "it is essential that a lawyer work with a certain degree of privacy" and further observed that if discovery of work product were permitted "much of what is not put down in writing would remain unwritten" and that "the interests of clients and the cause of justice would be poorly served. *Upjohn,* 449 U.S. at 397-998; *see also In re Grand Jury Proceedings*, 219 F.3d 175, 190 (2nd Cir.2000); *United States v. Aldman*, 134 F.3d 1194, 11967(2nd Cir.1998)

Fed.R.Civ.P. 26(b)(3) provides that

> a party may obtain discovery of documents and tangible things otherwise discoverable under subdivision (b)(1) of this rule and *prepared in anticipation of litigation* or for trial *by or for that other party's representative* (including the other party's attorney, consultant, surety, indemnitor, insurer or agent) only upon a showing that the party seeking discovery has substantial need of the materials in the preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means.

Fed.R.Civ.P. 26(b)(3) (emphasis added). Federal law governs the parties' assertions that certain information is protected from disclosure by the work product doctrine. *See Naquin v. Unocal Corp* ., 2002 WL 1837838 *2 (E.D.La.2002) (Wilkinson, M.J.) (*citing Dunn v. State Farm*, 927 F.2d 869, 875 (5th Cir.1991)).

The Fifth Circuit describes the standard for determining whether a document has been prepared in anticipation of litigation as the "primary purpose" test. *See In Re Kaiser Aluminum and Chemical Co.*, 214 F.3d 586, 593 n. 19 (5th Cir.2000) (*citing* precedents in *United States v. El Paso Co.*, 682 F.2d 530, 542 (5th Cir.1982) and *United States v. Davis*, 636 F.2d 1028, 1040 (5th Cir.1981)). The primary purpose test, coined by the Fifth Circuit in *Davis,* states:

> It is admittedly difficult to reduce to a neat formula the relationship between the preparation of a document and possible litigation necessary to trigger the protection of the work product doctrine. We conclude that litigation need not necessarily be imminent, as some courts have suggested, as long as the *primary motivating purpose behind the creation of the document* was to aid in possible future litigation.

*6 *Davis*, 636 F.2d at 1039. The determination that one or more of the documents were not prepared by counsel is not necessarily dispositive of the inquiry, as Rule

26(b)(3) protects documents prepared by a party's agent from discovery, as long as they were prepared in anticipation of litigation. In *United States v. Nobles*, 422 U.S. 225 (1975), [FN12] the Supreme Court explained:

> FN12. In *Nobles*, the Supreme Court applied the work-product doctrine to criminal proceedings. The Court observed that, although the work-product doctrine most frequently is asserted as a bar to discovery in civil litigation, its role in assuring the proper functioning of the criminal justice system is even more vital. The interests of society and the accused in obtaining a fair and accurate resolution of the question of guilt or innocence demand that adequate safeguards assure the thorough preparation and presentation of each side of the case. 422 U.S. at 238.

> At its core, the work-product doctrine shelters the mental processes of the attorney, providing a privileged area within which he can analyze and prepare his client's case. But the doctrine is an intensely practical one, grounded in the realities of litigation in our adversarial system. One of those realities is that attorneys often must rely on the assistance of investigators and other agents in the compilation of materials in preparation of trial. It is therefore necessary that the doctrine protect material *prepared by agents for the attorney* as well as those prepared hy the attorney himself.

Nobles, 422 U.S. at 238-39 (emphasis added). In both *Hickman* and *Nobles, supra,* the Supreme Court recognized that the "the work-product doctrine is distinct from and broader than the attorney-client privilege." *Hickman*, 329 U.S. at 508; *Nobles*, 422 U.S. at 238 n. 11. The doctrine protects not only materials prepared by a party, but also materials prepared by a co-party [FN13] or a representative of a party, including attorneys, consultants, agents, or investigators. *Nobles*, 422 U.S. at 228. [FN14]

> FN13. *See United States v. Medica-Rents, Co.*, 2002 WL 1483085 *1 n. 6 (N. D.Tex.) (noting that disclosure of documents by relators to co-party the United States and its representatives does not result in waiver and that the joint defense privilege, an extension of the attorney-client privilege, also applies in the context of work-product immunity).

> FN14. *Upjohn Co.*, 449 U.S. at 400; *United States v. El Paso Co .*, 682 F.2d 530, 543 (5th Cir.1982, *cert. denied*, 466 U.S. 944 (1984).

Work product immunity extends to documents prepared in anticipation of prior, terminated litigation, regardless of the interconnectedness of the issues and facts. The work product privilege recognized in *Hickman, supra,* does not evaporate when the litigation for which the document was prepared has ended. [FN15] In *In re Grand Jury Proceedings*, 43 F.3d 966 (5th Cir.1994), the Fifth Circuit observed:

> FN15. *See In re Grand Jury Proceedings*, 43 F.3d 966, 971 (5th Cir.1994) (noting that neither Rule 26 nor its well-spring *(Hickman)* place any temporal constraints on the privilege).

> The emerging majority view among the circuits which have struggled with the issue thus far seems to be that the work product privilege does not extend to subsequent litigation. One circuit, the Third Circuit, appears to extend the work product privilege only to "closely related" subsequent litigation. *In re Grand Jury Proceedings*, 604 F.2d 798, 803-04 (3rd Cir.1979). A broader view, exemplified by the Fourth and Eighth Circuits, is that the privilege extends to all subsequent litigation, related or not.

Id. at 971 (agreeing that the privilege extends to subsequent litigation but finding no need to choose between the two views since the subsequent litigation was "closely related" to the first).

The law is settled that "excluded from work product doctrine are materials assembled in the ordinary course of business, or pursuant to public requirements unrelated to litigation." *United States v. El Paso Co.*, 682 F.3d 530, 542 (5th Cir.1982) (citing Rule 26(h)(3) advisory committee notes)).

Factors that courts rely on to determine the primary

motivation for the creation of a document include the retention of counsel, his involvement in the generation of the document and whether it was routine practice to prepare that type of document or whether the document was instead prepared in response to a particular circumstance. If the document would have been created regardless of whether the litigation was also expected to ensue, the document is deemed to be created in the ordinary course of business and not in anticipation of litigation.

*7 *Piatkowski v. Abdon Callais Offshore, LLC*, 2000 WL 1145825, at *2 (E.D.La. Aug. 11, 2000). "If a party or its attorney prepares a document in the ordinary course of business, it will not be protected from discovery even if the party is aware that the document may also be useful in the event of litigation." *Naquin v. Unocal Corp.*, 2002 WL 1837838 *7 (E.D.La. Aug. 12, 2002) (internal quotation marks omitted). The party seeking protection from discovery bears the burden of showing that the disputed documents are work-product. [FN16]

FN16. *Id.* at *6 (*citing Guzzino v. Felterman*, 174 F.R.D. 59, 63 (W.D.La.1997) (Tynes, M. J.); *Hodges, Grant & Kaufmann v. United States*, 768 F.2d 719, 721 (5th Cir.1985)).

The work product doctrine protects two categories of materials prepared in anticipation of litigation, fact and opinion work product. To obtain fact or ordinary work-product, a party seeking discovery of such material must make a showing of "substantial need ." Fed R Civ P 26(b)(3). However, absent a showing of *compelling* need and the inability to discover the substantial equivalent by other means, work product evidencing mental impressions of counsel, conclusions, opinions and legal theories of an attorney are not discoverable. [FN17] Indeed, opposing counsel may rarely, if ever, use discovery mechanisms to obtain the research, analysis of legal theories, mental impressions, and notes of an attorney acting on behalf of his client in anticipation of litigation. [FN18] The burden of establishing that materials determined to be attorney-work product should be disclosed is on the party seeking production. [FN19]

FN17. *See Conkling v. Turner*, 883 F.2d 431, 434-35 (5th Cir.1989); *In Re Grand Jury Proceedings*, 219 F.3d 175, 190 (2nd Cir.2000); *Varel v. Banc One Capitol Partners, Inc.*, 1997 WL 86457 (N. D.Tex.) (Boyle M. J.).

FN18. *See Dunn v. State Farm Fire & Casualty Co.*, 927 F.2d 869, 875 (5th Cir.1991); *Hodges, Grant & Kaufmann v. United States*, 768 F.2d 719, 721 (5th Cir.1985).

FN19. *Hodges*, 768 F.2d at 721.

2. ATTORNEY CLIENT PRIVILEGE

Federal courts look to various sources, including time-honored Wigmore formulation setting forth the various elements of the privilege, to wit: "(1) Where legal advice of any kind is sought (2) from a professional legal adviser in his capacity as such, (3) the communications relating to that purpose, (4) made in confidence (5) by the client, (6) are at his instance permanently protected (7) from disclosure by himself or by the legal adviser, (8) unless waived." [FN20] Relying on the Wigmore standard, Judge Alvin B Rubin observed:

FN20. *Naquin v. Unocal*, 2002 WL 1837838, *2 (E.D.La.) (Wilkinson, M.J.) (*quoting*, 8 J. Wigmore, *Evidence* § 2292m at 554 (McNaughton rev.1961)).

The oldest of the privileges for confidential communications, the attorney-client privilege protects communications made in confidence by a client to his lawyer for the purpose of obtaining legal advice. The privilege also protects communications from the lawyer to his client, at least if they would tend to disclose the confidential communications. [FN21]

FN21. *Hodges, Grant & Kaufmann v. United States*, 768 F.2d 719, 720-21 (5th Cir.1985).

The burden of establishing the existence of an attorney-client privilege, in all of its elements, rests with the party asserting it. Although this oldest and most venerated of the common law privileges of confidential communications serves important interests in the federal judicial system, [FN22] it is not absolute and is subject to sever-

al exceptions. [FN23] These exceptions also apply in the context of work-product immunity, and thus, waiver is discussed under that separate heading below.

FN22. *United States v. Edwin Edwards*, 303 F.3d 606, 618 (5th Cir.2002) (*citing Upjohn Co. v. United States*, 449 U.S. 383, 389 (1981)).

FN23. *Id.*

3. WAIVER OF PRIVILEGE

Federal law applicable to waiver of attorney client privilege provides that disclosure of any significant portion of a confidential communication waives the privilege as to the whole. [FN24] Waiver of the privilege in an attorney-client communication extends to all other communications relating to the same subject matter. *In re Pabst Licensing, GmbH Patent Litigation*, 2001 WL 1135465, at *4 (E.D.La. Sept. 24, 2001).

FN24. *See also Nguyen v. Excel Corp.*, 197 F.3d 200, 207 (5th Cir.1999); *Alldread v. City of Grenada*, 988 F.2d 1425, 1434 (5th Cir.1993)("Patently, a voluntary disclosure of information which is inconsistent with the confidential nature of the attorney-client relationship waives the privilege.").

*8 Applying federal law, the Fifth Circuit in *Conkling v. Turner*, 883 F.3d 431 (5th Cir.1989) held that the plaintiff waived the attorney-client privilege and work product protection as to the issue of his own knowledge where the plaintiff had "injected [the issue] into [the] litigation. *Id.* at 435. The Fifth Circuit in *Conkling* further observed:

> The attorney-client privilege was intended as a shield, not a sword. When confidential communications are made a material issue in a judicial proceeding, fairness demands treating the defense as a waiver of privilege. The great weight of authority holds that the attorney-client privilege is waived when a litigant places information protected by it in issue through some affirmative act for his own benefit, and to allow the privilege to protect against disclosure of such information would be manifestly unfair to the opposing party.

Conkling, 883 F.2d at 434 (citations and inner quotation marks omitted). [FN25]

FN25. The Second Circuit in *United States v. Blizerian*, 926 F.2d 1285 (2nd Cir.1991) similarly recognized that implied waiver may be found where the privilege holder "asserts a claim that in fairness requires examination of protected communications. *Id.* at 1292. Fairness considerations arise where the party attempts to use the privilege both as a sword and a shield, the quintessential example being the defendant, who asserts an advice-of-counsel defense and is thereby deemed to have waived the privilege as to the advice he received. *Id.; see also In re Grand Jury Proceedings*, 219 F.3d at 182.

However, in light of the distinctive purpose underlying the work product doctrine, a general subject-matter waiver of work-product immunity is warranted only when the facts relevant to a narrow issue are in dispute and have been disclosed in such a way that it would be unfair to deny the other party access to facts relevant to the same subject matter. "[C]ourts have recognized subject-matter waiver of work-product in instances where a party deliberately disclosed work product in order to gain a tactical advantage and in instances where a party made testimonial use of work-product and then attempted to invoke the work-product doctrine to avoid cross-examination." [FN26]

FN26. *See Varel v. Banc One Capital Partners, Inc.*, 1997 WL 86457 *3 (N. D.Tex.) (*citing United States v. Nobles*, 422 U.S. 225, 228 (1975) and *In re United Mine Workers*, 159 F.R.D. 307, 310-12 (D.C.Cir.1994)).

Another exception to both the attorney-client privilege and work product immunity is the crime-fraud exception. [FN27] Essentially, communications made by a client to his attorney during or before the commission of a crime or fraud for the purpose of being guided or assisted in its commission are not privileged. [FN28] The

privilege may be overcome "where the communication or work product is intended to further criminal or fraudulent activity." [FN29] The proponent of the otherwise privileged evidence has the burden of establishing a *prima facie* case that the attorney-client relationship was intended to further criminal or fraudulent activity and the focus is on the client's purpose in seeking legal advice. [FN30] Although the pleadings in a case may be unusually detailed, as they are in the instant case, the pleadings are not evidence. Bare *allegations* will not supply the *prima facie* predicate necessary to invoke the crime-fraud exception to the attorney client and work-product privileges. *See In re International Systems and Control Corporations Securities Litigation*, 693 F.2d 1235, 1242 (5th Cir.1982). [FN31] The courts have evolved a two element test for the requisite *prima facie* predicate, to wit:

> First, there must be a *prima facie* showing of a violation sufficiently serious to defeat the work product privilege. Second, the court must find some valid relationship between the work product under subpoena and the *prima facie* violation.

*9 *Id.*

Bearing all these basic principles in mind, the Court will examine the challenged documents submitted for *in camera* inspection.

IV. ANALYSIS

1. SOUTHERN SCRAP'S DOCUMENTS

A. Audit Letters

The plaintiff corporations have carried their burden of proof of demonstrating their privilege claim. In this case, the work product doctrine clearly applies to the audit letters (tabs 1-4) prepared and sent by Michael Meyer, counsel for Southern Scrap, to Deloitte & Touche and Price Waterhouse ("Deloitte & Touche"). [FN32] The documents were generated at the request of general counsel for Southern Scrap and set forth a summary of all ongoing litigation, as well as counsel's mental impressions, opinions, and litigation strategy. The comments of the court in *Tronitech, Inc. v. NCR Corporation*, 108 F.R.D. 655, 656 (S.D.Ind.1985) are on point, to wit:

> FN27. "The crime/fraud exception recognizes that because the client has no legitimate interest in seeking legal advice in planning future criminal activities, ... society had no interest in facilitating such communications," and thus "demonstrates the policy: persons should be free to consult their attorney for legitimate purposes." *In re Burlington Northern*, 822 F.2d 518, 524 (5th Cir.1987) (*citing In re International Systems & Control Corporation Securities Litigation*, 693 F.2d 1235, 1242 (5th Cir.1982)) (inner quotation marks omitted).
>
> FN28. *Garner v. Wolfinbarger*, 430 F.2d 1093, 1102 (5th Cir.1970).
>
> FN29. *Edwards*, 303 F.3d at 618 (*quoting United States v. Dyer*, 722 F.2d 174, 177 (5th Cir.1983)) (internal quotation marks omitted). In the *Edwards* case, the government was the proponent of information sought that was otherwise covered by the attorney-client privilege. The government carried its burden by establishing a prima facie case that Cecil Brown was using his lawyer's services to cover up crimes related to his extortion of LRGC/NORC which involved payments made to Brown in exchange for his guarantee of obtaining river boat gambling licenses for the aforesaid organization *Id.*
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> FN30. *Edwards*, 303 F.3d at 618.
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> FN31. *See also* Minute Entry Order dated May 30, 2002 (*citing In re International Sys. & Controls Corp. Sec. Litigation, supra,* observing that Southern Scrap presents only allegations in support of its effort to breach the walls of the subject privileges, and holding that its position has been specifically rejected by Fifth Circuit precedent) [Rec. Doc. # 90].
>
> FN32. Because the work-product doctrine applies in the case of documents submitted for *in*

> *camera* review by Southern Scrap, the Court will not address the issue of whether the attorney-client privilege or some other privilege is applicable.
>
> An audit letter is not prepared in the ordinary course of business but rather arises only in the event of litigation. It is prepared because of the litigation, and it is comprised of the sum total of the attorney's conclusions and legal theories concerning that litigation. Consequently, it should be protected by the work product privilege.

Id.

The audit letters were not prepared by or at the direction of Deloitte & Touche. Instead, the letters were prepared by outside counsel at the request of Southern Scrap's general counsel with an eye toward litigation then ongoing. Clearly, the audit letters in this case are not accountant work-product. Instead, they are attorney work product of the opinion/mental impression/litigation strategy genre. Moreover, Southern Scrap is a closely-held corporation, and thus any report was to be made to its Board and not to the public.

More than once, the Fifth Circuit has held that the mere voluntary disclosure of work-product to a third person is insufficient in itself to waive the work product privilege. [FN33] This is not one of those cases where a party deliberately disclosed work-product in order to obtain a tactical advantage or where a party made testimonial use of work-product and then attempted to invoke the work-product doctrine to avoid cross-examination. [FN34]

> FN33. *See In re Grand Jury Proceedings*, 43 F.3d 966, 970 (5th Cir.1994); *Shields v. Sturm, Ruger & Co.*, 864 F.2d 379, 382 (5th Cir.1989); *see also Varel v. Banc One Capital Partners, Inc.*, 1997 WL 86457 *2 (N. D.Tex.).
>
> FN34. *Cf. United States v. Nobles*, 422 U.S. 225, 228 (1975); *In re Mine Workers of American Employee Benefit Plans Litigation*, 159 F.R.D.307, 310-12 (D.C.Cir.1994).

Considering that the plaintiffs have amended their complaint in pertinent part, deleting its allegations blaming the attorney defendants for the destruction of their business, defendants cannot now argue placing-at-issue waiver. Concomitantly, the defendants have failed to make the requisite showing of compelling need Absent that showing, the audit letters are not discoverable because the letters consist almost entirely of opinion work product, mental impressions and litigation strategies of the plaintiffs' counsel. Moreover, Michael Meyer is listed as a witness and available for deposition, and thus, the substantial equivalent is available through other methods of discovery. [FN35] The Fifth Circuit has held that the cost of one or even a few depositions is not sufficient to justify discovery of work product. Moreover, with the exception of the *Edwards* litigation, the lawsuits addressed by the audit letters are totally irrelevant to the underlying litigation or claims and defenses made in the RICO complaint, are similarly unlikely to lead to the discovery of relevant and are admissible evidence.

> FN35. *United States v. Medica-Rents Co.*, 2002 WL 1483085 (N. D.Tex.) (Means, J) (noting disclosure to a co-party does not result in waiver of the work-product doctrine and, that in any event, the information contained in the documents could have been readily obtainable through other means).

B. The Becnel Letters

***10** The Becnel letters are located at tabs 5 through 22 of Southern Scrap's binder submitted for *in camera* inspection. These letters consist of communications by and between various Southern Scrap attorney's, one of them is Daniel Becnel. Southern Scrap notes that Becnel argued a *Dauber* t motion on its behalf in the underlying *Houston* litigation. Plaintiffs correctly note the fallacy in the defendants' argument that materials sent or disclosed to Becnel (a non-party) are not privileged. The Becnel letters listed below are aptly characterized as attorney work-product in that they set forth opinions, strategies, legal theories, and mental impressions of counsel, and thus are not subject to disclosure absent a showing of compelling need and the inability

to obtain the information elsewhere.

As in the case of the audit letters, Southern Scrap has not waived the privilege by disclosure to a third party or by "placing at issue" the information. Becnel is one of many attorneys, who represent the plaintiff scrap metal companies in the underlying litigation. Daniel Becnel is listed as a witness and will be made available for deposition to speak to the issue of the *Houston* litigation, *inter alia.* Moreover, the defendants have failed to show either compelling [FN36] or even substantial need. [FN37]

> FN36. Although opinion work product, that which conveys the mental impressions, conclusions, opinions, strategies, or legal theories of an attorney has been accorded almost absolute protection by some courts, it may nevertheless become discoverable when mental impressions are at issue in a case. However, the requisite showing is one of compelling need. *Conoco, Inc. v. Boh Bros. Construction Co.*, 191 F.R.D. 107, 118 (W.D.La.1998) (*citing In re International Systems*, 693 F.2d at 1242).
>
> FN37. The party seeking production of documents otherwise protected by the work product doctrine bears the burden of establishing that the materials should be disclosed. *Id.* (*citing Hodges*, 768 F .2d at 721).

Becnel Letters [FN38]

> FN38. Unless previously produced, fax cover sheets which bear no confidential communications, mental impressions or opinions must be produced as they contain no protected data. *See American Medical Systems, Inc.*, 1999 WL 970341 *4 (E.D.La.); *Dixie Mill Supply Co., Inc.*, 168 F.R.D. at 559 (E.D.La.1996).

Tab 5 Fax Cover Letter from Jack Alltmont (counsel/partner Sessions) to Brandt Lorio (in house counsel Southern Scrap), Daniel E. Becnel, Jr. (counsel/Southern Scrap), Rick Sarver (counsel/partner Stone Pigman), and Michael Meyer (counsel/Southern Scrap) regarding the *Houston* case and containing counsel's mental impressions and litigation strategy.

Tab 6 Fax Letter from Matthew A. Ehrlicher (General Counsel) to Daniel Becnel (Counsel/Southern Scrap), Rick Sarver, Michael Meyer and Jack Alltmont (Counsel/Southern Scrap) regarding *Houston* case strategy and mental impressions about upcoming work to be done

Tab 7 Fax Letter from Jack Alltmont to Matthew Ehrlicher (General Counsel), Daniel E. Becnel, Jr., Rick Sarver, and Michael Meyer (Counsel/Southern Scrap), regarding *Houston* case and enclosing draft motion, and discussing legal strategy, legal theory, and mental impressions of counsel.

Tab 8. Fax Letter from Michael Meyer to Daniel Becnel, copied to counsel for Southern Scrap, Ned Diefenthal, Matthew Ehrlicher, Jack Alltmont, and Richard Sarver regarding upcoming hearing in the *Houston* case, stating mental impressions and strategy.

Tab 9 Fax Letter from Jack Alltmont to Southern Scrap counsel, Matthew EHRLICHER, Daniel Becnel, Rick Sarver and Michael Meyer regarding *Houston* case, discussing correspondence from Jack Kemp, strategy and mental impressions.

Tab 10 Fax Letter from Jack Alltmont to Southern Scrap counsel, Matthew EHRLICHER, Daniel Becnel, Rick Sarver and Michael Meyer regarding *Houston* case, discussing conversation with from Jack Kemp, strategy and mental impressions.

*11 Tab 11 Fax Letter from Rick Sarver to Southern Scrap counsel, Matthew EHRLICHER, Daniel Becnel, and Jack Alltmont regarding *Houston* case, discussing strategy and giving mental impressions.

Tab 12 Fax Correspondence from Jack Alltmont to Southern Scrap counsel Brandt Lorio, Daniel Becnel, Rick Sarver, and Michael Meyer enclosing the judgment from Judge Ramsey dismissing the *Houston* case and May 16, 2001 letter from John Lambremont to Judge Ramsey and contains mental impression and strategy of counsel regarding that case.

Tab 13 A duplicate of the fax correspondence contained in the binder at Tab 5.

Tab 14 Fax Letter from Jack Alltmont to Southern Scrap counsel, Matthew Ehrlicher, Daniel Becnel, Rick Sarver and Michael Meyer regarding the *Houston* case enclosing a draft motion for summary judgment, and discussing legal theory, strategy and mental impressions of counsel.

Tab 15 Duplicate of the document discussed at Tab 7 but includes 4 fax transmittal sheets.

Tab 16 Duplicate of the document discussed at Tab 10 but includes 2 fax transmittal sheets and I transmission report.

Tab 17 Duplicate of the document discussed at Tab 11 but includes fax transmittal sheet.

Tab 18 Fax Letter from Jack Alltmont to Southern Scrap Counsel, Matthew Ehrlicher, Daniel Becnel, Rick Sarver and Michael Meyer regarding the *Houston* case, enclosing draft letter showing mental impressions of counsel and includes fax cover sheets and confirmation.

Tab 19 Duplicate of the document discussed at Tab 9, with letter from Bruce Kemp attached, and letter from Alltmont to Kemp also attached.

Tab 20 Duplicate of documents discussed at Tabs 10 and 16, but also contains handwritten attorneys' notes, and thus, not discoverable.

Tab 21 Fax transmission from Rick Sarver to Daniel Becnel regarding Houston case and outlining oral argument in that case and containing mental impressions of counsel and strategy for the hearing.

Tab 22 Duplicate of the document discussed at Tabs 7 and 15 but with the draft motion attached, with attorney's notes on the face of the document.

2. DEFENDANTS' PRIVILEGE LOG ENTRIES

Prior to addressing the individual categories of documents challenged by Southern Scrap, the Court will resolve the plaintiffs' claim of "placing-at-issue" waiver in the context of this particular case, to wit: whether by denying the allegation of the existence of an "association-in-fact" (RICO) enterprise, the defendant attorneys have placed-at-issue ordinary and opinion attorney work-product in the underlying state litigation. For reasons set forth below, the Court answers this question in the negative.

This precise issue was addressed by the Fifth Circuit in *In re Burlington Northern Inc.*, 822 F.2d 518 (5th Cir.1987). The *In re Burlington* case, involved the plaintiffs antitrust claim against defendant railroads which allegedly conspired to prevent the construction of a coal slurry pipeline, and did so by filing and defending various lawsuits. [FN39] The plaintiff ETSI sought discovery of documents relating to those underlying lawsuits and the railroads resisted discovery on the grounds of attorney-client and work product privileges. The Fifth Circuit observed:

> FN39. ETSI claimed that the defendant railroads unlawfully conspired to prevent, delay or make more expensive the pipeline's construction, because they were afraid of losing business to the pipeline ETSI was attempting to build from Wyoming to Arkansas. The railroads allegedly engaged in sham administrative and judicial challenges to ETSI in its attempts to secure crossing rights, water rights, inter alia, until ETSI abandoned the pipeline project in 1984. *In re Burlington*, 822 F.2d 518, 520 (5th Cir.1987).

*12 It (ETSI) argues that an antitrust defendant who relies on *Noerr-Pennington* bears the burden of proving the genuineness of bis petitioning activities, and, having thus injected his good faith into the case, waives any privilege to documents bearing on that issue. We disagree.

We cannot accept the proposition that a defendant in an antitrust suit who relies on the protection afforded by *Noerr-Pennington* necessarily gives up the right to keep his communications with his attorney confidential. Such a rule certainly cannot be justified on the basis of waiver. This is not a case where a party has asserted a claim or defense that explicitly relies on the

existence or absence of the very communications for which he claims a privilege. *See, e.g.* United States v. Woodall, 438 F.2d 1317, 1324-26 (5th Cir.1970), *cert. denied,* 403 U.S. 933 (1971). A defendant who relies on *Noerr-Pennington* merely denies the existence of an anti-trust violation. *Cf. Areeda,* at 4 (The "doctrine is in part an 'exception' or 'immunity' from normal antitrust principles ... but it principally reflects the absence of any antitrust violation to start with."). Accordingly, a plaintiff attempting to make an anti-trust case based on conduct that involves lobbying or litigation bears the burden to show that such activity is not protected petitioning but a sham. *Coastal States,* 694 F.2d at 1372 n. 46; *Mohammad,* 586 F.2d 543. We do not see how it can be said that the railroads waived their privilege when it is ETSI who filed this lawsuit and who seeks to rely on attorney/client communications and work product to prove its claim.

In re Burlington, 822 F.2d at 533. The Fifth Circuit explained:

Noerr-Pennington is based on principles that individuals have a right to petition the government and that government has a need for the information provided by such petitioning. As we noted earlier in this opinion, the protection afforded by the attorney/client privilege furthers these principles. Under the rule ETSI suggests, whenever a competitor files a lawsuit alleging that some earlier petitioning was a sham and the defendant denies the allegation, the defendant would lose his privilege. This result would be inconsistent with both *Noerr-Pennington* and the attorney/client privilege. Attorney/client documents may be quite helpful in making out a claim of sham, but this is not a sufficient basis for abrogating the privilege.

Id. The Fifth Circuit concluded that *Noerr-Pennington* requires a *prima facie* finding that the particular litigation was a sham to warrant discovery of documents initially protected by the attorney/client privilege or work product immunity. *Id.* In *In re Burlington, supra,* the Fifth Circuit determined that the district court acted improperly in granting ETSI's motion to compel discovery without making the proper predicate factual determination that the individual petitioning activities in which the defendant railroads were engaged were sham lawsuits. *Id.* at 534. However, once a *prima facie* showing is made demonstrating that the underlying litigation is a sham, "then at that moment the attorney/client and work product privileges evaporate" and will not serve "to shield such dramatic evidence form the finder of fact." *Id.* at 534.

***13** Notwithstanding the foregoing, Southern Scrap contends that the documents withheld by the various defendant attorneys do not constitute work product. Additionally, and in the event that the Court disagrees with their position, Southern Scrap argues that it has made the requisite showing necessary to obtain discovery of ordinary work-product, *i.e.,* substantial need and the inability to obtain the substantial equivalent elsewhere. The Court hereinafter addresses the challenged documents categorically as did Southern Scrap in its Memorandum challenging the defendant attorneys various privilege log entries. *See* Plaintiffs' Challenges to the Defendants' Various Privilege Log Entries [Rec. Doc. # 194].

A. Documents Evidencing Business Relations, Including Fee Splitting Agreements Joint Representation Agreement, Business Development Plans

Information relating to billing, contingency fee contracts, fee-splitting arrangements, hourly rates, hours spent by attorneys working on litigation, and payment of attorney's fees does not fall within the attorney-client or the work product privilege. [FN40] Moreover, the work product doctrine does not protect documents and materials assembled in the ordinary course of business. These documents do not concern the client's litigation, but rather concern a business agreement to split fees by and between the defendant attorneys and their respective law firms regarding extant business and other business which may be developed.

FN40. *See In re Central Gulf Lines,* 2001 WL 30675 * 2 (E.D.La.) (Livaudais, J.) (noting that transmittal letters, letters sent for review by both legal and non-legal staff, investigation documents containing factual information regarding the result of the investigation and business recommendations, but not as a legal ser-

vice or to render a legal opinion, or client fee arrangements are *not protected by privilege); Tonti Properties v. The Sherwin-Williams Company*, 2000 WL 506015 (E.D.La.); *C.J. Calamia Construction Co., Inc. v. Ardco/ Traverse Lift Co., LLC*, 1998 WL 395130 *2 (E.D.La.) (Clement, J.) (noting that billing statements and records which simply reveal the amount of time spent, the amount billed, and the type of fee arrangement are fully subject to discovery and, similarly, the purpose for which an attorney was retained and the steps taken by the attorney in discharging his obligations are not privileged).

(1) Frederick Stolzle Privilege Log

Number 11:	Confidentiality Agreement dated July 14, 1995	Not Privileged
Number 12:	Joint Representation Arrangement dated July 24, 1995	Not Privileged
Number 13:	Fee Arrangement dated July 24, 1995	Not Privileged
Number 39:	Business Offer dated January 25, 2001	Not Privileged
Number 40:	Discussing Litigation Management dated 1-25-01 sets forth mental impressions regarding various suits against Southern Scrap. There is no showing of compelling need. The information is otherwise available via deposition of Frank Dudenhefer	Work Product
Number 41:	Discussing Fee Potential dated 4-4-97	Not Privileged
Number 42:	Fee Contracts by and between Counsel Various Fee Splitting Arrangements dated October 4, 1995 and October 5, 1999	Not Privileged
Number 48:	Fee Sharing Agreement dated 2-20-96	Not Privileged
Number 49:	Confirmation of Fee Sharing Agreement dated October 11, 1995	Not Privileged
Number 50:	Joint Representation Agreement dated 3-27-95	Not Privileged
Number 69:	Fee Agreement and Confidentiality Agreement dated July 14, 1995 and July 24, 1995	Not Privileged

Number 70:	Fee Sharing Agreement Clarification dated July 20, 1995 and signed August 16, 1995	Not Privileged
Number 71:	Letter dated July 24 enclosing Clarification (same as Number 70)	Not Privileged
Number 75:	8-5-95 Handwritten Draft Addendum to Joint Representation Agreement	Not Privileged

(2) John B. Lambremont Sr.'s Privilege Log

Bates 88316-88317:	Letter from Bruce Kemp dated July 15, 1999 No. 7 in Lambremont Binder	Not Privileged
Bates 27657-27658:	Correspondence between co-counsel No. 18 not in Lambremont binder	Not Produced in camera
Bates: 27659-27661:	Correspondence between co-counsel No. 19 not in Lambremont binder	Not Produced in camera

(3) Ken Stewart Privilege Log

Number 1:	7-24-96 Memorandum between counsel Plaintiff's strategy regarding tests for Edwards case [previously Item Number 78].	Work Product
Number 10:	Case investigation and analysis of of the levels of elements [previously Item Number 11]	Underlying Factual Data Not Privileged
Number 14:	7-18-99 Article--Oulfport Explosion plaintiff strategy [previously Item Number 31]	Underlying Factual Data Not Privileged 41
Number 76	1995 Memorandum Discussing Case Strategy and information regarding Banks and Curry clients [previously Item Number 261]	Work Product
Number 252:	10-30-95 unidentified handwritten notes not included for in camera review in new privilege log listing 80 documents for in camera review	Not Produced in camera
Number 260	11-16-95 Letter Discussing Case Strategy enclosing lists to correct errors and discrepancies	Not Produced in camera

FN41. Privilege log item number 14 consists of a copy of a newspaper article which appeared in the Baton Rouge Advocate regarding the toxic tort suit against Southern Scrap. The article consists of non-protected factual information, and thus, must be produced. The mere fact that an attorney is copied with an newspaper article or document does not mean that the underlying data or that the document itself is privileged. See United States v. Davis, 636 F.2d 1028, 1040-41 (5th Cir.1981) (unprivileged documents are not rendered privileged by depositing them with an attorney); Robinson v. Automobile Dealers Association, 2003 WL 1787352 *2 (E.D.Tex).

(4) Fleming Group Privilege Log

Bates 8018	7/24/95 Clarification regarding Joint Representation	Not Privileged
Bates 7847-48	10/11/95 Fee Splitting Agreement	Not Privileged
Bates 6513-14	8/11/99 Revised Fee Arrangement instructions regarding litigations handling mental impressions of counsel	Work Product
Bates 5704	same as Lambremont 88316-88317	Not Privileged
Bates 5690-91	9/13/99 Letter Regarding Case Expenditures, Division of Work	Not Privileged
Bates 5688-89	9/14/99 Letter Invoice and Notice of Breach of Agreement	Not Privileged
Bates 3688	9/3/99 Fax re Case Handling	Work Product
Bates 3677-78	10-10-99 Fax re redoing fee arrangement payment of case expenses	Not Privileged
Bates 3273-74	8-11-99 Letter same as Bates 6513-14	Work Product
Bates 3264-67	10-11-99 Letter Requesting Execution of New Fee Arrangement	Not Privileged
Bates 900-02	12-8-97 Fee Arrangement	Not Privileged
Bates 625-31	8-15-96 Letter regarding legal strategy mental impressions of counsel	Work Product
Bates 583-85	1-9-96 Proposed Fee Arrangement regarding unrelated case not involving Southern Scrap	Not Privileged
Bates 294	undated statement of wages and withholding regarding unidentified individual with matching	Not Privileged
Bates 273-75	August 16, 1995 Clarification July 20, 1995 Letter Fee Agreement	Not Privileged

same as Stolze No. 70

B. Articles, Photographs, Maps and Videos

*14 As previously noted the work-product doctrine shields materials prepared hy or for an attorney in preparation for litigation. *Blockbuster Entertainment Corp. v. McComb Video, Inc.*, 145 F.R.D. 402, 403 (M.D.La.1992). It protects two categories of materials: ordinary work-product and opinion work product. *See Upjohn Co. v. U.S.*, 449 U.S. 383, 400-02 (1981). The doctrine is not an umbrella affording protection to all materials prepared by a lawyer or an agent of the client. The law of the Fifth Circuit is that "as long as the primary motivating purpose behind the creation of the document was to aid in potential future litigation," the work-product privilege is implicated. *See In re Kaiser Aluminum and Chemical Co.*, 214 F.3d 586, 593 (5th Cir.2000). However, if the materials were assembled or came into being in the ordinary course of business, work-product protection does not reach that far. *See United States v. El Paso Company*, 682 F.2d 530 (5th Cir.1982), *cert. denied*, 466 U.S. 944 (1984); *Beal v. Treasure Chest Casino*, 1999 WL 461970, *3 (E.D.La. July 1, 1999). Moreover, it does not extend to underlying facts relevant to the litigation. *See Upjohn*, 449 U.S. at 395-96. The burden of showing that documents were prepared in anticipation of litigation, and therefore, constitute work-product, falls on the party seeking to protect the documents from discovery. *St. James Stevedoring Co., Inc. v. Femco Machine Co.*, 173 F.R.D. 431, 432 (E.D.La.1997). The Court now turns to the documents and items listed on defendants' privilege logs to determine whether they are shielded from discovery pursuant to either the work-product or the attorney-client privilege.

(1) Frederick Stolzle Privilege Log No. 23--Photographs and Exhibit Video:

Defendant Stolzle argues that the surveillance video and photographs are privileged under the work product doctrine and can only be produced upon a showing of "substantial need" and "undue hardship." The video tape and photographs at issue are clearly work product, having been gathered in anticipation of litigation, *i.e., Banks, et al, inter alia.*

Courts have expressed a diversity of views as to how to resolve the issue presented. [FN42] However, there is a common thread running through all of the jurisprudence, *i.e.,* surveillance can be a very important aspect of the party's case. The issue surfaces most often in the plaintiff-personal injury scenario; usually, it involves the defendant's surveillance of the plaintiff which tends to discredit the plaintiff's description of his or her injuries. Obviously, such surveillance evidence gathered in anticipation of litigation is generally protected as work product.

> FN42. *See, e.g., Chiasson v. Zapata Gulf Marine Corp.*, 988 F.2d 513, *reh'g denied & opinion clarified*, 3 F.3d 123 (5th Cir.1993); *Menges v. Cliffs Drilling Company*, 2000 W.L. 765083 (Vance, J.) (noting the seminal case in the Fifth Circuit is Chaisson, supra); *Fortier v. State Farm Mutual Automobile Insurance Co.*, 2000 WL 1059772 (E.D.La.) (Vance, J.); *Innovative Therapy Products, Inc. v. Roe*, 1998 WL 293995 (E.D.La.) (Wilkinson, J.); *Martino v. Baker*, 179 F.R.D. 588, 590 (D.Colo.1998) (balancing conflicting interests of parties best achieved by requiring the production of surveillance tapes); *Ward v. CSX Trnasportation, Inc.*, 161 F.R.D. 38, 41 (E.D. N.C.1995) (noting that allowing discovery of surveillance materials prior to trial is consistent with the discovery rules in avoiding unfair surprise at trial); *Wegener v. Cliff Viessman, Inc.*, 153 F.R.D. 154, 159 (N. D.Iowa 1994) (disclosure of surveillance materials is consistent with broad discovery and the notion of trial as a "fair contest"); *Boyle v. CSX Transportation, Inc.*, 142 F.R.D. 435, 437 (S.D.W.Va.1992).

In *Chiasson v. Zapata Gulf Marine Corp.*, 988 F.2d 513, 517 (5th Cir.1993), the Fifth Circuit addressed the discoverability of videotape surveillance. The court held that, regardless of whether the surveillance video has impeachment value, it must be disclosed prior to trial if

it is at all substantive evidence [FN43] as opposed to solely "impeachment evidence." *Id.* at 517-18. [FN44]

> FN43. The *Chaisson* court defined substantive evidence as "that which is offered to establish the truth of the matter to be determined by the trier of fact." *Chaisson*, 988 F.2d at 517.
>
> FN44. In addition to *Chaisson, supra,* numerous other courts have considered the discoverability of surveillance tapes, which are intended for use at trial, and, almost uniformly, these courts have held that evidentiary films or videotapes must be provided to the opposing party prior to trial. *E.g., Forbes v. Hawaiian Tug & Barge Corp.*, 125 F.R.D. 505, 507-08 (D. Hawaii 1989); *Snead v. American Export-Isbrandtsen Lines, Inc.*, 59 F.R.D. 148, 150-51 (E.D.Pa.1973).

*15 Having reviewed the video tape and photographic surveillance (*i .e.,* the defendants' trial exhibits in the underlying litigation), the Court finds that the films, whether photograph or video, are of a substantive nature. More specifically, they may be used to either prove or disprove the plaintiffs' allegations in the underlying state court toxic tort litigation regarding the condition of Southern Scrap's facilities and the various operations conducted and materials stored upon or moved about the premises. Likewise, they may aid in either proving Southern Scrap's allegations or the defendants' affirmative defenses in the captioned RICO litigation. The thrust of Southern Scrap's claims herein is that the defendants made a concerted effort to prosecute baseless and frivolous claims against Southern Scrap for the purpose of extorting settlement funds in the underlying state court litigation. Because the subject video tapes and photographic materials are substantive in nature, and the same are not otherwise available to Southern Scrap, [FN45] under *Chaisson,* these items are discoverable.

> FN45. Surveillance evidence, available only from the ones who obtained it, fixes information available at a particular time and place under particular circumstances, and therefore, cannot be duplicated. The underlying facts which may be derived from the requested discovery are not freely discoverable. Southern Scrap has propounded interrogatories for the purpose of discovering the very facts which are the subject of the video/photographs to no avail.

(2) John B. Lambremont, Sr.'s Privilege Log

Lambremont's Bates Numbers 0026979-80: Defendant Lambremont withdrew his objection to production of this document.

Lambremont's Bates Numbers 0026982 and 0026984: For the same reasons discussed above with respect to videotape discovery withheld by the defendant Stolzle, the defendant John Lambremont Sr. must produce this withheld video surveillance.

Lambremont's Bates Numbers 0088517-0088520: Defendant Lambremont agreed to provide a copy of this article which is Bates Stamped No. 0088516.

Lambremont's Bates Numbers 0027198-0027201: Defendant Lambremont notes that he will produce this article *in camera* ordered by the Court and that these are his notes. The Court orders the defendant to produce Bates Numbers 0027198-0027201 to the undersigned Magistrate Judge for *in camera* review, as was done in the case of all other coutested documentation withheld by the defendants.

(3) Ken Stewart's Privilege Log

Stewart Number 159 on Stewart's previous privilege log (*i.e.,* a letter dated 10-26-95 enclosing an invoice representing all outstanding invoices, etc.), is not included in Stewart's 80 item submission tendered to the undersigned Magistrate Judge for *in camera* review.

(4) The Fleming Group's Privilege Log

Fleming Bates Numbers FSS 007883-84, as defense counsel submits, consists of a copy of a newspaper article which appeared in the Baton Rouge Advocate regarding the toxic tort suit against Southern Scrap. The

article consists of non-protected factual information, and thus, must be produced. As previously noted, the mere fact that an attorney is copied with a newspaper article or document does not mean that the underlying data or that the document itself is privileged. [FN46] Only confidential communications made with a legal objective are privileged.

> FN46. *See* *Davis*, 636 F.2d at 1040-41 (5th Cir.1981); *Robinson*, 2003 WL 1787352 *2 (E.D.Tex).

Fleming Bates Numbers FSS 006792-95 is a fax communication between plaintiff's counsel commenting on faxed newspaper article regarding the settlement of a lawsuit. Mere transmittal or confirmation letters, which do not contain any confidential communications or attorney advice, opinion or mental impressions, are not protected. [FN47] Whereas, here, the transmittal coversheets contain the opinion and/or mental impressions of counsel, the document is privileged. However, the newspaper article (*i.e.*, non-protected factual information) must be produced.

> FN47. *See* *American Medical Systems, Inc.*, 1999 WL 970341 *4 (E.D.La.); *Dixie Mill Supply Co., Inc.*, 168 F.R.D. at 559 (E.D.La.1996).

***16** Flemings Bates Numbers FSS 001779, FSS 00937-938, FSS 000067-68 and 000046-48 must be produced for the same reasons set forth immediately above in subparagraphs a and b. These newspaper articles (*i.e.*, otherwise unprotected factual documents/data with comments removed, if any, per agreement of counsel) are NOT PRIVILEGED.

C. Purely Factual Matters are Discoverable

These documents are comprised of investigative materials, reports and opinions of experts who have been retained (possibly not *testifying experts*), along with raw data, factual data displays on charts and maps, and other factual records, including but not limited to results of tests conducted on all air, water, soil and attic dust samples taken from various sites in and around Southern Scrap facilities in Baton Rouge and elsewhere in the state of Louisiana. Southern Scrap contends that these factual records, data and/or documentation is fully discoverable.

Defendant Stolzle contends that these documents are protected as attorney work product and that he should not be required to produce copies or disclose the contents. Moreover, the defendant urges the Court to find that unless and until the defendants disclose the names of their *testifying* experts, which disclosure is not due until July 9, 2003, these individuals should not be treated as "experts" in this RICO case at all. Stolzle notes generally that some of these experts may have or eventually will render opinions on issues pertinent to the underlying state court litigation; however, in this proceeding these individuals are presently only potential fact witnesses. Finally, defendant argues that *via* discovery in the instant federal RICO lawsuit, Southern Scrap is attempting to circumvent Louisiana's scope of discovery regarding experts as set forth in article 1424 of the Louisiana Code of Civil Procedure, which proscribes ordering the production or inspection of any part of a writing that reflects the mental impressions, conclusions, opinions, or theories of an attorney or an expert. *See* La.Code Civ. P. art. 1424. Stolzle contends that Southern Scrap is using this Court as a tool in its quest for production of documents and material otherwise unobtainable in the underlying *pending* state court litigation.

Southern Scrap counters that this third category of challenged documents are but recitations of purely factual matters learned from third parties. The plaintiff contends that this information is either discoverable as documents given to testifying experts or that any privilege that may be applicable has been waived because the Fleming Group produced such "work product" protected documents. [FN48] Moreover, defendants point out that Stolzle and the other defendants challenge production on the basis of Louisiana procedural law, noting that the federal court must evaluate the claim of work product protection under the rubric of federal law. [FN49]

> FN48. The Court has not been informed which documents were produced by the Fleming Group to counsel for Southern Scrap. Absent a

record as to the specific "work product" disclosed, the Court cannot properly determine either the fact or the extent of waiver of any privilege.

FN49. *See* 6 Moore's Federal Practice, S 26.70[7] (Matthew Bender 3d ed.)(work product doctrine is governed by the federal standard, even in diversity cases).

As previously discussed, the work-product doctrine [FN50] is a judicially created immunity to prevent a party to a lawsuit from receiving the benefits of an opposing counsel's preparations for trial. [FN51] The doctrine is designed to protect the adversary process "by safeguarding the fruits of an attorney's trial preparations from discovery attempts of an opponent." [FN52] The party who is seeking the protection of the work-product doctrine has the burden of proving that the documents were prepared in anticipation of litigation. [FN53] Notwithstanding the foregoing, work product protection does not extend to the underlying facts relevant to the litigation. [FN54]

FN50. The work-product doctrine is codified in Rule 26(b)(3) of the Federal Rules of Civil Procedure. *See Dunn*, 927 F.2d at 875; *Nance v. Thompson Medical Co.*, 173 F.R.D. 178, 181 (E.D.Tex.1997); *Schwegmann Westside Expressway v. Kmart Corporation*, 1995 WL 510071, *5 (E.D.La.1995).

FN51. *See generally Hickman v. Taylor*, 329 U.S. 495, 67 S.Ct. 385, 393-94 (1947); *see also In Re Leslie Fay Companies Securities Litigation*, 161 F.R.D. 274, 279 (S.D. N. Y.1995).

FN52. *Shields v. Sturm, Ruger & Co.*, 864 F.2d 379, 382 (5th Cir . 1989); *Guzzino*, 174 F.R.D. at 62.

FN53. *Conoco, Inc. v. Boh Bros. Const. Co.*, 191 F.R.D. 107, 117 (W.D.La.1998); *In re Leslie Fay Companies Securities Litigation*, 161 F.R.D. 274, 280 (S.D. N. Y.1995).

FN54. *See generally Upjohn Co. v. United States*, 499 U.S. 383, 395-96(1981).

*17 The Court here specifically distinguishes between the types of information sought by Southern Scrap. Insofar as documents sought recount factual information relevant to the claims against Southern Scrap in the underlying litigation, whether it is simply unannotated raw data, test results, maps indicating where samples were taken from, or a graphic display of test sample results, these factual matters are fully discoverable. This type of underlying factual information does not fall within the work-product doctrine. Moreover, this factual information goes to the very heart of the defendants' affirmative defenses in the captioned federal RICO case (*i.e.*, tbe existence of a basis in fact for the underlying state court cases filed against Southern Scrap).

(1) Frederick Stolzle Privilege Log

Stolzle Number 1: Correspondence between plaintiffs' counsel, authored by Bruce Kemp and mailed to co-counsel Lambremont and Stolzle, is protected WORK PRODUCT, rife with mental impressions and opinions of counsel.

Stolzle Numbers 3, 4: These documents are merely transmittal cover letters, without the appended test results and do not contain any confidential communications, mental impressions or other protected matters. Accordingly, the documents are NOT PRIVILEGED and should be produced.

Stolzle Number 5: The Fax Cover Sheet and Cover Letter dated 7-12-99, along with case narrative and Cbain of Custody Form with instructions are PRIVILEGED and need not be produced. However, the remainder of the document consisting of 35 pages relevant factual data, including a map of sample locations, results of attic dust sampling, TAL metal lab results, and radiation survey records are NOT PRIVILEGED and shall be produced.

Stolzle Number 6: The Cover Letters dated 7-8-99 and 7-9-99 along with Expert Report and Analysis dates July 8, 1999 are protected WORK PRODUCT.

Stolzle Number 7: The Fax Cover Sheet dated 5-13-99

is PRIVILEGED and need not be produced. The one-page enclosure consisting of a recitation of lab results on a soil sample is NOT PRIVILEGED and shall be produced.

Stolzle Number 8: The Cover Letter dated April 23, 1999 and Report and Findings dated April 19, 1999 is protected WORK PRODUCT.

Stolzle Number 9: Histologic analysis and opinion of Dr. Daniel Perl regarding lung tissue taken from the autopsy of Mr. Eddie Edwards are protected WORK PRODUCT.

Stolzle Number 10: Correspondence to Mr. Kemp dated March 24, 1999 detailing the scope of the work is protected WORK PRODUCT.

Stolzle Number 14: Cover letter dated July 11, 1996, hand-sketched map, Report on Microscopic Analysis dated July 2, 1996 are protected WORK PRODUCT. However, Southern Scrap Materials Sampling Data Sheet (2 page chart) landscape mode and Southern Scrap Metals Sampling Results dated 6-23-96 (1 page chart) are NOT PRIVILEGED and shall be produced.

Stolzle Number 15: Cover letter dated October 22, 1996, Fax Cover Sheet dated 10-29-96 and Report of Results dated October 17, 1996 are protected WORK PRODUCT. However, the Southern Scrap Materials Sampling Data Sheet, Baton Rouge, La. (2 pages) is NOT PRIVILEGED and shall be produced.

***18** Stolzle Number 16: Correspondence between plaintiffs' counsel discussing households witb lead poisoning is protected WORK PRODUCT.

Stolzle Number 17: Handwritten pages and comments noted are protected WORK PRODUCT. However, Maps of Zip Code 70805, Soil Sample Test Results dated 9-20- 95, LSU Graphic Depicting Baton Rouge Wind Rose (Annual 1965-1974) are NOT PRIVILEGED and shall be produced.

Stolzle Number 18: Cover Letters dated January 20, 1996 and January 19, 1996, the narrative entitled "Map Interpretations of Data" and Fax Cover Sheet dated December 12, 1995 with enclosures including handwritten notes are protected WORK PRODUCT. However the 8 charts graphing attic dust test results and the attic dust sampling results dated December 1995 are NOT PRIVILEGED and shall be produced.

Stolzle Number 19: Fax cover sheets are protected WORK PRODUCT, but test results dated 1-31-96 are NOT PRIVILEGED and shall be produced.

Stolzle Number 20: Fax cover sheet with notations and Report dated March 20, 1996 are protected WORK PRODUCT.

Stolzle Number 21: Non-Fasting Blood test results for lead (2 pages) are NOT PRIVILEGED and shall be produced.

Stolzle Number 22: Un-executed Contractor Service Agreement is protected WORK PRODUCT.

Stolzle Number 24: Fax message regarding house testing dated 12-1-95 is later addressed under the section captioned "ALR Customer" and "CLR Customer" below.

Stolzle Number 25: Cover letter and Report dated July 8, 1999 are protected WORK PRODUCT

Stolzle Number 26: Same Document as Item Number 5 above (*i.e.,* fax cover sheet and cover letter dated 7-12-99, plus same test results). Test results need not be produced again.

Stolzle Number 27: Cover letter dated June 26, 2000 and Narrative Report dated 6-26-00 are protected WORK PRODUCT. However, Radiation Survey dated 6-19-00 (1 page) and the Draft TAL metal test results (14 pages) dated 6-26-00 are NOT PRIVILEGED and shall be produced.

Stolzle Number 28: Cover letter and report dated 3-20-96 are protected WORK PRODUCT.

Stolzle Number 29: Cover letter dated 4-8-96 and report dated 4-5-96 are protected WORK PRODUCT.

Stolzle Number 30: Cover letter and report dated 7-2-96

are protected WORK PRODUCT.

Stolzle Number 31: Same Documents included in Item Number 14 above.

Stolzle Number 32: Same Documents included in Item Number 14 above.

Stolzle Number 33: Same Documents included in Item Number 15 above.

Stolzle Number 34: Same Documents included in Item Number 26 above.

Stolzle Number 35, 36, 37, and 38: Data charts, portions of which were included as part of Items 14 and 15 above, are NOT PRIVILEGED and shall be produced.

Stolzle Number 55: Letter dated April 15, 1997 is protected WORK PRODUCT.

Stolzle Number 56: Letter dated September 29, 1995 is protected WORK PRODUCT.

Stolzle Number 57: Letter dated September 22, 1995 is protected WORK PRODUCT.

Stolzle Number 60: Letter dated September 12, 1995 is protected WORK PRODUCT.

***19** Stolzle Number 61: Letter dated September 6, 1995 is protected WORK PRODUCT.

Stolzle Number 62: Letter dated August 31, 1995 addressed to all "Residents" of a North Baton Rouge Neighborhood is NOT PRIVILEGED and shall be produced.

Stolzle Number 72: Correspondence to Mr. Grayson dated July 10, 1997 detailing the scope of the work is protected WORK PRODUCT.

Stolzle Number 73: Correspondence to Mr. Grayson dated August 5, 1998 discussing strategies is protected WORK PRODUCT.

Stolzle Number 74: Correspondence of Mr. Rastanis to Dr. George dated November 3, 1995 discussing the report of Dr. Ronald Gots is protected WORK PRODUCT.

Stolzle Number 79: Memorandum from Ken Stewart dated June 14, 1995 discussing the DEQ notification regarding the St. Thomas yard is protected WORK PRODUCT.

(2) John Lambremont, Sr.'s Privilege Log

Bates Numbers 0089024-31 is protected WORK PRODUCT. However, Fax Transmittal Cover Sheets are discoverable.

Bates Numbers 087481-515 consisting of client lists with annotations regarding each is protected WORK PRODUCT.

Bates Number 0088190 consists of correspondence between counsel for plaintiffs in the underlying state court litigation, discussing trial strategy and mental impressions. It is protected WORK PRODUCT.

Bates Numbers 0012561-656 and 0013095-96: Defendant withdrew his objections to these items.

(3) Ken Stewart's Privilege Log

Stewart No. 20 [previously # 89]: Memorandum dated March 10, 1999 discussing case strategy is protected WORK PRODUCT.

Stewart No. 32 [previously # 76]: Fax cover letter dated 7-11-96 sent by Keith Partin without remarks but enclosing 10 pages of air sample test results is NOT PRIVILEGED and shall be produced.

Stewart No. 36 [previously # 45]: Unexecuted document which purports to be a Report of Patricia Williams, Ph.D., an expert consulted in a wholly unrelated matter number 89-23976 on the docket of the Civil District Court is protected WORK PRODUCT.

Stewart No. 39 [previously # 50]: Attic Dust Sample Test Results dated December, 1995 is NOT PRIVILEGED and shall be produced.

Stewart No. 42, 43, 44 [previously # 's 57, 58, 59]: An-

notated client lists are protected WORK PRODUCT and plaintiffs have already been advised of the names of the clients.

Stewart Nos. 41 and 45 [previously # 's 60 and 61]: Southern Scrap Materials Sampling Data Sheet is NOT PRIVILEGED and shall be produced.

Stewart No. 50 [previously # 65]: Sample testing result data sheet dated January 31, 1996 is NOT PRIVILEGED and shall be produced.

Stewart No. 54 [previously # 84]: Letter dated March 7, 1997 is protected WORK PRODUCT.

Stewart No. 55 [previously # 88]: Letter dated August 31, 1998 along with enclosures are protected WORK PRODUCT.

Stewart No. 56 [previously # 90]: Test Results of Soil Samples dated May 11, 1999 is NOT PRIVILEGED and shall be produced.

Stewart No. 57 [previously # 91]: This Document consists of a Narrative Report by ETI and a Narrative Report of Results dated November 7, 1996 and both reports are protected WORK PRODUCT.

*20 Stewart No. 58 [previously # 92]: Information and sample surveys are protected WORK PRODUCT.

Stewart No. 70 [previously # 115]: Defendant has failed to show how this list of individuals identified by Caller Identification is protected work product, and thus, it is NOT PRIVILEGED and shall be produced.

Stewart Items Previously Numbered 83, 85-87, 93-114, 116-119, 124, 126 and 128 are not included in Stewart's 80 item submission tendered to the undersigned Magistrate Judge for *in camera* review.

The Court here notes that if and/or when any one or more of the defendants' or the plaintiffs' experts are designated as trial (*i.e.*, testifying) witnesses, their reports and all of the material furnished to them by counsel or utilized by them in producing their reports shall be produced to opposing counsel forthwith and without any further delay. This ruling obtains whether the designation of such an expert be as either a fact or an expert witness. This is so because any factual testimony elicited from such an expert will necessarily relate to their participation in the underlying case or cases as an expert witness. In other words, their trial testimony will inevitably touch upon matters which the parties, both plaintiffs and defendants, now claim are protected by privilege. Testimony of such experts at trial, even as to factual matters, would necessarily waive both the attorney-client privilege, to the extent such matters were disclosed, and any work product protection that is presently claimed.

Rule 26(a)(2) of the Federal Rules of Civil Procedure governs the disclosure of expert testimony and the Advisory Committee Notes to the 1993 Amendments clarify the intent of the disclosure requirement: "The [expert] report is to disclose the data and *other information considered* by the expert.... Given this obligation of disclosure, litigants should no longer be able to argue that materials furnished to their experts to be used in forming their opinions--whether or not ultimately relied upon by the expert--are *privileged or otherwise protected* from disclosure when such persons are testifying or being deposed." (emphasis added). In other words, the plain language of Rule 26(a)(2)(B) and the accompanying Advisory Committee Note mandates the disclosure of any material, factual or otherwise, that is shared with a testifying expert, even if such material would otherwise be protected by the work product privilege. [FN55]

> FN55. See *Karn v. Ingersoll-Rand*, 168 F.R.D. 633, 635 (N. D.Ind.1996) (holding Rule 26(a)(2)(B) trumps the work product doctrine and establishing a "bright line" rule by which parties know in advance what is discoverable and courts are relieved from having to determine what documents or portions of documents are discoverable); *Musselman v. Phillips*, 176 F.R.D. 194, 202 (D.Md.1997) ("[W]hen an attorney furnishes work product--either factual or containing the attorney's impressions--to [a testifying expert], an opposing party is entitled to discovery of such communication."); *B.C.F.*

> *Oil Refining v. Consolidated Edison Co. of N.Y.*, 171 F.R.D. 57 (S.D. N. Y.1997) (following *Karn, supra*).

In *TV-3, Inc. v. Royal Insurance Company of America,* the Court noted that:

> When an attorney hires an expert both the expert's compensation and his "marching orders" can be discovered and the expert cross-examined thereon. If the lawyer's "marching orders" are reasonable and fair, the lawyer and his client have little to fear. If the orders are in the nature of telling the expert what he is being paid to conclude, appropriate discovery and cross-examination thereon should be the consequence. Such a ruling is most consistent with an effort to keep expert opinion testimony fair, reliable and within the bounds of reason. [FN56]
>
> FN56. *TV-3, Inc.*, 194 F.R.D. 585, 588 (S.D.Miss.2000).

***21** Given the plain language of Rule 26(a)(2), *inter alia,* the district judge affirmed the Magistrate Judge's ruling denying the defendants' motion for a protective order and ordering full disclosure. [FN57] In *In re Hi-Bred International, Inc.*, 238 F.3d 1370 (D.C.Cir.2001), the Federal Circuit cited the *TV-3* decision with approval and observed that:

> FN57. *See id.* at 589 (holding that the Magistrate Judge's ruling was neither clearly erroneous nor contrary to law).
>
> The revised rule proceeds on the assumption that fundamental fairness requires disclosure of all information supplied to a testifying expert in connection with his testimony. Indeed, we are quite unable to perceive what interest would be served by permitting counsel to provide core work product to a testifying expert and then to deny discovery of such material to the opposing party. [FN58]
>
> FN58. *In re Hi-Bred International, Inc.*, 238 F.3d 1370, 1375 (D.C.Cir.2001)

The Federal Circuit further specifically held that the attorney client privilege, to the extent such communications were disclosed, and any work product protection are waived by disclosure of confidential communications to a testifying expert. [FN59]

> FN59. *Id.*

It is not clear on this record which of the defendants' experts have already testified or will in fact testify in the underlying proceedings. Additionally, the parties in this proceedings have not yet designated the witnesses who will testify on their behalf at the trial in the captioned matter. Moreover, considering that these proceedings only recently advanced to the brink of the commencement of discovery depositions, the record does not yet demonstrate the full extent of the disclosures made to any testifying experts. Absent a proper record, disclosure to a testifying expert cannot be the basis of ordering production.

D. Lambremont's Vintage Documents

Southern Scrap refers to items listed on John B. Lambremont, Sr.'s Privilege Log which comprise Tab 6 of his *in camera* submission, to wit: Bates Nos. 0075835, 007586, 0075871, 0075944, 0075955, 0075978, 0075982, 0076003, 0076081, 0076242, 0076456, 0076463, 0076614, 0076674, 0076738, and 0076146. Southern Scrap argues that the above enumerated documents bear dates between one and six years prior to the institution of the first lawsuit. Essentially, Southern Scrap contends that because these documents were not created during a time frame within which "a real and substantial possibility of litigation" existed, they cannot properly be categorized as work product. A review of these documents, which appear to be the attorney's handwritten research notes, belies plaintiffs' contentions. Most of the documents bear dates in 1994, and quite a few refer specifically to underlying lawsuits filed against Southern Scrap by plaintiff/client name. The documents are protected WORK PRODUCT.

E. "Scrap Notes"

The publication "Scrap Notes" was the vehicle utilized by the defendants to advise clients of the progress of their cases against Southern Scrap in the underlying

proceedings. Southern Scrap suggests that simply because it somehow came into possession of a copy of this informational pamphlet bulk mailed to clients, that the attorney-client privilege has been waived as to all of the topics discussed therein. Southern Scrap urges the Court to order the production of all documents related to the topics discussed in "Scrap News."

*22 Defendants Fleming & Associates, LLC and George Fleming filed formal reply on this issue. Fleming denies that "Scrap Notes," which on its face purports to be a confidential attorney-client communication, [FN60] was mailed to anyone other than clients. Essentially, the Fleming defendants contend that the simple fact that a third party somehow became possessed of a copy of an issue of its client newsletter, does not, in and of itself, effect a waiver of the attorney-client privilege in this matter. Moreover, the Fleming defendants highlight the facts that the newsletter was not circulated to potential clients and that the copy obtained by Southern Scrap was mailed to a plaintiff in the underlying proceedings. [FN61]

FN60. The newsletter sets forth the following, to wit: "NOTE: This newsletter is considered privileged communication between clients and attorneys in connection with ongoing work in your case. Keeping this in mind, please use this newletter for your information and refrain from sharing it with anyone not a plaintiff in this case. This newsletter is published as a courtesy and contains confidential information that would normally only be revealed in attorney-client conferences." *See* Reply Brief [Rec. Doc. No. 197 at Exhibit "B"].

FN61. *See* Reply Brief [Rec. Doc. No. 197 at Exhibit "B"].

The attorney-client privilege exists to protect confidential communications and the attorney-client relationship and may be waived by disclosure of the communication to a third party. [FN62] However, inadvertent disclosure to third party may or may not constitute a waiver of the attorney-client privilege; that determination depends on the facts of the disclosure. [FN63]

FN62. *Alldread v. City of Grenada*, 988 F.2d 1425 (5th Cir.1993).

FN63. *Id.* at 1433-1434; *see also* Myers v. City of Highland Village, Texas, 212 F.R.D. 324, 327 (E.D.Tex.2003).

While it is not clear how counsel for Southern Scrap came into possession of the client newsletter, the submissions to date do not militate in favor of finding waiver. The memorandum is very clearly and obviously an attorney-client communication. Based upon the facts known at this time and considering the criteria set forth in the Fifth Circuit's decision in *Alldread v. City of Grenada*, 988 F.2d 1425 (5th Cir.1993), [FN64] the undersigned Magistrate Judge finds that the client newsletter is protected by the attorney-client privilege.

FN64. The five-part test adopted by the Fifth Circuit, under which consideration is given to all of the circumstances surrounding the disclosure, includes the following factors, to wit: (1) the reasonableness of precautions taken to prevent disclosure; (2) the amount of time taken to remedy the error; (3) the scope of discovery; (4) the extent of the disclosure; and (5) the overriding issue of fairness." *Alldread*, 988 F.2d at 1433 (five-part test adopted from *Hartford Fire Ins. Co. v. Garvey*, 109 F.R.D. 323, 332 (N.D.Cal.1985)).

F. Becnel Communications

Southern Scrap disputes that Document No. 2 on the Stolzle Privilege Log can possibly be considered work product. Southern Scrap highlights the fact that the letter dated September 13, 1999 (*i.e.*, after the underlying litigation was filed) and is addressed to Daniel E. Becnel, Jr., one of Southern Scrap's attorneys. The Court agrees that no matter how the argument is pared, defendants' objection must be OVERRULED. The document is NOT PRIVILEGED, contains no privileged information [FN65] and shall be produced.

FN65. *See* Note 40 and accompanying text.

G. "ALR Customer" and "CLR Customer"

Southern Scrap disputes the privilege claimed by defendants with respect to writings to and/or from either ALR Customer or CLR Customer, which items appear on the Stolzle Privilege Log at Tab 24 and on the Lambremont Privilege Log at Tab 5 (Bates No. 0029761-62). [FN66] As Southern Scrap aptly points out, the defendants have not identified these parties, designated only by the title "ALR Customer" and "CLR Customer." The burden of demonstrating that the information contained in the document constitutes "work product" is the defendants, who are claiming the privilege. Only after the court is convinced that the subject document is protected "work product," does the burden shift to Southern Scrap to show that the materials that constitute work-product should nonetheless be disclosed. [FN67] Accordingly, Stolzle No. 24 and Lambremont (0029761-62) are fully discoverable and shall be produced.

> FN66. Lambremont did not actually submit the document for in camera review, noting that he was unable to find the document, but would supplement.

> FN67. *See Hodges, Grant & Kaufmann*, 768 F.2d at 721.

H. Miscellaneous Stolzle Log Items

*23 Stolzle Numbers 43, 44, 45 and 46 are documents which simply refer to the division of work in a case. These documents are NOT PRIVILEGED, fully discoverable and shall he produced. [FN68]

> FN68. *See* citations of authority set forth at Note 40 and accompanying text.

I. Letters to Reverends

Stolzle Numbers 80, 81, 82, and 83, letters to various reverends in the community, regarding utilizing local church facilities for client meetings, constitute neither attorney-client communications nor protected work product; they are fully discoverable and shall be produced.

Accordingly and for all of the above and foregoing reasons, the Court issues the following orders.

IT IS ORDERED that:

(1) Southern Scrap Material Co., LLC, SSX, L.C., and Southern Recycling Co. LLC's Motion for Maintenance of Privilege over various documents submitted for *in camera* review [Rec. Doc. # 188] is hereby GRANTED;

(2) The Stolzle Defendants' Motion to Sustain Attorney-Client and Work Product Privileges [Rec. Doc. # 187] is hereby GRANTED IN PART and DENIED IN PART, all as more specifically set forth herein above;

(3) The Fleming Defendants' Joint Motion to Sustain Work Product and Attorney/Client Privileges [Rec. Doc. # 189] is hereby GRANTED IN PART and DENIED IN PART, all as more specifically set forth herein above;

(4) Ken J. Stewart's Motion to Sustain the Privilege on Documents Produced for *In Camera* Inspection [Rec. Doc. # 198] is hereby GRANTED IN PART and DENIED IN PART, all as more specifically set forth herein above; and

(5) Defendant John B. Lambremont, Sr. et al's Motion to Sustain Work Product and Attorney-Client Privileges. [Rec. Doc. # 186] is hereby GRANTED IN PART and DENIED IN PART, all as more specifically set forth herein above.

Not Reported in F.Supp.2d, 2003 WL 21474516 (E.D.La.)

END OF DOCUMENT

▻

United States Court of Appeals,
Eighth Circuit.
Debra A. and George SIMON, et al., Appellees,
v.
G.D. SEARLE & CO., Appellant.
No. 85-5334.

Submitted March 13, 1986.
Decided April 13, 1987.
Rehearing and Rehearing En Banc Denied July 7, 1987.

Products liability action was brought against manufacturer of intrauterine contraceptive device. The United States District Court for the District of Minnesota, Miles W. Lord, Chief Judge, ordered production of documents and certified questions for appeal. The Court of Appeals, Wollman, Circuit Judge, held that: (1) corporate risk management documents prepared by nonlawyer corporate officials, but revealing aggregate information compiled from individual case reserve figures determined by lawyers were not protected from discovery by work product doctrine or Minnesota attorney-client privilege, and (2) federal rule of civil procedure providing for discovery of existence and contents of insurance policy did not limit discovery of corporate risk management documents that related to insurance, and which were relevant under federal rules.

Affirmed.

John R. Gibson, C.J., dissented and filed opinion.

Ross, John R. Gibson, Fagg, Bowman and Magill, Circuit Judges, would grant rehearing en banc.

West Headnotes

[1] **Federal Courts ⚖660.35**
170Bk660.35 Most Cited Cases
Court of Appeals review, under provision allowing district court to certify questions for review, was not limited to determining whether district court abused its discretion; rather Court of Appeals reviewed de novo questions of law certified by district court. 28 U.S.C.A. § 1292(b).

[2] **Federal Courts ⚖660.35**
170Bk660.35 Most Cited Cases
Where certified questions by district court embody both factual and legal considerations, Court of Appeals should endeavor to give deference to district court's factual determinations, but nature and scope of Court of Appeals review is not rigidly determined by certified questions and Court of Appeals remains free to consider such questions as are basic to and underly questions certified by district court. 28 U.S.C.A. § 1292(b).

[3] **Federal Civil Procedure ⚖1604(1)**
170Ak1604(1) Most Cited Cases
(Formerly 170Ak1600(3), 170Ak1600.2)
Work-product doctrine will not protect documents from discovery unless they are prepared in anticipation of litigation. Fed.Rules Civ.Proc.Rule 26(b)(3), 28 U.S.C.A.

[4] **Federal Civil Procedure ⚖1604(1)**
170Ak1604(1) Most Cited Cases
(Formerly 170Ak1600(3), 170Ak1600.2)
Corporate risk management documents prepared by nonlawyer corporate officials, but revealing aggregate information compiled from individual case reserve figures determined by lawyers, were in nature of business planning documents, not documents prepared for purposes of litigation, although risk management documents could be protected by work-product doctrine to extent that they disclosed individual case reserve figures calculated by defendant's
attorneys. Fed.Rules Civ.Proc.Rule 26(b)(3), 28 U.S.C.A.

[5] **Federal Civil Procedure ⚖1604(2)**
170Ak1604(2) Most Cited Cases
(Formerly 170Ak1600(5), 170Ak1600.4)
Although risk management documents prepared by

nonlawyer corporate officials were protected under work product doctrine to extent they disclosed individual case reserves calculated by defendant's attorney, individual case reserve figures lost their identity when combined to create aggregate information, and thus work-product doctrine did not block discovery of risk management documents or aggregate case reserve information contained therein. Fed.Rules Civ.Proc.Rule 26(b)(3), 28 U.S.C.A.

[6] **Federal Courts ⚿416**
170Bk416 Most Cited Cases
In products liability diversity action, brought in Minnesota, attorney-client privilege, asserted to protect documents from disclosure, would be determined in accordance with Minnesota law. Fed.Rules Evid.Rule 501, 28 U.S.C.A; M.S.A. § 595.02, subd. 1(b).

[7] **Privileged Communications and Confidentiality ⚿137**
311Hk137 Most Cited Cases
(Formerly 410k201(1))
Even if Minnesota attorney-client privilege attached to individual case reserve figures communicated by legal department to risk management department, privilege did not attach to risk management documents simply because they included aggregate information based on individual case reserve figures, inasmuch as aggregate information did not disclose privileged communications to degree that made aggregate information privileged. M.S.A. § 595.02, subd. 1(b).

[8] **Federal Civil Procedure ⚿1272.1**
170Ak1272.1 Most Cited Cases
(Formerly 170Ak1272)
When client acts on privileged information from his attorney, results are protected from discovery to extent that they disclosed the privileged matter, directly or inferentially.

[9] **Privileged Communications and Confidentiality ⚿138**
311Hk138 Most Cited Cases
(Formerly 410k204(1))

[9] **Privileged Communications and Confidentiality ⚿142**
311Hk142 Most Cited Cases
(Formerly 410k204(1))
Just as minutes of business meeting attended by attorneys are not automatically privileged, under attorney-client privilege, business documents sent to corporate officers and employees, as well as corporation's attorneys, do not become privileged automatically.

[10] **Privileged Communications and Confidentiality ⚿130**
311Hk130 Most Cited Cases
(Formerly 410k201(1))
Client communications intended to keep attorney apprised of business matters may be privileged if they embody implied request for legal advice based thereon.

[11] **Federal Civil Procedure ⚿1595**
170Ak1595 Most Cited Cases
Federal rule of civil procedure providing for discovery of existence and contents of insurance agreement did not preclude discovery of corporate risk management documents related to insurance considerations, relevant under federal rule of civil procedure because they related to issues of notice, defect and punitive damages. Fed.Rules Civ.Proc.Rule 26(b)(1, 2), 28 U.S.C.A.
***398** Gregory L. Wilmes, Minneapolis, Minn., for appellant.

Roger Brosnahan, Minneapolis, Minn., for appellees.

Before JOHN R. GIBSON and WOLLMAN, Circuit Judges, and HARRIS, [FN*] Senior District Judge.

> FN* The HONORABLE OREN HARRIS, Senior United States District Judge for the Eastern and Western Districts of Arkansas, sitting by designation.

WOLLMAN, Circuit Judge.

G.D. Searle & Co. appeals the district court's order permitting discovery of certain Searle documents. Pursuant to 28 U.S.C. § 1292(b) (Supp. III 1985), the district court found that its order involved controlling questions of law as to which there was substantial ground for difference of opinion and certified two questions for appeal. The issues in this appeal, reflected in the district court's certified questions, are, first, whether corporate risk management documents prepared by nonlawyer corporate officials, but revealing aggregate information compiled from individual case reserve figures determined by lawyers, are protected from discovery by the work product doctrine or the attorney-client privilege, and, second, whether Rule 26(b)(2) of the Federal Rules of Civil Procedure limits discovery of corporate risk management documents that relate to insurance.

Searle manufactures an intrauterine contraceptive device known as the "Cu-7." Approximately forty products liability actions pending against Searle in the United States District Court for the District of Minnesota and seeking damages for injuries alleged to have resulted from use of the Cu-7 were consolidated for discovery and have generated this appeal. The district *399 court appointed a special master to supervise the discovery process in these cases.

The district court [FN1] originally ordered Searle to produce "each and every document contained in its files which relates to the Cu-7 IUD." Although Searle produced approximately 500,000 documents to appellees and has continued to provide documents, it resisted the discovery of certain documents from its risk management department. Searle's risk management department monitors the company's products liability litigation and analyzes its litigation reserves, apparently utilizing individual case reserve figures determined by the legal department's assessment of litigation expenses. The risk management department also has responsibility for the company's insurance coverage. Insofar as Searle's products liability insurance has a high deductible amount, the company is in some respects self-insured.

> FN1. The Honorable Miles W. Lord, United States District Judge for the District of Minnesota, retired September 11, 1985. All of the orders relevant to this appeal were issued prior to Judge Lord's retirement. The cases have since been assigned to the Honorable Robert G. Renner, United States District Judge for the District of Minnesota.

Pursuant to a district court order, the documents at issue were provided to the special master for *in camera* review. The special master filed with the court his Reports I and II, containing his recommendations concerning the individual documents. He found that the risk management documents were protected by the work product doctrine to the extent that they revealed "specific litigation strategy or mental impressions of attorneys in evaluating cases, or setting a reserve for a specific case," and by the attorney-client privilege if they included communications between an attorney and client concerning legal advice made and kept in confidence. Report I of Special Master, *Simon v. G.D. Searle & Co.*, No. 4-80-160, at 5-7 (D.Minn. Aug. 22, 1984). Documents that revealed aggregate reserve information not identified with individual cases were found discoverable. *Id.* at 5-6. The district court adopted the special master's reports and granted Searle's request for certification pursuant to 28 U.S.C. § 1292(b) in an order issued June 7, 1985. The special master's Report III proposed the questions for appeal, which the district court accepted and certified. The district court also stayed its June 7 order so far as it related to risk management and insurance documents, pending the outcome of this appeal. We granted Searle's petition for permission to appeal.

The questions certified for appeal are as follows:

1. To what extent, if any, should Searle's "Risk Management" documents, prepared by nonlawyer corporate officials in an attempt to keep track of,

control and anticipate costs of product liability litigation for business planning purposes (including budgetary, profitability and insurance analysis), be protected from discovery by the Work Product Doctrine or the Minnesota attorney-client privilege because some portions of the documents reveal aggregate case reserves and aggregate litigation expenses for all pending cases when each individual case reserve is determined by Searle's lawyers on a confidential basis in anticipation of litigation?

2. To what extent, if any, does Fed.R.Civ.P. 26(b)(2) limited [sic] the discoverability of Searle's "Risk Management" documents that relate to insurance considerations?

I
STANDARD OF REVIEW

[1][2] A preliminary question confronting us is the standard of review applicable to an appeal of discovery orders under 28 U.S.C. § 1292(b). That section allows appeals, at the discretion of the court of appeals, when the district judge believes that his action "involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal * * * may materially advance the ultimate termination of the litigation." 28 U.S.C. § 1292(b) (Supp. III 1985). Appellees argue that we should not ***400** disturb the district court's discretion in discovery matters absent a "gross abuse of discretion resulting in fundamental unfairness." *Voegeli v. Lewis*, 568 F.2d 89, 96 (8th Cir.1977); *see also Prow v. Medtronic, Inc.*, 770 F.2d 117, 122 (8th Cir.1985). Searle contends that our role is not so restricted in an appeal under section 1292(b) and cites *Sperry Rand Corp. v. Larson*, 554 F.2d 868, 871 (8th Cir.1977). In *Sperry Rand* the court stated that the petitioner's choice of a mandamus action, for which the standard of review is whether the district court exceeded the " 'sphere of its discretionary power,' " *id.* at 872 (quoting *Will v. United States*, 389 U.S. 90, 104, 88 S.Ct. 269, 278, 19 L.Ed.2d 305 (1967)), instead of a section 1292(b) appeal, seriously narrowed the scope of appellate review. We agree with Searle that our review in this section 1292(b) appeal is not confined to determining whether the district court abused its discretion. *See* 9 J. Moore, *Moore's Federal Practice* ¶ 110.22[5] (2d ed. 1986) (review for abuse of discretion not suited to section 1292(b) because there is no controlling question of law). Section 1292(b) permits the appeal of orders otherwise unappealable and thus provides an avenue for resolving disputed and controlling questions of law, the resolution of which will materially further the litigation. Therefore, we review *de novo* the questions of law certified by the district court. Where, as here, the certified questions embody both factual and legal considerations, we should endeavor to give deference to the district court's factual determinations. We note, however, that the nature and scope of our review are not rigidly determined by the certified questions. *In re Oil Spill by the Amoco Cadiz*, 659 F.2d 789, 793 n. 5 (7th Cir.1981). We remain free to consider " ' "such questions as are basic to and underlie" ' " the questions certified by the district court. *Id.* (quoting *Helene Curtis Indus., Inc. v. Church & Dwight Co.*, 560 F.2d 1325, 1335 (7th Cir.1977) (quoting 9 J. Moore, *Moore's Federal Practice* ¶ 110.25[1], at 270)); *Merican, Inc. v. Caterpillar Tractor Co.*, 713 F.2d 958, 962 n. 7 (3d Cir.1983), *cert. denied*, 465 U.S. 1024, 104 S.Ct. 1278, 79 L.Ed.2d 682 (1984); *United States v. Connolly*, 716 F.2d 882, 885 (Fed.Cir.1983), *cert. denied*, 465 U.S. 1065, 104 S.Ct. 1414, 79 L.Ed.2d 740 (1984).

II
WORK PRODUCT DOCTRINE

Searle's first argument is that its risk management documents are protected from discovery by the work product doctrine. That doctrine was established in *Hickman v. Taylor*, 329 U.S. 495, 67 S.Ct. 385, 91 L.Ed. 451 (1947), and is now expressed in Rule 26(b)(3) of the Federal Rules of Civil Procedure, which provides that "a party may obtain discovery of documents and tangible things * * * prepared in anticipation of litigation or for trial by or for another party or by or for that other party's representative * * * only upon a showing that the party

seeking discovery has substantial need of the materials." Our application of the work product doctrine to specific documents is guided by the purposes of the doctrine set out in *Hickman*. *See* In re Murphy, 560 F.2d 326, 333-34 (8th Cir.1977). The work product doctrine was designed to prevent "unwarranted inquiries into the files and mental impressions of an attorney," *Hickman*, 329 U.S. at 510, 67 S.Ct. at 393, and recognizes that it is "essential that a lawyer work with a certain degree of privacy, free from unnecessary intrusion by opposing parties and their counsel." *Id.* at 510-11, 67 S.Ct. at 393.

The special master found that the risk management documents at issue were generated in an attempt to keep track of, control, and anticipate the costs of Searle's products liability litigation; the documents have been so identified in the district court's first certified question. Report I of Special Master, *supra*, at 2. Many of the documents include products liability litigation reserve information that is based on reserve estimates obtained from Searle's legal department. When Searle receives notice of a claim or suit, a Searle attorney sets a case reserve for the matter. Case reserves embody the attorney's estimate of ***401** anticipated legal expenses, settlement value, length of time to resolve the litigation, geographic considerations, and other factors. Affidavit of Eugene W. Bader, *Simon v. G.D. Searle & Co.*, No. 4- 80-160, at 2 (D.Minn.) (Bader oversees Searle's risk management program). The individual case reserves set by the legal department are then used by the risk management department for a variety of reserve analysis functions, which the special master found were motivated by business planning purposes including budget, profit, and insurance considerations.

[3][4] The work product doctrine will not protect these documents from discovery unless they were prepared in anticipation of litigation. Fed.R.Civ.P. 26(b)(3); *see* In re Grand Jury Subpoena, 784 F.2d 857, 862 (8th Cir.1986), *cert. dismissed sub nom. See v. United States*, --- U.S. ----, 107 S.Ct. 918, 93 L.Ed.2d 865 (1987). Our determination of whether the documents were prepared in anticipation of litigation is clearly a factual determination:

> [T]he test should be whether, in light of the nature of the document and the factual situation in the particular case, the document can fairly be said to have been prepared or obtained because of the prospect of litigation. But the converse of this is that even though litigation is already in prospect, there is no work product immunity for documents prepared in the regular course of business rather than for purposes of litigation.

8 C. Wright & A. Miller, *Federal Practice and Procedure* § 2024, at 198-99 (1970) (footnotes omitted); *see* Diversified Indus., Inc. v. Meredith, 572 F.2d 596, 604 (8th Cir.1977), *on rehearing*, 572 F.2d 606 (8th Cir.1978) (en banc); *The Work Product Doctrine*, 68 Cornell L.Rev. 760, 844-48 (1983). The advisory committee's notes to Rule 26(b)(3) affirm the validity of the Wright and Miller test: "Materials assembled in the ordinary course of business * * * * or for other nonlitigation purposes are not under the qualified immunity provided by this subdivision." Fed.R.Civ.P. 26(b)(3) advisory committee notes. Applying this test, we do not believe it can be said that the risk management documents were prepared for purposes of litigation. We are no better qualified to evaluate the facts of this case than the special master and the district court, [FN2] and we believe their conclusion that the risk management documents are in the nature of business planning documents is a reasonable factual conclusion. The risk management department was not involved in giving legal advice or in mapping litigation strategy in any individual case. The aggregate reserve information in the risk management documents serves numerous business planning functions, but we cannot see how it enhances the defense of any particular lawsuit.

Searle vigorously argues that its business is health care, not litigation, but that is not the point. Searle's business involves litigation, just as it involves accounting, marketing, advertising, sales, and many other things. A business corporation may engage in business planning on many fronts, among them litigation.

FN2. The special master, with the aid of affidavits, document summaries, and briefs from the parties, reviewed all of the documents at issue *in camera* and in his Reports I and II made recommendations as to each document and in some instances as to sections within the documents. The district court adopted the special master's recommendations after a hearing that included oral argument by the parties and testimony by the special master. Our review has been informed by a record containing all of these materials, with the exception that only six sample documents have been submitted to us *in camera* out of the approximately 400 documents that were provided to the special master.

[5] Although the risk management documents were not themselves prepared in anticipation of litigation, they may be protected from discovery to the extent that they disclose the individual case reserves calculated by Searle's attorneys. The individual case reserve figures reveal the mental impressions, thoughts, and conclusions of an attorney in evaluating a legal claim. By their very nature they are prepared in anticipation of litigation and, consequently, they are protected from discovery as opinion work product. *Hickman*, 329 U.S. at 512, 67 S.Ct. at 394; *In re Murphy*, 560 F.2d 326, 336 (8th Cir.1977). We do not *402 believe, however, that the aggregate reserve information reveals the individual case reserve figures to a degree that brings the aggregates within the protection of the work product doctrine. The individual figures lose their identity when combined to create the aggregate information. Furthermore, the aggregates are not even direct compilations of the individual figures; the aggregate information is the product of a formula that factors in variables such as inflation, further diluting the individual reserve figures. Certainly it would be impossible to trace back and uncover the reserve for any individual case, and it would be a dubious undertaking to attempt to derive meaningful averages from the aggregates, given the possibility of large variations in case estimates for everything from frivolous suits to those with the most serious injuries. The purpose of the work product doctrine--that of preventing discovery of a lawyer's mental impressions--is not violated by allowing discovery of documents that incorporate a lawyer's thoughts in, at best, such an indirect and diluted manner. [FN3] Accordingly, we hold that the work product doctrine does not block discovery of Searle's risk management documents or the aggregate case reserve information contained therein.

FN3. This conclusion is consistent with the holding of *In re Murphy*, 560 F.2d 326, 336 n. 20 (8th Cir.1977), that opinion work product is discoverable only in "rare and extraordinary circumstances." The individual case reserve figures are nondiscoverable opinion work product, but when gathered into the aggregates no identifiable opinion work product remains.
The same observation also applies to *Sporck v. Peil*, 759 F.2d 312 (3d Cir.), *cert. denied*, 474 U.S. 903, 106 S.Ct. 232, 88 L.Ed.2d 230 (1985), and to this court's recent decision in *Shelton v. American Motors Corp.*, 805 F.2d 1323 (8th Cir.1986). *Sporck* involved discovery attempts relating to a group of documents that were used to prepare for a deposition. The court held that defense counsel's selection of certain documents, out of the thousands involved in the litigation, to prepare a deponent was protected by the work product doctrine, because allowing identification of the documents as a group would reveal counsel's mental impressions. *Shelton* involved a deposition of defendant's in-house counsel, who was questioned as to the existence of certain documents. The court held that the work product doctrine protected knowledge of the existence of the documents, because any recollection of a document's existence would mean that it was important enough to remember, and thus

> "necessarily would reveal [counsel's] mental selective process." *Shelton*, 805 F.2d at 1329. As we have said, the nature of the aggregate reserve figures at issue here is such that revealing them will not necessarily reveal the specific case reserves and the protected mental impressions embodied therein. In both *Sporck* and *Shelton*, counsel's mental impressions, namely the impressions that certain documents were important or significant, would have been exposed to the world. Clairvoyants aside, no one will learn from the aggregate reserve figures what Searle's attorneys were thinking when they set individual case reserves.

III

ATTORNEY-CLIENT PRIVILEGE

[6] Searle also argues that its risk management documents are protected by the attorney-client privilege. Rule 501 of the Federal Rules of Evidence provides that evidentiary privileges are to be determined in accordance with state law in diversity actions. Consequently, the Minnesota attorney-client privilege, codified at Minn.Stat.Ann. § 595.02, subd. 1(b) (West Supp. 1987), [FN4] is applicable here.

> FN4. Minn.Stat.Ann. § 595.02, subd. 1(b) (West Supp. 1987) provides:
> An attorney cannot, without the consent of the attorney's client, be examined as to any communication made by the client to the attorney or the attorney's advice given thereon in the course of professional duty; nor can any employee of the attorney be examined as to the communication or advice, without the client's consent.

The risk management documents reflect attorney-client communications running in two directions. First, the aggregate reserve information contained in the documents incorporates the individual case reserve figures communicated by the legal department to the risk management department--an attorney-to-client communication. Second, the record indicates that some of the risk management documents themselves were delivered to Searle attorneys--a client-to-attorney communication.

[7][8] Assuming *arguendo* that the attorney-client privilege attaches to the individual case reserve figures communicated ***403** by the legal department to the risk management department, [FN5] we do not believe the privilege in turn attaches to the risk management documents simply because they include aggregate information based on the individual case reserve figures. For the reasons that we have already stated in relation to the work product doctrine, we do not believe that the aggregate information discloses the privileged communications, which we are assuming the individual reserve figures represent, to a degree that makes the aggregate information privileged. [FN6] The attorney-to-client communications reflected in the risk management documents are therefore not protected by the attorney-client privilege.

> FN5. We state no view whether the attorney-client privilege in fact attaches to the individual case reserve figures, other than to note that such a determination would require analysis of whether the individual reserve figures are based on confidential information provided by Searle. *United States v. Amerada Hess Corp.*, 619 F.2d 980, 986 (3d Cir.1980); *Mead Data Central, Inc. v. United States Dep't of the Air Force*, 566 F.2d 242, 254 (D.C.Cir.1977); *see also Hickman v. Taylor*, 329 U.S. 495, 508, 67 S.Ct. 385, 392, 91 L.Ed. 451 (1947); *Schwimmer v. United States*, 232 F.2d 855, 863 (8th Cir.), *cert. denied*, 352 U.S. 833, 77 S.Ct. 48, 1 L.Ed.2d 52 (1956). We need not decide whether the individual case reserve figures are protected in the light of our determination that even if they are it does not follow that the aggregate information in the risk management documents also is protected.

FN6. When a client acts on privileged information from his attorney, the results are protected from discovery to the extent that they disclose the privileged matter, directly or inferentially. *Cf.* *Diversified Indus., Inc. v. Meredith*, 572 F.2d 596, 611 (8th Cir.1977). Our holding is faithful to this principle. As we have discussed, the individual case reserve figures cannot be traced or inferred from the aggregate information.

Although the aggregate reserve information does not confer attorney-client privilege protection to the risk management documents, those documents that were given to Searle attorneys may still be privileged client-to-attorney communications. The special master devoted only a very brief discussion to this matter. Relying on *Brown v. St. Paul City Ry.*, 62 N.W.2d 688 (Minn.1954), the special master stated: "A business document is not made privileged by providing a copy to counsel. * * * Thus, those documents from one corporate officer to another with a copy sent to an attorney do not qualify as attorney client communications." Report I of Special Master, *supra,* at 7 (citation omitted). We perceive no error in this statement of the law, which appears to have been carefully applied by the special master to the point of redacting sections of privileged material from within individual documents.

[9][10] Minnesota adheres to Professor Wigmore's classic statement of the attorney-client privilege, which requires that an attorney-client communication relate to the purpose of obtaining legal advice before it is protected. [FN7] *Brown v. St. Paul City Ry.*, 241 Minn. 15, 62 N.W.2d 688, 700 (1954) (quoting 8 Wigmore, *Evidence* § 2292 (3d ed.)); *see* *National Texture Corp. v. Hymes*, 282 N.W.2d 890, 895-96 (Minn.1979). Moreover, a number of courts have determined that the attorney-client privilege does not protect client communications that relate only business or technical data. *See* *First Wis. Mortgage Trust v. First Wis. Corp.*, 86 F.R.D. 160, 174 (E.D.Wis.1980); *SCM Corp. v. Xerox Corp.*, 70 F.R.D. 508, 515 (D.Conn.) ("[l]egal departments are not citadels in which public, business or technical information may be placed to defeat discovery and thereby ensure confidentiality"), *appeal dismissed,* 534 F.2d 1031 (2d Cir.1976). Just as the minutes of business meetings attended by attorneys are not automatically privileged, *see* *International Tel. & Tel. Corp. v. United Tel. Co.*, 60 F.R.D. 177, 185 (M.D.Fla.1973); *Air-Shield, Inc. v. Air Reduction Co.*, 46 F.R.D. 96, 97 (N.D.Ill.1968), business documents sent to corporate officers and employees, as well as the corporation's attorneys, do not become privileged automatically. Searle argues, however, that *404 the special master formulated a *per se* rule barring privilege claims where a document is sent to corporate officials in addition to attorneys. We do not read the special master's report as establishing such an approach. Client communications intended to keep the attorney apprised of business matters may be privileged if they embody "an implied request for legal advice based thereon." *Jack Winter, Inc. v. Koratron Co.*, 54 F.R.D. 44, 46 (N.D.Cal.1971). Based on this view of the special master's report, we do not understand the district court to have taken an errant position on the law of the attorney-client privilege. Having stated the applicable law, and noting that there are only six sample documents before us, we decline any invitation to determine the applicability of the privilege to individual documents.

FN7. 8 Wigmore, *Evidence* § 2292 (McNaughton rev. 1961) (emphasis omitted) states:
(1) Where legal advice of any kind is sought (2) from a professional legal adviser in his capacity as such, (3) the communications relating to that purpose, (4) made in confidence (5) by the client, (6) are at his instance permanently protected (7) from disclosure by himself or by the legal adviser, (8) except the protection be waived.

IV
SCOPE OF RULE 26(b)(2)

[11] The district court's second certified question concerns whether Fed.R.Civ.P. 26(b)(2) limits discovery of the corporate risk management documents. Rule 26(b)(2) provides:

> A party may obtain discovery of the existence and contents of any insurance agreement under which any person carrying on an insurance business may be liable to satisfy part or all of a judgment which may be entered in the action or to indemnify or reimburse for payments made to satisfy the judgment.

Searle argues that Rule 26(b)(2) contains an implicit limitation on the discovery of insurance information beyond the insurance agreement itself. Searle has produced its insurance policies. It now argues that all other insurance information, which it defines to include its reserve information, is nondiscoverable. Appellees respond that Rule 26(b)(2) was not intended to limit discovery but to end the conflict over the relevancy of insurance policies for discovery purposes. Thus we are presented with the question whether the reserve information of a self-insured defendant is discoverable.

The advisory committee's notes to Rule 26(b)(2) reveal that the rule, which was included in the 1970 amendments to the Federal Rules, was not intended to change existing law on discovery concerning self-insured businesses that maintain a reserve fund. Fed.R.Civ.P. 26(b)(2) advisory committee notes; *see Oppenheimer Fund, Inc. v. Sanders*, 437 U.S. 340, 352 & n. 16, 98 S.Ct. 2380, 2390 & n. 16, 57 L.Ed.2d 253 (1978). Therefore, the controlling law on this question is that which would have applied to insurance agreements before the 1970 amendments, together with any recent developments concerning insurance documents other than agreements. Prior to the 1970 amendments, "the discovery of matters pertaining to insurance depend[ed] on whether such information was 'relevant to the subject matter' or 'reasonably calculated to lead to admissible evidence.' " 4 J. Moore, *Moore's Federal Practice* ¶ 26.62[1] (2d ed. 1986). This standard, which comes from Fed.R.Civ.P. 26(b)(1), remains applicable to insurance documents other than agreements. We cannot agree with Searle that Rule 26(b)(2) forecloses discovery of any insurance document beyond the agreement. First, the language of the rule itself plainly is not preclusive. Second, the advisory committee expressed concern, at least as to indemnity agreements, that Rule 26(b)(2) not be interpreted to protect insurance information from discovery when that information is relevant under Rule 26(b)(1). *See id.* ¶ 26.62[2]. We hold, therefore, that insurance documents that are not discoverable under Rule 26(b)(2) remain discoverable in accordance with the provisions of Rule 26(b)(1). [FN8] *Id.*

> FN8. The district court reached the same conclusion, and decided that the risk management documents were discoverable under Rule 26(b)(1) because they relate to issues of notice, defect, and punitive damages. We find no reason to disturb this application of the relevant legal standard. Moreover, we also agree with the district court that even if Rule 26(b)(2) were to prevent discovery of insurance documents, we are doubtful that the risk management documents correctly can be termed insurance documents.

V
CONCLUSION

Although we have no disagreements with the law as stated by the special master, we ***405** recognize that our analysis may have resolved sub-issues not anticipated by the district court. We therefore instruct the district court to review its determinations with respect to the individual documents in the light of the views set forth in this opinion. [FN9] Moreover, our review of the sample documents leaves us with the definite impression that if they are truly representative of those that will ultimately be held to be discoverable, appellees will acquire nothing in the way of admissible evidence on the issue of liability

or on the issue of damages, either compensatory or punitive. The sample documents reveal nothing more than the prudent business decisions that any corporation must necessarily make if it hopes to survive in this litigious age.

> FN9. We are concerned about the reference to loss reserves for a specific case mentioned in the sample *in camera* documents submitted to us. Those references presumably should be redacted.

With the foregoing qualifications, the order of the district court is affirmed.

JOHN R. GIBSON, Circuit Judge, dissenting.

The court today correctly concludes that individual case reserves set by Searle's attorneys are protected as mental impressions, thoughts, and conclusions under the opinion work product doctrine. It then concludes that averages and aggregates derived from these reserves are not protected. There is a deep inconsistency in protecting the parts but determining that the sum of the parts and calculations based upon the protected figures are not protected.

The court properly reasons that because the Searle attorneys' specific case reserve figures "embody the attorney's [sic] estimate of anticipated legal expenses, settlement value, length of time to resolve the litigation, geographic considerations, and other factors," they reveal the attorneys' mental impressions concerning Searle's pending litigation and are therefore protected opinion work product. *Ante* at 401. The court then denies protection to the risk management documents, which were derived from the nondiscoverable mental impressions of Searle's attorneys and, as the special master found, "arguably [give the] plaintiffs some insight into Searle's attorneys' thought processes of setting reserves." Report I of Special Master, *Simon v. G.D. Searle & Co.*, No. 4-80-160, at 5-6 (D.Minn. Aug. 22, 1984). In allowing discovery of the risk management documents, the court fails to consider the full import of the mental impression/opinion work product doctrine, which gives virtually absolute protection to both the mental impressions of Searle's attorneys--as contained in the specific case reserve figures and necessarily reflected in the risk management documents--and the mental impressions of Searle's representatives, as contained in the risk management reports.

Since the Supreme Court's decision in *Hickman v. Taylor*, 329 U.S. 495, 67 S.Ct. 385, 91 L.Ed. 451 (1947), the courts have recognized that particular solicitude is given mental impression/opinion work product as contrasted to the ordinary work product protection accorded other documents and materials prepared in anticipation of litigation. In *Upjohn Co. v. United States*, 449 U.S. 383, 101 S.Ct. 677, 66 L.Ed.2d 584 (1981), the Supreme Court recognized mental impression/opinion work product as "deserving special protection" under Rule 26. *Id.* at 400, 101 S.Ct. at 688. The Court considered, but found unnecessary to decide, whether any showing of necessity could ever overcome the protection afforded such work product. It recognized, however, that simply showing "substantial need and inability to obtain the equivalent without undue hardship" is not sufficient. *Id.* at 401, 101 S.Ct. at 688. In *Shelton v. American Motors Corp.*, 805 F.2d 1323 (8th Cir.1986), we observed that the work product doctrine protects not only materials obtained or prepared in anticipation of litigation, "but also the attorney's mental impressions, including thought processes, opinions, conclusions, and legal theories." *Id.* at 1328; *see also Sporck v. Peil*, 759 F.2d 312, 316 (3d Cir.) ("Rule 26(b)(3) recognizes the distinction between 'ordinary' and 'opinion' work product first articulated by ***406** the Supreme Court in *Hickman v. Taylor* "), *cert. denied*, 474 U.S. 903, 106 S.Ct. 232, 88 L.Ed.2d 230 (1985); *In re Murphy*, 560 F.2d 326, 336 (8th Cir.1977) ("opinion work product enjoys a nearly absolute immunity and can be discovered only in very rare and extraordinary circumstances"). The court today fails to give full weight to the special protection accorded mental impression/opinion work product.

In the present case, we are asked to protect mental processes that go to the essence of the lawyer's expertise--establishing the value of a legal claim and the fees and expenses that may be incurred in its defense. The litigation's ultimate cost to the client has great significance in determining whether a lawsuit will be tried or settled and, if settled, for what amount. Establishing the value of a claim is analytically complex, requiring an assessment of the body of evidence and the particular legal issues involved in each case, as well as an evaluation of the case's strengths and weaknesses. It is one of the more challenging and difficult tasks a lawyer confronts. In *Work Product of the Rulesmakers,* 53 Minn.L.Rev. 1269 (1969), Professor Edward H. Cooper discusses the importance of an attorney's private evaluation of a claim in facilitating the hargaining process inherent in our system of justice:

> Some of the areas in which the work product doctrine forecloses discovery are easily comprehended * * * as well. One ohvious example is the need for protection against forced revelation of a party's evaluation of his case; as long as voluntary settlement is encouraged, it would be an intolerable intrusion on the bargaining process to allow one party to take advantage of the other's assessment of his prospects for victory and an acceptable settlement figure.

Id. at 1283.

The special master's report states that the aggregate reserve figures may give some insight into the mental processes of the lawyers in setting specific case reserves. This is inevitable, considering that these aggregates and averages are based upon the attorneys' evaluations of the value of specific claims. Notably, this is not a situation where mental impressions are merely contained within and comprise a part of another document and can easily be redacted. Instead, the aggregate and average figures are derived from and necessarily embody the protected material. They could not be formulated without the attorneys' initial evaluations of specific legal claims. Thus, it is impossible to protect the mental impressions underlying the specific case reserves without also protecting the aggregate figures.

Apparently, the court reasons that if an attorney's mental impressions are revealed only indirectly and in a diluted manner, they are not protected as opinion work product. *See ante* at 401-02 & n. 3. This, however, has never been used as a criteria for applying the opinion work product doctrine. In *Shelton v. American Motors Corp., supra,* we held that an attorney could not be compelled to acknowledge whether specific corporate documents existed because such acknowledgments would reveal her mental processes, which are protected under the opinion work product doctrine. *Id.* at 1329. The selection of documents involves a suhstantially less complex mental process than does arriving at a case reserve figure. In selecting documents, an attorney assesses a document's relevance and materiality to the legal issues in the case, and considers its admissibility. This analysis stops short of the weighing and evaluating necessary to determine case reserves. Yet, in *Shelton* we protected this information, for the opinion work product doctrine does not merely protect materials that, as the majority suggests, directly reveal an attorney's undiluted mental impressions. Instead, the doctrine is premised on values fundamental to the American scheme of justice and protects information that even "tends to reveal the attorney's mental processes." Upjohn Co., 449 U.S. at 399, 101 S.Ct. at 687. The risk management documents certainly fall within this protected ambit. The relationship between the attorneys' mental impressions and these documents is no less tenuous than the relationship between the attorney's mental impressions and the information ***407** we held nondiscoverable in *Shelton. See also* Sporck, 759 F.2d at 315-17 (selection of documents is in the "highly protected category of opinion work product").

The court is equally in error in focusing solely on the mental impressions of Searle's lawyers. While the court protects the mental impression/opinion work product concerning the attorneys' evaluation of the reserve necessary for each lawsuit, it fails to

grant similar protection to the risk management department's opinion work product concerning the aggregate reserve necessary for the Cu-7 litigation. I find no hasis in Rule 26(b)(3) for this distinction. Rule 26(h)(3) requires a court to "protect against disclosure of tbe mental impressions, conclusions, opinions, or legal theories of an attorney *or other representative* of a party concerning the litigation." Fed.R.Civ.P. 26(b)(3) (emphasis added). Thus, protected work product is not confined to information or materials gathered or assembled by a lawyer. *Diversified Indus., Inc. v. Meredith,* 572 F.2d 596, 603, *rev'd in part on other grounds,* 572 F.2d 606 (8th Cir.1977). Instead, it includes materials gathered by any consultant, surety, indemnitor, insurer, agent or even the party itself. Fed.R.Civ.P. 26(b)(3). The only question is whether the mental impressions were documented, hy either a lawyer or nonlawyer, in anticipation of litigation. Here, in the face of pending litigation, the risk management group monitored, controlled, and anticipated the costs of the litigation. The group compiled the individual reserve figures established by Searle's attorneys and analyzed them in light of a number of variables to arrive at aggregate reserve figures. This is no less a mental impression concerning Searle's litigation than were the attorneys' thoughts in arriving at individual reserve figures.

The court concludes that the risk management documents cannot qualify for work product protection because they were not prepared in anticipation of litigation. It reasons that "Searle's business involves litigation," and, therefore, the risk management documents are for business planning purposes. *Ante* at 401. The court thus concludes that the risk management documents fall into the "ordinary course of business" exception to the work product doctrine. *See* Fed.R.Civ.P. 26(b)(3) advisory committee note. This analysis, however, causes the exception to swallow the rule and makes the anticipation-of-litigation test meaningless as it concerns materials prepared by a defendant's employees.

First, we cannot authorize discovery of documents containing representatives' mental impressions concerning pending litigation simply because the documents also serve a business purpose. It is difficult to imagine a document that is generated by a party's nonlawyer representatives in anticipation of litigation that does not also have some business purpose; the purposes are not mutually exclusive. Under the court's analysis, almost every document prepared by a nonlawyer is subject to discovery despite Rule 26(b)(3)'s concern with protecting opinion work product of both the lawyer and nonlawyer. *See id.* ("Subdivision (b)(3) reflects the trend of the cases by requiring a special showing, not merely as to materials prepared by an attorney, but also as to materials prepared in anticipation of litigation or preparation for trial by or for a party or any representative acting on his behalf.") If all such records were discoverable, a business would be seriously impaired in calculating and recording the financial aspects of litigation or in taking other necessary corporate action regarding the litigation. Of course, just as not every document an attorney prepares concerning pending litigation is protected opinion work product, neither is every business document prepared by a nonlawyer. The determination, however, should not hinge on whether the material has an ancillary business purpose.

Second, in the present case, the business purposes of the documents were to keep track of, control, and plan for the costs of Searle's pending products liability litigation. Only by concluding that Searle is in the business of litigation can the court convert these litigation-oriented documents into business planning documents. The court reaches just this conclusion, however, ***408** when it reasons that "Searle's business involves litigation, just as it involves accounting, marketing, advertising, sales, and many other things." *Ante* at 401. In eroding the protection Rule 26(b)(3) affords, the court confronts Searle with a dilemma of Catch-22 proportions: if Searle were not involved in litigation, Rule 26(b)(3) would have no application, but because Searle is involved in litigation, the ordinary course

of business business exception applies. Thus, litigation, the event that triggers application of the rule, also triggers application of the exception.

Moreover, when considered within the increasingly common context of mass products liability litigation, the aggregate and average figures may take on even greater significance. Today's products liability litigation often involves hundreds of lawsuits against one or more corporate defendants based upon a single or related products. The plaintiffs in these cases usually join forces and are represented by organized counsel. The defense, if not unified, is usually coordinated. Settlements can be negotiated so as to dispose of the claims of all or several plaintiffs at once. *See, e.g.,* 3A L. Frumer & M. Friedman, *Products Liability* § 46A.07[1] (1986); Rubin, *Mass Torts and Litigation Disasters,* 20 Ga.L.Rev. 429, 431 (1986) (Agent Orange class estimated to include between 600,000 and 2.4 million plaintiffs; 4,500 plaintiffs' lawyers settled claims for $180,000,000); Vairo, *Multi-Tort Cases: Cause for More Darkness on the Subject, or a New Role for Federal Common Law,* 54 Fordham L.Rev. 167, 170 n. 6 (1985) (settlement fund established to dispose of 680 asbestos claims). Just as a specific reserve figure gives an opponent an unfair advantage in settlement negotiations, an aggregate reserve figure would give attorneys representing a group of opponents an equally unfair advantage. In this instance, the cases of forty plaintiffs with claims based on the Cu-7 have been consolidated for discovery in the Minnesota district court. Material that may be of questionable value in one case becomes more meaningful when considered in the context of a number of cases. We would be naive not to recognize the sophisticated analysis that is possible in this day of the computer. Comparison between different groups of cases and periods of time conceivably could give one party substantial insight into the thought processes of the other. Therefore, when the aggregate and average figures are produced for attorneys representing a large group of opposing litigants and are examined with reference to the entire group, the opposition obtains information containing the Searle attorneys' mental processes that is much less diluted and indirect than the court acknowledges. When we deal with so sensitive a mental process as the calculation of individual case reserves, the foundation for all of the aggregates and averages, Rule 26(b)(3), *Upjohn, Shelton,* and *Murphy* mandate that we accord this material special protection. We fail to do so when we make the aggregate and average figures available to the opponent.

Significantly, Searle is defending not one but rather hundreds of Cu-7 lawsuits. *See* Thornton, *Intrauterine Devices,* Trial, Nov. 1986, at 44, 46 (Searle defending more than 600 Cu-7 lawsuits). Searle is undoubtedly concerned with each lawsuit, and the court properly recognizes that the Searle attorneys' mental impressions concerning each lawsuit are protected. Searle's greater concern, however, is its liability exposure and the costs related to defending this aggregate of lawsuits. When subjected to mass tort litigation, a defendant should be allowed to confidentially analyze the litigation as a whole, plan for its defense, and compare the costs of settlement with the costs of proceeding through trial. The aggregate and average reserves play an essential and unique role in these activities. By requiring Searle to share its assessments with its adversaries, the court unfairly hinders Searle's ability to organize its defense.

A party, in managing its litigation, should not be forced to provide materials to its opponent that necessarily reflect its lawyers' mental impressions regarding the litigation and contain its agents' mental impressions concerning the cost of the litigation. By concluding that the risk management*409 documents are discoverable because they only indirectly reflect the attorneys' impressions and because they were created for business planning purposes, the court makes it extremely hazardous for a business to finance and plan for its defense. The incidental effect of this decision could be the failure of litigants to properly document and consider all the factors that bear upon the decision to try or settle

lawsuits. *Cf. Hickman v. Taylor,* 329 U.S. at 511, 101 S.Ct. at 393 ("Were such materials open to opposing counsel on mere demand, much of what is now put down in writing would remain unwritten.").

This is not a case where there has been limited discovery. Searle has produced over 500,000 documents. Those documents based on the mental impressions of its lawyers and representatives concerning litigation strategy and costs, which the court today admits may be of limited value, should not be the subject of discovery.

•Debra A. and George SIMON, et al., Plaintiffs/Appellees, v. G. D. SEARLE & CO., Defendant/Appellant., 1985 WL 670549 (Appellate Brief) (C.A.8 October 30, 1985), Brief of Defendant/Appellant G. D. Searle & Co.

•Debra A. and George SIMON, et al., Plaintiff/Appellees, v. G.D. SEARLE & CO., Defendant/Appellant., 1985 WL 670550 (Appellate Brief) (C.A.8 November 29, 1985), Brief of Plaintiffs/Appellees

•Debra A. and George SIMON, et al., Plaintiffs/Appellees, v. G. D. SEARLE & CO., Defendant/Appellant., 1985 WL 670551 (Appellate Brief) (C.A.8 December 12, 1985), Reply Brief of Defendant/Appellant

•Debra A. and George SIMON, et al., Plaintiff/Appellees, v. G.D. SEARLE & CO., Defendant/Appellant., 1987 WL 882235 (Appellate Brief) (C.A.8 July 20, 1987), Brief of Plaintiffs/Apellees in Opposition to Defendant's/Appellant's Motion for State of Mandate

•Debra A. and George SIMON, et al., Plaintiff/Appellees, v. G.D. SEARLE & CO., Defendant/Appellant., 1987 WL 882236 (Appellate Brief) (C.A.8 July 20, 1987), Brief of Plaintiffs/Apellees in Opposition to Defendant's/Appellant's Motion for Stay of Mandate

•Debra A. and George SIMON, et al., Plaintiff/Appellees, v. G.D. SEARLE & CO., Defendant/Appellant., 1987 WL 882237 (Appellate Brief) (C.A.8 July 20, 1987), Brief of Plaintiffs/Appellees in Opposition to Defendants/Appellants' Motion for Stay to Mandate

•Debra A. and George SIMON, et al., Appellees, v. G. D. SEARLE & CO., Appellant., 1987 WL 882234 (Appellate Brief) (C.A.8 July 24, 1987), G. D. Searle & Co.'s Reply Brief in Support of its Motion for Stay of Mandate Pending Application for a Writ of Certiorari

816 F.2d 397, 55 USLW 2578, 7 Fed.R.Serv.3d 410, 22 Fed. R. Evid. Serv. 1754

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United States Court of Appeals, Third Circuit.
UNITED STATES of America and Alan M. Feldman, Special Agent, Internal Revenue Service, Appellant,
v.
Solomon FISHER, Appellant, Morris Goldsmith and Sally Goldsmith, Intervening Party Defendants.
No. 72-2001.

Argued May 25, 1973.
Reargued en banc April 10, 1974.
Decided June 7, 1974.

Internal Revenue Service brought action to enforce summons issued against taxpayers' attorney for the production of certain records in attorney's possession. The District Court for the Eastern District of Pennsylvania, John Morgan Davis, J., 352 F.Supp. 731, granted enforcement and attorney appealed. The Court of Appeals, Aldisert, Circuit Judge, held that mere fact that only a special agent of the Internal Revenue Service's intelligence division was assigned to investigate taxpayers' tax liability was not sufficient to demonstrate that summons was sought to be enforced in connection with criminal investigation; and that certain analyses of taxpayers' taxable status, which had been prepared by an accountant for purposes of forwarding taxpayers' taxable status to appropriate tax authorities and which had been returned to taxpayers who had then turned the papers over to their attorney, were not protected by the Fifth Amendment and were thus subject to IRS summons.

Affirmed.

Gibbons, Circuit Judge, concurred and filed an opinion.

James Hunter, III, Circuit Judge, concurred in part and dissented in part and filed an opinion.

West Headnotes

[1] Internal Revenue ⇐4490
220k4490 Most Cited Cases
(Formerly 220k1451)
Possibility that criminal prosecution as well as civil liabilities may arise from a tax investigation is not sufficient ground for refusing to enforce an IRS summons issued in good faith prior to a recommendation for prosecution. 26 U.S.C.A. (I.R.C.1954) § 7602.

[2] Internal Revenue ⇐4490
220k4490 Most Cited Cases
(Formerly 220k1451)
Burden of showing improper purpose of an IRS summons is on the taxpayer. 26 U.S.C.A. (I.R.C.1954) § 7602.

[3] Internal Revenue ⇐4490
220k4490 Most Cited Cases
(Formerly 220k1451)
Where no recommendation for criminal prosecution of taxpayers had been instituted by IRS, mere fact that special agent of the service's intelligence division was the only person assigned to investigate taxpayers' liability was not sufficient to demonstrate that summons sought to be enforced by IRS was in aid of criminal prosecution.

[4] Witnesses ⇐298
410k298 Most Cited Cases
Ownership vel non is not test of the scope of the Fifth Amendment privilege, for the Fifth Amendment privilege focuses on personal compulsion upon the person asserting the privilege and possession, not ownership, bears the closest relationship to the personal compulsion forbidden by the Fifth Amendment. U.S.C.A.Const. Amend. 5.

[5] Witnesses ⇐298
410k298 Most Cited Cases
Papers otherwise not endowed with Fifth Amendment protection cannot be transmuted into a privileged status merely because of the act of delivery to an attorney; people have constitutional rights, pa-

pers do not. U.S.C.A.Const. Amend. 5.

[6] **Witnesses** ⇐298
410k298 Most Cited Cases
Analyses of cash receipts and disbursements which were prepared by taxpayers' accountant from taxpayers' records for the purpose of forwarding to appropriate tax authorities a declaration of the taxpayers' taxable status and which were then returned to taxpayers who immediately transferred them to taxpayers' attorney did not come within the protection of the Fifth Amendment and were subject to IRS summons. 26 U.S.C.A. (I.R.C.1954) § 7602; U.S.C.A.Const. Amend. 5.

***684** Solomon Fisher, Richard L. Bazelon, Dilworth, Paxson, Kalish, Levy & Coleman, Philadelphia, Pa., for appellants.

Scott P. Crampton, Asst. Atty. Gen., Gary R. Allen, Meyer Rothwacks, Tax Div., Dept. of Justice, Washington, D.C., Robert E.J. Curran, U.S.Atty., Philadelphia, Pa., for appellees.

Argued May 25, 1973

Before ALDISERT and HUNTER, Circuit Judges, and STAPLETON, District judge.

Reargued April 10, 1974

Before SEITZ, Chief Judge, and VAN DUSEN, ALDISERT, GIBBONS, ROSENN, HUNTER, WEIS and GARTH, Circuit Judges.

***685** OPINION OF THE COURT

ALDISERT, Circuit Judge.

Couch v. United States, 409 U.S. 322, 93 S.Ct. 611, 34 L.Ed.2d 548 (1973), held that where a taxpayer had effectively surrendered possession of her business records to her accountant and the accountant was served with an Internal Revenue Service summons, the taxpayer could not successfully assert the Fifth Amendment privilege against compelled incrimination. The question presented by this taxpayers' appeal from a district court order enforcing a summons issued pursuant to 26 U.S.C. § 7602 if a spin off of the Couch issue: where work papers owned by the accountant and prepared by him for tax purposes at the taxpayers' request are transferred from the accountant to the taxpayers and thence by them to their attorney, are the papers immunized from a summons directed against the attorney?

Most of the narrative or historical facts are not in dispute. In the summer of 1971, Feldman was employed as a Special Agent of the Intelligence Division of the Internal Revenue Service and was assigned to investigate the tax liability of the Goldsmiths for years 1969 and 1970. No employee of the Audit Division of the Service was then participating in the investigation. In late July of that year, Feldman spoke with Mr. Goldsmith and made an appointment with him to discuss Mr. Goldsmith's tax liability. On August 3, 1971, Morris and Sally Goldsmith retained Fisher to represent them, and Fisher called Feldman to advise him that Mr. Goldsmith would not appear for the appointment.

In early August of 1971, [FN1] the Goldsmiths obtained from their accountant, Harold Berson, certain records which constituted 'the balance' of records concerning the Goldsmiths which Berson then had in his possession. Some dated as far back as 1959. On August 17, 1971, the Goldsmiths turned these records over to Fisher. A stipulation of the parties, as articulated by Fisher, was as follows:

> FN1. Berson could not remember the exact date, but estimated it to be 'the 4th or 5th of August . . ..'

On August 17, 1971 Morris Goldsmith and Sally Goldsmith turned over to me certain records which I now have in my possession. Such records were turned over to me for my use in representing them, furnishing them with legal advice, and from the time those records were turned over to me to the present time I have been using them for that purpose.

These records included the 'analyses' which the government seeks to inspect. These 'analyses,' designated 'analysis of receipts and disbursements,' are essentially lists of income and expenses compiled by Berson from cancelled checks and deposit receipts supplied by the Goldsmiths, but do not include the checks and deposit receipts themselves.

On October 22, 1971, Feldman served a summons on Berson seeking documents which related to the tax liability of Morris Goldsmith. Berson told Feldman at the time of service that he had no documents of this character and that all documents which he had previously possessed had been turned over to Mr. Goldsmith. Feldman nevertheless put a return date of November 3rd on the summons because Berson indicated he would try to get the papers back. [FN2] Berson testified that he 'contacted Mr. Goldsmith and told him that . . . (he, Berson,) would like to get the papers back, that . . . (he) was requested by the Government to bring them to their offices.' Berson appeared on November 3rd to report that he did not have the documents sought.

> FN2. Feldman testified that Berson 'said that he would contact Mr. Fisher and ask for return of his records in compliance with the summons.' Berson testified that he said he 'would speak to Mr. Goldsmith and find out whether he could return the records to me.' (I.e., Berson.)

***686** On December 1, 1971, the summons which the government now seeks to enforce was served upon Fisher, directing him to appear 'to give testimony relating to the tax liability or the collection of the tax liability' of Morris Goldsmith and to bring with him, among other things, an 'Analysis of Receipts and Disbursements for Morris Goldsmith for 1969 and 1970' and an 'Analysis of the Receipts and Disbursements of Sally Goldsmith for 1969 and 1970.' Fisher appeared with the records in response to the summons, but refused to permit their inspection. This enforcement action was then commenced. The Goldsmiths were permitted to intervene and, together with Fisher, defended on the grounds (1) that the summons was invalid and (2) that production would violate the Goldsmiths' rights under the Fifth Amendment to the United States Constitution.

After a hearing, the district court found as a fact that 'no recommendation for criminal prosecution . . . (had) been instituted by the I.R.S.' during the relevant period and that the summons was issued in good faith. It also found that 'the purpose of the summons is merely to examine the possible tax liability of the Goldsmiths.' Considering Donaldson v. United States, 400 U.S. 517, 91 S.Ct. 534, 27 L.Ed.2d 580 (1971), as controlling, the court held that the summons was issued for a valid purpose. The court further found that the records sought were owned by Berson, rejected the constitutional argument and ordered production. [FN3]

> FN3. The district court reasoned:
> The taxpayers, by way of their attorney, assert that, independent of the ownership concepts of the papers, they may raise the privilege against self-incrimination merely because of their rightful and indefinite possession of the papers, relying on United States v. Cohen, . . . (388 F.2d 464 (9th Cir. 1967)). However, the Third Circuit in United States v. Egenberg, 443 F.2d 512 (3rd Cir. 1971), held, inter alia, that where a third party has a superior right to possession of the papers, the witness cannot withhold them.
> The facts in the instant case, as presented before this Court, demonstrate that the papers were and are the property of the accountant. They only left his possession after the taxpayer learned of the investigation. The transfer of the papers seems to indicate that this was an attempt to thwart the government's investigation. Of course, there is no attorney-client privilege which would be claimed since the accountant's transfer of non-privileged papers to the client would not create a privilege when the client turned the papers over to his attor-

ney. See United States v. Kelly, 311 F.Supp. 1216 (E.D.Pa.1969). For the above reasons, the production of the documents in question is hereby ordered. 352 F.Supp. 731, 734-735 (E.D.Pa.1972).

Appellants here renew their dual attack on the summons. We address both contentions.

I.

Appellants contend that the summons served upon Mr. Fisher, pursuant to 26 U.S.C. § 7602, [FN4] is unenforceable because its sole object is to obtain evidence to *687 use in a criminal prosecution. Reisman v. Caplin, 375 U.S. 440, 449, 84 S.Ct. 508, 11 L.Ed.2d 459 (1964). In support of this proposition, appellants emphasize that Special Agent Feldman was the sole government representative engaged in the investigation of the Goldsmiths' tax liability and that an official statement of the Internal Revenue Service describes the function of the Intelligence Division as an arm of the Service which investigates and enforces criminal violations of various tax laws of the United States. [FN5] On this showing alone the appellants would have us reverse the district court's holding that the summons was issued for a valid purpose. This we decline to do.

FN4. Section 7602 of the Internal Revenue Code provides:

For the purpose of ascertaining the correctness of any return, making a return where none has been made, determining the liability of any person for any internal revenue tax or the liability at law or in equity of any transferee or fiduciary of any person in respect of any internal revenue tax, or collecting any such liability, the Secretary or his delegate is authorized--

(1) To examine any books, papers, records, or other data which may be relevant or material to such inquiry;

(2) To summon the person liable for tax or required to perform the act, or any officer or employee of such person, or any person having possession, custody, or care of books of account containing entries relating to the business of the person liable for tax or required to perform the act, or any other person the Secretary or his delegate may deem proper, to appear before the Secretary or his delegate at a time and place named in the summons and to produce such books, papers, records, or other data, and to give such testimony, under oath, as may be relevant or material to such inquiry; and

(3) To take such testimony of the person concerned, under oath, as may be relevant or material to such inquiry.

FN5. The statement reads:

The Intelligence Division enforces the criminal statutes applicable to income, estate, gift, employment and excise tax laws (except those relating to alcohol, tobacco, narcotics and certain firearms), by developing information concerning alleged criminal violations thereof, evaluating allegations and indications of such violations to determine investigations to be undertaken, investigating suspected criminal violations of such laws, recommending prosecution when warranted, and measuring effectiveness of the investigation and prosecution processes. The Division assists other Intelligence offices in special inquiries, drives and compliance programs and in the normal enforcement programs, including those combating organized wagering, racketeering and other illegal activity, by providing investigative resources upon regional or National Office request. It also assists U.S. attorneys and Regional Counsel in the processing of Intelligence cases, including the preparation for and trial of cases. 36 Fed.Reg. 887 (1971).

[1] It is now well settled that the possibility that criminal prosecution as well as civil liabilities may arise from a tax investigation is not a sufficient

ground for refusing to enforce a summons issued under Section 7602 in good faith and prior to a recommendation for prosecution. Donaldson v. United States, supra. In Donaldson the Supreme Court, in rejecting a contention similar to that here made, said:

Congress clearly has authorized the use of the summons in investigating what may prove to be criminal conduct. * * * There is no statutory suggestion for any meaningful line of distinction, for civil as compared with criminal purposes, at the point of the special agent's appearance. * * * To draw a line where a special agent appears would require the Service, in a situation of suspected but undetermined fraud, to forego either the use of the summons or the potentiality of an ultimate recommendation for prosecution. We refuse to draw that line and thus to stultify enforcement of federal law. * * *

We hold that under § 7602 an internal revenue summons may be issued in aid of an investigation if it is issued in good faith and prior to a recommendation for criminal prosecution. [FN6]

> FN6. 400 U.S. at 535-536. In Couch v. United States, supra 409 U.S. at 326 n. 8 (1973), the Supreme Court emphasized that 'Donaldson cautioned only that the summons be issued in good faith and prior to a recommendation for criminal prosecution.' On this record, as in Couch, 'neither of those conditions is successfully challenged here.'

[2] It is also well established that the burden of showing an improper purpose is on the taxpayer. Donaldson v. United States, supra, 400 U.S. at 527; United States v. Powell, 379 U.S. 48, 58, 85 S.Ct. 248, 13 L.Ed.2d 112 (1964); United States v. Erdner, 422 F.2d 835 (3d Cir. 1970); United States v. De Grosa, 405 F.2d 926 (3d Cir.), cert. denied sub nom., Zudick v. United States, 394 U.S. 973, 89 S.Ct. 1465, 22 L.Ed.2d 753 (1969). The district court found as a fact that 'no recommendation for criminal prosecution has been instituted by the I.R.S.' Nor did it find that the summons was issued in other than good faith. Moreover, the court affirmatively found that 'the purpose of the summons . . . (was) merely to examine the possible tax liability of the Goldsmiths.' These findings are not clearly erroneous. *688 Krasnov v. Dinan, 465 F.2d 1298, 1302-1303 (3d Cir. 1972). [FN7]

> FN7. 'It is the responsibility of an appellate court to accept the ultimate factual determination of the fact-finder unless that determination either (1) is completely devoid of minimum evidentiary support displaying some hue of credibility, or (2) bears no rational relationship to the supportive evidentiary data. Unless the reviewing court establishes the existence of either of these factors, it may not alter the facts found by the trial court. To hold otherwise would be to permit a substitution by the reviewing court of its finding for that of the trial court, and there is no existing authority for this in the federal judicial system, either by American common law tradition or by rule and statute.'

[3] Thus, taxpayers would have us hold that their burden is met by a mere showing that a Special Agent of the Service's Intelligence Division was the only person assigned to investigate their tax liability. If we were to accept taxpayers' argument we would be drawing a line where a special agent appears, a line which the Court in Donaldson expressly refused to draw. Both in De Grosa and Erdner we refused to hold that such evidence, in itself, satisfied the taxpayer's burden of proof. We reaffirm those holdings today.

II.

Thornier issues are raised by taxpayers' claim that production of the 'analyses' in the possession of Fisher would violate their rights against self-incrimination. This contention is based, in part, upon the assertion that the only permissible inference to be drawn from the record below is that the

Goldsmiths owned the records sought. The finding of the district court that the analyses were the property of the accountant is not clearly erroneous, Krasnov v. Dinan, supra. [FN8] We accordingly accept that finding.

> FN8. Berson testified that personnel in his accounting firm prepared the 'analyses' under his direction; that they were used, among other things, to prepare various tax returns; and that the records remained in his possession and are usually forwarded to the client every three or four years because the accumulation gets out of hand. (App. at 65-66.) Berson also testified he had an 'understanding' for over twenty-five years with the Goldsmiths that the 'analyses' belonged to the client, and he regarded them as 'client's papers.' Goldsmith testified the cash receipts and disbursement records which formed the basis for the 'analyses' were regarded as his property. When asked specifically as to the ownership of the 'analyses,' his answer was not responsive:
> Q. With respect to the cash receipts and cash disbursements records for your business did you regard them as your property or Mr. Berson's property?
> A. I would regard them as my property.
> Q. Did you have an understanding or agreement with Mr. Berson that they were your property?
> A. I say yes because for the last thirty years that he has been keeping my books they have been returned to me.
> Q. And any time you asked for them you were given them?
> A. Many times Mr. Berson would ask me to come and please take them because he didn't have room.
> Q. Mr. Goldsmith, would you tell me what the substance of that agreement between yourself and Mr. Berson is with respect to the cash receipts and disbursements analysis?
> A. I submit them to Mr. Berson and from that he determines my tax. I have been doing this for the last twenty-five, thirty years.
> Q. I see. And do you have a written agreement with Mr. Berson with respect to whose property these records will be after they are prepared?
> A. No, sir.
> (App. at 85-87.)
> Special Agent Feldman's testimony directly contradicted that of Berson. Feldman testified;
> Q. And isn't it also a fact that by the time you got around to serving a summons on Mr. Fisher that you had ascertained from Mr. Berson just what work papers he had prepared?
> A. He told me exactly what he had prepared and that is what I put on the summons.
> Q. He also told you that they were his work papers, did he not? A. That's correct.
> (App. at 60-61).
> Faced with testimony that an accounting firm prepared the 'analyses'; that they usually remained in the possession of the firm for a period of time; that the records were requested by the taxpayer after Feldman had sought to set up an appointment with Morris Goldsmith; that Berson called Goldsmith after Berson was served with the summons and told him that he would like to get the papers back; and that Feldman's and Berson's testimony concerning the ownership of the papers was in direct conflict, the court determined as a fact that the 'analyses' were the property of the accountant. This finding is not completely devoid of minimum evidentiary support displaying some hue of credibility; not does it lack a rational relationship to the supporting evidentiary data. Krasnov v. Dinan, supra. Thus, we will not disturb it.

*689 [4] If ownership vel non were the test of the scope of the Fifth Amendment privilege, our analysis would be at an end. But such is not the test, for the Fifth Amendment privilege focuses on personal compulsion upon the person asserting it. Possession, not ownership, 'bears the closest relationship to the personal compulsion forbidden by the Fifth Amendment.' Couch v. United States, supra, 409 U.S. at 331. Thus we are led to Goldsmiths' argument that, even if Berson is held to own the 'analyses,' Goldsmiths' transitory possession of the records and their subsequent possession by Fisher established that requisite degree of privacy so that it can be said that enforcement of the summons issued to Fisher amounted to that type of personal compulsion against the Goldsmiths which is prohibited by the Fifth Amendment. To be successful with this argument appellants must convince us of the validity of two propositions: First, if the Goldsmiths had not given the 'analyses' to Fisher, they could have successfully resisted the summons because the documents sought would have been in a rightful personally privileged possession, and, second, the Goldsmiths should not be held to have lost their privilege solely because they surrendered actual possession to Fisher for the purpose of obtaining legal advice in connection with the investigation. The government disputes these propositions, arguing that the analyses would not have been within the scope of the privilege in the hands of the Goldsmiths and that, in any event, the Goldsmiths are barred from asserting the privilege because, in fact, they had neither ownership nor possession at the time of the service of the summons.

A.

The facts in this case must be compared with those in Couch. Here, ownership was found to be in the accountant; there, ownership was in the taxpayer. Here, possession was in the lawyer, the subject of the summons; there, possession was in the accountant, also the subject of the summons. Here, the taxpayers, as in Couch, had to be aware that at least summaries of the information furnished the accountant from which he fashioned his records had to be disclosed in certain tax returns. But that which distinguishes this case from Couch is the additional question of the reasonable likelihood of privacy and freedom from compulsion expected by the taxpayers at the time they delivered the accountant's records to their lawyer.

In Couch, as previously noted, the Supreme Court rejected the thesis that the Fifth Amendment privilege was equated with ownership. The Court said: 'The criterion for Fifth Amendment immunity remains not ownership of property, but the 'physical or moral compulsion exerted.' * * * We hold today that no Fourth or Fifth Amendment claim can prevail where, as in this case, there exists no legitimate expectation of privacy and no semblance of governmental compulsion against the person of the accused.' 409 U.S. at 336. It emphasized that 'actual possession of documents bears the most significant relationship to Fifth Amendment protections . . .' 409 U.S. at 333, acknowledged the possibility of constructive possession in certain cases and refrained from deciding 'what qualifies as rightful possession enabling the possessor to assert the privilege.' 409 U.S. at 330 n. 12.

*690 Because concepts of 'ownership' and 'possession' and 'expectations of privacy' dominate the text of the cases, it becomes important to remind ourselves that these are organons of the decisional process only. Although effective as jurisprudential tools, these concepts are not, in and of themselves, controlling. This 'is a constitution we are expounding.' [FN9] We must never wander from the principle that what the Fifth Amendment prohibits is compelled incrimination.

FN9. McCulloch v. Maryland, 4 Wheat. 316, 407, 4 L.Ed. 579 (1819).

Supporting the notion that there may not be compelled production of 'a man's private books and papers' is the 1886 case of Boyd v. United States, 116 U.S. 616, 633, 6 S.Ct. 524, 534, 29 L.Ed. 746, whose vital signs are still given formal recognition, Bellis v. United States, 417 U.S. 85, 94 S.Ct. 2179,

40 L.Ed.2d 678 (1974), Couch v. United States, supra, 409 U.S. at 330, but whose vigor has been seriously sapped by subsequent analyses by the Supreme Court. The ratio decidendi of Boyd was premised on the notion that court-ordered production of a person's 'private papers' to be used as evidence to convict him of crime violated the Fourth as well as the Fifth Amendment. Fourth Amendment considerations do not detain us; such an argument has not been presented in this appeal. [FN10]

> FN10. Moreover, this argument finds little support today. See Judge Friendly's scholarly treatment in In re Horowitz, 482 F.2d 72, 75-79 (2d Cir.), cert. denied, 414 U.S. 867, 94 S.Ct. 64, 38 L.Ed.2d 86 (1973), and in The Fifth Amendment Tomorrow: The Case for Constitutional Change, 37 U.Cin.L.Rev. 671, 701-703 (1968).

Boyd's Fifth Amendment premise was based on the twin concepts of ownership and possession. Although addressing property notions in the context of the Fourth Amendment, Warden v. Hayden, 387 U.S. 294, 304, 87 S.Ct. 1642, 1648, 18 L.Ed.2d 782 (1967), emphasized:

The premise that property interests control the right of the Government to search and seize has been discredited. Searches and seizures may be 'unreasonable' within the Fourth Amendment even though the Government asserts a superior property interest at common law. We have recognized that the principal object of the Fourth Amendment is the protection of privacy rather than property, and have increasingly discarded fictional and procedural barriers rested on property concepts. See Jones v. United States, 362 U.S. 257, 266, 80 S.Ct. 725, 4 L.Ed.2d 697; Silverman v. United States, 365 U.S. 505, 511, 81 S.Ct. 679, 5 L.Ed.2d 734. This shift in emphasis from property to privacy has come about through a subtle interplay of substantive and procedural reform.

We detect the same 'shift in emphasis from property to privacy' in the Court's treatment of the Fifth Amendment in compelled production of documents. 'The criterion for Fifth Amendment immunity remains not the ownership of property . . .', Couch v. United States, supra, 409 U.S. at 336; [FN11] 'the papers and effects which the privilege protects must be the private property of the person claiming the privilege, or at least in his possession in a purely personal capacity.' United States v. White, supra, 322 U.S. at 699.

> FN11. Corporate and union records and records of at least certain partnerships actually possessed by the custodians in a representative rather than a personal capacity cannot be the subject of the personal privilege against self-incrimination. Bellis v. United States, supra; United States v. White, 322 U.S. 694, 699, 64 S.Ct. 1248, 88 L.Ed. 1542 (1944); Wilson v. United States, 221 U.S. 361, 31 S.Ct. 538, 55 L.Ed. 771 (1911). Incorporated banks, like other artificial organizations, have no privilege against compulsory self-incrimination. California Bankers Association v. Shultz, 416 U.S. 21, 94 S.Ct. 1494, 39 L.Ed.2d 812 (1974).

Bellis v. United States, supra, 417 U.S. 85 at 91, 94 S.Ct. 2179, at 2184, 40 L.Ed.2d 678, reaffirms this shift in emphasis:

The Court's decisions holding the privilege inapplicable to the records of ***691** a collective entity also reflect a second, though obviously interrelated policy underlying the privilege, the protection of an individual's right to a 'private enclave where he may lead a private life.' Murphy v. Waterfront Comm'n, 378 U.S. 52, 55, 84 S.Ct. 1594, 12 L.Ed.2d 678 (1964). We have recognized that the Fifth Amendment 'respects a private inner sanctum of individual feeling and thought'-- and inner sanctum which necessarily includes an individual's papers and effects to the extent that the privilege bars their compulsory production and authentication-- and 'proscribes state intrusion to extract self-condemnation.' Couch v. United States, supra, at

327. See also Griswold v. Connecticut, 381 U.S. 479, 484, 85 S.Ct. 1678, 1681, 14 L.Ed.2d 510 (1965). Protection of individual privacy was the major theme running through the Court's decision in Boyd . . ..

United States v. Egenberg, 443 F.2d 512 (3d Cir. 1971), emphasizes these basic principles.

Couch does not undercut Egenberg. Couch simply articulates that ownership of papers per se does not carry with it a vesting of the privilege against self-incrimination, that actual possession of documents bears the most significant relationship to Fifth Amendment protections against state compulsions upon the individual accused of crime, and that there may be examples where constructive possession is so clear or relinquishment of possession is so temporary and insignificant as to leave the personal compulsions upon the accused substantially intact.

The case sub judice presents a factual array of ownership of the records in the accountant, a shift in their possession from the accountant to the taxpayers at the taxpayers' request upon advice of Fisher only a day or two after Fisher began his representation and broke Morris Goldsmith's appointment with agent Feldman, a 'temporary and insignificant' history of actual possession in the taxpayers and actual possession in a third party at the time of the issuance of the summons. We fail to see how this factual complex gives rise to that element of personal compulsion upon the taxpayers which is the hallmark of the right against compulsory self-incrimination. Thus, we have no difficulty in concluding that, unless the attorney-client relationship intervenes, this case is squarely controlled by Couch.

In this appeal the taxpayers do not rely on the attorney-client privilege qua privilege. Thus, the attorney-client relationship is relevant to our Fifth Amendment inquiry only as an indicia of the degree of privacy or freedom from compulsion to be expected by the taxpayers when they transferred the records to their attorney. Stated otherwise, the relationship is relevant only to a determination of whether these records, owned by the accountant, have the capacity of coming within the penumbra of the Boyd rule.

[5] Papers otherwise not endowed with Fifth Amendment protection cannot be transmuted into a privileged status merely because of the act of delivery to a lawyer. People have constitutional rights, papers do not. Thus, the claim to the Fifth Amendment privilege must emanate from the taxpayers' rights. And in the attorney-client relationship, the rights must flow upward from the taxpayer; not downward from the attorney.

Judge Friendly has reminded us:

Certain basic principles, however, are well-established. The privilege finds its justification in the need to allow a client to place in his lawyer the 'unrestricted and unbounded confidence', United States v. Kovel, supra, 296 F.2d 918 at 921 (2d Cir. 1961), that is viewed as essential to the protection of his legal rights. But the privilege stands in derogation of the public's 'right to every man's evidence', 8 Wigmore, supra, § 2192, at 70, and as 'an obstacle to the investigation of the truth,' id., § 2291, at 554; thus, as Wigmore has said, 'It *692 ought to be strictly confined within the narrowest possible limits consistent with the logic of its principle.' Id. It must be emphasized that it is vital to a claim of privilege that the communications between client and attorney were made in confidence and have been maintained in confidence.

In re Horowitz, supra, 482 F.2d 72, at 81-82.

[6] Here, the analyses of cash receipts and disbursements were prepared by the accountant, not the taxpayers. They were prepared by him for the purpose of forwarding to appropriate tax authorities a declaration of the taxpayers' taxable status. [FN12] The analyses were not prepared by the client-taxpayers or by the accountant for some personal, private, and confidential purpose for disclosure to the taxpayers' lawyer only. The taxpayers enjoyed

no history of extended actual possession of the analyses. Their actual possession was fleeting and transitory, limited to the act of delivery from the accountant's office to the office of their lawyer at his request. Thus, if the taxpayers are to succeed in their effort, they must prove that their brief experience of actual possession for a limited purpose coupled with turning their accountant's records over to their attorney has the legal capacity to generate a subsequent right of constructive possession of sufficient intensity to elevate those records into the required category of their 'private books and papers.' We are unwilling to attribute a Fifth Amendment protection to the accountant's work product based on such a limited possession by his client.

> FN12. There was also testimony that the 'analyses' were used by the Goldsmiths when the hank needed them for loan applications.

The judgment of the district court will be affirmed.

GIBBONS, Circuit Judge (concurring):

I join in Judge Aldisert's opinion, but add a caveat with respect to some inferences which might be drawn from it for other situations. As Professor McNaughton in his revision of 8 Wigmore on Evidence § 2263 (1961) explains there are three possihle forms of disclosure to which the privilege against self-incrimination might arguably apply:

(1) self-incriminating disclosures that are testimonial (i. e., communicative or assertive) in nature;

(2) self-incriminating disclosures which, though not testimonial in the communicative or assertive sense, involve cooperative participation by a witness; or

(3) any evidence whatsoever obtained from a witness which might incriminate him, whether or not his cooperative participation is involved.

In Boyd v. United States, 116 U.S 616, 6 S.Ct. 524, 29 L.Ed. 746 (1886) the Court considered the application of the fourth and fifth amendments to a statute, similar to Rule 36 of the Federal Rules of Civil Procedure, authorizing the service of a notice by the government on a party in a civil suit to produce a book, invoice or paper in court, and providing that if the party failed to produce the allegations in the government's motion 'shall be taken as confessed, unless his failure or refusal to produce the same shall be explained to the satisfaction of the court.' Act of June 22, 1874, § 5, 18 Stat. 187. The suit was for forfeiture of merchandise allegedly imported without proper payment of duties, and the paper in issue was an invoice for the merchandise. The invoice was a paper prepared by a party, and thus contained no communication or assertion by the party to whom the notice was addressed. It was however, owned and possessed by that party, its contents did tend to incriminate, and its production probably required cooperative participation. Justice Bradley's opinion of the Court, a mixture of fourth and fifth amendment reasoning, held that the statute violated both amendments. Justice Miller, concurring, ***693** analogized the notice to a subpoena duces tecum and urged that only the fifth and not the fourth amendment was violated. As the authorities cited in Judge Aldisert's footnote 10 make clear, Justice Miller's analysis rather than that of Justice Bradley, has better stood the test of time. But the fifth amendment holding in Boyd was unanimous.

It was clear in Boyd that no evidentiary use was to be made of the party's possession of the invoice. The only use was the evidentiary value of the contents of the invoice for the truth of the matter asserted-- value of the goods-- by a third party. Thus Boyd must be read as authority for at least McNaughton's second category. That is, Boyd interpreted the fifth amendment as prohibiting any self-incriminating disclosure involving cooperative participation. But so broad a holding has not survived. Perhaps the clearest rejection of the cooperative participation test is in Justice Brennan's opinion in Schmerber v. California, 384 U.S. 757, 761, 86 S.Ct. 1826, 1830, 16 L.Ed.2d 908 (1966), where the Court declared:

'We hold that the privilege (against self-incrimination) protects an accused only from being compelled to testify against himself, or otherwise provide the State with evidence of a testimonial or communicative nature, [FN*]

> FN* A dissent suggests that the report of the blood test was 'testimonial' or 'communicative,' because the test was performed in order to obtain the testimony of others, communicating to the jury facts about petitioner's condition. Of course, all evidence received in court is 'testimonial' or 'communicative' if these words are thus used. But the Fifth Amendment relates only to acts on the part of tbe person to whom the privilege applies, and we use these words subject to the same limitations. A nod or headshake is as much a 'testimonial' or 'communicative' act in this sense as are spoken words. But the terms as we use them do not apply to evidence of acts noncommunicative in nature as to the person asserting the privilege, even though, as here, sucb acts are compelled to obtain the testimony of others.' and that the withdrawal of blood and use of the analysis in question in this case did not involve compulsion to these ends.

Thus what seems to be left is McNaughton's first category-- self-incriminating disclosures that are testimonial in a communicative or an assertive sense. Three separate possible forms of communication may be involved with a subpoena duces tecum. One is the communication involved in the identification or authentication of the document. A second is the communication involved in acknowledging the fact of possession. The third is the communication involved in the contents of the document. In this case, the government has not asked for and does not need testimony from Mr. Goldsmith in order to authenticate the papers. Even if they were in Goldsmith's possession his mere production of them would not authenticate them and the government could use another witness for that purpose. Goldsmith's production of the papers in response to a subpoena duces tecum would not require any testimony on his part. Shapiro v. United States, 335 U.S. 1, 27, 68 S.Ct. 1375, 92 L.Ed. 1787 (1957); Wilson v. United States, 221 U.S. 361, 372, 31 S.Ct. 538, 55 L.Ed. 771 (1911). I make this point because Judge Aldisert's opinion, by properly emphasizing Goldsmith's lack of possession in this case and confining its discussion to that factual complex, might be misunderstood as suggesting that had papers belonging to the accountant been in Goldsmith's possession they could not have been subpoenaed. Justice Bradley's opinion in Boyd v. United States, supra, would suggest that result, but the Boyd holding to that effect has long since been repudiated. The issue is not presented in this case. Wilson v. United States, supra and United States v. White, 322 U.S. 694, 64 S.Ct. 1248, 88 L.Ed. 1542 (1944) make clear that the involuntary surrender of papers rightfully possessed, pursuant to a subpoena duces tecum, is not within the privilege. As the majority opinion makes clear, Couch v. United States, 409 U.S. 322, 93 S.Ct. 611, 34 L.Ed.2d 548 (1973) rejects ownership of the papers as a test. Obviously ownership does not ***694** bear upon compelled communication. What remains, I suggest, is the test announced by Justice Brennan in Schmerber v. California, supra-- compulsion of evidence of a testimonial or communicative nature. It would seem, then, that for fifth amendment purposes a subpoena duces tecum should be enforced even for papers owned and possessed by the witness so long as (1) the fact of his possession was not of evidentiary significance or his production was not used for that evidentiary purpose, (2) their mere production did not require his testimony, and (3) they could be authenticated through some other witness. But see United States v. Austin-Bagley Corp., 31 F.2d 229 (2d Cir.), cert. denied, 279 U.S. 863, 49 S.Ct. 479, 73 L.Ed. 1002 (1929) holding that a custodian could be compelled to authenticate records which incriminated him. In the light of Schmerber and Couch I question whether Austin-Bagley is authoritative today. Neither the issue of mere production

of papers owned by the witness nor the issue of testimonial authentication of papers in the witness's possession is decided by this case. Nor do we reach the issue of production of papers containing entries made by the witness and thus reflecting his communications made at a prior time.

JAMES HUNTER, III, Circuit Judge (concurring in part and dissenting in part):

In concur in Part I but dissent from Part II of the majority opinion. My concern is two-fold: 1) the majority misreads, in my view, the import of the Supreme Court's decision in Couch, and 2) I fail to understand the rationale hy which the majority reaches its decision. The majority states:

'If ownership vel non were the test of the scope of the Fifth Amendment privilege, our analysis would be at an end. But such is not the test, for the Fifth Amendment privilege focuses on personal compulsion upon the person asserting it. Possession, not ownership, 'hears the closest relationship to the personal compulsion forbidden by the Fifth Amendment.' Couch v. United States, supra, 409 U.S. at 331.' Majority opinion at 689.

The majority also concedes that in certain situations a person may divest himself of actual possession, but yet retain constructive possession so as to leave the personal compulsions upon the accused substantially intact. Couch v. United States, 409 U.S. 333-335 (1973). Thus possession (either actual or constructive), not ownership, bears the most significant relationship to the fifth amendment protections.

The majority's recognition of these governing principles is unassailable and to this extent I am in complete agreement. I would add further, however, that Couch noted that 'it is extortion of information from the accused himself that offends our sense of justice.' 'As Mr. Justice Holmes put it: 'A party is privileged from producing the evidence, but not from its production." 409 U.S. at 328. The fifth amendment forbids 'inquistorial pressure or coercion against a potentially accused her will, to utter self-condemning words or produce incriminating documents.' 409 U.S. at 329. The incrimination comes from being forced 'to produce and authenticate any personal documents or effects that might incriminate' you. United States v. White, 322 U.S. 694, 698, 64 S.Ct. 1248, 1251, 88 L.Ed. 1542 (1944), cited with approval in Couch, supra, 409 U.S. at 330.

Couch therefore reaffirmed the previously accepted view of the Supreme Court that 'what is incriminating about the production of a document in response to an order is not its contents, as one might have thought, but the implicit authentication that the document ***695** is the one named in the order.' 409 U.S. at 348 (Marshall, J., dissenting). [FN1]

> FN1. In his dissent, Justice Marshall summarized the accepted view of self-incrimination as pertaining to the compulsory production of documents (although he did not agree with this view).
> See also Douglas, J., dissenting, who stated,
> 'I can see no basis in the majority opinion, however, for stopping short of condemning only those intrusions resting on compulsory process against the author of the thoughts or documents.' 409 U.S. at 341.

With these principles in mind, I turn to the following statement by the majority, with which I am in full agreement:

'To be successful with (their argument) appellants must convince us of the validity of two propositions: First, if the Goldsmiths had not given the 'analyses' to Fisher, they could have successfully resisted the summons because the documents sought would have been in a rightful personally privileged possession, and, second, the Goldsmiths should not be held to have lost their privilege solely because they surrendered actual possession to Fisher for the purpose of obtaining legal advice in connection with the investigation.'

I believe both questions should be answered in the affirmative.

I.

The Goldsmiths could have successfully asserted the fifth amendment while the 'analyses' were in their actual possession.

In my view the majority obscures this issue by dismissing Goldsmiths' actual possession as 'fleeting and transitory, limited to the act of delivery from the accountant's office to the office of their lawyer at his request.' Besides being misleading, [FN2] this statement is irrelevant. Nowhere in Couch did the Supreme Court suggest that the personal compulsion prohibited by the fifth amendment is dissipated whenever actual possession has been brief. If a subpoena had been served on the Goldsmiths while they were in actual possession of the documents, I fail to understand how the personal compulsion, which is the essence of the fifth amendment prohibition, can vary depending on the length of time the documents had previously been in Goldsmiths' actual possession.

> FN2. Goldsmith obtained the 'analyses' from Berson in early August of 1971 (Berson estimated the date to be 'the 4th or 5th of August') and turned them over to Fisher on August 17, 1971. The record therefore simply does not support the majority's statement.

Couch suggested that what is significant is not length of possession, but the quality of possession, i.e., rightful possession in a purely personal capacity. The majority's concern that actual possession was allegedly 'fleeting and transitory' is misplaced. These and other similar adjectives were referred to in Couch solely with respect to the constructive possession issue, i.e., whether, inter alia, the divestment of actual possession (not the length of actual possession) is so 'fleeting' or so 'temporary and insignificant' that constructive possession is retained.

More relevant is the recognition by Couch that while Boyd did not 'address or contemplate the divergence of ownership and possession,' 409 U.S. at 330, the subsequent Supreme Court decision in United States v. White [FN3] did address this issue:

> FN3. 322 U.S. 694, 64 S.Ct. 1248, 88 L.Ed. 1542 (1944). White involved a union official who, having possession of union records, refused to honor a subpoena for their production on the grounds that they would incriminate him. The Supreme Court in White rejected this argument because the union official possessed the records in only an agency capacity.

'The papers and effects which the privilege protects must be the private property of the person claiming the *696 privilege, or at least in his possession in a purely personal capacity.' 409 U.S. at 330 n. 10. [FN4]

> FN4. Couch's emphasis of this language in White is particularly significant in view of several statements by the majority which suggests its reluctance to grapple with the italicized language in the text. See infra.

Thus, the Supreme Court in White clearly suggested that something short of 'private property' may be sufficient to invoke the fifth amendment. Couch not only approved this language in White, but also, as if to make its position unquestionably clear, cited with approval the Ninth Circuit decision in United States v. Cohen:

'See also United States v. Cohen, 388 F.2d 464, 468 (CA9 1967), where the court, in upholding the right of a possessor, non-owner, to assert the privilege, noted that 'it is possession of papers sought by the government, not ownership, which sets the stage for exercise of the governmental compulsion which it is the purpose of the privilege to prohibit.' Though the instant case concerns the scope of the privilege for an owner, nonpossessor, the Ninth Circuit's linkage of possession to the purposes served by the privilege was appropriate.

'We do not, of course, decide what qualifies as rightful possession enabling the possessor to assert the privilege.' 409 U.S. at 330 n. 12.

In Cohen, ownership and possession diverged just as in White. Only in Cohen, unlike white, there was possession in a 'purely personal capacity.' [FN5] The taxpayers' refusal to produce the records was upheld on fifth amendment grounds. Thus, except for the constructive possession issue, Cohen is virtually identical to the case before us.

> FN5. In Cohen a subpoena had been served on the taxpayer who was in possession of workpapers owned by his accountant.

In view of the Supreme Court's emphasis on possession as most relevant to the question of compulsion, I cannot believe that we should disregard Couch's discussion of White and Cohen. It is difficult for me to understand, in view of the many courts which have wrestled with this problem, why the Supreme Court would choose to single out this language in Cohen, if it disagreed so completely with the Ninth Circuit's application of these principles. Yet, this is seemingly what the majority must conclude. [FN6]

> FN6. Of course, if the majority finds there is no constructive possession, the Cohen question need not be reached. The majority, however, apparently professes to reach the Cohen question first:
> 'the claim to the Fifth Amendment privilege must emanate from the taxpayer's rights. And in the attorney-client relationship, the rights must flow upward from the taxpayer; not downward from the attorney.'
> I agree with this statement only in the sense that constructive possession cannot be found unless there first is rightful actual possession in a purely personal capacity.

It is my view therefore that the approach taken by the Ninth Circuit in Cohen has been explicitly approved by Couch and comports fully with the fifth amendment view embraced by the Supreme Court, i.e., that possession, not ownership, is the significant factor and that the privilege protects one from having to produce the evidence, though not from its production.

Since the majority apparently does not dispute that the Goldsmiths had actual possession in a purely personal capacity, [FN7] the one question which remains unclear is whether the Goldsmiths had rightful possession. The lower court as I read its opinion, found it unnecessary to decide whether the Goldsmiths had been in 'rightful' possession because of its reading of United States v. Egenberg, 443 F.2d 512 (3d Cir. 1971). [FN7a] While the question of 'rightful' ***697** possession involves a conclusion of law, I would not deem it appropriate to draw a conclusion on this score from the limited factual findings below. As the Court in Cohen indicated, it is one thing for an accountant to relay to his client the existence of a demand of the government and to say, in effect, 'I will produce them if you have no objection and will return them' It is quite another thing for an accountant to say 'I want to produce them and demand their return.' Yet either situation would be consistent with the facts found by the district court in this case. Accordingly, unless it can be said that the transference of the 'analyses' to attorney Fisher bars the assertion of the Goldsmiths' fifth amendment privilege, I would remand to permit the lower court, with or without additional testimony at its discretion, to make additional findings of fact and conclusions of law.

> FN7. It is undisputed that the 'analyses' were prepared for the Goldsmiths from their own records and papers and pertained to their own business affairs. They obtained the 'analyses' from Berson for their own personal purposes and did not hold them in furtherance of any objective of Berson, or as agent of Berson.
>
> FN7a. See note 20 infra.

II.

Notwithstanding the transference of the 'analyses' to their attorney, the Goldsmiths retained constructive possession enabling them to assert their fifth amendment privilege.

The Supreme Court in Couch expressly rejected a per se rule that only actual possession would enable one to successfully assert the fifth amendment privilege. [FN8] The Court noted that 'situations may arise where constructive possession is so clear or the relinquishment of possession is so temporary and insignificant as to leave the personal compulsions upon the accused substantially intact.' 409 U.S. at 333.

FN8. 409 U.S. at 336 n. 20.

Neither in Couch nor in any other case called to our attention has the Supreme Court engaged in such an analysis in the context of an attorney-client relationship. [FN9] The lower federal courts which have considered the matter have reached varying results. [FN10] The government contends that the presence of such a relationship is irrelevant because appellants, at this stage, disavow any reliance on the attorney-client privilege. While this contention accurately reflects the position of appellants before us, [FN11] I am compelled to disagree with the government's conclusion. Where there was a temporary surrender of actual possession pursuant to an attorney-client relationship, the nature of that relationship is of crucial importance in determining what a citizen has relinquished by the transfer and what he has retained. [FN12]

FN9. While standing alone it would be a slender reed, indeed, the court did make a comment in Couch which can be read to indicate a material difference between the accountant-client and the attorney-client relationship:
'Technically the order to produce the records was directed to petitioner's attorney since, after the summons was served upon the accountant, he ignored it and surrendered the records to the attorney. But constitutional rights obviously cannot be enlarged by this kind of action. The rights and obligations of the parties became fixed when the summons was served, and the transfer did not alter them.' 409 U.S. at 322, 329 n. 9, 93 S.Ct. 611, 616, 34 L.Ed.2d 548 (1973).

FN10. Compare United States v. Judson, 322 F.2d 460 (9th Cir. 1963), Colton v. United States, 306 F.2d at 633 (2nd Cir. 1962) and Application of House, 144 F.Supp. 95 (N.D.Cal.1956) with United States v. White, 477 F.2d 757 (5th Cir. 1973) (dissenting opinion). In re Fahey, 300 F.2d 383 (6th Cir. 1961) and United States v. Boccuto, 175 F.Supp. 886 (D.N.J.) appeal dismissed, 274 F.2d 860 (3d Cir. 1959).

FN11. It is conceded by appellants that the lawyer-client privilege is inapplicable here. The authorities would seem to support the proposition that a document prepared by a tax accountant from bank records prior to the creation of an attorney-client relationship and given thereafter by the client to his attorney is not within the scope of the privilege. See, e.g., Bouschor v. United States, 316 F.2d 451 (8th Cir. 1963); Sale v. United States, 228 F.2d 682 (8th Cir. 1956); United States v. Kelly, 311 F.Supp. 1216 (E.D.Pa.1969).

FN12. Justice Marshall, dissenting in Couch, stated:
'A transfer to a lawyer is protected, not simply because there is a recognized attorney-client privilege, but also because the ordinary expectation is that the lawyer will not further publicize what he has been given.' 409 U.S. at 350.

In Couch the taxpayer had surrendered actual possession to her accountant *698 in the regular course of a long term business relationship. The account-

ant was an independent contractor engaged to perform a service; the service was the preparation of tax returns. The purpose of the surrender involved public disclosure. Justice Powell's opinion stresses this fact and its consequences:

'In Boyd, a pre-income tax case, the Court spoke of protection of privacy, 116 U.S. at 630, 6 S.Ct. (524), at 532, but there can be little expectation of privacy where records are handed to an accountant, knowing that mandatory disclosure of much of the information therein is required in an income tax return. What information is not disclosed is largely in the accountant's discretion, not petitioner's. Indeed, the accountant himself risks criminal prosecution if he knowingly assists in the preparation of a false return. 26 U.S.C. § 7602(2). His own need for self-protection would often require the right to disclose the information given him.'

In the case before us, the Goldsmiths surrendered the analyses to their attorney for the limited purpose of securing legal advice not with respect to the preparation of a tax return but rather with respect to a pending tax investigation. [FN13] The Goldsmiths' expectation was of cloistered scrutiny and consultation, not of public disclosure. They had the unqualified right to immediate possession; [FN14] they had the unqualified right to command and Fisher had the unqualified duty to obey. [FN15] No disclosure or other disposition of the papers could properly be made by Fisher without the Goldsmiths' approval. [FN16] In short, the Goldsmiths did nothing more than temporarily relinquish physical possession.

> FN13. Although the Goldsmiths have alleged on this appeal that they transferred the 'analyses' for the limited purpose of securing legal advice with respect to the pending tax investigation (government does not dispute), the record is less specific. Although this presents no problem for me, at the very most a remand for such a finding would be necessary.
>
> FN14. The only qualification of this right of a client would appear to be an attorney's lien. No suggestion is made that this exception is applicable here.
>
> FN15. One could predict with some confidence that these realities of control would not be ignored in a case where a subpoena had been served on a taxpayer and he resisted production on the ground that he had given the records sought to his attorney. Cf. First National City Bank of N.Y. v. I.R.S., 271 F.2d 616 (2nd Cir. 1959); Hopson v. United States, 79 F.2d 302 (2nd Cir. 1935); United States v. Howard, 360 F.2d 373, 381 (3d Cir. 1966).
>
> FN16. As Judge Ainsworth noted in his dissenting opinion in United States v. White, 477 F.2d 757, 766 n. 6 (5th Cir. 1973):
> 'The new ABA Code of Professional Responsibility in its Ethical Consideration 4-4 notes: 'The attorney-client privilege is more limited than the ethical obligation of a lawyer to guard the confidences and secrets of his client. This ethical precept, unlike the evidentiary privilege, exists without regard to the nature or source of information or the fact that others share the knowledge."

The government conceded in oral argument that the Goldsmiths would have retained the right to assert the privilege if they had stayed in Fisher's office while he examined the papers in their presence or if they had insisted on his reviewing the papers in their home. I believe such distinctions ignore the realities of the relationship between a client and his attorney and are wholly unrelated to the purposes of the fifth amendment privilege.

I think this is demonstrated by the logic of Judge Jertberg, writing for the majority in United States v. Judson, 322 F.2d 460 (9th Cir. 1963):

'Clearly, if the taxpayer in this case . . . had been subpoenaed and directed to produce the documents in question, he could have properly refused. The government concedes this. But instead of closeting himself with his myriad tax data drawn up around him, the taxpayer retained *699 counsel. Quite predictably, in the course of the ensuing attorney-client relationship the pertinent records were turned over to the attorney. The government would have us hold that the taxpayer walked into his attorney's office unquestionably shielded with the Amendment's protection, and walked out with something less. 'The government states that the evil which the Fifth Amendment sought to prevent is not present when the prosecution seeks evidence of A's guilt from B. But this argument ignores the realities of the relationship existing where B is A's attorney. An attorney is his client's advocate. His function is to raise all the just and meritorious defenses his client has. No other 'third party,' nor 'agent,' nor 'representative' stands in such a unique relationship between the accused and the judicial process as does his attorney. He is the only person besides the client himself who is permitted to prepare and conduct the defense of the matter under investigation. The attorney and his client are so identical with respect to the function of the evidence and to the proceedings which call for its production that any distinction is mere sophistry. 'The very nature of the tax laws requires taxpayers to rely upon attorneys, and requires attorneys to rely, in turn, upon documentary indicia of their clients' financial affairs. In light of these realities a very real danger would be created if we were to sustain the government's position. That danger was apparent to Judge Murphy in Application of House, supra, when he spoke of 'heavy penalties.'

'The government has at its disposal inquisitorial powers and administrative procedures which it may invoke at its pleasure. If the government's position were sustained here, those powers could be utilized to stimulate a taxpayer's consultation with his attorney and the predictable transfer of his records. The government's powers could then be utilized to compel disclosure of those matters by the attorney whenever the taxpayer were not available to utter the magic words. In our judgment, the inherent power thus to compel indirectly an individual's self-incrimination is curbed by the Fifth Amendment as effectively as the power to compel the same result directly. [FN16a]

> FN16a. United States v. Judson, 322 F.2d 460, 466-468 (9th Cir. 1963). As Judge Jertberg also pointed out, the law has traditionally considered the client and his attorney as one in matters relating to the compulsory production of documents. As Professor Wigmore records:
> '. . . (W)hen the client himself would be privileged from protection of the document, * * * as exempt from self-incrimination, the attorney having possession of the document is not bound to produce. Such has invariably been the ruling. On the other hand, if the client would be compellable to produce * * * then the attorney is equally compellable, if the document is in his custody, to produce under the appropriate procedure,' 8 Wigmore, Evidence § 2307 (McNaughton Rev. 1961).
> See also Colton v. United States, 306 F.2d 633, 639 (2nd Cir. 1962) and Brody v. United States, 243 F.2d 378, 387 (1st Cir. 1957).

In my view, it is difficult to imagine a more compelling case of constructive possession where the personal compulsions upon the accused are left substantially intact.

III.

I am thus left with a perplexing question which continues to linger in my mind after reading the majority opinion: what is the rationale on which the majority bases its decision? As far as I can discern, the majority opinion neither concludes that the Goldsmiths were without rightful possession in a purely personal capacity nor concludes that the

Goldsmiths were stripped of personal compulsions by the transference of the 'analyses' to their attorney. While *700 these are essentially the propositions which the majority initially suggests the appellants must sustain, the majority appears never to reach them.

As I read the majority, whether there was rightful possession in a purely personal capacity or whether the personal compulsions on the Goldsmiths were left intact notwithstanding the transference of the 'analyses' are questions which need not be reached, if the documents possessed by the Goldsmiths did not 'have the capacity of coming within the penumbra of the Boyd ('private book and papers') rule.' [FN17] The majority states:

FN17. Majority opinion at 691.

'Thus, if the taxpayers are to success in their effort, they must prove that their brief experience of actual possession for a limited purpose coupled with turning their accountant's records over to their attorney has the legal capacity to generate a subsequent right of constructive possession of sufficient intensity to elevate those records into the required category of their 'private books and papers.' We are unwilling to attribute a Fifth Amendment protection to the accountant's work product based on such a limited possession by his client.' [FN18]

FN18. Majority opinion at 692.

If this is a statement of the holding in this case, I find it unhelpful and fear that it will create uncertainty for lower courts seeking to interpret it.

Does the majority hold that 'personal compulsion,' which they recognize is forbidden by the fifth amendment, is dissipated when actual possession is only 'limited' or 'brief'? Does the majority hold that what is significant for fifth amendment analysis is the Goldsmiths' intent, i.e., tbe 'limited purpose' for which they obtained the 'analyses'? Does the majority hold that because the 'analyses' were not protected by the privilege while in the possession of the accountant, the Goldsmiths' fifth amendment privilege was forever lost because they could no longer have reasonable expectations of privacy in the 'analyses'? These questions have immense ramifications for purposes of fifth amendment analysis.

Lastly, as a constitutional standard, I find the following statement by the majority vague and obscure, as well as at variance with Couch:

'possession of sufficient intensity to elevate those records into the required category of their 'private books and papers."

The majority initially recognizes that the privilege may apply where 'books and papers' are 'possessed' rightfully in a purely personal capacity. [FN19] White, Couch and Cohen, supra, support this view. Yet the majority appears unwilling to apply this rule, but rather reverts to the Boyd standard. Not only do I disagree with this approach, but I find it subject to various interpretations.

FN19. Majority opinion at 689-691.

If by stating that possession must be of 'sufficient intensity' to elevate the 'analyses' to the level of 'private books and papers,' the majority is requiring ownership of the 'analyses,' [FN20] I believe Couch has now clearly decreed otherwise.

> FN20. I note particularly that the majority reaffirms United States v. Egenberg, 443 F.2d 512 (3d Cir. 1971), in a manner which may be read to suggest that Egenberg's 'superior right' theory has survived Couch intact. If this is what the majority implies, I disagree. In my view Couch does not undercut the result in Egenberg but only because Egenberg involved possession in an agency ratber than personal capacity.

If by 'private' the majority is referring to the origin of the papers at issue, I believe its reliance on Boyd is misplaced. In Boyd the privilege was sustained with respect to business invoices prepared and pre-

viously published by a party other than the citizen asserting the privilege. [FN21]

> FN21. As the Supreme Court noted in Wilson v. United States, 221 U.S. 221, 378, 31 S.Ct. 538, 543, 55 L.Ed. 771 (1911), 'where one's private documents would tend to incriminate him, the privilege exists although they were actually written by another person.' See note 1 supra (excerpt from Justice Douglas' dissent in Couch).

*701 If by 'private,' the majority is referring to 'books and papers' in which a person has reasonable expectations of privacy, I again disagree. It is true Couch spoke of reasonable expectations of privacy, but it did so in a fourth amendment context solely with reference to whether the expectations of privacy accompanying the taxpayers' transference of records to his accountant were such that the taxpayer retained constructive possession. Couch did not suggest that expectations of privacy were relevant to the issue of whether 'books and papers' are possessed rightfully in a purely personal capacity. Moreover, Couch's approval of Cohen supports this view. Lastly, it is for less evident to me, than the majority suggests without further elaborating, that there has been a "shift in emphasis from property to privacy' in the (Supreme) Court's treatment of the Fifth Amendment in compelled production of documents.' [FN22] If anything, Couch represents, in my view, a shift from ownership to possession. In any event, in the absence of a fourth amendment claim, it simply is not readily apparent to me how prior Supreme Court cases justify this engrafting of privacy principles onto the fifth amendment privilege which is a protection against personal compulsion. [FN23]

> FN22. Majority opinion at 690.

> FN23. A careful reading of Couch reveals the distinction the Supreme Court maintained between the fourth and fifth amendment protections:
>
> 'We hold today that no (1) Fourth of (2) Fifth Amendment claim can prevail where, as in this case, there exists (1) no legitimate expectation of privacy and (2) no semblance of governmental compulsion against the person of the accused.' 409 U.S. 336.

I therefore respectfully dissent and conclude with this observation from Couch:

'The basic complaint of petitioner stems from the fact of divulgence of the possibly incriminating information, not from the manner in which or the person from whom it was extracted. Yet such divulgence, where it did not coerce the accused herself, is a necessary part of the process of law enforcement and tax investigation.' [FN24]

> FN24. 409 U.S. at 329.

The Supreme Court has recognized the need to obtain information in connection with tax investigations, but within limits. Once the government attempts to extract this information from the accused, the fifth amendment protections are violated. As the majority aptly warns, 'we must never wander from the principle that what the Fifth Amendment prohibits is compelled incrimination.' And in my view, this compulsion remains substantially intact even though Goldsmiths transferred the 'analyses' to their attorney for purposes of legal representation.

I would therefore vacate and remand for a determination whether the Goldsmiths had rightful possession.

500 F.2d 683, 34 A.F.T.R.2d 74-5262, 74-2 USTC P 9512

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United States Court of Appeals,
Third Circuit.
UNITED STATES of America and Robert G. Hackett, Special Agent of the Internal Revenue Service, Appellants/Cross-Appellees,
v.
ROCKWELL INTERNATIONAL, Appellee/Cross Appellant.
Appeal of UNITED STATES of America and Robert G. Hackett, in No. 88-3852.
Appeal of ROCKWELL INTERNATIONAL, in 89-3009.
Nos. 88-3852, 89-3009.

Argued July 10, 1989.
Decided March 12, 1990.

The Government's petition to enforce an Internal Revenue summons served on corporate taxpayer was granted in part and denied in part by the United States District Court for the Western District of Pennsylvania, Glenn E. Mencer, J., and cross appeals were taken. The Court of Appeals, Becker, Circuit Judge, held that: (1) the court bad jurisdiction to entertain the Government's appeal; (2) the District Court was required to determine whether taxpayer's free reserve file was relevant not merely to the closing of taxpayer's plant, but to taxpayer's tax return as a whole for that year; and (3) the District Court was required to make specific factual findings as to the nature of the material in taxpayer's free reserve file to determine whether it constituted legal advice for purposes of the attorney-client privilege.

Vacated and remanded.

West Headnotes

[1] Internal Revenue ⚿4517
220k4517 Most Cited Cases
Court of Appeals had appellate jurisdiction to consider appeal from order requiring that corporate taxpayer's "free reserve file" be reviewed by independent accounting firm to determine its relevance to IRS' joint civil/criminal investigation of closing of taxpayer's plant, even though independent accounting firm had yet to be selected, and IRS could return to district court for relief or further action after selected firm's review of file; district court's order was court's last word on that subject, leaving nothing further for court to do. 28 U.S.C.A. § 1291.

[2] Internal Revenue ⚿4494
220k4494 Most Cited Cases
Court erred in determining that purpose of IRS' investigation of corporate taxpayer was limited to investigating closing of taxpayer's plant, in regard to which taxpayer understated its income by some 13 million dollars, and not taxpayer's entire tax return for year in which plant was closed, even though IRS special agent stated repeatedly that joint investigation was concerned with plant closing only; IRS represented that its institutional purpose was investigation into correctness of entire return for that year.

[3] Internal Revenue ⚿4508
220k4508 Most Cited Cases
Court erred in conditioning enforcement of Internal Revenue summons against taxpayer on review of taxpayer's "free reserve file" by independent accounting firm to determine its relevance to IRS' joint civil/criminal investigation of closing of taxpayer's plant in regard to which taxpayer understated its income; court itself was required to determine relevancy of those documents. 26 U.S.C.A. § 7602.

[4] Privileged Communications and Confidentiality ⚿102
311Hk102 Most Cited Cases
(Formerly 410k205, 410k200)
Most vital to attorney-client privilege is that communication be made in confidence for purpose of obtaining legal advice from lawyer.

[5] Internal Revenue ⚿4514
220k4514 Most Cited Cases

[5] Privileged Communications and Confidentiality ⚿137
311Hk137 Most Cited Cases
(Formerly 410k204(2))

[5] Privileged Communications and Confidentiality ⚿176
311Hk176 Most Cited Cases
(Formerly 410k223)
District court was required to make specific factual findings as to nature of material in corporate taxpayer's free reserve file which contained, inter alia, counsel's mental impressions as to settlement positions and litigation strategy, to determine whether that file constituted legal advice for purposes of attorney-client privilege; court was also required to determine who had control of file and who was involved in its preparation, as attorney-client privilege applies only to communications between attorney and client.

[6] Privileged Communications and Confidentiality ⚿156
311Hk156 Most Cited Cases
(Formerly 410k205)
Attorney-client privilege does not apply to communications that are intended to be disclosed to third parties or that in fact are so disclosed.

[7] Privileged Communications and Confidentiality ⚿169
311Hk169 Most Cited Cases
(Formerly 410k204(2))
Claims of attorney-client privilege must be asserted document by document, rather than as single, blanket assertion.

[8] Internal Revenue ⚿4502
220k4502 Most Cited Cases
Work product doctrine may be asserted to defend against IRS summons. 26 U.S.C.A. § 7602; Fed.Rules Civ.Proc.Rule 26(b)(3), 28 U.S.C.A.

***1256** James I.K. Knapp, Acting Asst. Atty. Gen., Charles E. Brookhart (argued), Gary R. Allen, and Janet A. Bradley, Tax Div., Dept. of Justice, Washington, D.C., for appellants/cross appellees.

Joseph A. Katarincic (argued), Katarincic, Salmon & Steele, Pittsburgh, Pa., for appellee/cross appellant.

Before HIGGINBOTHAM, BECKER and NYGAARD, Circuit Judges.

OPINION OF THE COURT

BECKER, Circuit Judge.

This opinion addresses cross appeals by the United States and Internal Revenue Service Special Agent Robert Hackett, and by Rockwell International Corporation, from an order of the district court granting in part and denying in part the government's petition to enforce an Internal Revenue Summons served on Rockwell. The order placed conditions upon the enforcement of a summons for certain tax accrual papers known as a "free reserve file," which serves as a basis for calculating contingent future tax liability. Specifically, the court ordered that the file be reviewed ***1257** by an independent accounting firm (to be chosen by the IRS and paid by Rockwell) to determine its relevance to the IRS's joint civil/criminal investigation of the closing of Rockwell's Chattanooga, Tennessee plant. It is undisputed that Rockwell had understated by some 13 million dollars its income in connection with the plant closing.

At the outset, we must determine whether we have appellate jurisdiction. Arguably, the appeal is premature because the independent accounting firm has yet to be selected, and the IRS may return to the district court for relief or further action after the selected firm's review of the file, which action might itself moot the issue. However, because it is clear that the district court's order was the court's last word on the subject, leaving nothing further for the *court* to do, we conclude that the order was final, and therefore appealable under 28 U.S.C. § 1291.

Turning to the merits, we face several important questions. First, we address whether the district court erred in conditioning the enforcement of the summons on review by an independent accounting firm. We hold that the court itself must determine the relevancy of the documents. Second, we address the IRS's contention that the district court erred in determining that the purpose of the IRS's investigation was limited to investigating the Chattanooga plant closing, and not Rockwell's entire 1983 tax return. Special Agent Hackett, whose testimony was apparently credited by the district court, stated repeatedly that the joint investigation was concerned with Chattanooga only. The IRS, on the other hand, asserts that it was looking (as it clearly had the power to look) at Rockwell's entire 1983 tax return.

Although we would hesitate to conclude that the district court's finding as to the scope of the investigation was clearly erroneous as a matter of fact, we find legal error in the method employed by the district court in reaching its conclusion. More specifically, the district court erred by ignoring the overarching institutional purpose of the IRS, and by making its decision solely on the basis of a single agent's statements. Under *United States v. LaSalle Nat'l Bank*, 437 U.S. 298, 98 S.Ct. 2357, 57 L.Ed.2d 221 (1978), the government's good (or bad) faith in pursuit of its investigation must be measured against the institutional purpose, which the IRS represents to be an investigation into the correctness of the entire 1983 return. Consequently, we will remand for the district court to determine whether the free reserve file is relevant not merely to the Chattanooga plant closing, but to the 1983 Rockwell tax return as a whole.

If the district court concludes that none of the material in the free-reserve file pertains to the 1983 tax return, that determination would appear to end the matter. However, if some of the material in the file is found to be relevant, the district court will have to address Rockwell's contention that the free reserve file was protected from disclosure by the attorney-client privilege or the work product doctrine.

We cannot review the attorney-client privilege question, however, because the district court failed to make the requisite factfindings. The court made no findings, for example, as to the source of preparation of the file documents (i.e., by accountants or lawyers), as to the precise purpose of the file, or as to who controlled it. The IRS forcefully argues that, even assuming that a privilege exists, it was waived by Rockwell's disclosure of the free-reserve file to its outside auditors. The court, however, did not make findings as to the circumstances and purpose of the disclosure and as to whether Rockwell disclosed more than necessary in order to comply with SEC strictures. Therefore, we must direct the district court on remand to make sufficient findings on these (and other) relevant points before deciding the waiver of attorney-client privilege issue. Similarly, the district court made no findings relating to the work product question. Although it appears that the file was not prepared in anticipation of any specific litigation--and that the work product doctrine may therefore be inapplicable--such a conclusion must be supported by district court findings on the circumstances of preparation and purpose of the documents.

***1258** Although we affirm in part, for the reasons stated the order of the district court must be vacated and the case remanded for further proceedings consistent with this opinion.

I. FACTS AND PROCEDURAL HISTORY

In the course of conducting its routine annual audit of Rockwell, the Internal Revenue Service stumbled across a memorandum, authored by Rockwell tax accountant Joseph Vitullo, which suggested that Rockwell had understated income on its 1983 tax return by approximately 13 million dollars by incorrectly reporting income derived from the closing of Rockwell's plant in Chattanooga, Tennessee. The memorandum also noted that documentation of the mistake could be found in Rockwell's "free reserve file." [FN1]

FN1. The free reserve file actually consists of three files with a combined thickness of about twelve inches. App. at 191. The papers contained therein represent Rockwell's analysis of the "soft spots" in its return. In preparing its tax return, Rockwell, like all corporations, often is faced with situations in which the application of the tax code is unclear. Tax counsel resolves the issue in one manner, but records the possibility and consequences of an adverse ruling by the IRS on that issue in the free reserve file. In this way, the corporation is able to document any contingent liability that may befall it as a result of an adverse tax ruling. Also included in the file are tax counsel's analyses as to the likelihood of any adverse rulings, as well as various negotiation and settlement positions.

Upon discovering the memorandum, the IRS launched a joint civil/criminal investigation to determine whether Rockwell or its employees had criminally violated any tax laws with respect to the aforementioned Chattanooga plant closing. [FN2] The joint investigation was supervised by Special Agent Hackett of the IRS's criminal division (who was responsible for the criminal aspects of the investigation) and Revenue Agent Gerald Masters of the civil division (who was responsible for the civil aspects). The criminal investigation was concerned, *inter alia,* with a possible cover-up of the deficiency.

FN2. There is some disagreement as to what occurred with respect to the ongoing civil audit at this time. The IRS claims that the civil audit was suspended pursuant to routine IRS procedures. Rockwell asserts that no such suspension occurred, pointing to the statements of IRS Special Agent Hackett as proof. *See* App. at 121-22, 174-75.

On November 6, 1987, Agent Hackett, under the authority of 26 U.S.C. § 7602, issued a summons pertaining to the "fiscal year ending 9/30/83," App. at 9, which demanded, *inter alia,* that Rockwell produce

> [t]he account or folder containing the summary of deferred tax items in which potential tax liabilities are set aside for possible subsequent adjustments for the fiscal periods ended 9/30/82, 9/30/83, 9/30/84, and 9/30/85.

Id. at 10. This description refers to Rockwell's free reserve file.

Maintenance of the free reserve file allows Rockwell to calculate its contingent future tax liability by analyzing "those areas in which the taxpayer has taken a position that may, upon challenge, negotiation, or litigation, require the payment of more taxes." *United States v. El Paso Co.*, 682 F.2d 530, 534 (5th Cir.1982), *cert. denied,* 466 U.S. 944, 104 S.Ct. 1927, 80 L.Ed.2d 473 (1984), *see also United States v. Arthur Young & Co.*, 465 U.S. 805, 813, 104 S.Ct. 1495, 79 L.Ed.2d 826 (1984); *supra* note 1. These calculations are required both by generally accepted accounting principles and by Securities and Exchange Commission regulations. App. at 80, 82-83.

In many cases, such files are prepared by accountants (both in-house and otherwise). Preparation thus does not always require consultation with an attorney. *See El Paso,* 682 F.2d at 534-35. In Rockwell's case, however, Charles C. Stoops, Jr., an attorney who serves as Rockwell's General Tax Counsel, testified that he maintains the file himself, with the assistance of attorneys and accountants acting under his direct supervision. The file is kept in Stoops's office and it may not be inspected without his permission. App. at 67. Stoops testified that, in addition to the calculations*1259 mentioned above, the file contains his mental impressions as to settlement positions, litigation strategy, and interpretation of trends in the tax law. *Id.* at 35-36. Rockwell employed the independent accounting firm of Deloitte, Haskins and Sells to serve as its outside auditors. According to Stoops,

he has never surrendered the file to outside auditors, although he has discussed with them some of the contents of the file for purposes of estimating liability and exposure. *Id.* at 43-44.

Upon receipt of the summons, Stoops ordered approximately fifteen members of Rockwell's accounting and tax departments to conduct a review of the books and records pertaining to the Chattanooga plant closing. After completing the five-day investigation, Rockwell concluded that it had understated its taxable income by thirteen million dollars as a result of its tax treatment of the plant closing. [FN3] *Id.* at 25. Consequently, Rockwell reported the understatement to Agent Hackett and explained the reasons for the mistake.

> FN3. Stoops summarized the nature of the error as follows:
> Instead of reducing the $13.0 million book loss for accounting purposes by $7.0 million (the difference between the book and tax basis of the disposed assets), the tax accountant erroneously increased the loss for tax purposes by $6.0 million. Consequently, the federal income tax return reflected a $19.0 million reduction in taxable income instead of the appropriate decline of $6.0 million in taxable income. App. at 26.

On November 16, 1987, in response to the IRS summons, representatives of Rockwell appeared before Special Agent Hackett and surrendered to him all requested documents except the free reserve file. *Id.* at 5. Apparently concerned about the confidentiality of information within the file, Rockwell instead offered to allow Agent Hackett to review the file on Rockwell's premises, either by himself or with the assistance of a retired IRS agent or an independent accounting firm. Hackett refused the offer because it would have precluded Revenue Agent Masters from reviewing the file. Hackett testified as follows:

> There are two of us assigned to this investigation, and the information, as I understand it, is available by summons, and it is my feeling that both of us should see the information so that we can discuss it and properly analyze it.

Id. at 116.

Faced with Rockwell's refusal to produce the free reserve file on the IRS's terms, the government, on March 9, 1988, filed a petition in the district court for the Western District of Pennsylvania to enforce the summons. The petition was supported by Agent Hackett's affidavit, which stated that the IRS was investigating the possibility of criminal violations surrounding Rockwell's income taxes for the fiscal year ending September 30, 1983. *Id.* at 11. Rockwell defended on the grounds that the free reserve file contained nothing relevant to the Chattanooga plant closing, and that, even if it did, the documents would be protected by the work product doctrine and the attorney-client privilege.

After a hearing on the petition to enforce the summons, the district court, in a memorandum dated October 21, 1988, summarily rejected Rockwell's privilege arguments, and entered an order instructing Rockwell to pay an independent auditor (chosen by the IRS), to determine which, if any, documents in the free reserve file are relevant to the plant closing, and hence accessible by the government. The lion's share of the district court's holdings can be found in three short paragraphs. They read as follows:

> The Fifth Circuit has ruled on the vulnerability of a tax contingency file to an IRS summons. In *United States v. El Paso*, 682 F.2d 530 (5th Cir.1982), the court entertained a motion to enforce a summons for the tax pool analysis and supporting memoranda (the equivalent of the free reserve file). The court held that the information in the file was relevant, *Id.* at 537, and that the file was not shielded by the attorney-client privilege, *Id.* at 539-41, or the work-product privilege, *Id.* at 542-44.
>
> ***1260** In light of the Fifth Circuit's finding in *El Paso*, we find that the IRS is entitled to access to relevant portions of the free reserve file. In *El*

Paso, the IRS was conducting an investigation into El Paso Co.'s tax returns for 1976-1978. Consequently, the court ordered El Paso Co. to surrender the tax pool files for those years. In this case, the IRS is conducting an investigation into the closing of the Chattanooga plant, not Rockwell's entire tax returns for the relevant period of time. Therefore, it seems to this court that the IRS is entitled to access to the portions of the free reserve file relating to the closing of the Chattanooga plant.

Rockwell has offered to pay the expenses for an independent auditor to examine the free reserve files and separate any materials relating to the closing of the Chattanooga plant. This solution seems fair to this court, so we will order the IRS to select an independent accounting firm and Rockwell to pay the firm's fee.

Id. at 205-06. It is this order from which the government and Agent Hackett appeal, and Rockwell cross-appeals.

II. APPELLATE JURISDICTION

[1] As a threshold matter, we must address Rockwell's contention that this court lacks jurisdiction to entertain the government's appeal because the district court's order is not final for the purpose of 28 U.S.C. § 1291, which confers on the courts of appeals jurisdiction over "all final decisions of the district courts of the United States."

Rockwell asserts that the government's appeal is premature because the independent accounting firm could decide that the entire free reserve file is relevant, thereby insulating the government from any harm and mooting the issue. Further, Rockwell points to other "foreseeable possibilities" that, it argues, would necessitate the district court's continuing intervention.

With respect to Rockwell's first point, we think it clear that the harm to the government arises not from eventually being deprived of certain documents, but in being required to submit to the third-party relevancy determination in the first place. As we explain below, the government is entitled to have the *court* determine relevance. Whatever the independent accounting firm might decide, the government has been harmed by the district court's improper decision to delegate its judicial authority. On appeal, the government is asserting its right to have the district court determine relevancy. It need not await the outcome of the independent accounting firm's determinations before asserting that right.

Rockwell's second contention is that the order is not final because if the IRS is not satisfied with the accounting firm's results, the IRS can return to the district court for further proceedings. This argument is unpersuasive. An examination of the record reveals that the district court's order was intended to be its last words on the matter. The court's order does not contemplate further proceedings; rather, it states unequivocally that Rockwell "shall surrender to the Internal Revenue Service all materials determined by the accounting firm to relate to the closing of the Chattanooga plant." App. at 207. It is clear that the district court's decision was "a final judgment on the merits of the only matter before the court--the petition to enforce the summons--and there was nothing left *for the court* to do but execute the judgment." *United States v. Allee,* 888 F.2d 208, 212 (1st Cir.1989) (per curiam) (emphasis in original); *see also Reisman v. Caplin,* 375 U.S. 440, 449, 84 S.Ct. 508, 513, 11 L.Ed.2d 459 (1964) (orders of a district court judge enforcing a section 7602 summons are appealable). For a more narrow reading of *Reisman,* see *Steinert v. United States,* 571 F.2d 1105, 1107 (9th Cir.1978). We therefore find the appeal of the district court's order to be properly before us.

III. PROPRIETY OF THE DISTRICT COURT'S ENFORCEMENT OF THE SUMMONS

Turning to the merits of the district court's decision, we are faced with three questions: (1) whether the district court ***1261** properly conditioned enforcement of the summons upon a determination of its relevance to the Chattanooga plant closing, (2) whether the district court properly delegated that determination to a private accounting firm, and (3)

whether the district court erred in rejecting Rockwell's invocation of the work product doctrine and the attorney-client privilege. Although analysis of these issues necessarily involves some overlap, we shall attempt to discuss them discretely.

A. *Correctness of the District Court's Relevance Determination*

[2] The general question of whether IRS summonses may be enforced conditionally has been debated in the courts of appeals, with divergent results. *Compare* United States v. Author Servs., 804 F.2d 1520 (9th Cir.1986), *modified,* 811 F.2d 1264 (1987) *with* United States v. Barrett, 837 F.2d 1341 (5th Cir.1988), (en banc) (per curiam), *cert. denied,* 492 U.S. 926, 109 S.Ct. 3264, 106 L.Ed.2d 609 (1989). The Supreme Court recently faced the issue in United States v. Zolin, 491 U.S. 554, 109 S.Ct. 2619, 105 L.Ed.2d 469 (1989), but was evenly divided over a Ninth Circuit ruling that such summonses could be enforced conditionally to protect against abuse of a court's process. *See id.* at 2625; Zolin, 809 F.2d 1411, 1417 (9th Cir.1987).

The decisions in *Author Services, Barrett,* and *Zolin* address conditional enforcement in the context of limitations placed on the government's freedom to disclose information after it has been gathered, rather than limitations on its ability to gather information in the first place. For our purposes, this is a distinction without a difference. Our concern, as stated in United States v. Powell, 379 U.S. 48, 58, 85 S.Ct. 248, 255, 13 L.Ed.2d 112 (1964), is simply that the court not "permit its process to be abused." In cases where the government's action would be an abuse of process, in whatever context, the court's restrictions are not legal error; rather, they are "a wise exercise of control." Author Servs., 804 F.2d at 1526. Therefore, although the decision in *Zolin* is not binding, we nevertheless think its end result (in affirming the Ninth Circuit's decision) is sound, and we find that IRS summonses may be enforced conditionally. However, this ruling does not preclude our finding that the district court erred in conditionally enforcing the summons *sub judice.*

When the IRS summoned Rockwell, it did so pursuant to 26 U.S.C. § 7602, which provides, in relevant part, as follows:

> (a) Authority to summon, etc.--For the purpose of ascertaining the correctness of any return, making a return where none has been made, determining the liability of any person for any internal revenue tax or the liability at law or in equity of any transferee or fiduciary of any person in respect of any internal revenue tax, or collecting any such liability, the Secretary is authorized--
>
> (1) To examine any books, papers, records, or other data which may be relevant or material to such inquiry;
>
> (2) To summon the person liable for tax or required to perform the act, or any officer or employee of such person, or any person having possession, custody, or care of books of account containing entries relating to the business of the person liable for tax or required to perform the act, or any other person the Secretary may deem proper, to appear before the Secretary at a time and place named in the summons and to produce such books, papers, records, or other data, and to give such testimony, under oath, as may be relevant or material to such inquiry; and
>
> (3) To take such testimony of the person concerned, under oath, as may be relevant or material to such inquiry.

The jurisdiction to entertain actions to enforce such summonses is granted to the district courts by 26 U.S.C. § 7402(h). Summons enforcement proceedings are designed to be summary in nature, and their "sole purpose ... is to ensure that the IRS has issued the summons for a proper purpose and in good faith." Barrett, 837 F.2d at 1349.

*1262 The proper focus of such proceedings was described in *Powell,* which sets forth a four-step prima facie showing that the government must make before a summons can be enforced. *Powell* requires the government to

> show that the investigation will be conducted

> pursuant to a legitimate purpose, that the inquiry may be relevant to the purpose, that the information sought is not already within the Commissioner's possession, and that the administrative steps required by the Code have been followed.

Powell, 379 U.S. at 57-58, 85 S.Ct. at 254-55. However, this showing does not automatically entitle the government to enforcement of the summons. The taxpayer retains the right to "challenge the summons on any appropriate ground." *Id.* at 58, 85 S.Ct. at 255 (quoting *Reisman v. Caplin*, 375 U.S. 440, 449, 84 S.Ct. 508, 513, 11 L.Ed.2d 459 (1964)). The teaching of subsequent decisions is that an "appropriate ground" for challenging the summons exists when the taxpayer disproves one of the four elements of the government's *Powell* showing, or otherwise demonstrates that enforcement of the summons will result in an abuse of the court's process. *See Barrett*, 837 F.2d at 1350; *United States v. El Paso Co.*, 682 F.2d 530, 536-37 (5th Cir.1982).

In the case at bar, the government satisfied its *Powell* burden by filing a petition to enforce the summons accompanied by the sworn affidavit of Special Agent Hackett. Rockwell defended against the summons by alleging bad faith investigation by the IRS and lack of relevancy, and by invoking the attorney-client privilege and the work product doctrine. Because Rockwell has not pursued the bad faith issue in its cross appeal, we turn to the question of relevance. [FN4]

> FN4. Although relevance seems to be the only prong of the government's *Powell* showing that Rockwell challenged *in terms*, the interrelationship among all of the *Powell* factors suggests that analysis of any one prong often involves overlap with another. For example, a discussion of relevance necessarily implicates the legitimate purpose requirement because it is that purpose to which the information must be relevant. Indeed, even a general discussion of bad faith will often involve some analysis of the legitimate purpose prong. *Cf. Barrett*, 837 F.2d at 1356-57 (Brown, J., concurring and dissenting) ("Much of the evidence pertinent to the existence of a legitimate purpose for the summons will also be relevant to the determination of whether the disclosure of return information is necessary to obtain information that is otherwise not reasonably available." (citation omitted)).

The district court ruled that "the IRS is entitled to access to the portions of the free reserve file relating to the closing of the Chattanooga plant." App. at 206. Rockwell asserts that this ruling was correct. The IRS argues that it should be entitled to review the entire free reserve file for the tax years involved, and that the district court improperly restricted its access. In support of its position, the government argues that the district court erred by ignoring the "institutional purpose" of the IRS and by relying on the statements of a single IRS agent to determine that the IRS was "conducting an investigation into the closing of the Chattanooga plant, not Rockwell's entire tax returns for the relevant period of time." The key to this issue is the IRS's "legitimate purpose." Apparently, the district court determined that the IRS's purpose (under the *Powell* analysis) is an investigation of the Chattanooga plant closing only. This determination was legally incorrect.

The cases decided since *Powell* have shown that the requirement of legitimate purpose means nothing more than that the government's summons must be issued in good faith pursuant to one of the powers granted under 26 U.S.C. § 7602. *See, e.g., United States v. Bisceglia*, 420 U.S. 141, 146-47, 95 S.Ct. 915, 919, 43 L.Ed.2d 88 (1975) ("Once a summons is challenged it must be scrutinized by a court to determine whether it seeks information relevant to a legitimate investigative purpose and is not meant 'to harass the taxpayer or to put pressure on him to settle a collateral dispute, or for any other purpose reflecting on the good faith of the particular invest-

igation.' " (citation omitted)); ***1263***United States v. Coopers & Lybrand*, 550 F.2d 615, 620 (10th Cir.1977) (quoting *Bisceglia*); *see also El Paso*, 682 F.2d at 546-47 (Garwood, J., dissenting) ("Accordingly, 'such inquiry' or 'such question' is properly understood as referring to the question of 'the correctness of any return' or 'the liability of any person for any internal revenue tax.' " (quoting 26 U.S.C. § 7602(a))). We find no case requiring the government to delineate a specific and narrow purpose, and then holding that the summons will be enforced only insofar as it is relevant to that purpose. Indeed, the cases discuss not what the actual purpose is, but whether the summons was issued in good faith pursuant to a legitimate investigation--that is, an investigation authorized by section 7602.

In our view, to force the delineation of a purpose narrowly tailored to a specific suspected wrongdoing, and then to require a tight relevancy fit between the information sought and the purpose, would approach the kind of "probable cause" requirement expressly rejected in *Powell*. Consequently, we find that the district court erred by ignoring the general and overarching institutional purpose of the IRS, *see United States v. LaSalle Nat'l Bank*, 437 U.S. 298, 98 S.Ct. 2357, 57 L.Ed.2d 221 (1978), and by determining relevancy as against the specific suspected wrongdoing asserted by a single IRS agent.

In this case, the statements of Agent Hackett regarding the Vitullo memorandum and the Chattanooga plant closing are properly understood not as evidence of a specific purpose, but as evidence of the government's good faith and "legitimacy" in pursuing its institutional purpose--the investigation of the correctness of returns. Because the government's purpose is the investigation of the correctness of the 1983 return, we will remand to the district court with instructions to determine the relevance of material in the free reserve file to this purpose. In making this determination, the district court should be guided by the body of case law which has defined the rather liberal standard of relevance in section 7602. Under this section, the government is entitled even to information that has only "*potential* relevance" to the investigation, *United States v. Arthur Young & Co.*, 465 U.S. 805, 814, 104 S.Ct. 1495, 1501, 79 L.Ed.2d 826 (1984) (emphasis in original), and the applicable standard is whether the information sought " 'might throw light upon the correctness of the return.' " *United States v. Egenberg*, 443 F.2d 512, 515 (3d Cir.1971) (quoting *United States v. Harrington*, 388 F.2d 520, 524 (2d Cir.1968)); *see also LaMura v. United States*, 765 F.2d 974, 981 (11th Cir.1985); *United States v. Southwestern Bank & Trust Co.*, 693 F.2d 994, 996 (10th Cir.1982).

B. *Delegation to Independent Auditors*

[3] The district court's power to entertain summons enforcement actions arises from 26 U.S.C. § 7402(b), which reads as follows:

> If any person is summoned under the internal revenue laws to appear, to testify, or to produce books, papers, or other data, the district court of the United States for the district in which such person resides or may be found shall have jurisdiction by appropriate process to compel such attendance, testimony, or production of books, papers, or other data.

It is clear that " 'an Internal Revenue Service summons can be enforced only by the courts.' " *Coopers & Lybrand*, 550 F.2d at 620 (quoting *Bisceglia*, 420 U.S. at 146, 95 S.Ct. 915, 43 L.Ed.2d 88). Nevertheless, courts often "farm out" decision-making. Complicated factual disputes are routinely submitted to court-appointed experts under Fed.R.Evid. 706, to special masters under Fed.R.Civ.P. 53, to magistrates under 28 U.S.C. § 636(b)(1)(B), and to court-annexed arbitrators under 28 U.S.C. §§ 651-58. However, in such cases the court retains the ultimate decision-making authority. By leaving the relevancy determination solely up to the independent auditor, the district court's actions amounted to complete delegation, hence violating the mandate that *courts* enforce IRS

summonses.

Even if the delegation were of a lesser order, there appears no ground to support ***1264** it. The task delegated to the independent auditors is surely outside the scope of Fed.R.Evid. 706, which allows experts to render an opinion on the facts of a case, but does not allow experts actually to decide the case. Alternatively, Rule 53 (pertaining to Masters) may be employed "only upon a showing that some exceptional circumstance requires it," Fed.R.Civ.P. 53(b), and the Master's report must be reviewed by the court, Fed.R.Civ.P. 53(e)(2). Nor to our knowledge would the independent auditors be certified as court-annexed arbitrators under 28 U.S.C. §§ 651-58. We note generally that "[e]ven in complex litigation, use of these procedures is the exception and not the rule." *Manual for Complex Litigation Second* § 21.5 (1985).

We conclude that the delegation of the determination of relevance to an independent outside auditor was unauthorized. *Cf. Gomez v. United States*, 490 U.S. 858, 109 S.Ct. 2237, 2247, 104 L.Ed.2d 923 (1989) (suggesting the Court's general reluctance to allow courts to delegate in the absence of specific statutory authority by holding that "[t]he absence of a specific reference to jury selection in the [Federal Magistrates Act], ... or indeed, in the legislative history, persuades us that Congress did not intend the additional duties clause [of the Act] to embrace th[e] function [of presiding at voir dire in a felony trial]."). Policy considerations support this view. Summons enforcement proceedings are designed to be summary in nature. *See Donaldson v. United States*, 400 U.S. 517, 529, 91 S.Ct. 534, 541, 27 L.Ed.2d 580 (1971). The determination of whether the summons was a valid exercise of IRS authority was not intended to be complex or involved. As explained *supra,* the role of the judiciary, in guarding against IRS abuse of the summons authority, is limited to a simple determination of general relevance, and the notion of relevance in this context is a loose one. Hence, the determination to be made by the district court is not a particularly rigorous task. In light of the intended summary nature of the proceedings, and the loose relevancy examination intended by Congress, we think delegation of this matter would be contrary to public policy.

C. *Attorney-Client Privilege and Work Product Doctrine*

[4] It is well-settled that the IRS's summons power is "not absolute and is limited by the traditional privileges, including the attorney-client privilege." *Upjohn Co. v. United States*, 449 U.S. 383, 398, 101 S.Ct. 677, 686, 66 L.Ed.2d 584 (1981). The burden of proving the defense falls upon the party resisting enforcement of the summons. *See Powell*, 379 U.S. at 58, 85 S.Ct. at 255; *El Paso*, 682 F.2d at 538. The privilege will apply as follows:

> (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; (6) are at his instance permanently protected; (7) from disclosure by himself or by the legal advisor; (8) except the protection be waived.

El Paso, 682 F.2d at 538 n. 9 (quoting 8 J. Wigmore, *Evidence* § 2292, at 554 (J. McNaughton rev. 1961)). However, most " 'vital to the privilege is that the communication be made *in confidence* for the purpose of obtaining *legal* advice *from the lawyer*.' " *Id.* at 538 (quoting *United States v. Kovel*, 296 F.2d 918, 922 (2d Cir.1961) (emphasis in original)).

[5] The district court did not make factual findings supporting its disposition of the attorney-client privilege issue. Rather, it stated only that, "in light of the Fifth Circuit's finding in *El Paso* [that similar information was not shielded by the attorney-client privilege], we find that the IRS is entitled to relevant portions of the free reserve file." The flaw in the district court's approach is that it did not find facts to support its ultimate legal determination.

The *sine qua non* of any claim of privilege is that the information sought to be shielded is legal advice. Upon remand, if the relevancy test is met,

the district court must first determine whether the information in the free reserve file is legal advice. The Fifth Circuit noted in *El Paso* that "the preparation of tax returns is generally not legal advice within the scope of the privilege." ***1265***El Paso*, 682 F.2d at 539 (collecting cases). However, the *El Paso* court expressly declined to rule on whether certain material collected in a free reserve file could constitute legal advice, stating: "[W]e would be reluctant to hold that a lawyer's analysis of the soft spots in a tax return and his judgments on the outcome of litigation on it are not legal advice." *Id.*

Faced with the testimony of Mr. Stoops that Rockwell's free reserve file contained exactly the kind of material referred to in the *El Paso* decision, we hold that the district court must make specific factual findings as to the nature of the material in the free reserve file in order to determine whether it constituted legal advice for purposes of the privilege. Additionally, the district court must determine who had control of the file, as well as who was involved in its preparation. It is clear that the attorney-client privilege applies only to communications between attorney and client; the Supreme Court has held that there is no accountant-client privilege. *See Arthur Young*, 465 U.S. at 817-20, 104 S.Ct. at 1502-03.

[6] Another consideration crucial to determining the applicability of the privilege is confidentiality. The attorney-client privilege does not apply to communications that are intended to be disclosed to third parties or that in fact are so disclosed. *See United States v. Bump*, 605 F.2d 548, 551 (10th Cir.1979). It has been held that the disclosure of any meaningful part of a purportedly privileged communication " 'waives the privilege as to the whole.' " *El Paso*, 682 F.2d at 538 (quoting *United States v. Davis*, 636 F.2d 1028, 1043 n. 18 (5th Cir.), *cert. denied*, 454 U.S. 862, 102 S.Ct. 320, 70 L.Ed.2d 162 (1981)). *But see United States v. Upjohn Co.*, 600 F.2d 1223, 1227 n. 12 (6th Cir.1979) ("[T]he corporation's voluntary disclosure to the SEC amounts to a waiver of the privilege only with respect to the facts actually disclosed."), *rev'd on other grounds*, 449 U.S. 383, 101 S.Ct. 677, 66 L.Ed.2d 584 (1981). As these cases indicate, there is some disagreement as to what effect disclosure to independent auditors (or the SEC) of information derived from a free reserve file will have in determining whether the attorney-client privilege has been waived. Indeed, there is factual disagreement in the case at bar as to what and how much of the free reserve file was revealed by Rockwell to its independent auditors and the SEC. If the district court reaches the issue upon remand, it will need to make specific factfindings in this area to facilitate our review of a difficult question. [FN5]

> FN5. Rockwell also contends that it is unfair to find a waiver of privilege where it was obliged to disclose the papers in order to comply with SEC requirements. Indeed, Rockwell argues forcefully that to do so would effectively emasculate the privilege for large corporations subject to SEC disclosure standards. In view of the state of the record, we need not consider this argument here.

[7] A final issue regarding the attorney-client privilege involves the manner in which it was asserted. Specifically, claims of attorney-client privilege must be asserted document by document, rather than as a single, blanket assertion. *See United States v. First State Bank*, 691 F.2d 332, 335 (7th Cir.1982); *El Paso*, 682 F.2d at 541. It is clear that Rockwell did not do this in the district court. However, it may well be that the hybrid nature of the district court proceedings precluded Rockwell from knowing when to assert the privilege. *See United States v. Davis*, 636 F.2d 1028, 1044 n. 20 (5th Cir.), *cert. denied*, 454 U.S. 862, 102 S.Ct. 320, 70 L.Ed.2d 162 (1981). Rockwell will have to raise the privilege on a document-by-document basis should the issue be reached upon remand.

[8] The work product doctrine also may be asserted to defend against an IRS summons. *See Upjohn*,

449 U.S. at 397, 101 S.Ct. at 686; *El Paso*, 682 F.2d at 542; *United States v. Amerada Hess Corp.*, 619 F.2d 980, 987 (3d Cir.1980). [FN6] The doctrine is designed to protect material prepared by an attorney acting for his client in anticipation of litigation. *See, e.g., In re Grand Jury Proceedings*, 604 F.2d 798, 801 (3d Cir.1979). Federal Rule of Civil Procedure 26(b)(3) makes clear, however, the necessity that the materials be prepared in anticipation ***1266** of litigation, and not " 'in the ordinary course of business, or pursuant to public requirements unrelated to litigation.' " *El Paso*, 682 F.2d at 542 (citation omitted).

> FN6. The Supreme Court recently discussed the issue in *Arthur Young*. Although work product was rejected as a defense to an IRS summons in that case, Rockwell's situation is distinguishable because the Court in *Arthur Young* based its decision on Arthur Young and Company's position as independent outside auditors for the Amerada Hess Corporation. The Court held that:
>
> The *Hickman* work-product doctrine was founded upon the private attorney's role as the client's confidential adviser and advocate, a loyal representative whose duty it is to present the client's case in the most favorable possible light. An independent certified public accountant performs a different role.... The independent public accountant ... owes ultimate allegiance to the corporation's creditors and stockholders, as well as to the investing public. This "public watchdog" function demands that the accountant maintain total independence from the client at all times and requires complete fidelity to the public trust. To insulate from disclosure a certified public accountant's interpretations of the client's financial statements would be to ignore the significance of the accountant's role as a disinterested analyst charged with public obligations.
>
> *Arthur Young*, 465 U.S. at 817-18, 104 S.Ct. at 1502-03.

The question whether a document was prepared in anticipation of litigation is often a difficult factual matter. *See id.; In re Grand Jury Investigation*, 599 F.2d 1224, 1229 (3d Cir.1979). The test, as set forth in *El Paso*, is as follows: " '[L]itigation need not be imminent ... as long as the primary motivating purpose behind the creation of the document was to aid in possible future litigation.' " *El Paso*, 682 F.2d at 542-43 (quoting *Davis*, 636 F.2d at 1040). The Third Circuit's analogous standard, formulated in the grand jury context rather than in response to an IRS summons, asks whether "in light of the nature of the document and the factual situation in the particular case, the document can fairly be said to have been prepared or obtained because of the prospect of litigation." *In re Grand Jury Proceedings*, 604 F.2d at 803. Rockwell argues that the free reserve file is maintained to "aid Rockwell in future negotiations and litigation with the IRS." The government, on the other hand, contends that the file is maintained so that Rockwell may comply with generally accepted accounting principles and SEC reporting requirements. It will be necessary upon remand for the district court to determine with specificity Rockwell's motivation in creating and maintaining the free reserve file.

The district court must consider the other elements of the work product doctrine as well. In this case, the most obvious question to arise is whether the documents in the free reserve file were created by attorneys. Rockwell's tax counsel, Charles Stoops, testified that he is solely responsible for the maintenance of the file, and that the documents are prepared by him and by accountants acting under his direct supervision. However, the district court made no factual findings in this regard, and it must do so upon remand.

IV.

In summary, we conclude that the district court erred in limiting the scope of the relevancy determination to the Chattanooga plant closing, as well as

in conditioning the enforcement of the summons on review by an independent accounting firm. Consequently, we will vacate the order of the district court and remand for further proceedings consistent with this opinion.

897 F.2d 1255, 58 USLW 2552, 65 A.F.T.R.2d 90-833, 90-1 USTC P 50,151

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United States Court of Appeals,
Third Circuit.
WESTINGHOUSE ELECTRIC CORPORATION; and Westinghouse International Projects Company, Petitioners,
v.
The REPUBLIC OF THE PHILIPPINES; and National Power Corporation, Respondents,
and
Honorable Dickinson R. Debevoise, United States District Judge, Nominal Respondent.
No. 90-5920.

Argued Jan. 25, 1991.
Decided Dec. 19, 1991.

Republic of the Philippines and its National Power Corporation brought suit against companies, alleging they had obtained large power plant contract by bribing former president's associate and charging that companies tortiously interfered with and conspired to tortiously interfere with fiduciary duties which president owed to people and corporation. The United States District Court for the District of New Jersey, Dickinson R. DeBevoise, J., ruled that disclosures by companies to the Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) during investigations of companies conducted by those agencies waived attorney-client privilege and work-product doctrine and rendered disclosed documents available to the Republic in discovery, but held that documents which the Republic had shared with the DOJ were protected by discovery by the work-product doctrine. Companies petitioned for mandamus. The Court of Appeals, Becker, Circuit Judge, held that: (1) petition to set aside order directing companies to disclose documents revealed to agencies was within scope of mandamus, but mandamus was not appropriate avenue to review order upholding work-product doctrine as applied to documents shared by Republic with the DOJ; (2) voluntary disclosures to agencies investigating companies waived attorney-client privilege and exposed documents to discovery by Republic, despite argument that companies reasonably expected SEC and DOJ would maintain confidentiality of information disclosed to them; and (3) companies' voluntary disclosures to the SEC and DOJ waived work-product doctrine as against all other adversaries.

Petition denied.

West Headnotes

[1] **Mandamus ⇐26**
250k26 Most Cited Cases
Mandamus writ must be "in aid of" court's jurisdiction, so for Court of Appeals to issue mandamus writ, case must be one that lies within some present or potential exercise of appellate jurisdiction. 28 U.S.C.A. § 1651(a).

[2] **Mandamus ⇐32**
250k32 Most Cited Cases
Case in which mandamus writ was sought with respect to discovery order satisfied prerequisite for mandamus jurisdiction that underlying case be one which might at some future time come within Court of Appeals' appellate jurisdiction, pursuant to authority of Court of Appeals to review final judgments. 28 U.S.C.A. § 1651(a).

[3] **Mandamus ⇐4(1)**
250k4(1) Most Cited Cases
Mandamus must not be used as mere substitute for appeal.

[4] **Mandamus ⇐4(4)**
250k4(4) Most Cited Cases
Prerequisite for mandamus writ, that mandamus not be used as substitute for appeal, was satisfied with respect to discovery order compelling defendant to produce documents it had disclosed to the Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) in a civil suit brought by the Republic of the Philippines and its national

power corporation; appeal after final judgment would be inadequate remedy to challenge order requiring production of information over defendant's claim of privilege.

[5] Federal Courts ⚿556
170Bk556 Most Cited Cases
Order compelling or denying discovery does not fall within orders which may be appealed. 28 U.S.C.A. § 1292(a).

[6] Mandamus ⚿32
250k32 Most Cited Cases
Defendants' mandamus petition to set aside district court order directing defendants to disclose documents that had been revealed to the Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) to plaintiffs in civil litigation based on claims that such documents were protected by attorney-client privilege and work-product doctrine were within scope of proper mandamus proceeding.

[7] Mandamus ⚿32
250k32 Most Cited Cases
Mandamus was not appropriate avenue to review district court order upholding work-product doctrine as protecting documents which plaintiff had shared with the Department of Justice (DOJ) from discovery by defendant in civil suit.

[8] Federal Courts ⚿769
170Bk769 Most Cited Cases

[8] Federal Courts ⚿895
170Bk895 Most Cited Cases
Unlike order compelling disclosure, which has irrevocable effect, order denying discovery may be reviewed on appeal from final judgment, and if erroneous, may be remedied by granting new trial.

[9] Mandamus ⚿1
250k1 Most Cited Cases

[9] Mandamus ⚿26
250k26 Most Cited Cases
Mandamus is appropriate only in extraordinary situations, and mandamus writ will be granted only where petitioner has shown that district court has committed clear error of law.

[10] Privileged Communications and Confidentiality ⚿112
311Hk112 Most Cited Cases
(Formerly 410k198(1))
Attorney-client privilege obstructs truth-finding process, so is construed narrowly.

[11] Privileged Communications and Confidentiality ⚿168
311Hk168 Most Cited Cases
(Formerly 410k219(3))
When client voluntarily discloses privileged communications to third party, privilege is waived.

[12] Privileged Communications and Confidentiality ⚿168
311Hk168 Most Cited Cases
(Formerly 410k219(3))
Companies waived attorney-client privilege by making voluntary disclosures to the Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) during investigations by those agencies, and exception to waiver would not be created to accommodate voluntary disclosure to government agencies.

[13] Privileged Communications and Confidentiality ⚿168
311Hk168 Most Cited Cases
(Formerly 410k219(3))
Unfairness to plaintiff did not need to be found to support finding waiver of attorney-client privilege by defendant companies through their voluntary disclosure of documents to the Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) during those agencies' investigation of companies and require disclosure to plaintiff of such documents.

[14] Privileged Communications and Confidentiality ⚿168

311Hk168 Most Cited Cases
(Formerly 410k219(3))
When party discloses portion of materials otherwise privileged by attorney-client privilege, while withholding remainder of materials, privilege is waived only as to those communications actually disclosed, unless partial waiver would be unfair to party's adversary; if partial waiver does disadvantage disclosing party's adversary, privilege will be waived as to all communications on the same subject.

[15] Privileged Communications and Confidentiality ⚿168
311Hk168 Most Cited Cases
(Formerly 410k219(3))
Stipulated court order memorializing confidentiality between companies and the Department of Justice (DOJ) with respect to disclosures voluntarily made by companies during DOJ investigation would not preserve attorney-client privilege with respect to information disclosed on theory expectations of confidentiality were thereby engendered in companies so privilege was not waived through disclosures.

[16] Privileged Communications and Confidentiality ⚿168
311Hk168 Most Cited Cases
(Formerly 410k219(3))
Under traditional waiver doctrine, voluntary disclosure to third party waives attorney-client privilege even if third party agrees not to disclose communications to anyone else.

[17] Privileged Communications and Confidentiality ⚿168
311Hk168 Most Cited Cases
(Formerly 410k219(3))
Securities and Exchange Commission (SEC) regulations concerning confidentiality would not support finding that companies' voluntary disclosures during SEC investigations did not waive attorney-client privilege, even though regulations provided that SEC would maintain confidentiality as to information and documents obtained in course of any investigation; regulations explicitly provided that information obtained in course of nonpublic investigation would be made matter of public record and provided upon request if disclosure of confidential information were not contrary to public interest.

[18] Federal Civil Procedure ⚿1604(1)
170Ak1604(1) Most Cited Cases
(Formerly 170Ak1600(3), 170Ak1600.2)
Purpose of work-product doctrine is to promote adversary system directly by protecting confidentiality of papers prepared by or on behalf of attorneys in anticipation of litigation.

[19] Federal Civil Procedure ⚿1604(1)
170Ak1604(1) Most Cited Cases
(Formerly 170Ak1600(3), 170Ak1600.2)
Work-product doctrine serves to protect attorney's work product from falling into hands of adversary, so disclosure to third party does not necessarily waive protection of work-product doctrine, as it waives attorney-client privilege.

[20] Federal Civil Procedure ⚿1604(1)
170Ak1604(1) Most Cited Cases
(Formerly 170Ak1600(3), 170Ak1600.2)
Work-product doctrine's purpose of protecting confidentiality of papers prepared in anticipation of litigation from disclosure to adversary requires distinction between disclosures to adversaries and disclosures to nonadversaries, in determining whether waiver of work-product doctrine's protection has occurred.

[21] Federal Civil Procedure ⚿1604(2)
170Ak1604(2) Most Cited Cases
(Formerly 170Ak1600(5), 170Ak1600.4)
Securities and Exchange Commission (SEC) and Department of Justice (DOJ) would be considered adversaries of company which the agencies were investigating, for purposes of determining whether voluntary disclosures by companies to the agencies waived protection of the work-product doctrine.

[22] Federal Civil Procedure ⚿1604(2)
170Ak1604(2) Most Cited Cases
(Formerly 170Ak1600(5), 170Ak1600.4)

Companies' disclosure of attorney work product to the Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) during investigations of companies by those agencies waived work-product doctrine as against all other adversaries, including foreign government which brought subsequent civil suit against companies based on alleged bribery to obtain power plant contract.

[23] Federal Civil Procedure ⚖1604(1)
170Ak1604(1) Most Cited Cases
(Formerly 170Ak1600(3), 170Ak1600.2)
Party who discloses documents protected by the work-product doctrine may continue to assert the doctrine's protection only when disclosure furthers the doctrine's underlying goal.

[24] Federal Civil Procedure ⚖1604(2)
170Ak1604(2) Most Cited Cases
(Formerly 170Ak1600(5), 170Ak1600.4)
Companies which voluntarily disclosed attorney's work product to the Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) during investigations of companies by the agencies waived protection of the work-product doctrine not withstanding that companies had reasonably expected the agencies to keep documents disclosed to them confidential; even if agencies had made agreement to keep disclosures confidential, protection would have been waived.

[25] Federal Civil Procedure ⚖1604(2)
170Ak1604(2) Most Cited Cases
(Formerly 170Ak1600(5), 170Ak1600.4)
Fairness analysis did not apply in determining whether protection of work-product doctrine was waived by companies' voluntary production of materials to the Securities and Exchange Commission (SEC) and the Department of Justice (DOJ) during those agencies' investigation of companies, so as to entitle plaintiff in subsequent civil suit to disclosure of such materials.

[26] Federal Civil Procedure ⚖1604(2)
170Ak1604(2) Most Cited Cases
(Formerly 170Ak1600(5), 170Ak1600.4)
When disclosure of attorney's work product is inadvertent or made to nonadversary, it is appropriate to ask whether circumstances surrounding disclosure evidenced conscious disregard of possibility that adversary might obtain protected materials, in determining whether the work-product doctrine's protection has been waived.

***1417** Richard W. Clary (argued), David Boies, Cravath, Swaine & Moore, New York City, Raymond M. Tierney, Jr., William D. Sanders, Shanley & Fisher, P.C., Morristown, N.J., Jerome J. Shestack, Schnader, Harrison, Segal & Lewis, Philadelphia, Pa., Jonathan D. Schiller, Donovan, Leisure, Rogovin, Huge & Schiller, Washington, D.C., for petitioner.

David J. Cynamon (argued), Mark Augenblick, P.C., Ellen M. Jakovic, Shaw, Pittman, Potts & Trowbridge, Washington, D.C., Paul A. Rowe, Alan S. Naar, Greenbaum, Rowe, Smith, Ravin, Davis & Bergstein, Woodbridge, N.J., Reichler, Appelbaum & Wippman, Clifford & Warnke, Washington, D.C., for respondent.

Before BECKER, HUTCHINSON, Circuit Judges and ATKINS, District Judge [FN*].

> FN* The Honorable C. Clyde Atkins, Senior United States District Judge for the Southern District of Florida, sitting by designation.

OPINION OF THE COURT

BECKER, Circuit Judge.

This petition for a writ of mandamus requires us to resolve an important issue that has divided the circuits: whether a party that discloses information protected by the attorney-client privilege and the work-product doctrine [FN1] in order to cooperate with a government agency that is investigating it waives the privilege and the doctrine only as against the government, or waives them completely, thereby exposing the documents to civil discovery in litigation between the discloser and a third party. The issue arises in an action brought by the

Republic of the Philippines (the "Republic") and its National Power Corporation ("NPC") against Westinghouse Electric Corporation and its wholly-owned subsidiary, Westinghouse International Projects Company (collectively "Westinghouse"). The Republic and the NPC allege that Westinghouse obtained a large power plant contract in the Philippines by bribing a henchman of former President Ferdinand Marcos. Their complaint charges that Westinghouse and others tortiously interfered with and conspired to tortiously interfere with the fiduciary duties that President Marcos owed to the Philippine people and to tbe NPC. The complaint seeks damages on a variety of theories.

> FN1. Although some writers refer to a work-product "privilege," we prefer the term "doctrine," for the doctrine encompasses both a limited immunity from discovery and a qualified evidentiary privilege. See *United States v. Arthur Young & Co.*, 465 U.S. 805, 817-19, 104 S.Ct. 1495, 1502-04, 79 L.Ed.2d 826 (1984) (distinguishing work-product immunity from accountant-client testimonial privilege and rejecting both); *Upjohn Co. v. United States*, 449 U.S. 383, 397-402, 101 S.Ct. 677, 686- 89, 66 L.Ed.2d 584 (1981) (referring to work-product doctrine distinct from attorney-client privilege). See generally Sherman L. Cohn, *The Work Product Doctrine: Protection, Not Privilege*, 71 Geo.L.J. 917 (1983).

During discovery, the Republic sought certain documents generated during an internal investigation conducted by Westinghouse's outside counsel. The investigation was a response to an investigation by the Securities and Exchange Commission ("SEC") into allegations that Westinghouse had obtained contracts by bribing foreign officials. Westinghouse disclosed the documents in question to the SEC in order to cooperate witb the agency's investigation. Westinghouse later disclosed the same documents, as well as other, related documents, to the Department of Justice ("DOJ") in order to cooperate with an investigation conducted by the DOJ. Westinghouse's petition for mandamus follows the district court's ruling that the disclosures effected a complete waiver of the attorney-client privilege and the work-product doctrine, thus rendering the documents available to the Republic in discovery.

***1418** For the reasons that follow, we hold that by disclosing documents to the SEC and to the DOJ, Westinghouse waived both the attorney-client privilege and the work-product doctrine with respect to those documents. We also hold that we lack jurisdiction to review Westinghouse's request for a writ of mandamus commanding the turnover of certain documents that the Republic and the NPC shared with the DOJ pursuant to an agreement for mutual legal assistance.

I. FACTUAL BACKGROUND [FN2]

> FN2. A more detailed account is found in the district court's two previous opinions in this case. See *Republic of the Philippines v. Westinghouse Electric Corp.*, 714 F.Supp. 1362, 1364-67 (D.N.J.1989), and *Republic of the Philippines v. Westinghouse Electric Corp.*, 132 F.R.D. 384, 385-86 (D.N.J.1990). See also *Republic of the Philippines v. Westinghouse Electric Corp.*, 949 F.2d 653 (3d Cir.1991) (denying stay pending appeal of district court order directing the unsealing of material filed under seal in connection with Westinghouse's motion for summary judgment in this action).

A. *The Contract*

In the mid-1970s, Westinghouse sought and obtained the prime contract to construct the first Philippine nuclear power plant and to ready it for use on a turnkey basis. [FN3] As part of Westinghouse's efforts to procure the contract, it retained as its "special sales representative" Herminio T. Disini, a Philippine businessman and close friend

and associate of then-President Marcos. Disini agreed to promote Westinghouse's interests with the NPC, which was the Philippine government agency responsible for electric power generation and for contract negotiations on the power plant project. Westinghouse received the prime contract for the power plant. Several years later, newspaper articles appeared in the Philippine and American press, charging that the company had procured the contract by passing bribes to Philippine government officials through Disini.

> FN3. A turnkey project is one in which the contractor is engaged to design, construct, and otherwise ready the plant for operation and then to turn over the key to the owner. See *Ebasco Services, Inc. v. Pennsylvania Power & Light Co.*, 402 F.Supp. 421, 424-25 (E.D.Pa.1975).

B. *The SEC Investigation and Westinghouse's Disclosures Pursuant Thereto*

In January 1978, shortly after the appearance of the press reports concerning Westinghouse's alleged misconduct in connection with the Philippine nuclear plant, the SEC commenced an investigation into whether Westinghouse had violated United States securities laws by making illegal payments to obtain the contract. In March 1978, Westinghouse retained the law firm Kirkland & Ellis to conduct an internal investigation into whether company officials had made improper payments. In the course of the internal investigation, which lasted until November 1978, Kirkland & Ellis produced two letters reporting its findings.

The law firm, at the behest of Westinghouse, showed the SEC investigators one of the letter reports and, in addition, orally presented its findings to the agency. Kirkland & Ellis did not supply the SEC with any of the documents underlying the presentation and the report, and the SEC agreed not to retain the report. Westinghouse asserts that in disclosing to the SEC the results of the Kirkland & Ellis investigation, it relied upon the SEC's confidentiality regulations, [FN4] as well as the Eighth Circuit's decision in *Diversified Industries, Inc. v. Meredith*, 572 F.2d 596 (8th Cir.1977) (en banc), as creating a reasonable expectation of continuing confidentiality for the materials shown to the SEC.

> FN4. The SEC regulations in effect at the time provided that "[i]nformation or documents obtained by the [SEC] in the course of any investigation or examination, unless made a matter of public record, shall be deemed non-public." 17 CFR § 203.2 (1978). The regulations further provided that information or documents obtained in the course of an investigation would be deemed and kept confidential by SEC employees and officers unless disclosure was specifically authorized. 17 CFR § 240.0-4 (1978).

In 1980, the SEC served subpoenas on Disini, based on allegations that he had engaged in illegal activities relating to the award of tbe prime contract for the power ***1419** plant. Thereafter, counsel for Westinghouse and for Disini entered into a joint defense agreement, under which they agreed to exchange-- and to maintain confidentiality with respect to--privileged information and work product. Counsel for Disini, the law firm Baker & McKenzie, subsequently began negotiating with the SEC on his behalf. As a result, the accounting firm Coopers & Lybrand was retained to perform audits tracing the funds that Westinghouse had paid to Disini. Coopers & Lybrand summarized the results of these audits in a report that Disini made available to the SEC, which in turn agreed to keep the contents of the report confidential and neither to copy nor to retain it. Pursuant to their joint defense agreement, Disini provided Westinghouse with a copy of the Coopers & Lybrand report. The SEC discontinued its investigation of Westinghouse in April 1983.

C. *The Department of Justice Investigations and Westinghouse's Disclosures Pursuant Thereto*

In 1978, the DOJ began to investigate Westinghouse. The DOJ's investigation explored whether Westinghouse had made illegal payments to obtain contracts not only in the Philippines, but also in other countries. A grand jury subsequently issued a subpoena, with which Westinghouse complied, requesting that the company produce certain privileged documents (not at issue here) subject to the confidentiality protections of FRCrP 6(e). The DOJ's investigation ended when Westinghouse entered into a plea agreement concerning payments that the company admitted making in order to obtain business in Egypt.

In 1986, after Marcos was deposed as President of the Philippines, the DOJ reactivated its 1978 investigation of Westinghouse's conduct in procuring the turnkey contract on the Philippine nuclear plant. A grand jury subpoenaed the Kirkland & Ellis letters reporting the results of Westinghouse's internal investigation, as well as all documents accumulated in connection with that investigation. In an effort to preserve its attorney-client privilege and work-product protection, Westinghouse moved to quash the subpoena. After entering into a confidentiality agreement with the DOJ, subsequently memorialized in a stipulated court order entered in the district court for the Western District of Pennsylvania, Westinghouse disclosed the subpoenaed documents to the grand jury. According to Westinghouse, this agreement, which was itself confidential, provided

> that the [DOJ] review at Westinghouse counsel's office (but not keep copies of) attorney-client privileged and work product protected materials in the Kirkland & Ellis files, that the information contained therein would not be disclosed to anyone outside of the [DOJ], and that such review of the Kirkland & Ellis documents would not constitute a waiver of Westinghouse's work product and attorney-client privileges.

See 132 F.R.D. at 385-86. The DOJ's investigation is apparently still ongoing (at least the record does not indicate the contrary).

D. *The Republic's Investigation*

In 1987, the Republic initiated its own investigation into the contract-procurement activities of Westinghouse and a second company, Burns & Roe Enterprises, Inc., a New Jersey corporation that had obtained the architecture and engineering contract on the power plant project and that also had secured the services of Disini as a "special sales representative." The Republic's Presidential Commission on Good Government (the "PCGG"), the government entity charged with investigating Westinghouse's and Burns & Roe's conduct, subsequently entered into an agreement with the DOJ, denominated the "Agreement on Procedures for Mutual Legal Assistance" (the "Agreement").

The Agreement, which is still in force, provides that the PCGG and the DOJ will exercise their best efforts to provide one another with information and materials relevant to their concurrent investigations that can be used in any subsequent criminal, civil, and administrative proceedings. Under the Agreement, the PCGG and the DOJ also have undertaken to maintain confidentiality ***1420** as to all correspondence concerning shared information.

II. PROCEDURAL HISTORY

A. *The Current Proceedings*

In December 1988, the Republic and the NPC brought suit against Westinghouse and Burns & Roe in the district court for the District of New Jersey. In a fifteen-count complaint, the Republic and the NPC alleged breach of contract, fraud, negligence, tortious interference with fiduciary relationship, civil conspiracy, violation of the federal Racketeer Influenced and Corrupt Organizations Act, and antitrust violations. The complaint also included a number of pendent state claims.

Pursuant to a clause in its contract with the NPC, Westinghouse moved to stay the action pending arbitration. Relying on *Prima Paint Corp. v. Flood & Conklin Manufacturing Co.*, 388 U.S. 395, 87 S.Ct. 1801, 18 L.Ed.2d 1270 (1967), as well as other Supreme Court precedents, the district court stayed all claims except (1) the claim that Westing-

house, along with Burns & Roe, tortiously interfered with Marcos's performance of the fiduciary duties that he owed to the Philippine people and (2) the claim that the two defendants conspired to prevent Marcos from performing his fiduciary duties to the Philippine people and to the NPC.

In the course of discovery on these two claims, the Republic requested that Westinghouse produce the documents that it had made available to the SEC and to the DOJ. Westinghouse objected to this discovery request, invoking both the work-product doctrine and the attorney-client privilege. Westinghouse sought, in turn, to discover documents that the Republic had shared with the DOJ under the Agreement. The Republic resisted, asserting that these documents were protected by the work-product doctrine.

The magistrate judge supervising discovery concluded that Westinghouse had waived its attorney-client privilege regarding the documents it disclosed to the SEC and to the DOJ because at least in adversarial situations, once disclosure has been made to a government agency, any privilege is lost, notwithstanding any confidentiality agreement between Westinghouse and the government. He therefore ruled that Westinghouse must identify and produce all documents disclosed to the DOJ and to the SEC, although he invited Westinghouse to appeal this ruling to the district court.

The magistrate judge further held that the documents that Westinghouse had requested from the Republic were protected by the work-product doctrine and therefore were not subject to discovery. The magistrate judge reasoned that, because the DOJ is an *ally* of the Republic, the latter, by sharing information with the agency, had not subverted the principles of the adversary system in which the work-product doctrine is grounded. The magistrate judge also reasoned that the sharing of information between the DOJ and the Republic was "highly unlikely" to lead to the disclosure of the information to adversaries.

B. *The District Court's Opinion*

The district court affirmed both rulings. First, the court observed that although the attorney-client privilege ordinarily is waived by the disclosure of privileged information to a third party, a circuit split exists over whether waiver occurs when the disclosure is made to the government. Because this court has not previously resolved the issue, the district court had to choose between the Eighth Circuit's holding in *Diversified Industries, Inc. v. Meredith*, 572 F.2d 596 (8th Cir.1977) (en banc), that the attorney-client privilege is waived only with respect to the government, and the D.C. Circuit's position, articulated in *Permian Corp. v. United States*, 665 F.2d 1214 (D.C.Cir.1981), that the disclosure of privileged information to any third party, including the government, destroys the privilege.

In *United States v. Rockwell International*, 897 F.2d 1255 (3d Cir.1990), we expressly reserved the question whether the disclosure of protected information effects a complete, or only a selective, waiver of ***1421** the attorney-client privilege. The district court determined, however, that our earlier decision in *In re Grand Jury Investigation (Sun Co.)*, 599 F.2d 1224 (3d Cir.1979), effectively had resolved the issue for two reasons. First, the court concluded that our explicit rejection of *Diversified's* reasoning regarding the appropriate scope of the attorney-client privilege in the corporate context in *Sun Co.* implicitly rejected *Diversified's* reasoning in all contexts. Second, the court concluded that because we had sought in *Sun Co.* to enhance the development of a *uniform* rule concerning the application of the attorney-client privilege to corporate communications, we also would adopt the *majority* rule on whether the disclosure of privileged information to the government vitiates the privilege. The court took the D.C. Circuit's position to represent the majority rule that we would adopt.

The district court also held that the documents that Westinghouse had disclosed to the SEC and to the DOJ were not protected by the work product doc-

trine set forth in FRCP 26(b)(3). Citing the Supreme Court's decision in *United States v. Nobles*, 422 U.S. 225, 95 S.Ct. 2160, 45 L.Ed.2d 141 (1975), as well as this court's decision in *Sun Co.*, the district court emphasized that the work-product doctrine is not absolute and may be waived. 132 F.R.D. at 388-89. Noting that this court had not yet indicated the circumstances under which the work-product doctrine is waived, id. at 389, the court looked to the opinions of other courts, id at 389-90. [FN5] On the basis of those opinions, the district court concluded that "[s]ince the work-product privilege doctrine is based on maintaining a healthy adversarial system, ... once the privileged information is disclosed to any adversary the privilege is destroyed." Id. at 390. Implicitly determining that the SEC and the DOJ were Westinghouse's adversaries, the court held that by voluntarily disclosing information and documents to these agencies, Westinghouse had waived the right to assert the protection of the doctrine.

> FN5. The decisions that the district court looked to include *In re Chrysler Motors Corporation Overnight Evaluation Program Litigation*, 860 F.2d 844 (8th Cir.1988), *In re Subpoenas Duces Tecum*, 738 F.2d 1367 (D.C.Cir.1984), *In re Sealed Case*, 676 F.2d 793 (D.C.Cir.1982), and *Chubb Integrated Systems v. National Bank of Washington*, 103 F.R.D. 52 (D.D.C.1984).

In contrast, the district court held that because the DOJ and the Republic are litigation "allies," their mutual disclosure of information under the Agreement did not give rise to a corresponding waiver of work-product protection. Id. at 390-91. The court noted that this holding was consistent with its decision in *Shulton, Inc. v. Optel Corp.*, 1987 WL 19491, 1987 U.S. Dist. LEXIS 10097 (D.N.J.). 132 F.R.D. at 390. Following *Shulton*, the court reasoned that "[d]isclosing information to any ally may strengthen, rather than destroy, the adversary process, as allies who fortify their cases against their mutual adversary have a greater chance of defeating that adversary." Id. at 391.

The district court subsequently denied Westinghouse's motions for reargument or, in the alternative, for certification pursuant to 28 U.S.C. § 1292(b). The court, however, concluded that Westinghouse had raised "substantial question[s]" concerning the application of the attorney-client privilege and the work-product doctrine "which should be resolved by the Third Circuit in the last instance rather than myself." Therefore, the court granted Westinghouse's motion for a stay pending efforts to review its disclosure order.

III. APPELLATE JURISDICTION

In its petition for the extraordinary writ of mandamus, Westinghouse asks that we set aside both aspects of the district court's order, which held that (1) Westinghouse had waived the attorney-client privilege and work-product doctrine regarding the documents it disclosed to the SEC and to the DOJ and that (2) tbe Republic had not waived the work-product doctrine regarding the documents it disclosed to the DOJ pursuant to the Agreement for Mutual Legal Assistance. As a threshold question, we must decide whether mandamus may be used as a means of reviewing those orders.

[1][2] ***1422** Mandamus is authorized by the All Writs Act, 28 U.S.C. § 1651(a) (1988), which provides:

> The Supreme Court and all courts established by Act of Congress may issue all writs necessary or appropriate in aid of their respective jurisdictions and agreeable to the usages and principles of law.

The language of section 1651 itself establishes a prerequisite for our jurisdiction: because the writ must be "in aid of" *our* jurisdiction, the case must be one that lies within "some present or potential exercise of appellate jurisdiction." *Bogosian v. Gulf Oil Corp.*, 738 F.2d 587, 591 (3d Cir.1984) (quoting *United States v. RMI Co.*, 599 F.2d 1183, 1185 (3d Cir.1979)). See also 16 Charles A. Wright & Arthur R. Miller, *Federal Practice and Procedure* § 3932 at 185 (West 1977) ("Wright &

Miller"). That prerequisite plainly is satisfied in this case. Given our jurisdiction to review final judgments under 28 U.S.C. § 1291, it is clear that the underlying case may at some future time come within the court's appellate jurisdiction. *Bogosian*, 738 F.2d at 591; see also *McClellan v. Carland*, 217 U.S. 268, 30 S.Ct. 501, 54 L.Ed. 762 (1910) (writs of mandamus may issue in aid of appellate jurisdiction yet to be acquired).

[3][4][5] Another prerequisite for mandamus jurisdiction emanates from the final judgment rule: mandamus must not be used as a mere substitute for appeal. 16 Wright & Miller, § 3932 at 185. That prerequisite is satisfied in this case with respect to the order compelling Westinghouse to produce the documents it disclosed to the SEC and to the DOJ. Westinghouse "ha[s] no other adequate means to attain the relief [it] desires," *Sporck v. Peil*, 759 F.2d 312, 314 (3d Cir.1985) (quoting *Allied Chemical Corp. v. Daiflon, Inc.*, 449 U.S. 33, 34, 101 S.Ct. 188, 190, 66 L.Ed.2d 193 (1980)). "When a district court orders production of information over a litigant's claim of a privilege not to disclose, appeal after a final judgment is an inadequate remedy." *Bogosian*, 738 F.2d at 591 (citation omitted). [FN6]

> FN6. An order compelling or denying discovery does not fall within the orders that may be appealed under 28 U.S.C. § 1292(a), see *Borden Co. v. Sylk*, 410 F.2d 843, 845 (3d Cir.1969), and the district court wisely exercised its discretion in rejecting Westinghouse's attempt to pursue an interlocutory appeal pursuant to 28 U.S.C. § 1292(b).

[6] Our jurisprudence also focuses attention on "the instructional goals of mandamus." *United States v. Christian*, 660 F.2d 892, 897 (3d Cir.1981). Review would comport with that consideration, too. This court has not previously decided the important attorney-client privilege and work-product issues presented by Westinghouse's petition. Moreover, the other courts of appeals that have addressed the issue have reached contradictory results. Compare *Diversified*, 572 F.2d 596, with *Permian*, 665 F.2d 1214.

[7][8] Therefore, we hold that Westinghouse's petition to set aside the district court's order directing Westinghouse to disclose the documents that it revealed to the government falls, at the threshold, within "the line of cases recognizing that mandamus may properly be used as a means of immediate appellate review of orders compelling the production of documents claimed to be protected by privilege or other interests in confidentiality." *Bogosian*, 738 F.2d at 591. See also *Cipollone v. Liggett Group, Inc.*, 785 F.2d 1108, 1118 (3d Cir.1986) ("[M]andamus has been held to be appropriate when a failure to issue the writ would lead to the disclosure of confidential materials."). We also hold, however, that mandamus is *not* the appropriate avenue to review the district court's order *upholding* the work-product doctrine as applied to the documents the Republic shared with the DOJ. Unlike an order compelling disclosure, the effect of which is irrevocable, an order denying discovery may be reviewed on appeal from the final judgment, and, if erroneous, may be remedied by granting a new trial.

[9] The decision to examine Westinghouse's attorney-client privilege and work-product claims at the threshold does not, however, conclude the mandamus issue, but only permits further consideration of the papers. The test for the grant of mandamus ***1423** is rigorous indeed. As we have explained, mandamus is appropriate only in extraordinary situations, *Sporck*, 759 F.2d at 314, and the writ will be granted only where the petitioner has shown that the district court has committed a "clear error of law," id. Moreover, the petitioner has the burden of showing that its right to mandamus relief is "clear and indisputable." Id. We now turn to Westinghouse's attorney-client privilege and work-product claims. As our discussion will demonstrate, this rigorous test is not met here.

IV. THE ATTORNEY-CLIENT PRIVILEGE AND

THE SELECTIVE WAIVER THEORY

The central question regarding Westinghouse's attorney-client privilege claim is the validity of the celebrated and controversial selective waiver [FN7] theory fashioned by the Eighth Circuit in *Diversified Industries, Inc. v. Meredith*, 572 F.2d 596 (8th Cir.1978) (en banc), and resoundingly rejected by the D.C. Circuit in *Permian Corp. v. United States*, 665 F.2d 1214 (D.C. Cir.1981), and subsequent cases. See *In re Subpoenas Duces Tecum*, 738 F.2d 1367 (D.C. Cir.1984); *In re Sealed Case*, 676 F.2d 793 (D.C. Cir.1982). In *Diversified*, the Eighth Circuit held that disclosure of material protected by the attorney-client privilege to the SEC during a formal investigation constituted only a selective waiver of the privilege, and that therefore the material could not be discovered in subsequent civil litigation.

> FN7. Although the rule in *Diversified* is often referred to as the "limited waiver rule," we prefer not to use that phrase because the word "limited" refers to two distinct types of waivers: selective and partial. Selective waiver permits the client who has disclosed privileged communications to one party to continue asserting the privilege against other parties. Partial waiver permits a client who has disclosed a portion of privileged communications to continue asserting the privilege as to the remaining portions of the same communications. See Breckinridge L. Willcox, *Martin Marietta and the Erosion of the Attorney-Client Privilege and Work-Product Protection*, 49 Md.L.Rev. 917, 922 (1990); Developments in the Law, *Privileged Communications*, 98 Harv.L.Rev. 1450, 1630-31 (1985).

It is often stated that the purpose of the attorney-client privilege is to encourage "full and frank communication between attorneys and their clients." See, for example, *Upjohn Co. v. United States*, 449 U.S. 383, 389, 101 S.Ct. 677, 66 L.Ed.2d 584 (1981). Full and frank communication is not an end in itself, however, but merely a means to achieve the ultimate purpose of the privilege: "promot[ing] broader public interests in the observance of law and administration of justice." Id. See also Developments, 98 Harv.L.Rev. at 1644 (cited in note 7). The Supreme Court recognized this underlying rationale for the privilege long ago, when it stated:

> [The attorney-client privilege] is founded upon the necessity, in the interest and administration of justice, of the aid of persons having knowledge of the law and skilled in its practice, which assistance can only be safely and readily availed of when free from the consequences or the apprehension of disclosure.

Hunt v. Blackburn, 128 U.S. 464, 470, 9 S.Ct. 125, 32 L.Ed. 488 (1888) (quoted in *Upjohn*, 449 U.S. at 389, 101 S.Ct. at 682). See also Edward W. Cleary, ed., *McCormick on Evidence*, § 87 at 204 (West 1972) ("The proposition is that the detriment to justice from a power to shut off inquiry to pertinent facts in court, will be outweighed by the benefits to justice (not to the client) from a franker disclosure in the lawyer's office.").

[10][11] Because the attorney-client privilege obstructs the truth-finding process, it is construed narrowly. *In re Grand Jury Investigation (Sun Co.)*, 599 F.2d 1224, 1235 (3d Cir.1979); *In re Grand Jury Investigation of Ocean Transportation*, 604 F.2d 672, 675 (D.C. Cir.1979); *Radiant Burners, Inc. v. American Gas Association*, 320 F.2d 314, 323 (7th Cir.1963). [FN8] The privilege "protects *only* those disclosures--necessary to obtain informed legal ***1424** advice--which might not have been made absent the privilege." *Fisher v. United States*, 425 U.S. 391, 403, 96 S.Ct. 1569, 1577, 48 L.Ed.2d 39 (1976) (emphasis added). Accordingly, voluntary disclosure to a third party of purportedly privileged communications has long been considered inconsistent with an assertion of the privilege. *United States v. AT & T*, 642 F.2d 1285, 1299 (D.C. Cir.1980). As one commentator cogently explained:

FN8. Regarding the narrow construction given privileges in general, see *University of Pennsylvania v. EEOC*, 493 U.S. 182, 110 S.Ct. 577, 582, 107 L.Ed.2d 571 (1990); *Trammel v. United States*, 445 U.S. 40, 50, 100 S.Ct. 906, 912, 63 L.Ed.2d 186 (1980); *In re Grand Jury Investigation*, 918 F.2d 374, 383 (3d Cir.1990).

> If clients themselves divulge such information to third parties, chances are that they would also have divulged it to their attorneys, even without the protection of the privilege. Thus, once a client has revealed privileged information to a third party, the basic justification for the privilege no longer applies ...

Comment, *Stuffing the Rabbit Back into the Hat: Limited Waiver of the Attorney-Client Privilege in an Administrative Agency Investigation*, 130 U.Pa.L.Rev. 1198, 1207 (1982). Consequently, it is well-settled that when a client voluntarily discloses privileged communications to a third party, the privilege is waived. See *Rockwell*, 897 F.2d at 1265. See also 8 Wright & Miller, § 2016 at 127 and n. 71; id., § 2024 at 210 (citing cases).

When disclosure to a third party is necessary for the client to obtain informed legal advice, courts have recognized exceptions to the rule that disclosure waives the attorney-client privilege. For example, courts have held that the client may allow disclosure to an "agent" assisting the attorney in giving legal advice to the client without waiving the privilege. 8 Wigmore, *Evidence* § 2301 at 583 (McNaughton rev. 1961); McCormick, *Evidence* § 92 at 188. Courts have also held that the client may disclose communications to co-defendants or co-litigants without waiving the privilege. See, for example, *Hunydee v. United States*, 355 F.2d 183, 184- 85 (9th Cir.1965). These exceptions are consistent with the goal underlying the privilege because each type of disclosure is sometimes necessary for the client to obtain informed legal advice.

[12] Westinghouse in essence asks tbat we recognize another exception to the waiver doctrine, one designed to accommodate voluntary disclosure to government agencies. In this regard, we note preliminarily that numerous cases have applied the traditional waiver doctrine to communications disclosed to government agencies. See Note, *The Limited Waiver Rule: Creation of an SEC-Corporation Privilege*, 36 Stan.L.Rev. 789, 792 and n. 17 (1984) (citing cases finding waiver when disclosures made to various government agencies, including the IRS, the DOJ, the Department of Labor, and the SEC).

In *Diversified*, the Eighth Circuit departed from the traditional waiver doctrine by recognizing an exception for voluntary disclosures made in cooperation with SEC investigations. The court's explanation for its departure consists, in its entirety, of the following sentence:

> To hold otherwise may have the effect of thwarting the developing procedure of corporations to employ independent outside counsel to investigate and advise them in order to protect stockholders, potential stockholders and customers.

572 F.2d at 611. [FN9]

FN9. Westinghouse cites *Byrnes v. IDS Realty Trust*, 85 FRD 679 (SDNY 1980), and *In re Grand Jury Subpoena Dated July 13, 1979*, 478 F.Supp. 368 (E.D.Wis.1979), as following *Diversified*. Both cases appear to have involved partial disclosures, a topic we discuss at in note 13. In addition, in both cases, the court was construing Eighth Circuit precedent. We thus conclude that *Diversified* still stands alone.

In rejecting *Diversified*, the D.C. Circuit observed that it could not see how the availability of a selective waiver "would serve the interests underlying the [attorney-client privilege]." *Permian*, 665 F.2d at 1220. The court reasoned that selective waiver "has little to do with" the privilege's purpose--protecting the confidentiality of attorney-client communications in order to encourage clients to obtain informed legal assistance. Id. The court explained

that while voluntary cooperation with government investigations "may be a laudable activity, ... it is hard to understand how such conduct improves the attorney-*1425 client relationship." Id. at 1221. The court then advanced a second reason for rejecting the selective waiver rule, stating:

> The client cannot be permitted to pick and choose among his opponents, waiving the privilege for some and resurrecting the claim of confidentiality to obstruct others, or to invoke the privilege as to communications whose confidentiality he has already compromised for his own benefit.... The attorney-client privilege is not designed for such tactical employment.

Id.

We find the first part of the D.C. Circuit's reasoning persuasive. The Eighth Circuit's sole justification for permitting selective waiver was to encourage corporations to undertake internal investigations. Unlike the two widely recognized exceptions to the waiver doctrine we discussed at page 1424, selective waiver does not serve the purpose of encouraging full disclosure to one's attorney in order to obtain informed legal assistance; it merely encourages voluntary disclosure to government agencies, thereby extending the privilege beyond its intended purpose. See Note, 36 Stan.L.Rev. at 804 (noting that selective waiver rule merely encourages disclosure to government agencies); Developments, 98 Harv.L.Rev. at 1645, 1647 (noting concern that selective waiver rule extends breadth of attorney-client privilege). Moreover, selective waiver does nothing to promote the attorney-client relationship; indeed, the unique role of the attorney, which led to the creation of the privilege, has little relevance to the selective waiver permitted in *Diversified*. See Note, 36 Stan.L.Rev. at 804.

The traditional waiver doctrine provides that disclosure to third parties waives the attorney-client privilege unless the disclosure serves the purpose of enabling clients to obtain informed legal advice. Because the selective waiver rule in *Diversified* protects disclosures made for entirely different purposes, it cannot be reconciled with traditional attorney-client privilege doctrine. Therefore, we are not persuaded to engraft the *Diversified* exception onto the attorney-client privilege. Westinghouse argues that the selective waiver rule encourages corporations to conduct internal investigations and to cooperate with federal investigative agencies. We agree with the D.C. Circuit that these objectives, however laudable, are beyond the intended purposes of the attorney-client privilege, see *Permian*, 665 F.2d at 1221, and therefore we find Westinghouse's policy arguments irrelevant to our task of applying the attorney-client privilege to this case. In our view, to go beyond the policies underlying the attorney-client privilege on the rationale offered by Westinghouse would be to create an entirely new privilege.

Several factors counsel against the creation of a new privilege allowing parties to disclose communications to government agencies without waiving the attorney-client privilege. First, because privileges obstruct the truth-finding process, the Supreme Court has repeatedly warned the federal courts to be cautious in recognizing new privileges. See, for example, *University of Pennsylvania*, 110 S.Ct. at 582 (cited in note 8). In addition, the Supreme Court has been "especially reluctant to recognize a privilege in an area where it appears that Congress has considered the competing concerns but has not provided the privilege itself." Id. In 1984, Congress rejected an amendment to the Securities and Exchange Act of 1934, proposed by the SEC, that would have established a selective waiver rule regarding documents disclosed to the agency. See *SEC Statement in Support of Proposed § 24(d) of the Securities and Exchange Act of 1934*, in 16 Sec.Reg. & L.Rep. at 461 (March 2, 1984).

Moreover, although a selective waiver rule might increase voluntary cooperation with government investigations, a new privilege must "promote [ ] sufficiently important interests to outweigh the need for probative evidence." *Trammel*, 445 U.S. at 50,

100 S.Ct. at 912 (cited in note 8). We do not question the importance of the public interest in voluntary cooperation with government investigations. We have little reason to believe, however, that this interest outweighs "the fundamental principle ***1426** that 'the public ... has a right to every man's evidence.' " *University of Pennsylvania*, 110 S.Ct. at 582 (citations omitted). [FN10]

> FN10. We also note that some commentators have expressed concern that the selective waiver rule, while furthering the public policy of encouraging voluntary cooperation with government investigations, might run afoul of another public policy, namely the policy embodied in the Freedom of Information Act. See, for example, Note, 36 Stan.L.Rev. at 806-13.

In addition, we do not think that a new privilege is necessary to encourage voluntary cooperation with government investigations. Indeed, no such privilege was established at the time Westinghouse decided to cooperate with the SEC and the DOJ. When Westinghouse first disclosed privileged materials to the SEC, only one court of appeals had adopted the selective waiver rule. By the time Westinghouse made its disclosures to the DOJ, another court of appeals had trenchantly rejected the selective waiver rule. We find it significant that Westinghouse chose to cooperate despite the absence of an established privileged protecting disclosures to government agencies. We also note that many other corporations also have chosen to cooperate with the SEC despite the lack of an established privilege protecting their disclosures. See Note, 36 Stan.L.Rev. at 822 (noting that over 425 corporations participated in the SEC's Voluntary Disclosure Program [FN11] in 1979, when only one court of appeals had adopted the selective waiver rule).

> FN11. The SEC developed its Voluntary Disclosure Program in the mid-1970s, when it was investigating the political "slush fund" practices of several corporations. Realizing that it lacked the resources to investigate each case fully, the SEC encouraged corporations to appoint special committees, composed of directors not affiliated with management, to conduct independent investigations of the corporations' practices. These investigations were conducted by outside counsel responsible only to the special committees and their results were shared with the SEC staff. See *In re Sealed Case*, 676 F.2d 793, 800-01 (D.C.Cir.1982).

[13][14] Our rejection of the selective waiver rule does not depend, however, on the second reason the D.C. Circuit gave in *Permian* for rejecting *Diversified*. Generally, the "fairness doctrine" is invoked in partial (as opposed to selective) disclosure cases. [FN12] This case involves selective, rather than partial, disclosure. The courts and commentators disagree about whether there is anything unfair about selective disclosure. [FN13] Here it is unnecessary to decide the question. We need not find unfairness to the Republic in order to find waiver because we have concluded already that the attorney-client privilege protects only those disclosures necessary to encourage clients to seek informed legal advice and that Westinghouse's disclosures were not made for this purpose.

> FN12. We have explained the distinction between partial and selective disclosures in note 7. When a party discloses a portion of otherwise privileged materials while withholding the rest, tbe privilege is waived only as to those communications actually disclosed, unless a partial waiver would be unfair to the party's adversary. See, for example, *In re Von Bulow*, 828 F.2d 94 (2d Cir.1987). If partial waiver does disadvantage the disclosing party's adversary by, for example, allowing the disclosing party to present a one-sided story to the court, the privilege will be waived as to all communications on the

same subject.

FN13. In *Permian* and its progeny, the D.C. Circuit has taken the view that it is inherently unfair for a party to selectively disclose privileged information in one proceeding but not another. See *Permian*, 665 F.2d at 1221; *In re Subpoenas Duces Tecum*, 738 F.2d 1367, 1370 (D.C.Cir.1984); *In Re Sealed Case*, 676 F.2d 793, 817-24 (D.C.Cir.1982). We hesitate to rely on this rationale, however, for in our view, when a client discloses privileged information to a government agency, the private litigant in subsequent proceedings is no worse off than it would have been had the disclosure to the agency not occurred. See Developments, 98 Harv.L.Rev. at 1631 n. 14; see also Note, *Limited Waiver of the Attorney-Client Privilege upon Voluntary Disclosure to the SEC*, 50 Fordham L.Rev. 963, 981-82 (1982). But see Comment, 130 U.Pa.L.Rev. at 1226.

[15] Westinghouse further contends, however, that the SEC's regulations concerning confidentiality and the stipulated court order memorializing the confidentiality agreement between Westinghouse and the DOJ must be regarded as preserving the attorney-client privilege with respect to the information disclosed because of Westinghouse's expectations of confidentiality engendered thereby. We reject Westinghouse's ***1427** argument that it did not waive the privilege because it reasonably expected that the SEC and the DOJ would maintain the confidentiality of the information that it disclosed to them.

[16] Even though the DOJ apparently agreed not to disclose the information, under traditional waiver doctrine a voluntary disclosure [FN14] to a third party waives the attorney-client privilege even if the third party agrees not to disclose the communications to anyone else. See, for example, *Rockwell*, 897 F.2d at 1265 ("The attorney-client privilege does not apply to communications that are intended to be disclosed to third parties *or that in fact are so disclosed.*") (emphasis added). See also 8 Wigmore, *Evidence*, § 2327 at 636; Note, 36 Stan.L.Rev. at 792. We also note that the agreement between Westinghouse and the DOJ preserved Westinghouse's right to invoke the attorney-client privilege only as to the DOJ--and does not appear in any way to have purported to preserve Westinghouse's right to invoke the privilege against a different entity in an unrelated civil proceeding such as the instant case.

FN14. We consider Westinghouse's disclosure to the DOJ to be voluntary even though it was prompted by a grand jury subpoena. Although Westinghouse originally moved to quash the subpoena, it later withdrew the motion and produced the documents pursuant to the confidentiality agreement. Had Westinghouse continued to object to the subpoena and produced the documents only after being ordered to do so, we would not consider its disclosure of those documents to be voluntary.

[17] Moreover, even if Westinghouse could preserve the privilege by conditioning its disclosure upon a promise to maintain confidentiality, no such promise was made here regarding the information disclosed to the SEC. As Westinghouse emphasizes, SEC regulations in effect at the time of Westinghouse's disclosures to that agency provided that the SEC would maintain confidentiality as to information and documents obtained in the course of any investigation. See 17 CFR §§ 203.2, 240.0-4 (1978). We do not think, however, that these regulations justified a reasonable belief on Westinghouse's part that the attorney-client privilege would be preserved with respect to the Kirkland & Ellis letter and the other information disclosed to the SEC. As the Republic observes, the very regulations on which Westingbouse relies explicitly provided that information obtained in the course of a non-public investigation must be made a matter of

public record and provided upon request if the disclosure of the confidential information was "not contrary to the public interest." 17 CFR § 240.0-.04 (1978). Moreover, as the Republic further notes, the SEC unsuccessfully sought to have the Securities and Exchange Act of 1934 amended to include a specific provision establishing a selective waiver rule protecting corporate disclosures to the agency. See *SEC Statement in Support of Proposed § 24(d) of the Securities and Exchange Act of 1934,* in 16 Sec.Reg. & L.Rep. at 461 (March 2, 1984). That the SEC itself sought such legislation suggests that the SEC did not interpret its regulations to confer the selective waiver that Westinghouse would have us find in them. [FN15]

> FN15. We do not infer an intention to prohibit the selective waiver rule from Congress's inaction. Rather, we mention the SEC's proposal to show that the agency responsible for construing the regulations on which Westinghouse relies did not interpret them as establishing a selective waiver rule.

V. WESTINGHOUSE'S CLAIM FOR PROTECTION UNDER THE WORK-PRODUCT DOCTRINE

Westinghouse also argues that the work-product doctrine shields the documents that it disclosed to the SEC and to the DOJ from the Republic. Once again, Westinghouse's argument requires us to choose between positions taken by the Eighth and D.C. Circuits. In order to evaluate those positions, however, we must begin with a review of the purpose underlying the work-product doctrine.

[18] The purpose of the work-product doctrine differs from that of the attorney-client privilege. See, for example, Stephen ***1428** A. Saltzburg, *Corporate and Related Attorney-Client Privilege Claims: A Suggested Approach,* 12 Hofstra L.Rev. 279, 303 n. 121 (1984); Willcox, 49 Md.L.Rev. at 922-23. As we have explained, the attorney-client privilege promotes the attorney-client relationship, and, indirectly, the functioning of our legal system, by protecting the confidentiality of communications between clients and their attorneys. In contrast, the work-product doctrine promotes the adversary system directly by protecting the confidentiality of papers prepared by or on behalf of attorneys in anticipation of litigation. Protecting attorneys' work product promotes the adversary system by enabling attorneys to prepare cases without fear that their work product will be used against their clients. *Hickman v. Taylor,* 329 U.S. 495, 510-11, 67 S.Ct. 385, 393-94, 91 L.Ed. 451 (1947); *United States v. AT & T,* 642 F.2d 1285, 1299 (D.C. Cir.1980).

[19] A disclosure to a third party waives the attorney-client privilege unless the disclosure is necessary to further tbe goal of enabling the client to seek informed legal assistance. Because the work-product doctrine serves instead to protect an attorney's work product from falling into the hands of an adversary, a disclosure to a third party does not necessarily waive the protection of the work-product doctrine. Most courts hold that to waive the protection of the work-product doctrine, the disclosure must enable an adversary to gain access to the information. See, for example, *AT & T,* 642 F.2d at 1299. See also 8 Wright & Miller, § 2024 at 210 (citing cases).

[20][21] We agree that the purpose of the work-product doctrine requires us to distinguish between disclosures to adversaries and disclosures to non-adversaries. We also find Westinghouse's argument that the DOJ and the SEC were not its adversaries to be without merit. Unlike a party who assists the government in investigating or prosecuting another, see *AT & T,* 642 F.2d at 1300 (party assisting DOJ investigation of another not an adversary to DOJ), Westinghouse was the target of investigations conducted by the agencies. Under these circumstances, we have no difficulty concluding that the SEC and the DOJ were Westinghouse's adversaries. See also *In re Subpoenas Duces Tecum,* 738 F.2d 1367, 1372 (D.C. Cir.1984) ("*Subpoenas*") ("no question" that target of SEC investig-

ation was SEC's adversary).

[22] The more difficult question is whether Westinghouse's disclosure to these two adversaries waives the protection of the work-product doctrine as against the Republic. Even though the courts generally agree that disclosure to an adversary waives the work-product doctrine, they disagree over the reasons behind this principle and thus, over its application to specific circumstances.

For example, the Eighth Circuit has found the mere fact of disclosure to one adversary sufficient to waive the work-product doctrine as against other adversaries, even when the first adversary agreed not to disclose the protected documents to anyone else. The court took this position in *In re Chrysler Motors Corp. Overnight Evaluation Program Litigation*, 860 F.2d 844 (8th Cir.1988). That case involved a corporation that had disclosed protected materials to its adversaries voluntarily in a civil suit during settlement negotiations and pursuant to a confidentiality agreement. The United States Attorney subsequently sought access to the materials for use in a related criminal action against the corporation. With little explanation, the Eighth Circuit held that, despite the confidentiality agreement, the corporation had waived the work-product doctrine by voluntarily disclosing the materials to an adversary. 860 F.2d at 846-47.

In contrast, the D.C. Circuit has employed an analysis that considers the fairness of selectively disclosing work product, the discloser's expectations of confidentiality, and the policy underlying the work-product doctrine. The court applied this analysis in *Subpoenas*, which held that a corporation that had voluntarily disclosed materials protected by the work-product doctrine to the SEC, in order to take advantage of the agency's Voluntary Disclosure ***1429** Program, had waived the work-product doctrine as against the corporation's shareholders, who sought access to the same materials for use in their subsequent civil suit against the corporation. The court first concluded that it was unfair to selectively disclose work product to one adversary and not to another. See 738 F.2d at 1372. The court then determined that the corporation "did not have any proper expectations of confidentiality which might mitigate the weight against them of such general considerations of fairness." Id. Finally, the court decided that the policy considerations behind the work-product doctrine did not call for recognizing an exception for the SEC's Voluntary Disclosure Program. The court explained:

> A healthy adversary system affords protection to an attorney's trial preparation as against actual and potential opponents.... It is said that [voluntary disclosure to government agencies] will be hindered unless the work product privilege covers [it]. *Permian* ... has already rejected, for the attorney-client privilege, an exception for such disclosure, saying, "we cannot see how 'the developing procedure of corporations to employ independent outside counsel to investigate and advise them' would be thwarted by telling a corporation that it cannot disclose the resulting reports to the SEC if it wishes to maintain their confidentiality." The same choice is open under the work product privilege.

Id. at 1375 (citations omitted).

[23] We hold that Westinghouse's disclosure of work product to the SEC and to the DOJ waived the work-product doctrine as against all other adversaries. As we explained at page 1424, parties who have disclosed materials protected by the attorney-client privilege may preserve the privilege when the disclosure was necessary to further the goal underlying the privilege. We require the same showing of relationship to the underlying goal when a party discloses documents protected by the work-product doctrine. In other words, a party who discloses documents protected by the work-product doctrine may continue to assert the doctrine's protection only when the disclosure furthers the doctrine's underlying goal.

Two considerations inform our formulation of this standard for waiving the work-product doctrine.

First, we are mindful of the general principle that evidentiary privileges are to be strictly construed. See *University of Pennsylvania*, 110 S.Ct. at 582 (cited in note 8). Second, the work-product doctrine recognizes a *qualified* evidentiary protection, in contrast to the absolute protection afforded by the attorney-client privilege. *United States v. Nobles*, 422 U.S. 225, 239, 95 S.Ct. 2160, 2170, 45 L.Ed.2d 141 (1975). The protection of the work-product doctrine, unlike that of the attorney-client privilege, may be overcome by a showing of substantial need, and "[l]ike other qualified privileges, [it] may be waived." Id. These two considerations persuade us that the standard for waiving the work-product doctrine should be no more stringent than the standard for waiving the attorney-client privilege.

Applying this standard here, we hold that Westinghouse's disclosures to the SEC and to the DOJ waived the protection of the work-product doctrine because they were not made to further the goal underlying the doctrine. When a party discloses protected materials to a government agency investigating allegations against it, it uses those materials to forestall prosecution (if the charges are unfounded) or to obtain lenient treatment (in the case of well-founded allegations). These objectives, however rational, are foreign to the objectives underlying the work-product doctrine. Moreover, an exception for disclosures to government agencies is not necessary to further the doctrine's purpose; attorneys are still free to prepare their cases without fear of disclosure to an adversary as long as they and their clients refrain from making such disclosures themselves. Creating an exception for disclosures to government agencies may actually hinder the operation of the work-product doctrine. If internal investigations are undertaken with an eye to later disclosing the results to a government agency, the outside counsel conducting the investigation may hesitate ***1430** to pursue unfavorable information or legal theories about the corporation. Thus, allowing a party to preserve the doctrine's protection while disclosing work product to a government agency could actually discourage attorneys from fully preparing their cases.

[24] We also reject Westinghouse's argument that it did not waive the work-product protection because it reasonably expected the agencies to keep the documents it disclosed to them confidential. Even if we had found that the agencies had made such an agreement, see discussion at pages 1427-30, it would not change our conclusion.

To support its contention that we should be persuaded by its alleged expectations of confidentiality, Westinghouse relies upon two cases decided by the D.C. Circuit, *Subpoenas* and *In re Sealed Case*, 676 F.2d 793 (D.C. Cir.1982). *Sealed Case* involved a disclosure that was both selective and partial. Consequently, the court analyzed the waiver question in terms of the fairness doctrine typically applied to cases involving partial disclosures. Although *Subpoenas* involved only a selective disclosure, the court also relied upon the fairness analysis employed in *Sealed Case* when it implied that had the disclosing party reasonably expected confidentiality, its expectations would have mitigated against the "unfairness" of selective disclosure.

We have distinguished between partial and selective disclosures of materials protected by the attorney-client privilege, see note 7, and we have observed that the type of disclosure at issue in this case is selective disclosure. We also have explained that the fairness doctrine applies in cases in which there has been a partial (as opposed to selective) disclosure of communications protected by the attorney-client privilege. See pages 1426-27. Our analysis limiting the application of the fairness doctrine to *partial* disclosure applies equally in the context of the work-product doctrine. We decline to extend the fairness doctrine to cases involving selective disclosures because, as we explained at note 13, we do not see how disclosing protected materials to one adversary disadvantages another. Therefore, *Subpoenas* and *Sealed Case* do not aid Westinghouse's cause.

In *In re John Doe*, 662 F.2d 1073 (4th Cir.1981), the Fourth Circuit also found the lack of a confidentiality agreement significant in determining whether a party had waived the work-product doctrine. *Doe,* however, is easily distinguished from the instant case. *Doe* arose when a criminal defendant informed the United States Attorney that Doe, his former lawyer, had advised him to give false testimony and to bribe witnesses. The United States Attorney instigated a grand jury investigation of Doe and presented to the grand jury documents that Doe had prepared while representing his former client and then inadvertently turned over to the client. Doe moved that the documents be returned to him and that the grand jury be dismissed as tainted by its improper consideration of material protected by the work-product doctrine. [FN16]

> FN16. Doe also moved to quash the grand jury's subpoena seeking additional documents related to those already disclosed. We do not discuss this aspect of *Doe* because it concerns the effect of a partial disclosure and the instant case involves only a selective disclosure.

The Fourth Circuit focused on "a concern inherent in the work product rule: that since an attorney's work is for his client's advantage, opposing counsel or adverse parties should not gain the use of that work through discovery." 662 F.2d at 1081. It reasoned that in order to waive the protection of the doctrine by disclosing material to a third party, the disclosure must indicate "conscious disregard" of the possibility that an adversary would gain access to the material. Id. The court then announced the following standard:

> [T]o effect a forfeiture of work product protection by waiver, disclosure must occur in circumstances in which the attorney cannot reasonably expect to limit the future use of the otherwise protected material.

Id.

Applying that standard, the court determined that Doe had waived the protection of the work-product doctrine. At the time ***1431** Doe released the documents, his relationship with his former client was strained. Moreover, Doe failed to take steps to limit the client's future use of the documents. Therefore, the court concluded that Doe's disclosure "substantially and freely increased the possibility of disclosure" to anyone and thus waived the work-product protection. Id. at 1082.

[25][26] Unlike the instant case, *Doe* involved an inadvertent disclosure to a party who, while no longer sharing common interests with Doe, was not clearly an adversary. Under those circumstances, the court found it significant that Doe had taken no steps to protect the confidentiality of the documents he disclosed to his former client. Fear of waiving the doctrine's protection by an inadvertent disclosure, or by a disclosure to a non-adversary, might well chill attorneys from fully preparing their cases. Therefore, when the disclosure is either inadvertent or made to a non-adversary, it is appropriate to ask whether the circumstances surrounding the disclosure evidenced conscious disregard of the possibility that an adversary might obtain the protected materials. Thus, had the DOJ and the SEC not been Westinghouse's adversaries, and had we concluded that Westinghouse reasonably expected the agencies to keep the material that it disclosed to them confidential, we might reach a different result. But because Westinghouse deliberately disclosed work product to two government agencies investigating allegations against it, the Fourth Circuit's analysis in *Doe* does not apply here. [FN17]

> FN17. The district court did not distinguish between opinion and non-opinion work product when it decided that Westinghouse had waived the protection of the work-product doctrine. The Fourth Circuit has made this distinction in *In re Martin Marietta Corp.*, 856 F.2d 619 (4th Cir.1988), cert. denied, 490 U.S. 1011, 109 S.Ct. 1655, 104 L.Ed.2d 169 (1989), a case involving a waiver effected by a disclosure that was both partial and selective. The

> distinction between opinion and non-opinion work product was developed by the Supreme Court in *Hickman* to explain that a showing of necessity is sufficient to overcome the protection of the work-product doctrine when the documents sought do not contain opinion work product, i.e., writings which reflect an attorney's mental impressions, conclusions, opinions or legal theories. 329 U.S. at 508, 67 S.Ct. at 392. We acknowledge that the work product at issue here undoubtedly is of both varieties. The parties have not argued, however, that the distinction is significant in answering the entirely different question of whether the protection of the doctrine has been waived, nor does it appear to us to be significant on this record. See Willcox, 49 Md.L.Rev. at 933-34.

VI. CONCLUSION

For the foregoing reasons, we conclude that Westinghouse waived the attorney-client privilege and the work-product doctrine when it disclosed otherwise protected documents to the SEC and to the DOJ. Therefore, the district court did not commit clear error in ordering Westinghouse to produce the disputed material. Accordingly, the petition for a writ of mandamus will be denied.

951 F.2d 1414, 60 USLW 2424, 22 Fed.R.Serv.3d 377, 35 Fed. R. Evid. Serv. 1070

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