

**AN OVERVIEW OF THE ATTORNEY-CLIENT PRIVILEGE AND
THE POTENTIAL LOSS OF THE PRIVILEGE THROUGH WAIVER**

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AN OVERVIEW OF THE ATTORNEY-CLIENT PRIVILEGE AND THE POTENTIAL LOSS OF THE PRIVILEGE THROUGH WAIVER

I. INTRODUCTION TO THE PRIVILEGE

Established long ago, it is generally agreed that the purpose of the attorney-client privilege is to promote the free flow of information between attorneys and their clients while removing the fear that the details of those communications will be revealed to outsiders. See e.g., *Commodity Futures Trading Comm. v. Weintraub*, 471 U.S. 343, 348 (1985); *West v. Solito*, 563 S.W.2d 240, 245 (Tex. 1978). It is presumed that the attorney will be able to render fully accurate advice only by ensuring that the information they receive and provide to their client will remain confidential. The client is encouraged, therefore, to provide full disclosure even as to facts which if disclosed could adversely affect the client. It is frequently the most harmful information which the attorney needs most in order to provide accurate counsel to their client.

The attorney-client privilege is one of the oldest evidentiary privileges in Anglo-American Law. See *Annesley v. Anglesea*, 17 How. St. Tr. 1139 (1743); *Hunt v. Blackburn*, 128 U.S. 464 (1888). This section represents an overview of federal and state law regarding the attorney-client privilege as an evidentiary privilege and the procedures which relate to it, with special emphasis on the rules which apply to communications by attorneys representing corporations. It will also discuss the potential waiver of the privilege.

Many of the situations selected for inclusion in this section involve the assertion of the privilege by corporate in-house or general counsel. Although every court recognizes that these attorneys fully qualify for the privilege, the rules as they have been applied to the claims of privilege by in-house counsel are frequently more exacting.

A. The Attorney-Client Privilege: First Principles

The attorney-client privilege is the evidentiary rule that is designed to encourage (by protecting) the free flow of information between an attorney and his or her client. The underlying assumption supporting the privilege is that our legal system is more civilized and efficient because we recognize the attorney-client privilege. This premise is an unverifiable postulate of felicific calculus. However, it is believed that without broadly interpreting and enforcing the privilege, the potential benefit to our legal system becomes more elusive because the protected client must, as a threshold matter, determine whether confidential

disclosures which are being made to their attorney may be disclosed to a party with opposing legal interests. Undoubtedly, this risk can “chill” the full disclosure which otherwise might have been made. Thus, it is advanced that the legal system is harmed because the attorney’s advice was not based upon full disclosure. Because the advice may have been rendered without all of the underlying facts, the advice itself may be incorrect. It is believed that only by encouraging full disclosure without fear that the disclosure will be used against the client that our adversary legal system can “encourage” full disclosure. It is important to understand the rationale underlying this legal doctrine because the potential damage to the attorney-client privilege’s policy and objectives should always be argued when attempting to establish this privilege regardless of the context in which the privilege is being defended.

The attorney-client privilege is traditionally and historically a product of the common law but it has been codified in many states, including Texas. See, e.g. *Ariz. Rev. Stat. §12-2234*; *Tex.R.Civ.Evid. 503*. A good working definition of the privilege is contained in the Texas Rule of Civil Evidence 503(b) which defines, the attorney-client privilege as follows:

A client has a privilege to refuse to disclose and to prevent any other person from disclosing confidential communications made for the purpose of facilitating the rendition of professional legal services to the client. *Tex. R. Civ. Evid. 503(a)(2)*.

1. Establishing the Privilege

Generally, a party seeking to protect privileged communication from discovery must, at some stage:

1. Affirmatively and specifically plead or assert the attorney-client privilege;
2. Produce evidence concerning the applicability of the attorney-client privilege; and
3. For written material, allow the trial court to determine whether an *in camera* inspection is necessary to determine if the privilege applies.

If the trial court orders an *in camera* inspection, the party asserting the privilege should segregate and produce to the court those materials the court seeks to inspect to determine if the privilege applies. Failure to follow this procedure may waive any complaint of the trial court’s action regarding the privilege. *Loftin v. Martin*, 776 S.W.2d 145 (Tex. 1989); *Weissel Enters., Inc. v. Curry*, 718 S.W.2d 56 (Tex. 1986)(per curiam).

Thus, the party resisting discovery of the material which is claimed to be privileged must specifically

claim the privilege relied on and establish the justification for its imposition. In written discovery, the discovery response must identify the privilege and identify each document to which the privilege applies. General objections will generally not suffice. Simply listing documents under the heading “Attorney-Client/Attorney Work-Product” is generally insufficient to protect documents from discovery. A global claim that a list of documents is protected by one or more privileges is also too general to prevent their discovery.

And while often called an absolute privilege, the attorney-client privilege is subject in every jurisdiction to exceptions for which the privilege may not be asserted.

Thus, the Texas Rules of Evidence set forth the following categories of situations in which the attorney-client privilege does not exist:

Furtherance of crime or fraud. If the services of the lawyer were sought or obtained to enable or aid anyone to commit or plan to commit what the client knew or reasonably should have known to be a crime or fraud;

Claimants through same deceased client As to a communication relevant to an issue between parties who claim through the same deceased client, regardless of whether the claims are by testate or intestate succession or by inter vivos transactions;

Breach of duty by a lawyer or client. As to a communication relevant to an issue of breach of duty by a lawyer to the client or by a client to the lawyer;

Document attested by a lawyer. As to a communication relevant to an issue concerning an attested document to which the lawyer is an attesting witness; or

Joint clients. As to a communication relevant to a matter of common interest between or among two or more clients if the communication was made by any of them to a lawyer retained or consulted in common, when offered in an action between or among any of the clients.

Tex. R. Evid. 503(d).

The parameters of the attorney-client privilege in federal court were fully set forth in *United States v. United Shoe Machinery Corp.*, 89 F.Supp. 357 (D. Mass. 1950), a frequently cited case from 1950, in which the court stated that:

The privilege applies only if (1) the asserted holder of the privilege is or sought to become a client; (2) the person to whom the

communication was made (a) is a member of the bar of a court, or his subordinate and (b) in connection with this communication is acting as a lawyer; (3) the communication relates to a fact of which the attorney was informed (a) by his client (b) without the presence of strangers (c) for the purpose of securing primarily either (i) an opinion of law or (ii) legal services or (iii) assistance in some legal proceeding, and not (d) for the purpose of committing a crime or tort; and (4) the privilege has been (a) claimed and (b) not waived by the client.

Id. at 358-59.

It is well established that the attorney-client privilege applies to the corporate client, *See e.g., United States v. Louisville & Nashville R.R.*, 236 U.S. 318 (1915); *A. v. District Court*, 191 Colo. 10, 550 P.2d 315 (1976) cert den. 429 U.S. 1040 (1977); *Marriott Corp. v. American Academy of Psychotherapists, Inc.*, 157 Ga. App. 497, 277 S.E. 2d 785 (1981). *See generally*, Annot. *What Corporate Communications are Entitled to Attorney-Client Privilege – Modern Cases*, 27 A.L.R. 5th 76 (1995); *Kahl v. Minnesota Wood Specialty, Inc.*, 277 N.W.2d 395 (Minn. 1979), although even this principle has not gone unchallenged, and at least one federal court, subsequently reversed, held that the attorney-client privilege could not be claimed by a corporation, *Radiant Burners, Inc. v. American Gas Ass’n.*, 207 F.Supp. 771 (N.D. Ill. 1962) rev’d 320 F.2d 314 (7th Cir. 1963) and while the prerequisites for asserting the attorney-client privilege set forth above are rather straight forward when applied to an individual, they are not so simple when the client is a corporation. The most obvious difference is that the corporate entity speaks through the many voices of its employees, agents, and representatives. Thus, when a corporation asserts the attorney-client privilege, there are questions about: (1) which natural persons’ communications are protected, (2) who within the corporation may assert the privilege and (3) who within the corporation may waive the privilege.

Not surprisingly, there is no uniform answer to these questions either among the states or between state and federal law. In the area of who may claim that their communications are privileged, courts have adopted and applied two general tests: (1) the control group test, and (2) the subject matter test. The determination of which test applies depends upon the forum in which one finds oneself and both the jurisdiction’s substantive evidence law of privilege as well as the conflicts of law rules which that jurisdiction has adopted. Since the rule applied may be affected by various factors, it is important for an attorney

representing a corporation to understand both tests. It is not enough just to know the test which is applied in the state in which the communication took place since corporate litigation frequently involves parties from different states, and the likelihood that a corporation may be sued in a state in which it is not a resident is evident.

B. Determining the Rule of Privilege: Control Group v. Subject Matter

There are principally two approaches that have been advanced to resolve the question of which corporate representatives may engage in confidential communications with attorneys representing the corporation. Because of ambiguities surrounding choice of law issues, if the stricter "control group" test is followed then the communication will always qualify for protection if it involves only control group personnel. The first, or "control group test" provides that the client may be an entity and have confidential communications *only if* the corporate representative can act on the legal advice rendered or if the corporate representative has authority to obtain legal representation on behalf of the corporation. The "control group test" is discussed in *In re Grand Jury Investigation*, 599 F.2d 1224 (3rd Cir. 1978).

The control group test for determining what communications by a corporate employee are protected by the attorney-client privilege originated with *City of Pennsylvania v. Westinghouse Electric Corp.*, 210 F.Supp. 483 (F.Supp. 1962) *See also, Hercules, Inc. v. Exxon Corp.*, 434 F.Supp. 136 (D. Del. 1977). In this case, the defendant Westinghouse asserted the attorney-client privilege in order to prevent disclosure of an employee's statement to Westinghouse's general counsel. In rejecting the application of the attorney-client privilege to this communication, the court adopted the following definition of the scope of the attorney-client privilege in the corporate setting.

[I]f the employee making the communication, of whatever rank he may be, is in a position to control or even to take a substantial part in a decision about any action which the corporation may take upon the advice of the attorney, or if he is an authorized member of a body or group which has that authority, then, in effect, he is (or personifies) the corporation when he makes his disclosure to the lawyer and the privilege would apply. In all other cases the employee would be merely giving information to the lawyer to enable the latter to advise those in the corporation having the authority to act or refrain from acting on the advice.

Id. at 485.

While these are the primary elements of the control group test, some states have expanded the control group to include, for example, advisors to top management if management relies upon those advisors' communications in making legal decisions. *Consolidation Coal Co. v. Bucyrus-Erie Co.*, 89 Ill. App. 3d 103, 432 N.E.2d 250 (1982).

It is obvious that the control group test is extremely narrow in scope. Although it is evident to everyone that low level employees frequently possess information that may be vital to a corporation's management when management of the corporation is seeking legal advice, the control group test provides the protection of the attorney-client privilege *only* to the communications of the top management. And while the limited protection afforded by the work product doctrine might be available when litigation is anticipated, communications such as those by a non management group employee in the absence of anticipated litigation may not be protected. Despite this very narrow application; however, a number of states continue to follow the control group test for corporations asserting the attorney-client privilege. Change is occurring, however, as the scope of the attorney-client privilege to corporation is reconsidered by jurisdictions.

In 1993, the Texas Supreme Court, in *National Tank Co. v. Brotherton*, 851 S.W.2d 193 (Tex. 1993), addressed the scope of the attorney-client privilege under Texas state law in circumstances when the client was a corporation. In a plurality opinion (which was effectively joined by all other justices on this issue), Chief Justice Phillips held that the Texas Rules of Evidence, Rule 503 had in effect adopted the "control group test" by virtue of its definition of "representative of the client" – that is, "one having authority to obtain professional legal services, or to act on advice rendered pursuant thereto, on behalf of the client." *Id.* at 197 (quoting then prevailing Tex. R. Civ. Evid. 503(1)(2)). Thus, even if legal matters were discussed between attorneys and employees, the failure to have an appropriate corporate representative involved was fatal to the creation of a privileged communication. For this and other reasons, the subject matter test was criticized. *See e.g., Godfrey, The Revised Attorney-Client Privilege for Texas*, 3 Texas Tech L. Rev. 139 (1999). However, the subject matter test defined the scope of the attorney-client privilege in Texas until 1998 when the Texas Rules of Evidence were amended by the court in order to include the subject matter test in addition to the control group test for communications to attorneys. In Texas, the attorney-client privilege may now be asserted by

(A) a person having authority to obtain professional legal services, or to act on

advice thereby rendered, on behalf of the client, or

- (B) any other person who, for the purpose of effectuating legal representation for the client, makes or receives a confidential communication while acting in the scope of employment for the client.

Tex. R. Evid. 503(a)(2).

As the Texas Supreme Court did in amending its rule for the attorney-client privilege in the corporate context, the Seventh Circuit Court of Appeals, some years earlier in the leading case of *Harper & Row Publishers, Inc. v. Decker*, 423 F.2d 487 (7th Cir. 1970) aff'd 400 U.S. 348 (1971), adopted the subject matter test to define the persons who's communications were covered by the attorney-client privilege. The Seventh Circuit recognized that an employee, while not a member of the control group is sufficiently identified with the corporation so that his communication to the corporation's attorney should be privileged when the employee makes that communication at the direction of his supervisors in the corporation. However, the Court imposed the additional condition that the subject matter upon which the attorney's advice was being sought by the corporation and dealt with in the communication by the employee should involve the performance by the employee of the duties of his employment. 423 F.2d at 491-92.

The principles expressed by the court in *Harper & Row v. Decker*, 423 F.2d 487 (7th Cir. 1970) aff'd 400 U.S. 348 (1976), while generally accepted were viewed by some courts as too broad. Thus, the court in *Diversified Indus., Inc. v. Meredith*, 572 F.2d 596 (8th Cir. 1977), adopted what became known as the modified subject matter test. This test set forth five elements which needed to be satisfied in order to determine whether a corporate employee's communications with counsel were privileged. These five elements are:

1. The communication must be made for the purpose of securing legal advice;
2. The employee making the communication should be doing so at the direction of his corporate supervisor;
3. The employee's superior made the request for the communication in order for the corporation to secure legal advice;
4. The subject matter of the communication was within the scope of the employee's corporate duties; and

5. The communication was not disseminated beyond those persons who because of the corporate structure, needed to know its contents.

Id. at 609.

These principles ultimately gained acceptance by the United States Supreme Court, and although the Supreme Court declined to establish a rule of privilege to govern all conceivable future questions in which the question of the applicable scope of the attorney-client privilege would be addressed in the corporate context, it essentially approved the modified subject matter test.

In *Upjohn Co. v. United States*, 449 U.S. 383 (1981), the United States Supreme Court rejected the "control group" test and held that the attorney-client privilege protected communication between corporate counsel and lower level corporate employees under certain circumstances. This is now often referred to just as the "subject matter" test and is employed in federal courts in non-diversity cases. In reaching its decision, the court reasoned that:

In the case of the individual client the provider of information and the person who acts on the lawyer's advice are one and the same. In the corporate context, however, it will frequently be employees beyond the control group as defined by the court below - - "officers and agents ... responsible for directing [the company's] action in response to legal advice: -- who will possess the information needed by the corporation's lawyers. Middle-level -- and indeed lower-level - employees can, by actions within the scope of their employment, embroil the corporation in serious legal difficulties, and it is only natural that these employees would have the relevant information needed by corporate counsel if he is adequately to advise the client with respect to such actual or potential difficulties.

449 U.S. at 391; *see also*, *Southern Bell Tel. & Tel. Co. v. Deason*, 632 So.2d 1377 (Fla. 1994).

While the *Upjohn* court limited its holding to the facts before it and expressly declined to lay down a broad rule, the issue of the availability of the privilege to corporations in litigation in federal court governed by this rule is, for all practical purposes, now settled. The holding clearly states that confidential communications by corporate employees about matters within the scope of their employment, and made for the purpose of enabling counsel to provide legal advice to the corporation, fall within the scope of the attorney-

client privilege. Still, because the attorney-client privilege suppresses information, it is obstructive to the truth finding process and it is narrowly construed.

Case law seems to indicate that the perceived need for a narrow construction is more likely to occur when a corporate entity seeks to invoke the privilege to protect communications of or to in-house counsel. Because in-house counsel may play a dual role of legal advisor and business advisor, the privilege applies only if the communication's purpose is to gain or provide legal assistance. The varied scope of responsibility of some in-house counsel within a corporation may suggest that the issue of the role being performed by in-house counsel when they have communications will no doubt continue to receive strict scrutiny in order to determine whether those communications are privileged.

Since *Upjohn*, in addition to Texas, at least some variation of the subject matter test has been adopted by the majority of the states having considered the rule as well as having been cited formally by a number of states that have not adopted a specific rule.

Since the privilege belongs to the client, the claim of privilege must be made by or on behalf of the client. *See Sikes v. Segers*, 266 Ark. 654, 587 S.W.2d 554 (1979); *West v. Solito*, 563 S.W.2d 240 (Tex. 1978). In the case of a corporation, the representative of the corporation may assert the privilege on behalf of the corporation.

The privilege attaches early in the attorney-client relationship. For example, the Texas Rules of Civil Evidence define "client" as someone who consults a lawyer "with a view to obtaining professional legal services from him." Once created, the privilege continues. It has been held that the privilege remains after the death of the client. *Eloise Bauer & Assocs. v. Electronic Realty Assocs.*, 621 S.W.2d 200, 204 (Tex. Civ. App. – Texarkana 1981, writ ref'd n.r.e.). In the corporate setting it is generally held that the privilege may only be asserted by an authorized corporate representative on behalf of the corporation. The attorney for the corporation is the representative generally in the best position to assert the privilege, whether at a deposition, responding to written discovery, or at trial. Thus, although the privilege belongs to the client, the lawyer may claim the privilege on behalf of the client and is presumed to have that authority to assert the attorney-client privilege in the absence of evidence to the contrary. *See Tex.R.Evid.503(c)* "The person who was the lawyer or the lawyer's representative at the time of the communication is presumed to have authority to claim the privilege but only on behalf of the client." This point was also made in *Cole v. Gabriel*, 822 S.W.2d 296 (Tex. App. – Ft. Worth 1991 orig proceeding) in a slightly different way when it was held that a lawyer had no standing to assert the attorney client privilege in

his individual capacity. *See also, Fisher v. United States*, 425 U.S. 391 (1976); *Klitzman, Klitzman & Gallagher v. Krut*, 744 F.2d 955 (3d Cir. 1984).

It stands to reason that the determination of what jurisdiction's law should govern the attorney-client privilege may determine whether a particular communication is privileged. Although the United States Supreme Court in *Upjohn*, addressed the issue of this evidentiary privilege, the determination of the scope of the privilege was made on evidentiary grounds, and consequently there is no guarantee that a particular court will apply the subject matter test to corporate communications of non-control group personnel even in federal court outside those circumstances specifically defined by the court as requiring its application. The decision of the United States Supreme Court was made on evidentiary grounds, consequently, the scope of the privilege in litigation in federal court is governed by the Federal Rules of Evidence. While *Upjohn* establishes that actions in federal court which are based upon federal statutes or federal claims require the application of the subject matter test to corporate communications between agents of the corporation and its attorneys, the Federal Rules of Evidence adopt a policy in keeping with the limits of its authority in diversity cases. The Federal Rules of Evidence provide that:

[T]he (attorney-client) privilege of a witness [or] person . . . shall be governed by the principles of the common law as they may be interpreted by the courts of the United States in the light of reason and experience. However, in 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 [or] person . . . shall be determined in accordance with state law.

Fed. R. Evid. 501.

The incongruity of this principle has not been lost upon some commentators who have pointed out that a single corporation might be involved in two cases in the same federal court before the same judge, one based upon diversity, and one based upon a federal claim, in which that judge would be expected to apply the subject matter test to the corporate communications in the case based upon federal law under *Upjohn* while the diversity case could require the application of the particular forum state's privilege rule which could easily be the control group test. This incongruity alone, while perhaps a little far fetched, does dictate a cautionary note and relying upon traditional conflicts rules offers little comfort. The *Restatement (Second) of Conflicts* favors the forum's laws which will more

likely hold that the communication is *unprotected* by the privilege. Restatement (Second) of Conflicts §139. Consequently, a jurisdiction which itself follows the subject matter test and the *Restatements'* view of conflicts might find itself in the awkward position of being asked to substitute its own rules regarding the attorney-client privilege and apply the control group test of another jurisdiction and find that a communication which would be privileged under its interpretation of the attorney-client privilege, is not privileged in the particular litigation since its conflict rules dictate the imposition of the more narrow approach. Even if this is not the result of this scenario, the possibility alone suggests that a forum selection clause and choice of law clause should be a standard provision in any contract where the parties may be able to control which standard will apply.

II. LOSS OF THE PRIVILEGE

A. Failing to Consistently Assert the Privilege

There are a number of procedural mistakes that can lead to waiver of the attorney-client privilege. Ordinarily, the privilege is waived by the failure to assert it when a question is asked about a confidential communication. Voluntary production of a document during discovery or trial can also waive an objection based on the privilege. Thus, in *West v. Solito*, 563 S.W.2d 240 (Tex. 1978), the court stated that neither a motion *in limine* nor an objection at trial will prevent the admission into evidence of privileged information that was disclosed without objection in a deposition. The court held that even though the trial court ordered that privilege objections be reserved for trial, "once the matter has been disclosed, it cannot be retracted or otherwise protected." *Id.* at 245. Therefore, the conclusion here is obvious. An attorney whose client is asked for privileged information in a deposition or a trial must object and instruct the client not to answer in order to protect the privilege, and if privileged documents have been produced, must attempt to regain custody of those privilege documents

B. The Selected Disclosure Problem

Even though the privilege has attached to a particular communication the privilege may be waived. Texas Rule of Civil Evidence 511 provides a representative definition of the principles of waiver. One waives a privilege if, while the holder of the privilege, he "voluntarily discloses or consents to disclosure of any significant part of the privileged matter unless such disclosure itself is privileged. . . ." Tex. R. Evid. R. 511(i). For example, in *Axelson, Inc. v. Mcilhaney*, 755 S.W.2d 170 (Tex. App. – Amarillo 1988, orig. proceeding). the court found that a company waived the attorney-client privilege concerning information relating to the company's internal investigation of kickbacks to its employees.

The company's investigation information was the subject of the trial of a federal action brought by the company, and the information was revealed to federal law enforcement agencies as well as a national publication.

Some of the more frequently encountered "high risk" areas for waiving the privilege by selective disclosure of information may occur in the following situations:

1. Responding to a government investigation
2. Information supplied to government agency
3. Insurance renewals
4. Auditor or accountant inquiry
5. Public financial disclosure documents (SEC forms)
6. Any disclosure to third parties not working under the attorney, or not at the attorney's direction, or for nonlegal purposes.

C. Waiver

Assertion of the privilege discussed previously, is a relatively clear cut doctrine as compared to waiver of the privilege. As noted earlier, in order to preserve the attorney-client privilege, not only must the privilege be claimed, it must also be established that the privilege has not been waived. In many instances, the issue of waiver is not present, it can, however, be a matter of some concern for the attorney representing a corporation regarding who can waive the privilege.

It has been held that an employee of a corporation, whose communications have been claimed as privileged under the attorney-client privilege on behalf of the corporation, may waive that privilege. *Jonathan Corp. v. Prime Computer, Inc.*, 114 F.R.D. 693 (W.D.Va. 1987). Most courts, however, follow the principles of the *Restatement (Third) of the Law Governing Lawyers* which provides that only an authorized agent of the corporation may waive the privilege of the corporation. Accordingly, it is the general rule that a corporation's privileged communication protected by the attorney-client privilege cannot be waived by the unauthorized disclosure by either a current or former employee. Corporate counsel should, of course, be proactive rather than reactive in this area however. Rarely does privileged information which has been disclosed by a current or former corporate employee in an unauthorized fashion have a positive consequence, regardless of whether a court subsequently affirms that a waiver was ineffective. The attorney should, therefore, instruct employees with whom he communicates that the communication is confidential. In addition, the attorney should be aware that there is the possibility of a waiver occurring at an employee's deposition. The attorney should be wary and prepared to object and instruct the employee not to answer a

question which calls for the disclosure of privileged attorney-client communications at a deposition. If necessary the attorney should be prepared to contact the court for instructions, terminate the deposition and seek a protective order from the court. *E.g.*, Fed. R. Civ. P. 26. The failure to take these measures may be construed by the court as waiver of the privilege. *Perignon v. Bergen Brunswick Corp.*, 77 F.R.D. 455 (N.D. Cal. 1978).

D. Waiver by Inadvertent Disclosure

Texas Rule of Civil Evidence 511 is representative of the general rule and provides that a "voluntary disclosure" of a privileged communication waives the privilege. Occasionally, particularly in large document productions, and sometimes despite substantial safeguards and precautions, a party will inadvertently produce a few privileged documents to the opposing party. The question is whether such an inadvertent production constitutes "voluntary disclosure" that waives the privilege, perhaps extending to all communications relating to the subject matter of the disclosed documents.

The Texas Supreme Court first addressed this issue in *Granada Corp. v. Honorable First Court of Appeals*, 844 SW.2d 223 (Tex. 1992) (orig. proc.). The court reasoned that, depending upon the facts, an inadvertent production of a privileged document could be either "voluntary" or "involuntary". Only a voluntary production would constitute a waiver of the privilege. In *Granada*, the court held that the producing party carries the burden of showing specific circumstances confirming the involuntary nature of an inadvertent disclosure of a privileged document. *Id.* at 226.

The *Granada* court identified the following factors as relevant to whether a particular inadvertent disclosure is "voluntary" and therefore results in waiver:

- (a) whether "precautionary measures" were taken("efforts reasonably calculated to prevent the disclosure");
- (b) whether there was "delay in rectifying the error";
- (c) the "extent of any inadvertent disclosure"; and
- (d) the "scope of discovery".

See Floyd v. Coors Brewing Co., 952 P.2d 797 (Colo. App. 1997) for a similar discussion and holding. *See also, Abamor Hous & Dev. v. Lisa Daly Lady Decor*, 698 So.2d 276 (Fla. App. 1997) rev. den. 704 So.2d 520 (Fla. 1997).

In light of case law such as this, the attorney responsible for a large document production should

create a plan (preferably reduced to writing) for the production of documents that will minimize the chances of an inadvertent production of a privileged document.

If an attorney should discover that they have inadvertently produced a privileged document, they should move quickly. They should immediately file the appropriate motion with the court (for example, a Motion to Compel Return of Privileged Documents Inadvertently Produced), then they should familiarize themselves with the burden with which they are faced and follow the principles set forth such as those in *Granada*, assemble by affidavit the evidence needed to sustain that burden, file the affidavits, and have the motion set for hearing. Interestingly, the Texas Supreme Court addressed this problem more directly by procedural rule simplifying, at least in Texas, the procedures that needs to be followed for the recovery of inadvertently produced privileged materials. The Texas Rules of Civil Procedure now provide that:

A party who produces material or information without intending to waive a claim of privilege does not waive that claim under these rules or the Rules of evidence if – within ten days or a short time ordered by the court, after the producing party actually discovers that such production was made—the producing party amends the response, identifying the material or information produced and stating the privilege asserted. If the produced and stating the privilege asserted. If the producing party thus amends the response to assert a privilege, the requesting party must promptly return the specified material or information and any copies pending any ruling by the court denying the privilege.

TRCP 193.3(d).

Written client communications may also lose the protection of the attorney-client privilege if they are used at trial or in a deposition to refresh the witness' recollection. Fed. R. Evid. 612, Tex. R. Evid. 612. The Federal and Texas Rules of Evidence provide that "if a witness uses a writing to refresh memory . . . for the purpose of testifying . . . an adverse party is entitled to have the writing produced at the hearing." *Id.* Accordingly, if the attorney uses an otherwise privileged document to refresh his client's memory on the witness stand, or in preparation for or at a deposition, waiver has occurred. *See e.g., Hannon v. St. Joseph's Hospital & Medical Center*, 318 N.J. Super. 22, 722 A. 2d 971 (1999). Although asserted, the work product doctrine has not been found to be adequate protection from disclosure when work

product documents have been used to prepare a witness for their depositions. *See*, Fed. R. Evid. 612. *See generally*, *Shipes v. BIC Corp.*, 154 (F.R.D. 301 (M.D. Ga. 1994); *Nutramax Lab. Inc. v. Twin Lab., Inc.*, 183 F.R.D. 458 (D. Md. 1998), *Margaret Hall Found. V. Strong*, 121 F.R.D. 141 (D. Mass. 1988), *Redvanly v. NYNEX Corp.*, 152 F.R.D. 460 (S.D.N.Y. 1993); *Begner v. State Ethics Comm'n*, 250 Ga. App. 327, 552 S.E.2d 431 (2001). The courts have even followed the reasoning that disclosures of work product in these circumstances should be automatic and should not require a showing of substantial need or undue hardship. *See Berkey Photo, Inc. v. Eastman Kodak Co.*, 74 F.R.D. 613 (S.D.N.Y. 1977)(although the court did not order disclosure in *Berkey* it stated, "To put the point succinctly, there will be hereafter powerful reasons to hold that materials considered work product should be withheld from prospective witnesses if they are to be withheld from opposing parties." 74 F.R.D. at 617.

E. Offensive Use Of The Privilege

The "offensive use" doctrine arises when privileged material is used as a "sword" rather than as a "shield." For example, if the client claims that "my former attorney didn't tell me I had a claim until the statute of limitations had expired", then the former attorney may be deposed on this topic to prevent "manifest unfairness. *Conkling v. Turner*, 883 F.2d 431 (5th Cir. 1989). Whether the client was aware of a fact is now relevant and relates to the heart of the claim. For this reason, if there is information that would reveal that a fact was made known to the client by the attorney, then the adversary may discover this information. The assertion of the attorney-client privilege in this setting goes well beyond the intended purposes of the attorney-client privilege and consequently the privilege is unavailable to protect this type of communication. It is the pursuit of this type of claim that makes otherwise protected discussions and conversations discoverable and is analogous to an unintentional waiver.

Similarly, using the communications of an attorney to pursue a claim offensively may also lead to a claim of waiver of privileges that might otherwise be available if they were raised defensively. Placing at issue matters with which the attorney is involved *will greatly* increase the likelihood that the party opposing the privilege will subsequently notice the deposition of this attorney and seek the disclosure of otherwise protected communications. In *U.S. v. Pepper's Steel & Alloys, Inc.*, 132 F.R.D. 695 (S.D. Fla. 1990), the defendant, in response to a Rule 30(b)(6) notice, produced the supervising examiner for the defendant's liability division. While the defendant did not contest the taking of the attorney's deposition, the attorneys for the produced witness repeatedly objected to questions

on the grounds that the information was protected as work product. Pointing out that the defendants chose the witness for examination, the court was unsympathetic to the defendant's claims of privilege.

F. The "Good Cause" Exception

One of the most troubling instances of waiver for the in-house counsel is the "good cause" exception.

The good cause exception is invoked when concerns of countervailing policy dictate that the attorney-client privilege or the work product doctrine should be ignored. In shareholder suits, for example, courts have reasoned that the corporate attorney's true client is the shareholder and, accordingly, that communications with corporate executives cannot be privileged in those suits when the substance of the conversation is at issue. Such an analysis puts in peril many communications between in-house counsel and corporate executives, because a privilege-negating shareholder suit is always possible. But, in the case of closely-held corporations, one state has held the attorney's duty is owed to the corporation itself, and not to the shareholders or directors. Michigan State Bar Comm. on Prof. And Judicial Ethics, Opinion (CI-1178, 1/18/88). Suffice it to say, this is a dynamic area.

A leading case in which the "good cause" waiver was *almost* successfully argued by a party seeking the discovery of privileged documents is *Sporck v. Peil*. 759 F.2d 312 (3d Cir. 1985). In *Sporck*, the court denied the plaintiff's motion to compel the production of documents that the defendant acknowledged had been provided to him by his attorney in preparation for his deposition. The defendants claimed that the selection of documents was protected from disclosure by the work product doctrine, a less restrictive rule against non disclosure than the attorney-client privilege. Stressing that defendant's counsel had culled these select documents from the hundred of thousands produced by defendants, the court found the process of sifting relevant documents from the mass of produced documents was protected as attorney work product:

We believe that the selection and compilation of documents by counsel in this case in preparation for pretrial discovery falls within the highly-protected category of opinion work product Rule 26(b)(3) placed an obligation on the trial court to protect against unjustified disclosure of defense counsel's selection process.

Id. at 316.

Noteworthy is the fact that the court engaged in an analysis to determine whether there was "good cause" to compel production or whether the attorney-client

privilege and work product information should be respected.

There are important points to bear in mind while performing various tasks, such as making decisions or providing advice, which involve the creation of documents or conversations which are intended to be confidential. Counsel should periodically conjure up the mental image of an adversarial proceeding in which they are attempting to establish the privilege against an aggressive opponent. This will inevitably result in closer attention being paid to observing the necessary formalities to preserve the privilege.

In addition, to the principles articulated earlier in this Section, to further lay a foundation for prevailing on claims of privilege in the future, the attorney should consistently and judiciously follow the formalities associated with the privilege, such by following or referring to the *Upjohn* factors in letters and memorandums;

1. Mark all appropriate documents as "privileged" and "prepared as confidential communications at request of counsel".
2. Ensure that memos seeking information identify counsel by title as "counsel", and in legal opinions state that they are "in my opinion as counsel".
3. Keep circulation and distribution of *legal* memos severely limited to "control group" personnel.

Thus, in order to maintain the attorney-client privilege, a company should specify on reports prepared by employees that the report was prepared for counsel regarding legal services. Also, the signature of counsel and statements that the report is to be confidential will help ensure that the document is protected.

III. DISTINGUISHING THE ATTORNEY WORK PRODUCT DOCTRINE FROM THE ATTORNEY-CLIENT PRIVILEGE

A. The Attorney-Work Product Doctrine

The attorney-client privilege must be distinguished from the attorney work product doctrine, especially when the client is a corporation. Although the principals are similar, "the work product doctrine is distinct from and broader than the attorney-client privilege." *United States v. Nobles*, 422 U.S. 225, 238 n.11 (1975). This greater scope is, however, met by a concomitant reduction in the strength of protection offered by the *doctrine*, as opposed to the *privilege*. The attorney-client privilege covers communications made by the client to the attorney or communications by the attorney to the client that incorporate or are based upon the clients' communications. Once properly invoked, the attorney-client privilege is virtually inviolate. The attorney work product doctrine

is a qualified protection for certain materials prepared by or for an attorney "acting for his client in anticipation of litigation". *Id.* at 237-38. Many work product protected materials may be ordered to be produced on a showing of "substantial need" of the documents and the opponents' ability to establish that they are "unable without undue hardship to obtain the substantial equivalent of the materials by other means." See Fed.R.Civ.P. 26(b)(3); Tex.R.Civ.P. 192.5(b)(2). Therefore, even though the mental impressions of the attorney will be protected when work product materials are ordered produced, it is important for attorneys seeking the most inviolate level of protection to establish that the attorney-client privilege applies to documents or other discovery which contains attorney-client communications.

An attorney's work product is protected because it would be patently unfair and contrary to the adversarial nature of the law to permit discovery of materials which contain an attorney's mental impressions, conclusions, opinions or legal theories that have been created in preparation for trial. See *Hickman v. Taylor*, 329 U.S. 495, 511 (1947). For material to be considered prepared in anticipation of litigation, the prospect of litigation must be identifiable even if the litigation was not already begun. See *Toledo Edison Co. v. G A Technologies, Inc. Torrey Pines Technology Div.*, 847 F.2d 335, 339-40 (6th Cir. 1988) (party need only show anticipation of litigation, and need not establish the identities, positions and responsibilities of the persons creating the materials with respect to the litigation expected); see also *Simon v. G.D. Searle & Co.*, 816 F.2d 397, 401 (8th Cir. 1987) (risk management and aggregate records were discoverable since not prepared in anticipation of any particular litigation). Thus, a party may not simply claim that materials have been prepared in anticipation of litigation, it may be required to identify the basis for their belief. See *Resolution Trust Corp. v. Diamond*, 773 F.Supp. 597, 603 (S.D.N.Y. 1991). This doctrine is a rule of procedure which limits the discovery of non privileged but protected materials.

Work product materials include a variety of different kinds of information. They include legal memoranda, witness statements, documents collected by counsel to provide an understanding of the claims or defenses, memoranda or reports from outside consultants, statistical data compiled electronically as a result (or to evaluate) a claim or lawsuit as well as the identity of confidential consultants. Other, similar materials may be protected (and; in many instances, rendered absolutely non-discoverable) by the attorney-client privilege, which is limited to confidential communications made by a client to his counsel for the purpose of securing legal advice. Not surprisingly, items otherwise subject to work product protection lose that status by having them sent to testifying experts to

review. See *Gray v. District Court*, 994 P.2d 296 (Colo. 1994).

B. Limits of the Work Product Doctrine

While Rule 34 of the Federal Rules of Procedure makes material such as a computerized data support system discoverable, Rule 26(b)(3) of the Federal Rules of Civil Procedure protects against discovery a computerized litigation support systems prepared "in anticipation of litigation". Rule 26(b)(3) provides:

[A] party may obtain discovery of documents and tangible things otherwise discoverable ... and prepared in anticipation of litigation or for trial by or for another party or 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 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. In 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.

Therefore, discovery of documents and tangible things prepared in anticipation of litigation are protected unless the party seeking such discovery shows substantial need and is unable to obtain such documents and/or tangible things without "undue hardship." However, even if the party requesting a computerized system can show a substantial need for the system or undue hardship in obtaining the substantial equivalent, Rule 26(b)(3) virtually prohibits discovery of the lawyer's mental impressions and opinions concerning the litigation.

Not only does Federal Rule 26(b)(3) extend to the protection of materials prepared by lawyers, but it also protects those materials, mental impressions or opinions of other representatives of the party who are acting on behalf of the party to the litigation, including consultants and the system specialist who may have designed the computer litigation support system. The emphasis is on whether the discovery of the computer support system would disclose the subjective opinions, mental impressions and trial strategy of the party or its representatives in the lawsuit. Clearly, Rule 26(b)(3) extends the work product protection to computerized litigation support systems that are prepared in anticipation of litigation. It is important, however, to note that documents that are merely kept in the

ordinary course of business will not be protected, even though they are stored in a computerized litigation support system.

C. Asserting the Work Product Privilege in Successive Litigation

As noted in the above-quoted portion of Rule 26, some items protected by "work product" immunity can be made subject to discovery if a sufficient showing of substantial need and undue hardship is made by the discovering party. It would be unwise to assume that this showing will be more difficult for a plaintiff in an already closed case. Indeed, because of the passage of time, the work-product protected data held by corporate counsel may be the only source of pertinent information, and therefore a court may find that the substantial need/undue hardship test is met.

In this regard, *Shelton v. AMC*, 805 F.2d 1333 (8th Cir. 1986), was a close decision. Plaintiffs had filed notices to take the depositions of several individuals, including Rita Burns, a staff attorney for American Motors Corporation. Ms. Burns was the supervising "in-house" counsel on certain Jeep "rollover" cases. She was deposed, but refused to answer many questions on the basis of work product and attorney-client privilege. These questions primarily involved the existence or non-existence of various documents regarding the model Jeep involved in the case at hand. The work product privilege was for materials prepared "in anticipation" of previous litigation. Ms. Burns' standard reply was as follows:

"Any information I have concerning documents which might possibly be responsive to your questioning. I've acquired solely through my capacity as an attorney for American Motors and my efforts to find information which would assist me in defending the company in litigation, and therefore I decline to respond to the question.

Id. at 1323.

In its opinion, the lower court noted that the mere fact that documents or knowledge of documents came to an attorney while acting for a client was not sufficient to invoke the attorney-client privilege. *Id.* at 1326. In addition, the court held that the work-product doctrine from past cases did not protect discovery of the existence or non-existence of documents. *Id.* at 1327. Ultimately, the district court entered a default judgment against AMC as a sanction for Ms. Burns' repeated refusals to answer the deposition questions.

The limited issue on appeal to the Eighth Circuit was whether a deponent's mere acknowledgment of the existence of corporate documents was protected by the work product or attorney-client privileges. In the

course of its opinion, the Eighth Circuit acknowledged that the boundaries of discovery had expanded and that the practice of taking the depositions of opposing counsel was becoming increasingly popular. The court stressed, however, that opposing counsel's depositions should be taken only when the party seeking to take the deposition can show that "(1) no other means exist to obtain the information than to depose opposing counsel ...; (2) the information sought is relevant and not privileged; and (3) the information is crucial to the preparation of the case." *Id.* at 1327. This foundation had not been laid by the plaintiffs.

IV. CONCLUSION

Although the attorney-client privilege is an ancient one, it is frequently still the subject of attack in litigation. This is not so much the result of a direct assault upon the privilege, but rather to its application to new and evolving circumstances. By careful preparation and adherence to the rules which define and set the parameters of the attorney-client privilege, attorneys can continue to establish the viability and necessity of this oldest of evidentiary privileges and avoid inadvertently waiving this privilege.