NEW YORK STATE - FEDERAL JUDICIAL COUNCIL ADVISORY GROUP SECOND CIRCUIT CONTINUING LEGAL EDUCATION PROGRAM

Attorney Privilege and Work Product

JUNE 2015 CLE PROGRAM OUTLINE

GENERAL PRACTICE TOPICS

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I. ATTORNEY-CLIENT PRIVILEGE VS. WORK PRODUCT PROTECTION – WHAT IS PROTECTED

A. FACTS/DOCUMENTS IN POSSESSION OF COUNSEL – WORK-PRODUCT?

1. While the attorney-client privilege seeks to protect confidential communications between an attorney and a client, work product doctrine generally establishes a "zone of privacy" in which a lawyer and a client can prepare and develop theories and strategies in anticipation of, and in preparation for litigation, free from unnecessary intrusion by the adversary.

2. The work product doctrine shield's an attorney's mental impressions, opinions, and legal conclusions from discovery. *Hickman v. Taylor*, 329 U.S. 495 (1947). The work product of an attorney includes material produced and obtained by an attorney in his or her professional capacity and with the use of his or her professional skills involving legal reasoning, legal research, analysis, conclusions, legal theory, and strategy. *Acwoo Intern. Steel Corp. v. Frenkel & Co*., 165 A.D.2d 752 (1st Dep't 1990).

3. New York: CPLR 3101(c) establishes an unqualified privilege from disclosure for attorney work product. Section 3101(d) creates a qualified immunity for material prepared for litigation. Such material may not be discovered unless

the court finds that it can no longer be duplicated and that denying disclosure will result in "injustice or undue hardship" (CPLR 3101(d)).

4. **Federal**: What facts and/or documents in the possession of counsel are protected as work product? A party seeking to prevent discovery of its trial preparation materials must satisfy three requirements under Rule 26(b)(3):

   a. <u>The material must be a document or other tangible thing</u>

      i. Underlying facts not protected. *See Kenford Co. v. County of Erie*, 390 N.Y.S.2d 715 (4th Dep't 1977); *Aktiebolag v. Andrx Pharm., Inc.*, 208 F.R.D. 92, 104 (S.D.N.Y. 2002).

      ii. Examples of tangible things:

         a. "The doctrine extends to notes, memoranda, witness interviews, and other materials, whether they are created by an attorney or by an agent for the attorney." *Granite Partners L.P. v. Bear, Stearns & Co.*, 184 F.R.D. 49, 52 (S.D.N.Y. 1999).

         b. *Rohm & Haas Co. v. Brotech Corp.*, 815 F. Supp. 793 (D. Del. 1993) (business records which contain an attorney's marginal notes qualified for protection); *People v. Kozlowski*, 11 N.Y.3d 223, 248 (2008) (interviews of corporate directors protected from disclosure); *Moore v. Kingsbrook Jewish Med. Ctr*., 2012 WL 1078000, at *8 (E.D.N.Y. Mar. 30, 2012) (notes qualified for protection).

      iii. Intangible work product:

         FED. R. EVID. 502 (g)(2) specifically includes intangible work product ("'work product protection' means the protection that applicable law provides for tangible material (or its intangible equivalent) prepared in anticipation of litigation or for trial"); *see also, U.S. Info. Sys., Inc. v. IBEW Local Union No. 3*, 2002 WL 31296430, at *5 (S.D.N.Y. Oct. 11, 2002) (stating that work product "applies to intangible work product: an attorney's analysis made in anticipation of litigation which has not been memorialized. Such work product is immune from discovery just as if it had been reduced to writing).

   b. <u>The material must have been prepared in anticipation of litigation or for trial</u>

      i. Key issue, but difficult to clearly define.

      ii. To understand the requirement, focus on the purpose of the work product doctrine: to provide and preserve a zone of privacy in which a lawyer and a client can prepare and develop legal theories and strategy

with an eye toward litigation, free from unnecessary intrusion by adversaries.

iii. In the Second Circuit, protection may be available even if the document is not prepared primarily or exclusively for litigation purposes. *U.S. v. Adlman,* 134 F.3d 1194 (2d Cir. 1998). In that case, counsel prepared an analysis of litigation that was expected in the event that the client's proposed business transaction was completed. Management intended to use the analysis to determine whether to go forward with the transaction. There was no specific case at hand, and the Second Circuit stated that the proper test is 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." 134 F.3d at 1202. In that case, it was concluded that the attorney would not have prepared this analysis without the looming threat of possible litigation if the proposed transaction were consummated. Court rejected "primary purpose test." *See also, U.S. v. Richey, et al.*, 2011 U.S. App. LEXIS 1170 (9th Cir. 2011).

iv. Simply because attorney participated in and supervised an investigation does not transform investigative documents and reports into work product, if evidence supports conclusion that report would have been prepared in similar form even if there was no litigation threat. *United States Fidelity & Guaranty Co. v. Braspetro Oil Service Co.*, 2000 WL 744369 (S.D.N.Y. 2000).

v. Emails and communications between assistant store managers and outside counsel and emails regarding the selection of assistant managers (and potential class members) to oppose class certification are immune from discovery under the work product doctrine. *Winans v. Starbucks Corp.*, 2010 WL 5249100, at *4 (S.D.N.Y. December 16, 2010).

vi. Ordinary business records do not constitute work product, regardless of how central they may be to ultimate litigation. *See Harris v. Provident Life & Accident Insurance Company*, 198 F.R.D. 26 (N.D.N.Y. 2000) (attorney's affidavit contained insufficient objective facts to overcome circumstantial evidence suggesting that plaintiff's pre-suit medical evaluations were obtained for treatment purposes rather than in anticipation of litigation); *Adlman*, 134 F.3d at 202.

vii. Situations where anticipated litigation requirement met: investigative report commissioned by attorney after notice of claim is filed against a municipality. *Zdziebloski v. the Town of East Greenbush, New York*, 336 F. Supp. 2d 194 (N.D.N.Y. 2004).

viii. Income tax audit commenced by IRS. *Henry v. Champlain Enterprises, Inc.*, Civil Action No. 01-CV-1681 (N.D.N.Y. June 16, 2003) slip op. at 9.

ix. The doctrine applies to materials prepared in connections with or in anticipation of various adversarial proceedings, including:

a. Criminal cases: *U.S. v. Nobles*, 95 S. Ct. 2160 (1975).

b. Grand jury proceedings: *In re Sealed Case*, 29 F.3d 715 (D.C. Cir. 1994).

c. Patent reexaminations in the United States Patent & Trademark Office: *Applied Telematics, Inc. v. Sprint Communications Co.*, 1996 WL 539595 (E.D. Pa. September 18, 1996).

d. IRS enforcement proceedings: *Upjohn v. United States*, 449 U.S. 383 (1981).

e. New York Public Service Commission proceedings: *Niagara Mohawk v. Stone & Webster Engineering Corp.*, 125 F.R.D. 578 (N.D.N.Y. 1989).

f. Anticipated bankruptcy proceedings: *In re Tri-State Outdoor Media Group, Inc.*, 283 B.R. 358 (Bankr. N. D. Ga. 2002).

c. <u>The material must have been prepared by or for a party or its representative</u>

i. Federal: Rule 26(b)(3) no longer limits work product protection to materials prepared by an attorney, but extends to materials prepared by a party or a party's representative, and provides an inclusive list of those whose work will be protected (attorney, consultant, surety, indemnitor, insurer, or agent).

ii. The list is open-ended. *Garrett v. Metropolitan Life Insurance Company*, 1996 WL 325725 at *3 (S.D.N.Y. June 12, 1996) (because defendant gave the survey company directions on how to conduct the survey, the survey company acted as defendant's agent).

iii. New York:

a. *Fewer v. GFI Group, Inc.*, 78 A.D.3d 412, 909 N.Y.S.2d 629 (1st Dep't 2010). The decision denying defendants' motion to compel the production of a joint-defense agreement was reversed and the motion granted where the Appellate Division found that the joint defense agreement was not a communication between an attorney and a client, and thus, the agreement was not protected from disclosure by the attorney-client privilege. The Appellate Division

further opined that, had the motion court reached the issue, the work product doctrine would not have precluded discovery because there was no indication that the agreement was prepared by counsel acting in that capacity and the agreement contained only standard language.

b. The work of experts retained as consultants to assist in analyzing or preparing a case as adjunct to a lawyer's strategic thought process can qualify for complete exemption from disclosure under the attorney work-product doctrine. *Hudson Ins. Co. v. Oppenheim*, 72 A.D.3d 489 (1st Dep't 2010) (documents generated by defense counsel's consultant qualified for complete exemption from disclosure under the work product doctrine because the consultant assisted the attorney in analyzing and preparing for the case).

5. Does work product protection lapse after the case for which the materials were prepared has terminated?

In *FTC v. Grolier*, 462 U.S. 19, 25 (1983), the Supreme Court observed in *dicta* that "the literal language of [Rule 26(b)(3)] protects materials prepared for *any* litigation or trial as long as they were prepared by or for a party to the subsequent litigation." While some courts require that the subject matter of the subsequent litigation be related to the subject matter of the litigation for which the work product materials were prepared, (*In re Megan-Racine Assoc., Inc.*, 189 B.R. 562 (Bankr. N.D.N.Y. 1995)), other courts have either left this issue unresolved or have found that the privilege continues to apply even if the subsequent litigation is unrelated. *Republic Gear Co. v. Borg-Warner Corp.*, 381 F.2d 551, 557 (2d Cir. 1967); *Vermont Gas Systems, Inc. v. United States Fidelity & Guaranty Co.*, 151 F.R.D. 268, 276 n.8 (D. Vt. 1993) (materials prepared for a previous and related lawsuit remain privileged in a subsequent lawsuit); *Henry v. Champlain*, *supra* (material prepared in anticipation of Tax Court case prior to 1999 afforded work product protection in subsequent civil action under ERISA by participants in company's ESOP); *Beascock v. Dioguardi Enterprises, Inc.*, 499 N.Y.S.2d 560 (4th Dep't 1986) (work product protection available for documents prepared for other litigation).

B. ATTACHMENTS TO A PRIVILEGED E-MAIL—WHEN ARE THEY PRIVILEGED AS WELL?

1. Not all communications by an attorney and his or her client are covered by the attorney-client privilege. To qualify, the communication must be both confidential *and* for the purpose of obtaining legal advice. The privilege may not apply, for example, where an attorney acts as a corporate officer, tax

preparer, investment advisor, political advisor, public relations advisor, and similar roles.

2. Civil

   a. The attorney-client privilege does not protect against discovery of the underlying facts contained in an attorney-client communication. *Upjohn Co. v. US*, 449 U.S. 383, 395-96 (1981) (noting that non-privileged documents do not become privileged solely by virtue of being transmitted to counsel).

   b. Merely attaching a document, including another email, to an email between client and attorney does not confer protection on the attachment. The email containing the attachment may be privileged, but the unprivileged attachment must be separately produced.

      i. "Unless the document itself is protected under another privilege, transfer by a client to an attorney of an independent or pre-existing document (such as business records, letters, memos, e-mails, or other items from the client's business or business files) that was not created for or because of (or that do not arise out of) the attorney-client relationship or consultation, does not bring the document within the attorney-client privilege. Such a document is regarded as existing independently of the relationship and not as communications made pursuant to it." *Hilton-Rorar v. State & Fed. Commc'ns Inc.*, 2010 WL 1486916, at *7 (N.D. Ohio Apr. 13, 2010); *see also, Retail Brand Alliance, Inc. v. Factory Mut. Ins. Co.*, 2008 WL 622810, at *2 (S.D.N.Y. Mar. 7, 2008) (e-mail attachment not privileged).

      ii. "[C]ourts appear to expect that attachments, like earlier strings in e-mail correspondence, need to be treated separately and logged as such absent an agreement of the parties or an order of the court providing otherwise." *Abu Dhabi Commercial Bank v. Morgan Stanley & Co. Inc.*, 2011 WL 3738979, at *4 (S.D.N.Y. Aug. 18, 2011) *report and recommendation adopted*, 2011 WL 3734236 (S.D.N.Y. Aug. 24, 2011).

C. WRITTEN WITNESS STATEMENTS (CLIENT VS. NON-CLIENT)

1. Opinion v. ordinary work product

   a. Opinion work product: material prepared by an attorney that contains metal impressions, conclusions, opinions, or legal theories of an attorney. *See* FED. R. CIV. P. 26(b)(3). Generally protected.

b. Ordinary work product: material prepared by an attorney that are not opinion work product—and therefore do not contain the mental impressions, conclusions, or opinions of the attorney.

2. Written witness interviews:

a. Written notes of witness interviews are ordinarily *opinion* work product, and protected. *See Hickman v. Taylor*, 329 U.S. 495, 513 (1947) (production of attorney's account of witness statements is justified only in "rare" cases and is not appropriate when potential for "direct interviews with the witnesses themselves" is possible); *In re Grand Jury Proceedings*, 219 F.3d 175, 192 (2d Cir. 2000) (remanding for a determination whether government had "exhausted other means" for obtaining work product and instructing prosecutor to "explain to the district court why it cannot obtain the information it seeks through other witnesses").

b. Handwritten transcriptions of statements by third party witnesses, even if made by an attorney, are *ordinary* work product—discoverable upon a showing of substantial need and undue hardship.

i. "[T]he mere fact that a narrative witness statement is transcribed by an attorney is not sufficient to render the statement 'work product.'" *People v. Kozlowski*, 11 N.Y.3d 223, 245 (2008).

ii. In-house counsel's notes from meeting where executive was fired were not protected opinion work product because the notes were a "running transcript of the meeting in an abbreviated form," and not the attorney's mental impressions. *Redvanly v. NYNEX Corp*., 152 F.R.D. 460, 466 (S.D.N.Y. 1993).

c. Mixed:

i. *EEOC v. Carrols Corp*., 215 F.R.D. 46, 51 (N.D.N.Y. 2003) (holding that questionnaires sent to claimants by the EEOC were protected by work product doctrine, but EEOC was required to provide summaries of likely testimony to enable defendants to further discovery).

D. TAPE RECORDINGS

1. Tape recordings are generally discoverable, as they do not contain opinions, theories, or conclusions of defense counsel:

a. *Geffner v. Mercy Med. Ctr*., 125 A.D.3d 802 (2d Dep't 2015): plaintiff failed to show that audio recording she conducted with the defendant prior to the commencement of the instant action contained elements of opinion, analysis, theory, or strategy and was thus discoverable.

b. *In re Grand Jury Subpoena Dated July 6, 2005*, 510 F.3d 180, 184 (2d Cir. 2007): Second Circuit affirmed district court decision in concluding that recordings of appellant with a business colleague were entitled to protection as fact work product only, because it was clear that such tape recordings are less reflective of an attorney's thought processes than his notes or memoranda would be.

c. Tape recording made by defendants' insurance carrier when it contacted witness was not privileged as attorney's work product after tape recording had been used to refresh witness' recollection before deposition. *Herrmann v. Gen. Tire & Rubber Co*., 79 A.D.2d 955 (1st Dep't 1981).

d. Tape recordings of interviews which defense counsel and his investigator conducted of prosecution witness did not contain opinions, theories, or conclusions of defense counsel and thus were not immune from discovery as "work product." *People v. Perez*, 171 Misc. 2d 75 (Sup. Ct. Bronx County 1996).

2. However, in *Manning v. Sikorskyj*, 204 A.D.2d 976 (4th Dep't 1994), the tape recording of the interview was protected from discovery as attorney work product.

E. DOCUMENTS REVIEWED BY WITNESS BEFORE A DEPOSITION

1. New York:

a. Where a witness uses some writing to refresh his recollection and bases his testimony on that writing, any claim that the writing is privileged as having been prepared for litigation has been waived. *Stern v. Aetna Cas. & Sur. Co.*, 159 A.D.2d 1013, 1014 (4th Dep't 1990) (at examination before trial); *Rouse v. Greene Cnty.*, 115 A.D.2d 162 (3d Dep't 1985) (at examination before trial); *Grieco v. Cunningham*, 128 A.D.2d 502, 502 (2d Dep't 1987) (at examination before trial and trial).

2. Federal:

a. Work product protection may be waived by using protected documents for the purpose of refreshing the recollection of a witness. *Lawson v. U.S. Dep't of Veterans Affairs*, 1998 WL 312239 (S.D.N.Y. June 12, 1998).

b. Common law rule balances between protection given by work product doctrine and the requirement under FED. R. EVID. 612 to reveal items witnesses have used to refresh their recollection.
   i. FED. R. EVID. 612: if a witness uses the communication to refresh or aid testimony while he or she is *actually* testifying, the privilege is waived.

   ii. When a witness merely reviews a document, Rule 612 does not require production. *Suss v. MSX Int'l Eng'g Servs., Inc.*, 212 F.R.D. 159, 161 (S.D.N.Y. 2002); *see also, Bowne of New York City, Inc. v. AmBase Corp.*, 150 F.R.D. 465, 494 (S.D.N.Y. 1993) ("As for Rule 612, AmBase must show not only that the witness reviewed the documents in preparation for his deposition, but that he relied upon them in testifying."); *J. Edward Robinson v. Time Warner, Inc.*, 187 F.R.D. 144, 147 (S.D.N.Y.1999) (same).

c. Selection and compilation of documents

   i. In *Sporck v. Peil*, 759 F.2d 312 (3d Cir. 1985), the defendant invoked the work product doctrine to avoid identifying specific documents his attorney provided to him during the course of his preparation for a deposition which had been culled by defense counsel from a substantially larger group of documents he produced during discovery. Although it was stipulated that none of the documents at issue contained defense counsel's own work product, the defendant contended that *his counsel's process of grouping certain documents together was itself work product entitled to protection* under *Hickman* and Rule 26(b)(3). The Third Circuit agreed, holding that "the selection and compilation of documents by counsel" not only constituted work product, but fell "within the highly-protected category of opinion work product."

   ii. In *Shelton v. American Motors Corp.*, 805 F.2d 1323, 1325–26 (8th Cir. 1986), the plaintiffs in a products liability action took several depositions of corporate representatives which they deemed inadequate. Accordingly, they sought to depose defendant's in-house counsel to ensure that the defendant had, in fact, responded fully to their document requests. At the deposition, the witness repeatedly refused to answer questions, stating that any knowledge she had regarding those documents was acquired in her capacity as in-house counsel assisting the company in connection with litigation. The Eighth Circuit agreed, holding that the work product doctrine protected against the plaintiffs' attempted inquiry because "the mere acknowledgment" that the deponent attorney was familiar with certain documents that she had selected in connection with litigation "from

among voluminous files" would necessarily reveal her "mental impressions, which are protected as work product."

iii. *See also, United States v. District Council,* 1992 WL 208284, at *12 (S.D.N.Y. Aug. 18, 1992) (investigator for United States Attorney's Office called as Rule 30(b)(6) witness need not testify about knowledge of documents previously provided to defendants because her testimony would likely "reveal how they are preparing to prove and try their case"); *McDaniel v. Freightliner Corp.,* 2000 WL 303293, at *4 (S.D.N.Y. Mar. 23, 2000) (disclosure of the documents selected by attorney would improperly reveal information which is entitled to work product protection).

iv. *But see Hendrick v. Avis Rent a Car Sys., Inc.,* 916 F. Supp. 256 (W.D.N.Y. 1996) (rejecting plaintiff's assertion that the production of a list of statements by GM personnel pursuant to FED. R. CIV. P. 26(b)(3) would reveal his attorney's strategy and mental thoughts); *Alpex Computer Corp. v. Nintendo Co.,* 1991 WL 195939, at *1 (S.D.N.Y. Sept. 23, 1991) (work product protection for counsel's selection and compilation of documents may be overcome if adverse party "can show a substantial need . . . and that it is unable to obtain the substantial equivalent of the documents by other means"); ; *In re Grand Jury Subpoenas*, 318 F.3d 379 (2d Cir. 2003) (party asserting that an attorney's document selection should be protected must show by objective proof that attorney thought processes would be revealed by disclosure); *Century Indem. Co. v. Brooklyn Union Gas Co.*, 22 Misc. 3d 1109(A), at *7 (Sup. Ct. New York Cnty. 2008) (court was "not persuaded that Century's selection of particular documents from publicly available sources in itself constitute[d] work product. The fact that Century culled documents which are relevant does not make those documents privileged.").

d. Reviewing documents with non-party witness will waive protection.

i. When documents are disclosed to a third party who "is not allied in interest with the disclosing party or does not have litigation objectives in common, the protection of the doctrine will be waived." *Medinol, Ltd. v. Boston Scientific Corp.,* 214 F.R.D. 113, 115 (S.D.N.Y. 2002); *Verschoth v. Time Warner*, 2001 WL 546630, at *4 (S.D.N.Y. May 22, 2001) (ruling that work product protection was waived where defendant showed work product to a third party whose "interests may not have been aligned" with those of defendant).

F. EXPERTS

1. Federal

   a. A party must disclose to the other parties the identity of any witness it may use at trial to present evidence under Federal Rule of Evidence 702, 703, or 705. FED. R. CIV. P. 26.
   b. Expert report plus specifically enumerated information required by FED. R. CIV. P. 26.

      i. FED. R. CIV. P. 26 generally requires disclosure of a detailed expert report signed by a testifying expert disclosing all materials and matters considered, scientific or technical theories relied upon, and of all opinions to be given at trial. The report must contain:

         a. a complete statement of all opinions the witness will express and the basis and reasons for them;

         b. the facts or data considered by the witness in forming them;

         c. any exhibits that will be used to summarize or support them;

         d. the witness's qualifications, including a list of all publications authored in the previous 10 years;

         e. a list of all other cases in which, during the previous 4 years, the witness testified as an expert at trial or by deposition; and

         f. a statement of the compensation to be paid for the study and testimony in the case.

   c. Expert materials that are protected as work product:

      i. Drafts of expert reports do not need to be disclosed. Rule 26(b)(4) was amended in 2010 to provide work-product protection against discovery regarding draft expert disclosures or reports. *Powerweb Energy, Inc. v. Hubbell Lighting, Inc.*, 2014 WL 655206, at *1 (D. Conn. Feb. 20, 2014).

      ii. Communications between experts and counsel

         a. Rules 26(b)(3)(A) and (B) protect communications between the party's attorney and any witness required to provide a report under Rule 26(a)(2)(B), regardless of the form of the communications, except to the extent that the communications:

            1. relate to compensation for the expert's study or testimony;

2. identify facts or data that the party's attorney provided and that the expert considered in forming the opinions to be expressed; or

3. identify assumptions that the party's attorney provided and that the expert relied on in forming the opinions to be expressed. Advisory Committee Note on 2010 Amendment of Rule 26(b)(4); *see also, Powerweb Energy, Inc. v. Hubbell Lighting, Inc.*, 2014 WL 655206, at *1.

b. Rule 26(b)(4)(C) provides work-product protection for attorney-expert communications regardless of the form of the communications, whether oral, written, electronic, or otherwise.

1. The protection is limited to communications between an expert witness required to provide a report under Rule 26(a)(2)(B) and the attorney for the party on whose behalf the witness will be testifying, including any "preliminary" expert opinions.

2. Protected "communications" include those between the party's attorney and assistants of the expert witness.

3. The rule does not itself protect communications between counsel and other expert witnesses, such as those for whom disclosure is required under Rule 26(a)(2)(C).

4. The rule does not exclude protection under other doctrines, such as privilege or independent development of the work-product doctrine.

2. <u>New York State</u>

a. Expert disclosure is required to reveal the subject matter upon which the expert is expected to testify, the substance of the facts and opinions on which the expert is expected to testify, the expert's qualifications, and a summary of the grounds for the expert's opinion. *See* C.P.L.R. § 3101(d)(1).

i. Privilege extends to experts retained as consultants to assist in analyzing or preparing the case, "as adjunct to the lawyer's strategic thought processes, thus qualifying for complete exemption from disclosure." *Hudson Ins. Co. v. Oppenheim*, 72 A.D.3d 489, 490, 899 N.Y.S.2d 29, 30 (2010).

ii. Reports that are prepared by experts in aid of litigation, and at the direction of counsel, are protected as attorney work product. *See 915 2nd Pub Inc. v. QBE Ins. Corp.*, 107 A.D.3d 601, 601 (1st Dep't 2013); *Binke v. Goodyear Tire & Rubber Co.*, 55 A.D.2d 632 (2d

Dep't 1976) (reports prepared by plaintiffs' expert and which allegedly reflected defects in automobile or its parts constituted work product and were not available for discovery).

b. Communications between experts and counsel

i. *Cushing v. Seemann*, 238 A.D.2d 950, 951 (4th Dep't 1997) (documents containing or reflecting communications between plaintiffs' attorneys and plaintiffs' treating psychiatrist and expert witness, were immune from disclosure as the work product of an attorney under CPLR 3101(c)).

G. USE OF NON-EXPERT CONSULTANTS – WHEN PRIVILEGED?

1. Federal court distinguishes between testifying experts, who are subject to disclosure (discussed *supra*), and non-testifying experts.

a. Non-testifying experts are "generally immune from discovery." *Schwab v. Philip Morris USA, Inc*., 2006 WL 721368, at *2 (E.D.N.Y. Mar. 20, 2006); *Dover v. British Airways, PLC (UK)*, 2014 WL 4065084, at *1 (E.D.N.Y. Aug. 15, 2014) (Rule 26(b)(4)(D) of the Federal Rules of Civil Procedure protects against disclosure of information from non-testifying, consulting experts); *Employees Committed for Justice v. Eastman Kodak Co*., 251 F.R.D. 101, 104 (W.D.N.Y. 2008) (material reviewed or generated by a consulting expert is generally privileged and immune from disclosure).

b. The restriction on discovery regarding non-testifying experts is written in language analogous to the restriction on discovery of work product. *QBE Ins. Corp. v. Interstate Fire & Safety Equip. Co*., 2011 WL 692982, at *5 (D. Conn. Feb. 18, 2011).

c. Under Rule 26(b)(4)(B), "[a] party may . . . discover facts known or opinions held by an expert who has been retained . . . in anticipation of litigation or preparation for trial and who is not expected to be called as a witness at trial, only as provided in Rule 35(b) or upon a showing of exceptional circumstances . . . ."

i. FED. R. CIV. P. 35(b): the report of a physical or mental examiner under FED. R. CIV. P. 35(a) must be disclosed when requested.

ii. Exceptional circumstances:

a. Where photographs are taken of a transient condition that has not been available for observation by both sides, "exceptional circumstances" may exist that justify discovery of a non-testifying witness under Rule 26(b)(4)(B). *See Sabido v. ANR Freight Systems, Inc.*, 1988 WL 58408, at *1 (E. D. La. June 1, 1988) (expert's visual examination distinguished from photographing of scene).

d. However, non-testifying experts may be subject to the disclosure requirements of Rule 26(a)(2)(B) if the non-testifying expert's opinion or knowledge informed the testifying expert's opinion. *Sicurelli v. Jeneric/Pentron Inc*., 2006 WL 1329709, at *5 (E.D.N.Y. May 16, 2006).

e. Additionally, the non-testifying expert privilege may only be invoked when an expert has been retained or specially employed because of the prospect of litigation, and not in the normal course of business. *QBE Ins. Corp. v. Interstate Fire & Safety Equip. Co.*, 2011 WL 692982, at *5 (D. Conn. Feb. 18, 2011).

2. In New York State, an expert who is retained as a consultant to assist in analyzing or preparing the case is beyond the scope of disclosure under CPLR § 3101(d). Such experts are generally seen as an adjunct to the lawyer's strategic thought processes, thus qualifying for complete exemption from disclosure. *Santariga v. McCann*, 161 A.D.2d 320, 321 (1st Dep't 1990); *Hudson Ins. Co. v. Oppenheim*, 72 A.D.3d 489, 490 (1st Dep't 2010) (holding that the attorney work product privilege extends to experts retained as consultants to assist in analyzing or preparing the case).

II. WAIVER AND HOW TO LIMIT ITS SCOPE

A. COMMON LAW RULES CONCERNING WAIVER

1. ATTORNEY-CLIENT PRIVILEGE WAIVER:

a. Voluntary Disclosure

"It is well-established that voluntary disclosure of confidential material to a third party waives any applicable attorney-client privilege." *Schanfield v. Sojitz Corp. of Am.*, 258 F.R.D. 211, 214 (S.D.N.Y. 2009). Waiver by voluntary disclosure, however, does not require that the disclosing party *intend* to waive the privilege; indeed, "[w]aiver may take place even if the disclosing party does not intentionally relinquish a known right." *In re Kidder Peabody Sec. Litig.*, 168 F.R.D. 459, 468 (S.D.N.Y. 1996) (internal citation and punctuation omitted).

For example, "voluntary disclosure of privileged communications by deposition testimony in one case operates as an implied waiver as to all such communications concerning the particular matters addressed in the disclosed communications." *Bowne of New York City, Inc. v. AmBase Corp.*, 150 F.R.D. 465, 485 (S.D.N.Y. 1993); *accord John Wiley & Sons, Inc. v. Book Dog Books, LLC*, 2014 WL 1800820 (S.D.N.Y. May 7, 2014).

While disclosure to a third party typically results in waiver, "the common-interest exception may extend protection to otherwise privileged communications even if they are disclosed to others who are not part of the privileged relationship." *Broadrock Gas Servs., LLC v. AIG Specialty Ins. Co.*, 2015 WL 916464, at *4 (S.D.N.Y. Mar. 2, 2015); *accord United States v. Schwimmer*, 892 F.2d 237, 243 (2d Cir 1989) ("The joint defense privilege, more properly identified as the 'common interest rule,' has been described as an extension of the attorney client privilege." [internal citation and punctuation omitted]). To preserve the privilege under the common interest exception, "the disclosing party must demonstrate that (1) the parties had a common legal, rather than commercial, interest; and (2) the disclosures were made in the course of formulating a common legal strategy." *Microsoft Corp. v. Acacia Research Corp.*, 2014 WL 6450254, at *1 (S.D.N.Y. Nov. 17, 2014).

b. Involuntary Disclosure

Early decisions held that *involuntary* disclosure (such as where a court erroneously compels disclosure of privileged matter) resulted in waiver. *Kunglig Jarnvagsstyrelsen v. Dexter & Carpenter*, 32 F.2d 195, 202 (2d Cir. 1929) ("Where testimony is privileged, and the witness waives the privilege, *or the court disregards it*, the party against whom the evidence is used cannot complain of the error." [emphasis added]).

Under the modern view, involuntary or "compelled" disclosure does not necessarily result in waiver. *In re Parmalat Sec. Litig.*, 2006 WL 3592936, at *4 (S.D.N.Y. Dec. 1, 2006) ("While voluntary or even inadvertent disclosure of documents may result a waiver of privilege, involuntary or compelled disclosure does not give rise to a waiver.") *citing, S.E.C. v. Forma,* 117 F.R.D. 516, 523 (S.D.N.Y.1987); *accord Niagara Mohawk Power Corp. v. Stone & Webster Eng'g Corp.*, 125 F.R.D. 578, 590 (N.D.N.Y. 1989) ("[C]ourts are sometimes willing to preserve the work product protection, as well as the more restricted attorney/client privilege, in situations where the disclosure was essentially compelled.").

But in order to preserve the privilege in the face of involuntary disclosure, the privilege-holder should exhaust whatever remedies may be available to resist compelled disclosure. *See e.g. United States v. Philip Morris Inc.*,

212 F.R.D. 421, 425 (D.D.C. 2002) (finding waiver where party failed to "ma[ke] all reasonable efforts to protect and preserve the privilege").

c. Waiver Via The "At Issue" Doctrine

Under the at issue doctrine, "the [attorney-client] privilege may implicitly be waived when [a party] asserts a claim that in fairness requires examination of protected communications." *Bank Brussels Lambert v. Credit Lyonnais (Suisse), S.A.*, 210 F.R.D. 506, 509 (S.D.N.Y. 2002); *accord United States v. Bilzerian*, 926 F.2d 1285, 1292 (2d Cir. 1991) ("[T]he privilege may implicitly be waived when defendant asserts a claim that in fairness requires examination of protected communications."). The following elements must be met to result in at issue waiver:

> (1) assertion of the privilege was a result of some affirmative act, such as filing suit, by the asserting party;
>
> (2) through this affirmative act, the asserting party put the protected information at issue by making it relevant to the case; and
>
> (3) application of the privilege would have denied the opposing party to information vital to his defense.
>
> *See Bank Brussels Lambert*, 210 F.R.D. at 509; *Goldberg v. Hirschberg*, 10 Misc. 3d 292, 295 (Sup. Ct. New York County 2005)

c. Incomplete Privilege Log

A party's failure to produce a complete privilege log may result in waiver of the privilege. *McNamee v. Clemens*, 2014 WL 1338720, at *3 (E.D.N.Y. Apr. 2, 2014) ("Withholding privileged materials without including the material on a privilege log pursuant to Rule 26(b)(5) may be viewed as a waiver of the privilege or protection." [internal citation and punctuation omitted]); *Nnebe v. Daus*, 2007 WL 1310140, at *1 (S.D.N.Y. May 3, 2007) (same). (*See also* Privilege Logs section below).

c. Inadvertent Disclosure

In certain circumstances, inadvertent production of privileged materials may constitute a waiver. A full discussion of the applicable rules and case law is set in section II(C) below).

2. WORK PRODUCT PROTECTION WAIVER

a. Federal Rules

"[W]aiver of work product is less readily recognized" than waiver of attorney-client privilege. *Broadrock Gas Servs., LLC v. AIG Specialty Ins. Co.*, 2015 WL 916464, at *6 (S.D.N.Y. Mar. 2, 2015). "[U]nlike communications protected by the attorney-client privilege, immunity afforded by the work-product doctrine is not automatically waived by disclosure to a third party." *Cellco P'ship d/b/a Verizon Wireless v. Nextel Commc'n, Inc.*, 2004 WL 1542259, at *1 (S.D.N.Y. July 9, 2004).

Rather, waiver requires "voluntary disclosure of work product to *an adversary*." *In re Steinhardt Partners*, L.P., 9 F.3d 230, 235 (2d Cir. 1993) (emphasis added); *accord Broadrock Gas Servs., LLC*, 2015 WL at *6 ("Work product waiver will generally be found if the party has disclosed the work product to its adversary, although disclosure to certain adversaries will not always require waiver vis-a-vis others.").

When work-product is disclosed to a *non*-adversary, waiver results only when "the disclosure was made in circumstances that make it probable that the otherwise protected material will be transmitted to an adversary of the litigant." *Broadrock Gas Services, LLC*, 2015 WL at *6. Disclosure "to another person who has an interest in the information but who is not reasonably viewed as a conduit to a potential adversary will not be deemed a waiver." *Id.* (internal citation omitted). For example, a party may share work-product materials with its independent auditor without waiving the work product protection. *Merrill Lynch & Co. v. Allegheny Energy, Inc.*, 229 F.R.D. 441, 448 (S.D.N.Y. 2004).

The work product protection, however, is not absolute. *In re Grand Jury Subpoenas Dated Mar. 19, 2002 & Aug. 2, 2002*, 318 F.3d 379, 383 (2d Cir. 2003) (noting that the work product doctrine "provides *qualified protection* for materials prepared by or at the behest of counsel in anticipation of litigation or for trial" [emphasis added]). Under FRCP 26(b)(3), work product materials "prepared in anticipation of litigation or for trial" are subject to discovery if "the party shows that it has substantial need for the materials to prepare its case and cannot, without undue hardship, obtain their substantial equivalent by other means."

In determining whether work product materials must be disclosed, federal courts distinguish between "non-opinion work product" and "opinion work product." *Curto v. Med. World Commc'ns, Inc.*, 2007 WL 1452106, at *5 (E.D.N.Y. May 15, 2007). Opinion work product "shows [the] mental impressions, conclusions, opinions, or legal theories of an attorney" and requires "a highly persuasive showing of need" to be subject

to discovery. *Id.* at *6 (internal citations and punctuation omitted); *accord Kriss v. Bayrocl Grp., LLC*, 2015 WL 1305772, at *15 (S.D.N.Y. Mar. 23, 2015) citing *United States v. Adlman*, 134 F.3d 1194, 1199 (2d Cir 1998).

b. <u>New York Rules</u>

Under CPLR 3101, "**attorney work product**" is treated distinguished from **material "prepared in anticipation of litigation."**

- <u>Attorney Work Product:</u> CPLR 3101(c) provides that the "work product of an attorney shall not be obtainable" in discovery, while subdivision (d)(2) provides that materials "prepared in anticipation of litigation . . . may be obtained only upon a showing that the party seeking discovery has substantial need of the materials in the preparation of the case and is unable without undue hardship to obtain the substantial equivalent of the materials by other means."

  The concept of "attorney work product" is "very narrowly construed," *Salzer ex rel. Salzer v. Farm Family Life Ins. Co.*, 280 A.D.2d 844, 846 (3d Dept 2001), and "applies only to documents prepared by counsel acting as such, and to materials uniquely the product of a lawyer's learning and professional skills, such as those reflecting an attorney's legal research, analysis, conclusions, legal theory or strategy." *Brooklyn Union Gas Co. v. Am. Home Assur. Co.*, 23 A.D.3d 190, 190-91 (1st Dept 2005). "Such material may consist of "interviews, statements, memoranda, correspondence, briefs, mental impressions, personal beliefs, and countless other tangible and intangible things." *Id.* Work product materials are immune from disclosure. CPLR 3101(c).

  As under federal law, New York treats disclosure of work product materials to a third party as a waiver "only when there is a likelihood that the material will be revealed to an adversary, under conditions that are inconsistent with a desire to maintain confidentiality." *Bluebird Partners, L.P. v. First Fid. Bank, N.A., New Jersey*, 248 A.D.2d 219, 225 (1st Dept 1998); *accord Scott v. Beth Israel Med. Ctr. Inc.*, 17 Misc. 3d 934, 943 (Sup. Ct. New York County 2007) ("work product is waived when it is disclosed in a manner that materially increases the likelihood that an adversary will obtain the information").

  Work product protection may also be waived under the at issue doctrine. *Goldberg v. Hirschberg*, 10 Misc. 3d 292, 298 (Sup. Ct. New York County 2005); *accord G.D. Searle & Co. v. Pennie & Edmonds LLP.*, 308 A.D.2d 404, 404 (1st Dept 2003); *Casa de Meadows Inc. (Cayman Islands) v. Zaman*, 76 A.D.3d 917, 924 (1st Dept 2010) (holding that a party "waived the work product privilege

by repeatedly saying he relied on his lawyers to investigate the facts and make sure the complaint was accurate").

- "Materials prepared in anticipation of litigation" under CPLR 3101(d)(2), enjoy only "conditional immunity" and may be subject to disclosure upon a showing of significant need. *Lerner v. State*, 113 A.D.3d 916, 916 (3d Dept 2014).

  To qualify under subsection (d)(2), the material must have been "prepared *solely* in anticipation of litigation or trial." *New York Sch. Ins. Reciprocal v. Milburn Sales Co.*, 105 A.D.3d 716, 717 (2d Dept 2013). "[I]f litigation is only one of the motives of a report," it is not immune from discovery under (d)(2). *Mavrikis v. Brooklyn Union Gas Co.*, 196 A.D.2d 689, 690 (1st Dept 1993).

B. SCOPE OF WAIVER WHEN PRIVILEGED MATERIAL IS DISCLOSED IN LITIGATION

Increasingly, litigation requires review and production of large quantities of documents – often tens or hundreds of thousands of pages of emails, word processed documents, spreadsheets, Powerpoint presentations, etc. Given the realities of modern technology, it has become increasingly difficult for an attorney to ensure that no privileged materials are disclosed. In a recent decision holding that the privilege was not waived with respect to inadvertently produced materials, the court observed that:

> [O]ne cannot be blinded to the fact that mistakes are made more often than is desirable. The Court chalks the production of the scantily redacted copy of this document up as a mistake, doubtless by a young lawyer or paralegal who perhaps was not sufficiently briefed or suffering from fatigue borne of too many hours in front of a computer monitor. *In re Bank of New York Mellon Corp. Forex Transactions Litig.*, 2014 WL at *1 n 5.

So what are the consequences of such disclosure, and how best to limit/protect against them?

1. *TRADITIONAL COMMON LAW RULE – SUBJECT MATTER WAIVER:* Early decisions applied an uncompromising approach to waiver. Waiver as to part of a communication was held to waive privilege as to the entire communication, and, more importantly, waiver with respect to a specific communication was deemed to also waive all communications concerning the same subject matter. *See, e.g. In re von Bulow*, 828 F.2d 94, 102 (2d Cir. 1987) (Noting development of the rule that "testimony as to part of a privileged communication, in fairness, requires production of the remainder");

Bower v. Weisman, 669 F. Supp. 602, 604 (S.D.N.Y. 1987) ("[A] disclosure of, or even merely an assertion about, the communication may effect a waiver of privilege not only as to that communication, *but also as to other communications made during the same consultation and communications made at other times about the same subject*"; citation omitted); *Matter of Estate of Baker*, 139 Misc. 2d 573, 576 (Sur. Ct. 1988); McCormick On Evidence § 93, at 194–95 (2d ed. 1972).

2. CURRENT FEDERAL RULE – FEDERAL RULE OF EVIDENCE (FRE) 502

FRE 502(a) provides:

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

(1) the waiver is intentional;

(2) the **disclosed** and undisclosed communications or information concern the same subject matter; and

(3) they ought in fairness to be considered together.

Impact:

The effect of FRE 502(a) is to eliminate the subject matter waiver rule where the disclosure is unintentional/inadvertent.

In addition, even an intentional disclosure of a privileged document will not result in a broader waiver with respect to other documents concerning the same subject matter unless "they ought in fairness to be considered together." This enables the court to take discretionary action to appropriate circumstances in order to prevent a party from taking advantage of a selective disclosure of privileged material, while withholding other related materials that would provide a more accurate factual picture to the other party.

The "Fairness" Standard: Whether fairness requires the disclosure of other privileged information concerning the same subject matter is decided by the courts on a case-by-case basis, and depends primarily on the specific context in which the privilege is asserted. *Gardner v. Major Auto Companies, Inc.*, 2014 WL 1330961, at *3 (E.D.N.Y. March 31, 2014), citing *In re Grand Jury Proceedings*, 219 F.3d 175, 183 (2d. Cir. 2000). However, subject matter waiver is reserved for

the rare case where a party either places privileged information affirmatively at issue, or attempts to use privileged information as both a sword and shield in litigation. *Favors v. Cuomo*, 285 F.R.D. 187, 198-99 (E.D.N.Y. 2012). *See, e.g.*:

> *John Wiley & Sons, Inc. v. Book Dog Books, LLC*, 17 F. Supp.3d 400, 405-06 (S.D.N.Y. 2014) (requirements of a Rule 502(a) waiver were satisfied when the defendant intentionally disclosed privileged information regarding communications he had with his attorney at his deposition and where fairness required that the plaintiffs be given the opportunity to obtain documents and testimony concerning the same subject matter as the privileged communications disclosed); and
>
> *Robbins & Meyers, Inc. v. J.M. Huber Corp.*, 274 F.R.D. 63, 96-97 (W.D.N.Y. 2011) (deposition testimony by plaintiff's employee and plaintiff's voluntary disclosure of select documentation prepared with assistance of counsel supported finding of subject-matter waiver, to prevent fundamental unfairness, as to documents listed on plaintiff's privilege log);
>
> *But see, Swift v. Alvada Insurance, Inc.*, 2013 WL 3815970, at *5 (S.D.N.Y. July 24, 2013) (plaintiff's selective disclosure of emails containing legal advice from and communications between counsel did not warrant compulsory disclosure of other privileged documents, where the selective production did not afford plaintiff any tactical advantage and defendant failed to demonstrate that plaintiff intended to rely on selective documents or that unfair prejudice had resulted from partial disclosure.);
>
> *Freedman v. Weatherford Intern. Ltd*, 2014 WL 3767034, at *4 (S.D.N.Y. July 25, 2014) (although defendants voluntarily disclosed certain information which provided basis for waiver of attorney-client privilege and work product protection, no subject matter waiver was found. There was no indication that defendants sought to use disclosure to their advantage or to "'pick or choose among its opponents, waiving the privilege for some and resurrecting the claim of confidentiality to obstruct others…'"); and
>
> *Seyler v. T-Systems North America*, 771 F. Supp.2d 284, 288 (S.D.N.Y. 2011) (even if plaintiff intentionally waived attorney-client privilege by disclosing a single email during discovery, court did not find that plaintiff intended to use the privileged communication such that undisclosed attorney client communications ought in fairness also be considered.).

3. STATE RULE – PROPOSED CPLR 4550

a. Common Law To This Point:

To date New York State has not had a codified rule with respect to waiver scope. The small number of decisions, and the absence of definitive appellate precedent have left the waiver scope rule unclarified. Some decisions have held that any voluntary disclosure of the content of attorney-client privileged matter constitutes a waiver of the privilege as to all other matter on the same subject. *Matter of Stenovich v. Wachtell, Lipton, Rosen & Katz*, 195 Misc.2d 99, 109 (Sup. Ct. N.Y. Co. 2003); *AMBAC Indemn. v. Bankers Trust*, 151 Misc.2d 334, 340-341 (Sup. Ct. N.Y. Co. 1991); *Matter of Baker*, 139 Misc.2d 573, 576 (Surr. Ct. Nassau Co. 1988). Conversely, the decision in *Charter One Bank v. Midtown Rochester*, 191 Misc.2d 154, 163-164 (Sup. Ct. Monroe Co. 2002), broadly rejected a subject matter waiver rule, finding that it "effectively undermine[s] the purpose of the attorney-client privilege for allowing free flowing information between counsel and client," and suggesting that there can never be a subject matter waiver brought about by a partial disclosure of a privileged matter.

b. Proposed CPLR 4550 – Harmonizing State and Federal Rules:

A January 2015 Report of the Advisory Committee on Civil Practice to the Chief Administrative Judge of the Courts of the State of New York (January 2015 Report) proposed adoption of a new CPLR 4550, addressing attorney-client privilege and work product protection when otherwise protected communication or information is disclosed. (January 2015 Report, at 20-21). Proposed CPLR 4550 addresses both subject matter waiver and inadvertent production, and is intended to align New York law with FRE 502(a) and (b).

The text of proposed CPLR 4550 (which will take effect on January 1, 2016 if it is adopted this year) is as follows:

> *§4550. Scope of waiver of privileges. (a) When disclosure is made in a proceeding or to a government office or agency that waives any privilege provided in this article, or any privilege under subdivision (c) and paragraph (2) of subdivision (d) of section 3101 of this chapter, the waiver extends to an undisclosed communication or information only if: (1) the waiver is intentional; (2) the disclosed and undisclosed communications or information concern the same subject matter; and (3) the*

disclosed and undisclosed communication ought in fairness to be considered together.

NOTE: Given that the purpose of this CPLR revision was to bring state and federal law into harmony, it appears likely that the state courts will view federal court decisions in this area as persuasive authority.

C. INADVERTENT PRODUCTION – WHEN WILL WAIVER RESULT?

1. *FEDERAL RULES*

FRE 502(b) provides:

(b) Inadvertent Disclosure. When made in a federal proceeding or to a federal office or agency, the disclosure does not operate as a waiver in a federal or state proceeding if:

(1) the disclosure is inadvertent;

(2) the holder of the privilege or protection took reasonable steps to prevent disclosure; and

(3) the holder promptly took reasonable steps to rectify the error, including (if applicable) following Federal Rule of Civil Procedure 26(b)(5)(B).

Impact:

FRE 502(b) defines the circumstances under which inadvertent disclosure of a privileged document will not be deemed to waive the privilege with respect to the document produced.

In order to reach that result, the producing party must be able to establish (1) that it took reasonable steps to prevent inadvertent disclosure in the course of its document review and production; and (2) that it promptly took reasonable steps (after discovering the inadvertent disclosure) to rectify it. *See Dev. Specialists, Inc. v. Dechert LLP*, 2014 WL 3858523, at *7 (S.D.N.Y. July 31, 2014) (In assessing whether production or other disclosure of privileged materials waives privilege, courts look to "(1) the reasonableness of the precautions taken to prevent inadvertent disclosure, (2) the time taken to rectify the error, (3) the scope of the discovery and extent of the disclosure, and (4) overarching issues of fairness."); *Ceglia v. Zuckerberg*, 2012 WL 1392965, at *8 (W.D.N.Y. Apr. 19, 2012) *aff'd*, 2012 WL 3527935 (W.D.N.Y. Aug. 15, 2012) (burden is on the party

claiming the privilege to establish basis for protection in the event of inadvertent production).

Reasonable steps to prevent inadvertent disclosure: What is "reasonable" will depend on the surrounding circumstances, including such factors as: (1) the number of documents or items to be reviewed; (2) the time-frame for responding to the discovery requests; (3) how much is at stake in the case; and (4) the resources available to the producing party. *See, e.g.:*

> *Jacob v. Duane Reade, Inc.*, 2012 WL 651536, at *4 (S.D.N.Y. Feb. 28, 2012) (Reasonable steps found where defendants hired an outside vendor to host electronic data retrieved; they retained a team of between ten and fifteen contract attorneys, working under the supervision of a Project Manager and litigation counsel, to review and produce relevant documents prior to depositions of witnesses, and to prevent the disclosure or privileged or irrelevant documents; defendants prepared lists of names of attorneys whose communications could be privileged, employed search filters, and quality control reviews);
>
> *Employers Ins. Co. of Wausau v. Skinner*, 2008 WL 4283346, at *8 (E.D.N.Y. Sept. 17, 2008) (Plaintiff took several reasonable steps where: (1) associate at law firm reviewed documents before production and divided them into categories, separating out privileged documents; (2) partner at law firm conducted a second-level review of documents before production; (3) documents were produced along with cover letter reiterating terms of Confidentiality Agreement by stating that "[t]he production of this file in no way waives the attorney-client privilege or work product doctrine as it pertains to any documents inadvertently included therein"; (4) after subject email was marked during deposition, plaintiff's counsel requested the email's return or destruction the next day; and (5) Plaintiff's counsel made several subsequent attempts to secure either the return or destruction of the email);
>
> *BNP Paribas Mortgage Corp. v. Bank of Am., N.A.*, 2013 WL 2322678, at *5 (S.D.N.Y. May 21, 2013) (reasonable steps found where documents were collected for review from hard copy and electronic files, processed and loaded into online document review platform maintained by external vendor; review process involved a team of up to 40 contract employees, each trained to identify privilege issues and provided with lists of attorneys' names and firms who represented the party during the relevant time period; contract attorneys' training was periodically updated through additional written materials, regular communications between law

firm attorneys and contract attorney review team leader, and periodic in-person discussions addressing questions about privilege);

But see Clarke v. J.P. Morgan Chase & Co., 2009 WL 970940, at *6 (S.D.N.Y. Apr. 10, 2009) (finding that producing party failed to take reasonable steps).

Thus, **parties will be expected to establish a screening procedure** to avoid disclosure of privileged material, and to show that the procedure has been reasonably designed and executed to prevent inadvertent disclosure.

Examples:

- Attorneys who review documents for responsiveness to document demands (including contract attorneys, if they are hired) are provided with training, including lists of attorneys to look for, and initially flag documents for potential privilege; those documents are then reviewed by a second attorney for final privilege determinations;

- A large body of electronically-stored document data is filtered through a set of search terms (including all known attorney names) to preliminarily identify potentially privileged documents; those documents are then reviewed by attorneys who make privilege determinations; computer filters are applied to the proposed production set as a final check.

Reasonable steps (after discovering the inadvertent disclosure) to rectify: Promptness is a key factor – an inadvertently producing party must act swiftly to notify the receiving party of the inadvertently produced document(s), explain the basis for privilege, and demand their return. In the event of a dispute concerning the privilege status, they must promptly seek relief from the court, typically by motion for a protective order. *See, e.g.*:

Employers Ins. Co. of Wausau v. Skinner, 2008 WL 4283346, at *8 (E.D.N.Y. Sept. 17, 2008) (after subject email was marked during deposition, plaintiff's counsel requested email's return or destruction the next day, and plaintiff's counsel made several subsequent attempts to secure either the return or destruction of the email);

Valentin v. Bank of New York Mellon Corp., 2011 WL 1466122, at *3 (S.D.N.Y. Apr. 14, 2011) *objections overruled*, 2011 WL 2437644 (S.D.N.Y. May 31, 2011) ("[a]lthough inordinate delay in claiming the privilege may result in a waiver, the length of delay in claiming the privilege should be measured from the time the

producing party learns of the disclosure, not from the time of the disclosure itself.");

Quinby v. Westlb AG, 2007 WL 2068349, at *2 (S.D.N.Y. July 18, 2007) (defendant acted promptly when it was alerted to mistakenly produced documents on December 2, began review of its 650,000 page production to compile a log of inadvertently produced documents on December 7, and served its clawback request on December 30);

*But see Brookdale Univ. Hosp. & Med. Ctr., Inc. v. Health Ins. Plan of Greater N.Y., 2009 WL 39364, at *3 (E.D.N.Y. Feb. 13, 2009)* (finding waiver where the producing party waited "six days before responding to HIP'S letter and another nine days before notifying HIP of specific documents inadvertently produced ....");

Clarke v. J.P. Morgan Chase & Co., 2009 WL 970940, at *6 (S.D.N.Y. Apr. 10, 2009) ("Defendant's assertion of privilege was far from immediate, as Defendant made no reference to the document's purportedly privileged status for over two months. This is a sufficiently long period of time to warrant a finding of waiver.").

Obligations of a Party That *Receives* Inadvertently Produced Privileged Material:

Rule of Professional Conduct 4.4(b) affirmatively requires that: "A lawyer who receives a document relating to the representation of the lawyer's client and knows or reasonably should know that the document was inadvertently sent shall promptly notify the sender."

FRCP 26(b)(5)(B) provides that:

"If information produced in discovery is subject to a claim of privilege or of protection as trial-preparation material, the party making the claim may notify any party that received the information of the claim and the basis for it."

It continues that, after being so notified, the receiving party:

- "must promptly return, sequester, or destroy the specified information and any copies it has;
- "must not use or disclose the information until the claim is resolved;

- "must take reasonable steps to retrieve the information if the party disclosed it before being notified; and

- "may promptly present the information to the court under seal for a determination of the claim."

The producing party must preserve the information until the claim is resolved. FRCP 26(b)(5)(B).

Clawback Agreements Among The Parties

FRE 502(e) provides that "[a]n agreement on the effect of disclosure in a federal proceeding is binding only on the parties to the agreement, unless it is incorporated into a court order."

Particularly in cases involving significant document discovery, parties may choose to enter into "clawback agreements" specifying the process for recovery of (or dispute resolution with respect to) inadvertently produced privileged material. Use of such agreement offers predictability and can often reduce later motion practice costs.

Rule 502(e) confirms the recognition of such agreements in federal actions. Notably, it also provides (in conjunction FRE 502(f), governing the controlling effect of the rule), that if the agreement is "so ordered" by the federal court, it will have binding effect beyond the federal action. This indicates that if a clawback agreement is so ordered by a federal court, and an inadvertently produced document is recovered by the producing party under its terms, that party may not be deemed to have waived the privilege with respect to that document in a separate state action against a different opponent.

As a practical matter, clawback agreements may be combined with agreements concerning production of confidential party information. *An example of a clawback/confidentiality agreement form is attached to this outline for reference.*

2. *STATE RULE – PROPOSED CPLR 4550*

a. **State Law To This Point:** To date New York State has not had a codified rule with respect to the effect of inadvertent production of privileged material. New York common law has adopted and applied an approach to inadvertent production that is substantially similar to that under FRE 502 (discussed above). An inadvertent disclosure will not result in waiver if the party making the disclosure can show that (1) the

party had no intention to disclose the matter and took reasonable steps to prevent any disclosure; (2) the party promptly took reasonable steps to rectify its mistake upon discovery of the disclosure; and (3) the party in possession of the matter will not be prejudiced if it cannot use the matter. *Manufacturers & Traders Trust v. Servotronics*, 132 A.D.2d 392, 399-401(4th Dept. 1987); *see New York Times Newspaper Div. of N.Y. Times v. Lehrer McGovern Bovis*, 300A.D.2d 169, 172 (1st Dept. 2002); *AFA Protective Sys. v. City of New York*, 13A.D.3d 564, 565 (2d Dept. 2004); *McGlynn v. Grinberg*, 172 A.D.2d 960 (3d Dept. 1991).

b. ***Proposed CPLR 4550 – Harmonizing State And Federal Rules***.

A January 2015 Report of the Advisory Committee on Civil Practice to the Chief Administrative Judge of the Courts of the State of New York (January 2015 Report) proposed adoption of a new CPLR 4550, addressing attorney-client privilege and work product protection when otherwise protected communication or information is disclosed. (January 2015 Report, at 20-21). Proposed CPLR 4550 addresses both subject matter waiver and inadvertent production, and is intended to align New York law with FRE 502(a) and (b).

Proposed CPLR 4550(b) (which will take effect on January 1, 2016 if it is adopted this year) provides:

> *(b) When made in a proceeding or to a government office or agency, a disclosure does not waive any privilege provided in this article, or any privilege under subdivision (c) and paragraph .(2) of subdivision (d) of section 3101 of this chapter, if: (1) the disclosure is inadvertent; (2) the holder of the privilege or protection took reasonable steps to prevent disclosure; (3) the holder of the privilege or protection took reasonable steps to rectify the error; and (4) the party in possession of the disclosure will not be unduly prejudiced.*

Distinctions from FRE 502: There are two notable distinctions between proposed CPLR 4550 and FRE 502. First, proposed CPLR 4550(b) includes the existing state common law requirement that an inadvertently producing party show that the receiving party will not be "unduly prejudiced" if the privilege is not deemed waived with respect to the inadvertently produced document or information.

Second, proposed CPLR 4550(b) does not adopt FRCP 26(b)(5)(B) with respect to the obligations of a party that *receives* inadvertently produced privileged material upon realizing, or being notified, that the material was exchanged inadvertently (*see* above). Rather, the Advisory Committee to the Chief Administrative Judge viewed those obligations as an ethical matter, appropriately and adequately addressed by New York's Rules of

Professional Conduct. *See* Rule of Professional Conduct 4.4(b) ("A lawyer who receives a document relating to the representation of the lawyer's client and knows or reasonably should know that the document was inadvertently sent shall promptly notify the sender.").

III. ASSERTIONS OF PRIVILEGE/WORK-PRODUCT PROTECTION, AND RESOLUTION OF DISPUTES DURING DISCOVERY

A. Asserting Privilege in Discovery

1. Failure to Object Will Waive: In order to preserve the privilege/work product protection, it is necessary to register an objection, in response to either written discovery requests or questions in a deposition. Failure to register an appropriate objection can potentially be deemed a waiver of the privilege claim. *See*, e.g. *Lugosch v. Congel*, 219 F.R.D. 220, 239 (N.D.N.Y. 2003) ("Failure to timely provide the privilege log or objection constitutes a waiver of any of the asserted privileges.").

2. Who Can Object? Parties and non-parties can object to discovery requests that would compromise the privilege. *See* CPLR 3101(b) ("Upon objection by a person entitled to assert the privilege, privilege matter shall not be obtainable."); FRCP 45(d)(3)(A)(iii) (requiring quashing or modifying subpoena that "requires disclosure of privileged or other protected matter, if no exception or waiver applies").

3. Objections in Written Responses (to document requests, subpoenas for the production of documents, interrogatories):

   a. A privilege objection must be specifically asserted with respect to each discovery request that may encompass or seek to require disclosure of privileged material. *See* CPLR 3122(a); FRCP26(b)(5)(A).

   b. There is no required linguistic formula – typical language for an objection would be: *"[Party] objects to this [document request/ interrogatory] on the ground and to the extent it seeks to require the production or disclosure of documents or information protected by the attorney-client privilege or attorney work product protection."*

   c. When withholding documents, items or information based on a claim of privilege, the claim must be supported by a privilege log complying with the applicable federal or state rules. FRCP 26(b)(5)(A); CPLR 3122(b); *see* "Privilege Logs" section below.

4. Objections During a Deposition:

   a. While parties typically stipulate during depositions to the reservation of objections other than to the form of a question, the preservation of the attorney-client privilege requires an objection on the record, accompanied by an instruction that the witness not answer the question, or (if the question can be answered to some extent with non-privileged information) not divulge any attorney-client communications in his or her response.

   b. **Applicable Federal Local Rules:**

      SDNY/EDNY LOCAL RULE 26.2(a): This local rule provides that when making a privilege objection at a deposition, the objecting party must specifically identify the nature of the privilege (including work product) being claimed, and, if based on state law, the state rule being invoked. In addition, the following information must be provided in response to questions by the questioner, "unless divulgence of such information would cause disclosure of the allegedly privileged information":

      (i) the name of the person making the communication and the names of persons present while the communication was made and, where not apparent, the relationship of the persons present to the person making the communication;

      (ii) the date and place of communication; and

      (iii) the general subject matter of the communication.

      WDNY LOCAL RULE 26(e): Substantially identical to SDNY/EDNY Local Rule 26.2(a) on this issue, but further states in subsection (e)(3) that if the information is not readily available from the deponent at the deposition, it is to be provided "in writing, within fourteen days after the privilege is asserted, unless otherwise ordered by the Court."

      NDNY does not have a comparable local rule; no comparable NYS rule.

   c. If such an instruction is given and a dispute arises at the deposition concerning whether the testimony sought would, in fact, be protected from discovery, the parties can either: (1) reserve the issue for later resolution (typically through a motion to compel), in which case the deposition may need to be continued at a later date; or (2) seek immediate judicial resolution by a phone call to chambers (if that practice is permitted by the court).

5. Privilege Logs: Both federal and state rules require parties to assert the specific basis for withholding production of documents based on a privilege or

work product objection, and to provide sufficient information for the privilege claim to be challenged and evaluated. Failure to provide a sufficiently detailed log can result in a finding of waiver and an order compelling production. *See, e.g. Stenovich v. Wachtell, Lipton, Rosen & Katz*, 195 Misc. 2d 99, 105, 756 N.Y.S.2d 367, 375 (Sup Ct. N.Y. County 2003) (quoting *Bowne of New York City, Inc. v. AmBase Corp.*, 150 F.R.D. 465, 474 (S.D. N.Y. 1993)).

Because of the ever-increasing number of electronic documents at issue in modern litigation, the requirement of a document-by-document privilege log has the potential to impose enormous strain on the time and financial resources of the parties. As discussed below, recent rule revisions endorsing category-based logging seek to address this issue.

d. *Applicable Federal and State Rules*

i. Federal Rules

FRCP 26(b)(5)(A): "When a party withholds information otherwise discoverable by claiming that the information is privileged or subject to protection as trial-preparation material, the party must: **(i)** expressly make the claim; and **(ii)** describe the nature of the documents, communications, or tangible things not produced or disclosed--and do so in a manner that, without revealing information itself privileged or protected, will enable other parties to assess the claim." (Emphasis added).

FRCP 45(e)(2): This rule, applicable to "a person withholding subpoenaed information under a claim that it is privileged or subject to protection as trial preparation material," imposes identical requirements to FRCP 26(b)(5)(A).

SDNY/EDNY Local Rule 26.2: Where any claim of privilege is being asserted, "[t]he person asserting the privilege shall identify the nature of the privilege (including work product) which is being claimed and, if the privilege is governed by state law, indicate the state's privilege rule being invoked" and shall provide the following information, "unless divulgence of such information would cause disclosure of the allegedly privileged information" for withheld documents:

(i) the type of document, e.g., letter or memorandum;
(ii) the general subject matter of the document;
(iii) the date of the document; and
(iv) the author of the document, the addressees of the document, and any other recipients, and, where not

apparent, the relationship of the author, addressees, and recipients to each other.

The information is to be provided "in writing at the time of the response to such discovery or disclosure, unless otherwise ordered by the Court."

WDNY Local Rule 26(e): Substantively identical to SDNY/EDNY Local Rule 26.2.

NDNY – No applicable local rule.

ii. State Rules

CPLR 3122(b): Responding party asserting privilege "shall give notice to the party seeking the production and inspection of the documents that one or more such documents are being withheld. This notice shall indicate the legal ground for withholding each such document, and shall provide the following information as to each such document, unless the party withholding the document states that divulgence of such information would cause disclosure of the allegedly privileged information":

(1) the type of document;
(2) the general subject matter of the document;
(3) the date of the document; and
(4) such other information as is sufficient to identify the document

for a subpoena duces tecum.

iii. SDNY and State Commercial Division Rules Encouraging Streamlined Logging by Use of Descriptive Categories

COMMERCIAL DIVISION RULE 11-b (22 NYCRR § 202.70(g)): Adopted in 2014, revised Commercial Division Rule 11-b attempts to streamline the process and costs associated with the privilege log requirement.

Meet and Confer: Subsection (a) requires that parties meet and confer at the outset of the case, and from time to time thereafter, to discuss "the scope of the privilege review, the amount of information to be set out in the privilege log, the use of categories to reduce document-by-document logging, whether any categories of information may be excluded from the logging requirement, and any other issues pertinent to privilege review, including the entry of an appropriate non-waiver order." Subsection (e) provides that

"[a]greements and protocols agreed upon by the parties should be memorialized in a court order."

Category-Based vs. Document-by-Document Logging: Subsection (b)(1) provides in part that:

> "The preference in the Commercial Division is for the parties to use categorical designations, where appropriate, to reduce the time and costs associated with preparing privilege logs. The parties are expected to address such considerations in good faith as part of the meet and confer process (see paragraph (a) above) and to agree, where possible, to employ a categorical approach to privilege designations. The parties are encouraged to utilize any reasoned method of organizing the documents that will facilitate an orderly assessment as to the appropriateness of withholding documents in the specified category." (Emphasis added).

In order to help address concerns regarding the sufficiency and reliability of a category-based log, subsection (b)(1) continues:

> "For each category of documents that may be established, the producing party shall provide a certification, pursuant to 22 NYCRR § 130-1.1a, setting forth with specificity those facts supporting the privileged or protected status of the information included within the category. The certification shall also describe the steps taken to identify the documents so categorized, including but not limited to whether each document was reviewed or some form of sampling was employed, and if the latter, how the sampling was conducted. The certification shall be signed by the Responsible Attorney, as defined below, or by the party, through an authorized and knowledgeable representative." (Emphasis added).[1]

Potential Cost-Shifting if the Requesting Party Demands a Document-by-Document Log: Rule 11-b(b)(2) permits the requesting party to demand a document-by document log, in which case:

> "unless the Court deems it appropriate to issue a protective order pursuant to CPLR 3103 based upon the facts and

[1] Regarding the "Responsible Attorney," the rule states in subsection (d) that: "The attorney having supervisory responsibility over the privilege review shall be actively involved in establishing and monitoring the procedures used to collect and review documents to determine that reasonable, good faith efforts are undertaken to ensure that responsive, non-privileged documents are timely produced."

> circumstances before it, the requirements [for the log] set forth in CPLR 3122 shall be followed. In that circumstance, however, the producing party, upon a showing of good cause, may apply to the court for the allocation of costs, including attorneys' fees, incurred with respect to preparing the document-by-document log. Upon good cause shown, the court may allocate the costs to the requesting party." (Emphasis added).

SDNY/EDNY LOCAL RULE 26.2(c): Local Rule 26.2(c) now provides that:

> "Efficient means of providing information regarding claims of privilege are encouraged, and parties are encouraged to agree upon measures that further this end. For example, when asserting privilege on the same basis with respect to multiple documents, it is presumptively proper to provide the information required by this rule by group or category. A party receiving a privilege log that groups documents or otherwise departs from a document-by-document or communication-by-communication listing may not object solely on that basis, but may object if the substantive information required by this rule has not been provided in a comprehensible form." (Emphasis added).

NDNY and WDNY: No comparable local rule.

B. Judicial Resolution of Privilege Disputes:

1. Common law generally controls the scope and applicability of the attorney-client privilege in both federal and state litigation. In federal cases, "state law governs privilege regarding a claim or defense for which state law supplies the rule of decision." FRE 501. As to federal claims, federal common law of privilege will control (*id.*), though state decisions may be considered as a factor and in practice the two are often substantially similar. In federal actions, federal law controls application of the attorney work product doctrine. *See* FRCP 26(b)(3); *Orbit One Commc'ns, Inc. v. Numerex Corp.*, 255 F.R.D. 98, 103 (S.D.N.Y. 2008).

2. "[T]he burden of establishing any right to protection is on the party asserting it; the protection claimed must be narrowly construed; and its application must be consistent with the purposes underlying the immunity." *Spectrum Sys. Int'l Corp. v. Chemical Bank,* 78 N.Y.2d 371, 377 (1991); *see Melworm v. Encompass Indem. Co.*, 112 A.D.3d 794, 795 (2d Dep't 2013) (same); *Vector Capital Corp. v. Ness Technologies, Inc.*, 2014 WL 171160, at *1 (S.D.N.Y. Jan. 9, 2014) (same).

3. Despite the burden's resting on the party asserting the privilege, disputes concerning assertions of privilege or work-product protection often will be placed before a court in the form of a motion to compel by the party seeking discovery, after it receives objections and a privilege log from the responding party. *See* FRCP 37(a); CPLR 3124.

4. A responding party who determines to raise the issue proactively may do so by way of a motion for a protective order or a motion to quash a subpoena. *See* CPLR 3103(a); FRCP 26(c); FRCP 45(d)(3).

5. Generally discovery disputes may be brought to a court only upon certification that good faith efforts have been made by the parties to reach a resolution. *See, e.g.,* FRCP 26(c)(1).

6. It is important to learn the local rules and individual practices for your court. Many courts and judges have local rules and/or individual practices promoting less formal, expedited resolution of discovery disputes, such as by the use of required pre-motion letters to the court and court conferences.

7. **Use of *in camera* review**

    a. "[W]hether a particular document is or is not protected [by the attorney-client privilege or work product doctrine] is necessarily a fact-specific determination . . . most often requiring in camera review." *Spectrum Sys. Intl. Corp.*, 78 N.Y.2d at 378 (citation omitted); *see Orbit One Commc'ns, Inc. v. Numerex Corp.*, 255 F.R.D. 98, 104 (S.D.N.Y. 2008) ("Delineating the precise limits of the attorney-client privilege in the corporate context is necessarily a fact-intensive task.").

    b. A privilege determination "cannot responsibly be based on generalized descriptions or labels designed by the parties, but rather on complete information as to content and context." *Spectrum Sys. Intl. Corp.*, 78 N.Y.2d at 379; *see Geary v. Hunton & Williams*, 245 A.D.2d 936, 939 (3d Dep't 1997) (same; remitting to trial court for *in camera* review to determine privilege issues); *Vector Capital Corp.*, 2014 WL 171160, at *2 (S.D.N.Y. Jan. 9, 2014); *Herbert v. Lando*, 73 F.R.D. 387, 399 (S.D.N.Y. 1977) ("The Court cannot determine this [privilege] question without examining the document. Accordingly, counsel for the defendants are directed to furnish the Court with a copy for inspection in camera.").

    c. The determination of whether to accept documents for *in camera* review is within the discretion of the trial court. *See Papyrus Tech. Corp. v. N.Y. Stock Exch., Inc.*, 325 F.Supp.2d 270, 274

(S.D.N.Y.2004) (noting courts' broad discretion in choosing whether to conduct an *in camera* review); *Conopco, Inc. v. Wein*, 2007 WL 1859757, at *6 (S.D.N.Y. June 28, 2007) (same; accepting two categories of disputed documents for *in camera* review); *Johnson Matthey, Inc. v. Research Corp.*, 2002 WL 1728566, at *10 (S.D.N.Y. July 24, 2002) (ruling after having reviewed disputed documents *in camera*).

d. As a matter of practice, it is to the parties' advantage to work as cooperatively as possible to resolve privilege disputes and minimize the specific issues that will require the court's intervention. *See Standard Chartered Bank PLC v. Ayala Int'l Holdings (U.S.) Inc.*, 111 F.R.D. 76, 86 (S.D.N.Y. 1986) ("If this court were to review each and every document withheld as privileged in litigation in this courthouse, for no reason other than counsel's distrust of his adversary, this courthouse could hardly function.").

e. Revised Commercial Division Rule 7-b(c) makes it clear that the courts do not wish to become embroiled in privilege log disputes. It states that, "[i]n complex matters likely to involve significant issues regarding privileged and protected material, parties are encouraged to hire a Special Master to help the parties efficiently generate privilege logs, with costs to be shared." *See* 3 N.Y.Prac., Com. Litig. in New York State Courts § 25:52 (3d ed.).

APPENDIX A

[CASE CAPTION]

[SAMPLE] STIPULATION AND ORDER ON PRODUCTION OF CONFIDENTIAL AND PRIVILEGED DOCUMENTS

WHEREAS, discovery in this action will entail the production of documents and electronically-stored information and may involve documents, information and things containing confidential, highly-sensitive, personal and/or proprietary information;

WHEREAS, litigation costs to protect against waiver of attorney-client privilege or work product doctrine can become prohibitive due to the concern that any disclosure will operate as a subject matter waiver of all protected communications or information;

WHEREAS, in an effort to reduce costs and promote efficiency and cooperation, litigants sometimes wish to produce documents and electronically-stored information without reviewing every document and all of the electronically-stored information before production;

WHEREAS, Plaintiffs _____ and Defendants _____ (each a "Party" and collectively the "Parties") desire a predictable and uniform set of standards under which they can determine the consequences of disclosure of confidential and/or privileged documents;

WHEREAS, non-party recipients of subpoenas have also expressed a desire for a predictable and uniform set of standards under which they can determine the consequences of disclosure of confidential documents; and

WHEREAS, Rule 502(d) of the Federal Rules of Evidence provides that "[a] federal court may order that the privilege or protection is not waived by disclosure connected with the litigation pending before the court—in which event the disclosure is also not a waiver in any other federal or state proceeding;" and

IT IS HEREBY STIPULATED AND AGREED by the Parties, by and through their respective counsel, that:

1. "Document" is defined to by synonymous in meaning and equal in scope to the use of the term "documents and electronically stored information" in Rule 34(a)(1)(A) of the Federal Rules of Civil Procedure.

2. "Court" is the United States District Court for the Southern District of New York.

3. Any Party or non-party that produces documents or information in response to a discovery request or subpoena in this action is a “Producing Person.”

4. Any Party that receives documents or information produced in response to a discovery request or subpoena in this action, regardless of whether that Party served the discovery request or subpoena, is a “Receiving Party.”

CONFIDENTIALITY PROVISIONS

5. A Producing Person may designate as confidential any document, information, testimony or thing that he or she believes contains trade secret or highly-sensitive business, financial, technical or personal information by stamping the document, transcript or material with the words "CONFIDENTIAL" (the "Confidential Information"). Copies, excerpts, summaries, or other disclosure of the substance or contents of Confidential Information is also considered to be Confidential Information.

6. A Producing Person must make all designations of "CONFIDENTIAL" in good faith and may not knowingly include any material or information (or shall promptly withdraw any designations with respect to information) which:

a. at the time of the disclosure is available to the public;
b. after disclosure becomes available to the public not in violation in this Agreement; or
c. the Receiving Party can show:
    i. was independently developed by the Receiving Party; or
    ii. was received by the Receiving Party after the time of disclosure hereunder from a third party having the right to make such disclosure.

7. If a Receiving Party objects to the designation of any documents, material, information or testimony as confidential, such party may state all objections in a letter to the Producing Person. The Producing Person and Receiving Party must attempt in good faith to resolve all objections by agreement. If any objections cannot be resolved within ten business days by agreement, the Producing Person and Receiving Party must jointly and promptly submit the dispute to the Court for resolution. The Producing Person has the burden to establish that the Confidential Information in question requires confidential treatment. Unless and until the Court vacates the confidentiality designation, the Confidential Information remains subject to all terms herein.

8. Confidential Information may be used by the Receiving Party solely in connection with this lawsuit, and may not be used in any other proceeding or in any other manner whatsoever, and may not be disclosed except as provided herein.

9. Any violation of the confidentiality terms of this Stipulation and Order may result in a finding of contempt of Court and appropriate penalties as determined by the Court.

10. A Receiving Party may not disclose or transmit Confidential Information, either verbatim or in sum and substance, to anyone except the following:

a. The Court, court personnel, and members of the jury;
b. The Parties;
c. Counsel for the Parties, including employees of such counsel;
d. Expert witnesses and consultants retained or consulted in this action;
e. Any person whose testimony is being taken or is scheduled to be taken in this lawsuit, including such person's counsel, except that such person may only be shown the Confidential Information during his or her testimony and in preparation therefore, and only to the extent necessary for such preparation and testimony unless otherwise ordered by the Court;
f. Stenographers and court reporters;
g. Third-party contractors involved in one or more aspects of filing, organizing, coding, converting, photocopying, storing, retrieving or designing programs for handling information or documents connected with this lawsuit, and such other persons qualified to have access to Confidential Information by agreement of the Producing Person and Receiving Party or by further order of the Court; and
h. Such other persons as the Producing Person and Receiving Party may agree in writing or the Court may order.

11. Each person, excluding counsel of record, being given access to Confidential Information pursuant to paragraph 10 shall be advised that: (a) the Confidential Information is being disclosed pursuant to, and subject to, the terms of this Stipulation and Order and may not be disclosed other than pursuant to the terms hereof; (b) the violation of the terms of the Stipulation and Order may subject them to a finding of contempt of Court and appropriate penalties as determined by the Court; and (c) as to anyone referred to in paragraphs 10.d thru 10.h, shall be required to read this Stipulation and Order and acknowledge to be bound by its terms by signing a Confidentiality Certificate in the form set forth in the attached Exhibit A. The Receiving Party must maintain custody of each signed certificate and must provide copies to the Producing Person upon request.

12. All pleadings, motions, or other papers filed with the Court that contain or refer to Confidential Information must be filed and kept under seal until further order of the Court. At the time of filing, such material must be placed in a sealed envelope that is marked with the title of the action and a description of the contents. The envelope must bear the following legend:

CONFIDENTIAL

> This envelope contains documents that are subject to an order governing discovery and the use of confidential discovery materials entered by the Court in this action. The envelope may not be opened nor the contents thereof displayed or revealed except by order of the Court.

13. Following the final resolution of this lawsuit and all appeals, the Receiving Parties must return or destroy all Confidential Information to the Producing Persons within sixty days after the receipt by the Receiving Party of a written demand from the Producing Person who produced the Confidential Information. However, retained counsel of record may retain pleadings, attorney and consultant work product, and deposition and trial transcripts and exhibits for archival purposes even if those documents contain Confidential Information. If Confidential Information is destroyed pursuant to this paragraph, the Receiving Party shall provide to the Producing Person a written certification identifying when and how the destruction was performed.

14. The provisions in this Stipulation and Order restricting the communication and use of Confidential Information shall continue to be binding on the Parties following the final resolution of this lawsuit and all appeals.

PRIVILEGE PROVISIONS

15. The term "privileged" refers to information or documents protected by any privilege recognized by law and which protects information or documents from discovery, including, for example, the attorney-client privilege and the work product doctrine.

16. If a Producing Person produces documents that are privileged in whole or in part, the Producing Person will not be deemed by reason of such production to have waived any applicable privilege with respect to such documents or the subject matter of the documents, irrespective of the level of care, or lack thereof, that the Producing Person took prior to producing the documents.

17. If a Producing Person discovers that it has produced documents that it reasonably believes are privileged in whole or in part, the Producing Person may retrieve the documents as follows:

a. Within 10 calendar days after the Producing Person discovers that it has produced documents that it reasonably believes are privileged, the Producing Person must notify the Receiving Party in writing of the claim of privilege and request that the eceiving Party return or destroy all copies of the documents, as well as all notes or other work product reflecting the contents of the documents. The

written notification must include the following information for each document sought to be retrieved or destroyed: (i) the document's bates number, if available; (ii) the date of the document (if not apparent from the face of the document or the associated load file in the case of electronically-stored information); (iii) the authors of the document, the addressees of the document, and any other recipients (if not apparent); (iv) the relationship of the author, addressees, and recipients to each other (if not apparent), and (v) the nature of the privilege which is being claimed and, if the privilege is governed by state law, the state's privilege rule being invoked.

b. Upon receiving such notification, the Receiving Party must promptly return or destroy all copies of the documents, as well as all notes or other work product reflecting the contents of the documents, and certify in writing to the Producing Person that all copies of the documents, as well as any notes and other work product reflecting the contents of the documents, have been returned or destroyed. The choice between returning or destroying the documents, notes, or other work product belongs to the Receiving Party.

c. If, before receiving such notification, the Receiving Party provided copies of the documents to another Party or a third party, the Receiving Party must promptly advise the Party or third party of the Producing Person's request for return or destruction of such documents and, thereafter, the Party or third party shall be deemed a Receiving Party subject to the rights and responsibilities outlined herein.

18. If a Receiving Party receives a notification pursuant to Paragraph 17.a and it does not agree that all of the documents identified in the notification are privileged and it wishes to challenge the privilege designation, the Receiving Party must attempt to resolve the disagreement on an informal basis. If the Producing Person and Receiving Party are unable to resolve the disagreement informally, the Receiving Party may challenge the basis for the Producing Person's claim of privilege by promptly bringing the matter to the Court's attention and seeking a ruling. The burden will be on the Producing Person to establish that the challenged documents are privileged.

19. If a Receiving Party challenges a privilege designation pursuant to Paragraph 18, the Receiving Party's obligation under Paragraph 17.b to return or destroy the challenged documents and related notes and work product is suspended until the Court resolves the dispute, provided, however, that during the suspension period the Receiving Party may not provide copies of the challenged documents to any other Party or third party and may not use the challenged documents, or information contained therein, for any other purpose.

20. If a Receiving Party receives a notification pursuant to Paragraph 17.a and it does not challenge the privilege designation pursuant to Paragraph 18 or it unsuccessfully

challenges the privilege designation, the Receiving Party may not use or disclose that document, or the information contained within that document or its associated metadata, for any purpose unless that document or information is available from a non-privileged source that is not subject to this Stipulation and Order.

21. Pursuant to the authority provided under Rule 502(d) of the Federal Rules of Evidence, the disclosure in connection with this lawsuit of any document that is otherwise subject to a legally cognizable privilege or protection shall not constitute a waiver of any such privilege or protection in any other federal or state proceeding, without regard to whether the Producing Person takes action to retrieve the privileged or protected document in this lawsuit.

22. Nothing contained herein shall be deemed to require the production of any document or to waive any objection thereto or to require any party to make or to refrain from making any designation of confidentiality or privilege. The Federal Rules of Civil Procedure, the Local Civil Rules of the Southern and Eastern Districts of New York, the Court's Individual Practices and the Orders and directions of the Court shall govern the requirement to produce any document and the objections to any such production and all parties reserve all such objections.

STIPULATED AND AGREED:

[parties' signature blocks

SO ORDERED

_____

Hon.

United States District Judge

[CASE CAPTION]

CONFIDENTIALITY CERTIFICATE

I certify my understanding that access to Confidential Information is provided to me pursuant to the terms and restrictions of a STIPULATION AND ORDER ON PRODUCTION OF CONFIDENTIAL AND PRIVILEGED DOCUMENTS ("Confidentiality Order") among the parties to this action, dated , 2012, and that I have been given a copy of, and have read, the Confidentiality Order and agree to be bound by its terms. I understand that the contents of the Confidential Information (as defined in the Confidentiality Order) and any notes or other memoranda or any other forms of information that disclose Confidential Information, shall not be disclosed to anyone other than in accordance with the Confidentiality Order and shall be used only for the purposes set forth therein. I agree to be subject to the personal and subject matter jurisdiction of the United States District Court for the Southern District of New York for purposes of enforcement of this Confidentiality Certificate and the Confidentiality Order.

By: _____

Title: _____

Representing: _____

Date: _____