PRIVILEGE ISSUES IN FRANCHISE SYSTEMS

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Privilege Issues in Franchise Systems

I. Introduction

Attorney-client privilege and the work product doctrine are two of the most widely recognized concepts in the practice of law. But they are also often more complicated than many attorneys realize, particularly when the franchisor or franchisee client is a corporate entity.

In the modern franchise system, in-house counsel have both legal and business responsibilities, which makes determining the line between privileged and non-privileged communications complicated. Distinctions in documents and communications which seem clear cut at the time they are drafted or exchanged may look very different when scrutinized by a judge years later. Similarly, corporate employees may communicate more freely with in-house counsel when they believe (rightly or wrongly) that any such e-mails are protected from disclosure, and an e-mail that seems harmless when written may sound very different when read aloud at a deposition or at trial. A corporation’s failure to carefully segregate and protect documents and communications intended to be privileged can produce a bonanza of evidence for trial attorneys. This paper identifies and explores some of the nuances of the attorney-client privilege and work product doctrine from the franchisee and franchisor perspective.

II. The Attorney-Client Privilege

The attorney-client privilege is one of the oldest recognized privileges for confidential communications.\(^1\) It arises from the common law and was created to “encourage full and frank communication between attorneys and their clients” by recognizing that “sound legal advice or advocacy . . . depends upon the lawyer[] being fully informed by the client.”\(^2\) As the U.S. Supreme Court noted in Fisher v. United States, “as a practical matter, if a client knows that damaging information could . . . readily be obtained from the attorney . . . the client would be reluctant to confide in his lawyer . . . and it would be difficult” for the attorney to provide “fully informed legal advice.”\(^3\) The privilege serves the client’s need for legal advice, but it also serves the attorneys’ need to receive complete information in order to give accurate advice.\(^4\)

Because the attorney-client privilege prevents the discovery of and prohibits the admission of relevant evidence, it “contravene[s] the fundamental principle that the public . . . has a right to every man’s evidence.”\(^5\) The U.S. Supreme Court stressed that attorney-client privilege “must be strictly construed and accepted ‘only to the very limited extent that permitting a refusal to testify or excluding relevant evidence has a public good transcending the normally predominant principle of utilizing all rational means for ascertaining truth.’”\(^6\)

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2. Id.
6. Id. (quoting Elkins v. United States, 364 U.S. 206, 234 (1960) (Frankfurter, J., dissenting)).
A. **Elements of Attorney-Client Privilege**

A document or communication is protected by the attorney-client privilege only if:

1. the asserted holder of the privilege is or sought to become a client;
2. the person to whom the communication was made (a) is a member of the bar of a court, or her subordinate; and (b) in connection with this communication is acting as a lawyer;
3. the communication related to a fact of which the attorney was informed (a) by his client (b) without the presence of strangers (c) for the purpose of securing primarily either (i) an opinion on law or (ii) legal services or (iii) assistance in some legal proceeding and not (d) for the purpose of committing a crime or tort; and
4. the privilege has been (a) claimed and (b) not waived by the client.\(^7\)

Thus, the privilege protects (1) communications, (2) made between privileged persons, (3) in confidence, (4) for the primary purpose of obtaining or providing legal advice.\(^8\) The party asserting the privilege has the burden of establishing each element of privilege.\(^9\) Once the asserting party makes a prima facie showing that the privilege applies, the party seeking the communication must show that the privilege has been waived or an exception applies.\(^10\) Appellate courts review determinations of privilege under a de novo standard.\(^11\)

An attorney asserting privilege on behalf of a corporation must make a prima facie case by establishing the same elements as an individual. Corporations, and other legal entities, may seek and receive legal advice and may hold and assert attorney-client privilege. However, because corporations can only act through individuals, corporations (and their counsel) face unique challenges in establishing and protecting privileged communications.\(^12\) In particular, the difficulty of determining which individuals are acting for the corporation, the challenges of maintaining confidentiality, and the risk of corporate misuse of privilege to shield documents shape the case law surrounding privilege in the corporate context.

The vast majority of corporate privilege disputes in litigation focus on: (1) whether or not the individual can act for the corporation; (2) whether the communication was made and kept confidential; and (3) whether the primary purpose of communication was legal in nature. The following discussion analyzes these issues.

1. **Was The Communication Made Between Privileged Persons?**

To establish the privilege, the proponent must demonstrate that the communication was between “privileged persons.” Generally, courts have held that the term “privileged persons”


\(^8\) *In re Air Crash Disaster at Sioux City, Iowa on July 19, 1989*, 133 F.R.D. 515, 518 (N.D. Ill. 1990).

\(^9\) *In re Excel Innovations, Inc.*, 502 F.3d 1086, 1099 (9th Cir. 2007).

\(^10\) *F.D.I.C v. Ogden Corp.*, 202 F.3d. 454, 460 (1st Cir. 2000) (“If the privilege is established and the question becomes whether an exception to it obtains, the devoir of persuasion shifts to the proponent of the exception.”).

\(^11\) *United States v. Bauer*, 132 F.3d 504, 507 (9th Cir. 1997).

includes a client, a prospective client, an attorney, and the agents of the client and the attorney. An attorney-client relationship may be established even if the individual seeking the advice does not hire the attorney. An attorney-client relationship exists when “the party divulging confidences and secrets to an attorney believes that he is approaching the attorney in a professional capacity with the intent to secure legal advice.”

Although defining the client may be straightforward in an individual context, it is significantly more complex when the “client” is a corporation or other entity. Entities can seek and receive legal advice and communicate with counsel only through individuals empowered to act on behalf of the entity. Determining which individuals may seek and receive advice on behalf of the corporate “client” is a fact-specific inquiry and may vary by issue or circumstance.

a. **Pre-Upjohn Control Group Standard**

Historically, courts adopted an “if it looks like a duck” approach to determining which corporate employees could assert attorney-client privilege on behalf of the corporation. The analysis focused on the degree to which the interactions between the corporate employee and the in-house counsel resembled interactions between a private attorney and her client. Courts were most likely to find the privilege existed when the communications were between in-house counsel and high-level officers and directors. Under the “control group” test, only those individuals who were empowered to both seek advice from in-house counsel and to act upon it were permitted to assert attorney-client privilege.

b. **Upjohn Case**

In 1981, the Supreme Court rejected the control group test and expanded the class of corporate employees whose communications with counsel may be protected by the attorney-client privilege. In that case, Upjohn sought to assert privilege over dozens of questionnaires submitted by low level employees to in-house counsel related to possible illegal payments to foreign officials. The Supreme Court held that the notes of the internal investigators’ interviews with employees outside the control group were privileged. But rather than laying down a “broad rule” governing the circumstances under which corporate counsel’s communications with lower level employee are privileged, the *Upjohn* Court identified five factors to guide courts in determining whether the privilege applies:

1. Was the information necessary to supply the basis for legal advice to the corporation or was it ordered to be communicated by superior officers?

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16 *Admiral Insurance Co.*, 881 F.2d at 1492.

17 *See, e.g., Radiant Burners, Inc. v. Am. Gas Ass’n*, 320 F.2d 314, 323-24 (7th Cir. 1963).


19 Id. at 394-95.
(2) Was the information available from the “control group” management?
(3) Did the communication concern information within the scope of the employee’s duties?
(4) Was the employee aware that he was being questioned in order to secure legal advice for the corporation?
(5) Were the communications considered confidential when made and kept confidential?20

2. **Was The Communication Made in Confidence?**

To be privileged, the communicating party must have intended that the communication remain confidential, and that intention must have been reasonable under the circumstances.21 A party asserting privilege may demonstrate this expectation of confidentiality through the communication itself, such as showing that the document was marked “confidential” or “attorney-client privilege,” or through the speaker’s testimony.22 The presence of a non-privileged person, either in person or electronically (such as receipt of e-mail), may destroy confidentiality and prevent the privilege from attaching. Courts have found that the presence of a documentary crew,23 a union representative,24 and a friend who was providing moral support all negated confidentiality.25 A client forfeits the attorney-client privilege when she discloses the substance of an otherwise privileged communication to a third party.26 Thus, in *Heartland Surgical Specialty Hosp., LLC v. Midwest Div. Inc.*, the court found that an insurance company waived the privilege in a contract dispute when it sent the hospital a memorandum that stated: “[o]ur anti-trust attorney has reviewed the current and proposed language and found that CIGNA is at risk and should not proceed.”27

Establishing and keeping confidentiality in a corporate context can be particularly challenging because of the number of corporate representatives who receive the communications, and their respective roles. Courts have recognized that privileged communications may be shared with other corporate agents on a “need to know” basis without waiving the privilege.28 Courts define “need to know” as covering those individuals with responsibility for assessing and implementing the legal advice. Individuals who benefit from or who could be held personally liable in relation to the advice meet the “need to know” standard.29

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20 Id.

21 U.S. v. Bell, 776 F.2d. 965, 971 (11th Cir. 1985). See also *Muro v. Target Corp.*, 243 F.R.D. 301, 305 (N.D. Ill. 2007) (explaining that the proponent of the privilege has the burden of establishing that (1) the original communication was made with the expectation of confidentiality and (2) that the confidentiality of the communication was preserved).

22 *Bogle v. McClure*, 332 F.3d 1347, 1358 (11th Cir. 2003).

23 *In re Applications of Chevron Corp.*, 650 F.3d 276, 288-90 (3rd Cir. 2011).


25 *United States v. Evans*, 113 F.3d 1457, 1462-63 (7th Cir. 1997).

26 *In re Qwest Communications Intern. Inc.*, 450 F.3d 1179, 1185 (10th Cir. 2006).


29 Id.
Lower level employees may also be “need to know” agents if the employee is responsible for acting on the specific subject matter of the communication.30

a. Are Communications Made by a Franchisee Using the Franchisor’s E-mail System Made in Confidence?

Because e-mail is the predominant means of communicating in business today, and because it advances brand awareness and consistency, it is common practice for a franchisor to provide its franchisees with e-mail addresses containing the franchisor’s domain name, which are sent, received, stored, and backed up on servers that are hosted, administered, and/or owned by the franchisor. If a franchisee uses the franchisor-provided e-mail to communicate with its attorney, this brings into question whether the franchisee has an objectively reasonable expectation that such communications are confidential. Although this issue has not specifically arisen in the context of franchising, employment law cases provide valuable guidance.31

Courts have generally found that communications sent using work e-mail are only privileged if the employee possessed a subjective expectation of confidentiality that the court determines is objectively reasonable.32 To make this determination, courts routinely focus on the following four factors: (1) whether the company maintains a policy banning personal or other objectionable use; (2) whether the company monitors e-mail use, or reserves the right to do so; (3) whether third parties have a right of access to the e-mails; and (4) whether the company notifies employees of the company e-mail policy.33 This analysis is extremely fact-specific and often depends on the particular employer’s policy language, if any, and the employee’s awareness of the policy.35 No one factor is determinative.

30 Wrench, LLC v. Taco Bell Corp., 212 F.R.D. 514, 517-18 (W.D. Mich. 2002) (holding that a communication to a lower level employee from corporate counsel was privileged when it related to a Taco Bell franchisee and the lower level employee was in charge of developing the franchising program and was thus “responsible for the specific subject matter of the communication).

31 Many employment cases concern issues arising from use of employer-issued computers to access web-based personal e-mail accounts instead of employer provided e-mail. See, e.g., Warshak v. United States, 490 F.3d 455, 473 (6th Cir. 2007); Hoofnagle v. Smyth-Wythe Airport Comm’n, No. 1:15CV00008, 2016 WL 3014702, at *8 (W.D. Va. May 24, 2016); Stengart v. Loving Care Agency, Inc., 201 N.J. 300, 307, 990 A.2d 650, 654 (2010); Curto v. Med. World Commc’n’s, Inc., No. 03CV6327, 2006 WL 1318387, at *5 (E.D.N.Y. May 15, 2006). These cases are distinguishable from a situation where a franchisee uses franchisor-provided e-mail, which goes through the franchisor’s server.

32 See, e.g., In re the Reserve Fund Secs. & Deriv. Litig., 275 F.R.D. 154, 160 (S.D.N.Y. 2011) (employee did not have a reasonable expectation of privacy in e-mails exchanged through company’s system because company policy banned personal use, reserved to company the right to access e-mail, and employee was aware of the e-mail policy); Sims v. Lakeside Sch., No. C06-1412, 2007 WL 2745367, at *2 (W.D. Wash. Sept. 20, 2007) (same); Kaufman v. SunGard Inv. System, No. 05-cv-1236, 2006 WL 1307882, at *4 (D.N.J. May 10, 2006) (same).


34 The majority of courts faced with situations in which the employer either had no e-mail use policy or no evidence to support that the employee was made aware of the policy, have found that the employee had an objectively reasonable expectation that such communications were confidential. See, e.g., U.S. v. Hudson, No. 13-20063-01, 2013 WL 4768084, at *9 (D. Kan. Sept. 5, 2013); Maxtena, Inc. v. Marks, No. 11-0945, 2013 WL 1316386, at *5 (D. Md. Mar. 26, 2013); Convertino v. U.S. Dep’t of Justice, 674 F. Supp. 2d 97, 110 (D.D.C. 2009); Mason v. ILS Techs., LLC, No. 304CV-139, 2008 WL 731557, at *4 (W.D.N.C. Feb. 29, 2008) (declining to find waiver of privilege when no evidence existed that the employee was aware of the employer’s policy or that he agreed to abide by it).

35 Courts have upheld both actual and constructive notice of employer policies regarding e-mail communications. Aventa Learning, Inc. v. K12, Inc., 830 F. Supp. 2d 1083, 1107 (W.D. Wash. 2011) (holding that as a member of senior
An example of this analysis is found in *U.S. v. Finazzo*, in which the court rejected the employee’s claim that an e-mail he received on his work e-mail from his lawyer was privileged. The court found that the first, second, and fourth factors weighed against a finding of privilege because: (1) company policy stated that “a user has no expectation of privacy in his or her use of Company Systems;” (2) the employer reserved the right to monitor e-mails; and (3) there was compelling evidence that the defendant was aware of the policy. The court rejected Finazzo’s arguments that his expectation of privacy in the e-mail from his attorney was reasonable because he only used his work e-mail to send non-confidential communications to his attorney, he did not ask or authorize his attorney to send confidential information to his work e-mail, and that the mere receipt of a privileged e-mail cannot waive the privilege. The court reasoned that even if Finazzo never asked or authorized his attorney to send confidential e-mail to his work e-mail address, he never instructed his attorney to not use the e-mail address to send such information. The court explained that by previously using his work e-mail to send communications to his attorney, even if they did not contain privileged information, “he chose to communicate with his lawyer through a medium in which he had no expectation of privacy, thus inviting responses via the same medium.”

It is important to note, however, that at least one court has insisted on protecting attorney-client communications exchanged over a work e-mail account, even when all the factors support that the employee had no reasonable expectation of privacy, holding that “public policy dictates that [attorney-client] communications shall be protected to preserve the sanctity of communications made in confidence.”

**Franchisor Counsel Practice Pointer.** If a franchisor client provides its franchisees with e-mail, counsel should advise the franchisor to develop and disseminate an unambiguous policy regarding the franchisor’s right to monitor, access, collect, and use any information sent, received, and stored through the system. The policy should also state unequivocally that a user has no expectation of privacy in his or her use of the system. Additionally, if a franchisor provides its franchisees' employees with e-mail, the franchisor should require its franchisees to have an equivalent policy in place, which should be approved by the franchisor. Finally, the franchisor should require written confirmation from its franchisees that they have received and understand the policy, and that they have communicated the policy to their employees.

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37 *Id.* at *8-11.

38 *Id.* at *11.

39 *Id.* at *12. The court also noted that contrary to his arguments, the defendant actually received and sent the e-mail containing attorney-client communication using his work account. As admitted by the employee, upon receipt of the e-mail from his attorney, he forwarded it to his personal account and deleted it from his work account. “In doing so, he allowed an ‘unsympathetic third party,’ [his employer] another opportunity to see the email.” *Id.* at *13.

Franchisee Counsel Practice Pointer: Counsel for franchisees should warn franchisees not to use a franchisor-provided e-mail system to communicate with counsel (and also to refrain from forwarding attorney-client communications from their personal accounts to franchisor-provided e-mail accounts). Counsel must refrain from using franchisor-provided e-mail addresses as well. As one court explained when it ruled that an attorney's use of his client's work e-mail address constituted a waiver of the attorney-client privilege:

there is no question that [his client's] address- JeriK@IHFA.org- clearly put [counsel] on notice that he was using [his client's] work email address. Employer monitoring of work-based emails is so ubiquitous that [counsel] should have been aware that IHFA would be monitoring, accessing, and retrieving e-mails sent to that address.41

Indeed, according to the ABA, an attorney has an ethical obligation to warn a franchisee client against such use, and to refrain from communicating via franchisor-provided e-mail, when counsel:

knows or reasonably should know that the client is likely to send or receive substantive client-lawyer communications via e-mail or other electronic means, using a . . . system under circumstances where there is a significant risk that the communications will be read by . . . another third party."42

If counsel receives an e-mail from a franchisee client, and the e-mail address contains the franchisor's domain name or if the franchisee informs counsel of its intent to use a franchisor-provided e-mail (or if counsel suspects that franchisee is using a franchisor-provided e-mail address for any reason), it is a best practice for counsel to: (1) assume that the franchisor has a policy allowing for access and retention of all e-mails sent or received from that address, and that the franchisee is on notice of the policy; (2) assume that the governing law does not clearly protect attorney-client communications transmitted over franchisor-provided e-mail from disclosure; (3) not respond via the franchisor-provided e-mail address; and (4) immediately caution the client against using the franchisor-provided e-mail to communicate with counsel.

3. Was the Communication Made for the Purpose of Obtaining Legal Advice?

Finally, to establish the privilege, the asserting party must show that the communication was made for the purpose of securing legal advice.43 As the Restatement explains, "consultation with one admitted to the bar, but not in that other person's role as lawyer, is not protected."44 But


42 ABA Comm. on Ethics and Prof'l Responsibility, Formal Op. 11-459 (2011) (discussing the duty to protect the confidentiality of e-mail communications with a client who is using an e-mail system that may be subject to access or control by a third party). See also ABA Comm. on Ethics and Prof'l Responsibility, Formal Op. 17-477 (2017) (discussing that a lawyer may generally transmit confidential client information over the internet where she has undertaken reasonable efforts to prevent inadvertent or unauthorized access, but that she may also need to take special security precautions to protect against inadvertent or unauthorized disclosure when required by an agreement with the client or by law, or when the nature of the information requires a higher degree of security).

43 In re Lindsey, 158 F.3d 1263, 1270 (D.C. Cir. 1998).

44 Restatement (Third) of the Law Governing Lawyers § 122 cmt. c. ("[W]here one consults an attorney not as a lawyer but as a friend or as a business adviser or banker, or negotiator . . . the consultation is not professional nor the statement
making a determination as to whether a communication involving in-house counsel is, in fact, subject to the privilege is by no means a black and white matter. Complications often arise because the role of in-house counsel has expanded to include a multitude of legal and business responsibilities. Courts are particularly leery of the risk of corporate clients attempting to hide significant amounts of discoverable information by using in-house counsel as conduits of otherwise non-privileged information. Thus, federal courts require the proponent of the privilege to make a clear showing that communications involving in-house counsel were made to secure legal, as opposed to business, advice. To satisfy this burden, proponents must generally satisfy either the predominant or primary purpose standard, or the “because of” or “but for” standard, discussed below.

**Practice Pointer:** Given the current state of the law, in-house counsel (or outside counsel who advise in-house counsel) should assume a heightened standard applies, and that the standard becomes higher as in-house counsel assumes more business duties. Further, in-house counsel should be aware that when simultaneously serving as corporate counsel and as an officer, committee member, or other business position, communications are likely to be viewed with even more scrutiny. As one court opined:

> Many courts have relied on two rebuttable presumptions (though often not stated expressly) regarding the role of the lawyer in determining the nature of the advice: (1) if outside counsel is involved, the confidential communication is presumed to be a request for and the provision of “legal advice”; and (2) if in-house counsel is involved, the presumption is that the attorney’s input is more likely business than legal in nature. As a result, most of these courts apply “heightened” scrutiny to communications to and from in-house counsel in determining attorney-client privilege.[4]

. . . . The rationale for the presumptions regarding the use of outside or in-house counsel is that outside counsel generally has many different clients and is typically engaged for the singular role of providing legal advice, while in-house counsel only

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46 See, e.g., *Acosta v. Target Corp.*, 281 F.R.D. 314, 322 (N.D. Ill. 2012) (noting “[a]n expanded role of legal counsel within corporations has increased the difficulty for judges in ruling on privilege claims [and] has concurrently increased the burden that must be borne by the proponent of corporate privilege claims relative to in-house counsel.”).


has one client—the corporation for whom he or she works—and is engaged in a
dual role of providing both legal and business advice to the corporation.\footnote{49}

\textbf{a. The Predominant or Primary Purpose Standard}

Under the predominant or primary purpose standard, “the test for determining if a
document is privileged is whether the predominant purpose of the communication was to render
or solicit legal advice.”\footnote{50} If legal advice is incidental to business advice, the privilege does not apply.\footnote{51} Naturally, courts are more likely to find a communication satisfies the predominant
purpose standard when the parties explicitly state the legal purpose of the communication. Thus,
in \textit{Larsen v. Coldwell Banker Real Estate Corp.}, the court found that a series of e-mails amongst
the franchisor’s employees were privileged despite the fact that the e-mails also discussed
business strategies, because: (1) all three e-mails included in-house counsel and were marked
privileged; (2) the first e-mail stated that it contained information requested by counsel and
concluded with a heading entitled “Legal Issues Needing Clarification,” which listed five specific
legal inquiries; and (3) the final e-mail was from in-house counsel responding to the prior e-mails
with legal advice.\footnote{52} Many communications are not so explicit and, therefore, courts applying this
standard face the vexing task of ascertaining whether in fact the communications were
predominantly in furtherance of the attorney-client relationship.

Courts applying the predominant or primary purpose test have expressed differing views
as to the proper focus of the test. “The first [view] focuses on the instrument of communication
and looks to the primary purpose for the communication [as a whole]. The second view focuses
on the segregable portions of a communication—attempting to identify the purpose behind each
portion.”\footnote{53} Following the first view, one court provided the following guidelines for applying the
primary purpose test:

If the communication involves both business and legal issues, the Court must
determine the primary or predominant purpose of the communication. (a) If
primarily a business purpose, the privilege does not attach and the document must
be produced; (b) If primarily a legal purpose and the business portions of the
document or communication are distinct and severable and their disclosure would
not indirectly reveal the substance of the protected legal portion, the document—
redacted of the privileged portions—should be produced; (c) Where, however, the
legal and business purposes of the communication are inextricably intertwined, the


\footnote{51} \textit{Ohio-Sealy Mattress Mfg. Co. v. Kaplan}, 90 F.R.D. 21, 34 (N.D. Ill. 1980) (“In determining whether mixed legal-
business advice qualifies for the privilege, the court must ascertain whether the predominant nature of the consultation
was in fact legal or business-oriented.”); \textit{see also Loctite Corp. v. Fel-Pro, Inc.}, 667 F.2d 577, 582 (7th Cir. 1981)
(“[O]nly where the document is primarily concerned with legal assistance does it come within the privilege.”).


\footnote{53} \textit{Lindley}, 267 F.R.D. at 391 n. 12 (quoting Paul R. Rice, 1 Attorney-Client Privilege in the United States, § 7.6
(Thomson West 2d ed. 1999)).
entire communication is privileged only if the legal purpose outweighs the business purpose.\textsuperscript{54}

Courts following the first view are more likely to find that a communication is privileged if the proponent can show that the communication was made in connection with a specific request for legal advice. Thus, \textit{In re Sulfuric Acid Antitrust Litigation}, the reviewing court found that the attorney-client privilege did not apply to antitrust compliance manuals containing hypothetical questions that were written by in-house counsel and distributed to sales and marketing employees.\textsuperscript{55} The court found that in-house counsel created the manuals for three purposes: “(1) assist Noranda personnel in better understanding competition law issues that could arise from Noranda’s operations, (2) help them appreciate that Noranda could be subject to competition laws for more than one jurisdiction, and (3) sensitize them to factual circumstances in which legal advice ought to be sought.”\textsuperscript{56} The court concluded that the manuals and the hypotheticals were “instructional devices, not responses to requests for legal advice.”\textsuperscript{57} The court noted that although “requests for legal advice in the wake of involvement in potentially compromising situations would be protected,” because the documents were not “the product of any requests for advice in specific circumstances” and did not reveal any client confidences, they were not privileged.\textsuperscript{58}

Similarly, in \textit{Neuder v. Battelle Pacific Northwest National Laboratory}, the court found that minutes of a personnel action review committee, the membership of which included both human resources personnel and senior in-house counsel, were not privileged.\textsuperscript{59} The court noted that, in order to claim privilege, the asserting party “\textit{must show that the particular communication was part of a request for advice}” and explained that “although legal review was one purpose for the meeting, it was merely incidental to the primary business function [terminating the plaintiff’s employment].”\textsuperscript{60}

In \textit{U.S. v. Chevron Corp}, the court applied the second view and held that even if the primary purpose of the document was for business matters, a party could still assert the attorney-client privilege over discrete sections of the document so long as the document was not prepared for simultaneous review by both legal and nonlegal personnel.\textsuperscript{61} In other words, “despite the overall [business] nature of the document, the client may assert the attorney-client privilege over isolated sentences or paragraphs within a document.”\textsuperscript{62}

\textsuperscript{54} Id. at 391-92.
\textsuperscript{55} 432 F. Supp. 2d 794 (N.D. Ill. 2006).
\textsuperscript{56} Id. at 796.
\textsuperscript{57} Id.
\textsuperscript{58} Id. at 797.
\textsuperscript{60} Id. at 293 (emphasis in original).
\textsuperscript{62} Id. at “2.
b. The “Because of” or “But for” Standard

The “because of” or “but for” test has a less stringent burden of proof, requiring proponents to prove, under the totality of the circumstances (including the nature of the document and the factual situation), that the document was prepared because of the need to give or receive legal advice. Courts borrow this standard from the work product doctrine, but apply it where mixed communications involve both business and legal advice.

So, for example, if a franchisor routinely engages in standards reviews of its franchisees in the ordinary course of business, documentation of such routine reviews would not be considered privileged, even if in-house counsel is involved in them, because the reviews were not created “because of” litigation or the need for legal advice. A different conclusion may be warranted if a particular review was initiated solely at the request of in-house counsel because in-house counsel anticipates litigation or a legal dispute, and the purpose of the review is to obtain information needed by in-house counsel to provide legal advice.

c. Communications Made for the Purpose of “Facilitating the Rendition of Legal Services”

Several states have laws that specifically provide that the privilege applies if the purpose of the confidential communication is to “facilitate[] the rendition of legal services.” This standard is more encompassing than the predominant or primary purpose standard, and may also be more encompassing than the “because of” standard. The recent case of In re Fairway Methanol LLC and Celanese Ltd. not only provides an example of a court’s application of this standard, but also

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63 See Reich v. Hercules, Inc., 857 F. Supp. 367, 372-73 (D.N.J. 1994) (claimant must demonstrate that the communication would not have been made but for the company's need for legal advice or services); First Chicago Int'l v. United Exchange Co., 125 F.R.D. 55, 57 (S.D.N.Y. 1989) (applying but-for test in preventing corporate counsel from using privilege as a shield to thwart discovery); see also Phillips v. C.R. Bard, Inc., 290 F.R.D. 615, 629 (D. Nev. 2013) (discussing both tests).

64 In re CV Therapeutics, Inc. Sec. Litig., No. C-03-3709, 2006 WL 1699536, at *3 (N.D. Cal. June 16, 2006) (quoting In re Grand Jury Subpoena, 357 F.3d 900, 908 (9th Cir. 2004)).

65 Reich, 857 F. Supp. at 372 (discussing whether certain safety audits were covered by the attorney-client privilege and holding that the majority of the audits, which were the same type of audits performed prior to and after the accident at issue, were not privileged. “A different conclusion might be warranted if the . . . audits were begun solely at the request of Hercules’ counsel for the purpose of advising Hercules.”).

66 See, e.g., ALASKA R. EVID. 503(b); NEB. REV. STAT. § 27-503; NEV. REV. STAT. § 49.055, S.D. CODIFIED LAWS § 19-19-502; TEX. R. CIV. EVID. 503(b).

67 See, e.g., Rayman v. American Charter Fed. Sav. & Loan Ass'n, 148 F.R.D. 647, 653 (D. Neb. 1993) (holding that litigation updates from outside counsel to a client's board of directors facilitate the rendition of professional services to the client because "[t]he litigation reports update [the client] on the progress on pending litigation and provide a basis for making legal decisions such as whether to proceed with the defense of a case and whether settlement is a desirable course of action."); Brakhage v. Graff, 190 Neb. 53, 56-57, 206 N.W.2d 45, 47-48 (1973) (holding that statement of facts surrounding accident by insured to the insurer's field claims representative, who was not an attorney, is a privileged communication if the insurance policy requires the insurer to defend the insured through an attorney of its choosing and the communication is intended to inform or assist in defending the insured). But see Langdon v. Champion, 752 P.2d 999, 1002-03 (Alaska 1988) (despite having same statutory standard, holding that statements made by insured to insurer are not covered by attorney-client privilege).
offers useful guidance on how a franchisor can protect documents and communications generated in connection with an internal investigation.68

In the *In re Fairway* case, an employee of the defendant-corporation was injured on the job.69 The day after the incident, in-house counsel for Celanese Corporation, a related entity, created a team of Celanese employees, who were supervised and directed by attorneys in the Celanese legal department with guidance from outside legal counsel, to investigate and provide the Celanese legal department with information regarding the incident.70 In subsequent litigation, the plaintiffs, the injured employee and his wife, sought production of all documents and communications concerning any investigation into the incident.71 The trial court rejected the corporation’s assertions of privilege and work product protection over the documents, and the corporation appealed.

On appeal, the plaintiffs argued that the communications were not protected by the attorney-client privilege because the primary purpose of the communications was not to facilitate legal services but, rather, was to prevent future accidents and improve safety policies and procedures.72 The court of appeals disagreed and reversed the trial court’s decision on most of the investigation documents and communications, noting that no Texas authority requires that the communication must have been made for the “primary purpose” of soliciting legal advice and “more important, the language of [Tex. R. Civ. Evid.] 503(b) does not require that the primary purpose of the communication be to facilitate the rendition of legal services; it only requires that the communication be made to facilitate the rendition of legal services.”73

In reaching its conclusion, the appellate court relied heavily on the affidavit submitted by in-house counsel for the corporation in which he testified that (1) the corporation’s legal department requested the investigation;74 (2) the legal department oversaw the work of the investigation team;75 (3) the primary purpose of the investigation was to prepare the company to defend itself in litigation;76 (4) the team members were informed of the purpose of the

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69 *Id.* at 491.
70 *Id.* at 485.
71 *Id.* at 486.
72 *Id.* at 489.
73 *Id.* (emphasis in original).
74 *Id.* at 488.
75 *Id.*
76 *Id.* Because the appellate court held that the “primary purpose” standard was not applicable, it did not comment on whether this factual assertion would have been sufficient to satisfy the “primary purpose” standard.
investigation;77 (5) all communications were marked “attorney-client privilege” and “work product;”78 and (6) the investigation was not standard procedure after accidents.79

Franchisor in-house counsel and attorneys advising in-house counsel would be well-advised to take a similar approach when seeking to secure privilege protection for an investigation of a franchisee, particularly when the franchisor suspects that the franchisee is engaging in a terminable offense and believes there is a substantial chance of litigation arising from the termination.80

III. WORK PRODUCT

Although both the attorney-client privilege and work product doctrine protect confidential communications, they are distinctive in scope and purpose. As discussed above, the purpose of the attorney-client privilege is to facilitate open discussions between an attorney and client. The purpose of the work product doctrine, on the other hand, is to create a “zone of privacy” in which counsel can “prepare the client’s case and plan strategy without undue interference.”81 Additionally, the work product doctrine protects a broader variety of materials than the attorney-client privilege, which only protects communications. Another key distinction is that all communications subject to the attorney-client privilege are protected from disclosure, but materials subject to “ordinary” work product protection receive only qualified protection that can be overcome if the requesting party can show substantial need or undue hardship.

A. Work Product Generally

The U.S. Supreme Court established the work product doctrine in Hickman v. Taylor.82 In Hickman, the plaintiffs’ counsel represented the estates and the families of several crew members who were killed when the tugboat they were working on sank.83 In discovery, the plaintiffs asked the tugboat owners to produce documents summarizing defense counsel’s interviews with the survivors of the wreck that were taken some time after the wreck.84 The defendants admitted that such documents existed, but declined to summarize their contents on the grounds that those reports were privileged and that providing the documents “would involve…turning over…the thoughts of counsel.”85 Ultimately, the issue was appealed to the U.S. Supreme Court. The Court

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77 Id.
78 Id.
79 Id. at 492.
80 See also Edna Selan Epstein, The Attorney-Client Privilege and the Work-Product Doctrine, 357-64 (5th ed. 2007 and Supp. 2012) (discussing attorney-led investigations and cases discussing whether the investigations were privileged because the purpose was to result in the giving of legal advice).
82 329 US 495 (1947).
83 Id. at 498.
84 Id.
85 Id. at 499.
held that while the documents fell “outside the scope of attorney-client privilege…written statements, private memoranda and personal recollections” of counsel are work product and are not subject to discovery absent an additional showing.86

1. **Elements to Establish Work Product Protection**

In 1970, the Federal Rules of Civil Procedure codified the work product doctrine in Rule 26(b)(3). To establish work production protection, the invoking party must show that the material at issue: “(1) is a document or a tangible thing, (2) that was prepared in anticipation of litigation, and (3) was prepared by or for a party, or by or for his representative.”87

a. **Applies to Tangible and Intangible Things**

Although Rule 26(b)(3) only addresses “documents or tangible things”, the work product doctrine as articulated by *Hickman* includes both tangible things such as “correspondence, memoranda and briefs” and intangible things such as “statements, mental impressions and personal beliefs.”88 For example, courts have determined that the amount of money in a company’s litigation reserve89 and communications between counsel and a litigation vendor90 were protected under the work product doctrine because they reflected counsel’s thought processes and mental impressions.

b. **Prepared in Anticipation of Litigation**

A party asserting work product protection must show the thing at issue was prepared in anticipation of litigation.91 Courts have defined “litigation” broadly to include any adversarial proceeding, including administrative hearings,92 grand jury proceedings,93 arbitration,94 and

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86 Id. at 509-11 (“It is essential that a lawyer work with a certain degree of privacy…Proper preparation of a client’s case demands that he assemble information, sift what he considers to be the relevant from the irrelevant facts, prepare his legal theories and plan his strategy without undue and needless interference…This work is reflected, of course, in interviews, statements, memoranda, correspondence, briefs, mental impressions, personal beliefs, and countless other tangible and intangible ways—aptly termed as the ‘Work product of the lawyer.’”).


88Hickman, 329 U.S. at 510.


certain appeals before regulatory boards.\textsuperscript{95} If, however, the proceeding is not adversarial in nature, such as a routine regulatory hearing, work product may not apply.\textsuperscript{96}

Determining whether documents were prepared in anticipation of litigation depends on the nature of the claim and the type of information sought and, therefore, turns on the facts of each case.\textsuperscript{97} Generally, a document will be deemed to have been prepared “in anticipation of litigation” when “the document can fairly be said to have been prepared or obtained because of the prospect of litigation . . . and not in the regular course of business.”\textsuperscript{98} Courts differ on whether the litigation need be certain or immediate in order for the work product doctrine to apply. Some courts have held that “litigation need not necessarily be imminent as long as the primary motivating purpose behind the creation of the document was to aid in possible future litigation.”\textsuperscript{99} Other courts, however, espouse the view that “[t]he probability must be substantial and the commencement of litigation must be imminent.”\textsuperscript{100}

A document may be considered to have been prepared in anticipation of litigation even if the litigation that caused its preparation was an investigation by a government agency, and not a traditional civil suit.\textsuperscript{101} However, documents and “things” created from ordinary investigations conducted in the course of business are not generally subject to work product protection.\textsuperscript{102} The possibility of litigation must be more than a “remote prospect, an inchoate possibility or a likely chance.”\textsuperscript{103} A communication that threatens the possibility of litigation is likely sufficient to establish work product protection.\textsuperscript{104}


\textsuperscript{96} Adair v. EQT Prod. Co., 294 F.R.D. 1, 5-6 (W.D. Va. 2013).


\textsuperscript{101} See 6 James Wm. Moore et al., Moore’s Federal Practice § 26.7[3][d], at 26-218 (3d ed. 1999).

\textsuperscript{102} Celmer v. Marriott Corp., No. 03-CV-5229, 2004 WL 1822763, at *3 (E.D. Pa. July 15, 2004) (loss prevention officers’ investigation after an accident was not subject to work product protection because such investigations were company policy after all accidents and there was no evident to suggest litigation was a possibility.) See also Foret v. Transocean Offshore, Inc., No. 09-4567, 2010 WL 2732332, at *5 (E.D. L.A. July 6, 2010) (investigation documents not subject to work product protection when company policy manual required the investigation).


\textsuperscript{104} Geller v. N. Shore Long Island Jewish Health Sys., No. CV 10–170, 2011 WL 5507572, at *2-4 (E.D.N.Y. Nov. 9, 2011) (work product protection applied to internal investigation conducted after corporation received a letter outlining claim and stating that lawsuit would be filed in five days if corporation did not respond).
Work product protection does not end when the anticipated litigation ends, or if the anticipated litigation never occurs. Court have extended work product protection to documents which were prepared in anticipation of other earlier litigation. Some courts have held that work product protection applies to subsequent cases only if the subsequent case is closely related to the previous case, while other courts have held that the cases are not required to be related.

c. Prepared by or for a Party or by His or Her Representative

Work product protection applies even if the document or thing was not created by an attorney. For example, in United States v. Nobles, the United States Supreme Court held that materials prepared by an investigator working on behalf of an attorney were subject to work product protection.

2. Ordinary v. Opinion Work Product

Courts distinguish between “ordinary” and “opinion” work product. Although both types of work product are technically discoverable under certain conditions, courts are much less likely to compel the production of opinion work product than to order the production of ordinary work product. Opinion work product includes documents and things that contain “the opinions, judgments, and thought processes of counsel.” Ordinary work product encompasses all documents and things prepared by counsel or people working under her direction in anticipation of litigation that do not include mental impressions, conclusions, or opinions of the attorney. Ordinary work product “generally consists of ‘primary information such as verbatim witness testimony or objective data’ collected by or for a party or a party’s representative.” Examples


110 In re Doe, 662 F.2d 1073, 1076 n.2 (4th Cir. 1981).

for ordinary work product include surveillance film, \textsuperscript{112} transcripts of witness interviews, \textsuperscript{113} meeting notes, \textsuperscript{114} sketches and diagrams, \textsuperscript{115} and photographs. \textsuperscript{116}

However, if the document or thing includes any analysis, evaluation, or commentary by counsel, courts will categorize it as opinion work product and will not compel its disclosure absent extraordinary circumstances. Opinion work includes interview transcripts containing the thoughts or impressions of counsel, \textsuperscript{117} draft affidavits, \textsuperscript{118} or information related to the litigation reserves. \textsuperscript{119}

3. **Overcoming Work Product Protection**

Unlike attorney-client privilege, ordinary work product protection is not absolute. Under Rule 26(b)(3), a court may permit discovery of ordinary work protection upon a showing of substantial need. \textsuperscript{120}

a. **Substantial Need**

To determine if the party has demonstrated substantial need the court will examine “the relative importance of the information in the documents to the party’s case and the [party’s] ability to obtain that information by other means.” \textsuperscript{121} A classic example of substantial need would be witness statements made immediately after an accident. \textsuperscript{122} Courts are most likely to find substantial need where the requested document or thing is the only source of the information. \textsuperscript{123}


\textsuperscript{113} See Feacher v. Intercont'l Hotels Grp., No. 1:03CV1322, 2007 WL 3104329, at *5 (N.D.N.Y. Feb. 15, 2006) (transcript of witness interview was ordinary work product).

\textsuperscript{114} Redvanly v. NYNEX Corp., 152 F.R.D. 460, 466 (S.D.N.Y. 1993) (in-house counsel’s notes from a meeting in which an employee was terminated were not opinion work product because the notes were an abbreviated transcript of the meeting.).


\textsuperscript{116} Id.


\textsuperscript{120} See In re Cendant Corp. Sec. Litig., 343 F.3d 658, 663 (3rd Cir. 2003).

\textsuperscript{121} Stampley v. State Farm Fire & Cas. Co., 23 F. App’x 467, 471 (6th Cir. 2001).

\textsuperscript{122} See Coogan v. Cornet Transp. Co., 199 F.R.D. 166, 167-68 (D. Md. 2001) (Statements of either the parties or witnesses taken immediately after the accident and involving a material issue in an action arising out of that accident, constitute “unique catalysts in the search for truth” in the judicial process; and where the party seeking the discovery was disabled from making his own investigation at the time, there is sufficient showing under the amended Rule to warrant discovery.”).

\textsuperscript{123} See U.S. v. ISS Marine Servs., Inc., 905 F. Supp. 2d 121, 139 (D.D.C. 2012) (Government demonstrated substantial need for an audit report by showing that the report was the only evidence of when company became aware of the misconduct at issue in litigation); Asten v. City of Boulder, No.08-cv-00845, 2010 WL 2612673, at *1-2 (D. Colo. June 29, 2010) (Party demonstrated substantial need for showing tape recorded interview with witness when witness
b. **Undue Hardship**

Because courts are unlikely to compel the production of ordinary work product if the information could be obtained from other sources, a party attempting to compel production should be prepared to demonstrate specific facts showing that the obtaining the information would be inordinately difficult or impossible. As one court explained, “inconvenience and expense do not constitute undue hardship.” Courts have found undue hardship where the requesting party has shown the following circumstances: (1) the witness was unavailable; (2) where the statements were made contemporaneously with an event such as an accident; (3) where the witness has refused to respond to discovery; and (4) where the materials are exclusively in the withholding party’s possession.

**IV. WAIVER**

Generally, a party waives the attorney-client privilege and/or work product protection if the communication or document is disclosed to a non-privileged third party. With the prevalence of electronic communications and electronically stored information (“ESI”), waiver can occur in a multitude of ways.

A. **Forwarding E-mails – Proceed on a Need to Know Basis**

A corporate client can waive the attorney-client privilege “if the communications are disclosed to employees who did not need access to the communication.” Not surprisingly “[e]-mails, with sometimes different and multiple recipients and authors, add complexity to the analysis of the attorney-client privilege.” If forwarded e-mails are withheld from production in litigation on the basis of the attorney-client privilege, the proponent must provide enough information as to the role or responsibilities of each recipient so as to show why inclusion of that recipient does not admit to having a “poor memory.”)

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124 *Stampley*, 23 F. App'x. at 471.

125 See, e.g., *In re Grand Jury Investigation*, 599 F.2d 1224, 1231 (3rd Cir. 1979) (witness was dead and could not testify).


127 See *In re Vitamins Antitrust Litig.*, 211 F.R.D. 1, 4 (D.D.C. 2002) (Requesting party demonstrated undue hardship as to witness statements because documents had been created by conspirators who had destroyed original documents and witnesses were asserting fifth amendment rights).

128 See *ISS Marine Servs. Inc.*, 905 F. Supp. 2d at 138-39 (requesting party demonstrated undue hardship by showing that audit report and all underlying source documents were in the exclusive custody and control of defendant’s affiliates).

129 *Smithkline Beecham Corp. v. Apotex Corp.*, 194 F.R.D. 624, 626 n. 1 (N.D. Ill. 2000); see also *United States v. Dish Network, L.L.C.*, 283 F.R.D. 420, 425 (C.D. Ill. 2012) (holding that no waiver occurred because privileged communications were properly limited to employees who reasonably needed the information to perform their duties for the corporation); *Thompson v. Chertoff*, No. 3:06-CV-004-RLM, 2007 WL 4125770, at *2 (N.D. Ind. Nov. 15, 2007) (same).

130 Barton, 2008 WL 80647, at *5.
constitute a waiver of the privilege. See below for a discussion of best practices regarding information to include in privilege logs.\footnote{131}{See Section V(C) ("What Should be Included in a Privilege Log?").}

Another issue that sometimes arises in the context of privileged e-mails is whether earlier non-privileged e-mails in a chain are also privileged. In general, the fact that non-privileged information is communicated to an attorney may itself be privileged even if the underlying information remains unprotected.\footnote{132}{\textit{Id.}} “As applied to e-mails, this means that even though one e-mail is not privileged, a second e-mail forwarding the prior e-mail to counsel might be privileged in its entirety."\footnote{133}{\textit{Id.}} “In this respect, the forwarded material is similar to prior conversations or documents that are quoted verbatim in a letter to a party’s attorney.”\footnote{134}{\textit{Id.} (quoting \textit{Muro v. Target Corp.}, No. 04 C 6267, 2007 WL 3254463, at *12 (N.D. Ill. Nov. 2, 2007)).} That also means, however, that if a privileged communication is sent to a third party who did not need access to the communication, the privilege is lost with respect to all e-mails in the chain.\footnote{135}{\textit{U.S. v. Chevron}, 241 F. Supp. 2d 1065, 1074 n. 6 (N.D. Cal. 2002) (explaining that "[e]ach e-mail / communication consists of the text of the sender’s message as well as all of the prior e-mails that are attached to it. Therefore, Chevron’s assertion that each separate e-mail stands as an independent communication is inaccurate. What is communicated with each e-mail is the text of the e-mail and all the e-mails forwarded along with it. If an e-mail with otherwise privileged attachments is sent to a third party, Chevron loses the privilege with respect to that e-mail and all of the attached e-mails.").}

\textbf{Practice Pointer} – Battling waiver can cost a substantial amount of time, talent, and treasure, not to mention that if one loses the battle, privileged communications must be disclosed. Practitioners should, therefore, educate their clients about privilege, in particular the necessity of limiting the scope of privileged communications to keep them confidential, and instruct their clients on the following best practices regarding e-mail communications:

- If an e-mail is intended to be privileged, label it an “Attorney-Client Privileged Communication” and/or “Protected by Work Product Doctrine.” Only use such labels when appropriate.

- If an e-mail has an attachment that is privileged, label that as well.\footnote{136}{Attachments to e-mails must independently meet the criteria to support application of a privilege. \textit{In re AM General Holdings, LLC v. The Renco Group, LLC}, Nos. 7639–VCN and 7668–VCN, 2013 WL 1668627, at *3 (Del. Ch. Ct. Apr. 18, 2013); \textit{Kleen Products, LLC v. International Paper}, No. 10 C 5711, 2014 WL 6475558, at *2 (N.D. Ill. Nov. 12, 2014).}

- Make clear the legal purpose of the communication. For example, if appropriate, state within the body of the e-mail and/or the attachment that it is being sent for purposes of seeking or conveying legal advice; it is being sent at the request of counsel; or it is being sent to gather and/or convey information necessary for legal counsel to provide legal advice.

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\footnote{131}{See Section V(C) ("What Should be Included in a Privilege Log?").}
\footnote{132}{\textit{Id.}}
\footnote{133}{\textit{Id.} See also \textit{Dawe v. Corrections USA}, 263 F.R.D. 613, 621 (E.D. Cal. 2009) (opining that “the current weight of authority favors examination of the most recent communication as the means for characterizing [whether the attorney client privilege applies to] the entire e-mail string”).}
\footnote{134}{\textit{Id.} (quoting \textit{Muro v. Target Corp.}, No. 04 C 6267, 2007 WL 3254463, at *12 (N.D. Ill. Nov. 2, 2007)).}
\footnote{135}{\textit{U.S. v. Chevron}, 241 F. Supp. 2d 1065, 1074 n. 6 (N.D. Cal. 2002) (explaining that “[e]ach e-mail / communication consists of the text of the sender’s message as well as all of the prior e-mails that are attached to it. Therefore, Chevron’s assertion that each separate e-mail stands as an independent communication is inaccurate. What is communicated with each e-mail is the text of the e-mail and all the e-mails forwarded along with it. If an e-mail with otherwise privileged attachments is sent to a third party, Chevron loses the privilege with respect to that e-mail and all of the attached e-mails.”).}
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• Thoughtfully determine who needs to be included in legal e-mail exchanges based on each person’s respective involvement in the litigation and/or their role in the underlying matter at issue; only send the e-mail to those persons; and conspicuously state in the e-mail (and any attachment) that the recipients should not distribute it to anyone or discuss it with anyone without counsel’s authorization.

B. Use of Electronic File Sharing Databases – Think Before Sharing the Link!

A recent federal court decision serves as a cautionary tale to all who share, or who have clients who share, documents and communications via on-line file share databases. In Harleysville Ins. Co. v. Holding Funeral Home, a Harleysville employee uploaded video surveillance footage onto an internet-based file sharing service, and then sent an e-mail containing a hyperlink to the database to the National Insurance Crime Bureau (“NICB”).137

Subsequently, that same employee uploaded the entire contents of the company’s confidential claims file onto the same database and sent an e-mail to outside counsel containing the same hyperlink. The database was not password protected. Anyone who clicked on the hyperlink or who typed the URL address into a web browser had access to all of the information stored on the database.138

Defense counsel later subpoenaed records from NICB, who produced the e-mail with the link to the plaintiffs’ claim file. Defense counsel, without the knowledge or permission of Harleysville or its counsel, used the hyperlink, reviewed all the stored documents, and shared the documents with its clients.139 Months later, when the insurance company discovered that defense counsel had used the link, it filed a motion seeking return of the privileged materials and for sanctions against defense counsel.140 Defense counsel argued that Harleysville waived any privilege by placing the information on the online database where anyone could access it - and on this point the court agreed.141

The court determined that Harleysville had waived the attorney-client privilege under applicable state law because it failed to take precautions to prevent the inadvertent disclosure, such as using a password to protect the documents.142 As the court explained, Harleysville’s actions “were the cyber world equivalent of leaving its claims file on a bench in the public square and telling its counsel where they could find it.”143 The court further held that pursuant to Rule 502

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138 Id. at *1.
139 Id. at *2.
140 Id.
141 Id. at *3-6.
142 Id. at *2 (explaining that because Harleysville’s claims arose under state common law, state law governs the applicability and waiver of the attorney-client privilege pursuant to Federal Rule of Evidence 501).
143 Id. at *4-5.
of the Federal Rules of Evidence, Harleysville waived any applicable work product protection for the same reasons.

The court also took issue with the fact that when Harleysville’s attorneys used the unprotected hyperlink shortly after the documents were uploaded to the database, they understood, or at the very least should have understood, that the confidentiality of the information was compromised. Yet, Harleysville took no action to disable or protect the database until months later when Harleysville’s attorneys discovered that defense counsel had already used the hyperlink to access the claims file and the damage had been done. In short, either Harleysville’s counsel should have advised Harleysville to take action or Harleysville should have heeded its counsel’s advice.

Practice Pointer – The topics of inadvertent disclosure and counsel’s obligation upon receipt of potentially privileged information are discussed below. But for purposes of this section, the lessons to be learned are twofold: (1) NEVER use an unprotected online file share database to store or exchange privileged communications. All potentially privileged information stored or exchanged on a file share database should be encrypted and password protected. If in doubt as to the level of security of the file share database, do not use it. (2) If your client sends you a hyperlink to a file share database that you can access without using a password, contact your client immediately and advise your client to disable the database and to find a secure means of sharing information.

C. Inadvertent Disclosure

Litigation discovery has changed significantly as a result of the prevalence of ESI. “It is no longer unusual to have thousands—or even millions—of documents exchanged between or among parties during the course of a case.” Because of the sheer volume of ESI exchanged in many cases, unintentional disclosure of privileged materials through discovery has become “a common occurrence” even when parties exercise reasonable care. In recognition of this trend, more courts are holding that “inadvertent disclosure,” as that term is defined by applicable law, does not constitute a waiver of privilege.

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144 Id. at *2 (the work product doctrine is not a privilege, but is instead a qualified immunity from discovery; therefore, Federal Rule of Evidence 501 does not apply and federal law governs the applicability and waiver of the work product doctrine).

145 Id. at *5-6. See Section IV(C), infra, for a more detailed discussion of inadvertent disclosure.

146 Id. at *4.

147 See Section IV(C) (“Inadvertent Disclosure”) and Section V(B) (“What Should a Franchisor or Franchisee do upon Discovery or Receipt of Potentially Privileged Materials?”).


1. Inadvertent Disclosure in Federal Courts

Historically, federal courts used three different standards when deciding if an inadvertent disclosure of privileged documents during discovery constitutes a waiver: (a) the lenient approach (disclosure results in waiver only if it was done knowingly and intentionally), (b) the strict accountability approach (disclosure constitutes waiver regardless of the protections taken to prevent the disclosure), and (c) a middle ground approach (disclosure constitutes waiver only if the disclosing party acted carelessly and failed to take timely measures to address the disclosure). In 2008, Rule 502 of the Federal Rules of Evidence replaced the three standards with a codification of the “middle ground” standard. As explained by the advisory committee notes:

Courts are in conflict over whether an inadvertent disclosure of a communication or information protected as privileged or work product constitutes a waiver. . . . The rule opts for the middle ground: inadvertent disclosure of protected communications or information in connection with a federal proceeding or to a federal office or agency does not constitute a waiver if the holder took reasonable steps to prevent disclosure and also promptly took reasonable steps to rectify the error. This position is in accord with the majority view on whether inadvertent disclosure is a waiver.

Pursuant to Rule 502(b), the disclosure of privileged communications does not constitute a waiver if the following criteria are met: “(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).” Courts are often guided by one or more of the following nondeterminative factors, or variations thereof: (1) the reasonableness of the precautions taken to prevent inadvertent disclosure, (2) the number of inadvertent disclosures, (3) the extent of the disclosures, (4) any delay in measures taken to rectify the disclosure, and (5) the overriding interests in justice or fairness.

a. The Disclosure Must be “Inadvertent”

Satisfaction of the first criteria is complicated by the fact that Congress did not see fit to define “inadvertent” in Rule 502. Oftentimes, the inadvertence of the disclosure is not in dispute;

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150 Fed. R. Evid. 502(b) advisory comm. notes (Nov. 28, 2007).
152 Fed. R. Evid. 502(b) advisory comm. notes (Nov. 28, 2007).
153 Peterson v. Bernardi, 262 F.R.D. 424, 427 (D.N.J. 2009) (“It is axiomatic that FRE 502 does not apply unless privileged or otherwise protected documents are produced.”).
154 Fed. R. Evid. 502(b).
therefore, courts do not discuss this factor. But in cases where there is a dispute, courts have taken various approaches.

Some courts apply a multi-factor analysis to determine if a disclosure was inadvertent, considering such things as: “the total number of documents reviewed,” “the procedures used to review the documents before they were produced,” “the actions of producing party after discovering that the documents had been produced,” “the extent of the disclosure,” and “the scope of discovery.” Others have instead interpreted “inadvertent” to mean “unintentional.” This approach leads to a narrow definition that does not include documents that are intentionally produced by “mistake.” For example, in one case the disclosing party confused a privileged document with a different, unprivileged document and produced the privileged document to the opposing party. The court held that the disclosure was not inadvertent pursuant to Rule 501(b)(1) because “the word ‘inadvertent’ from Rule 502 mandates a remedy for an unintended, rather than mistaken, disclosure.” Thus, because the producing party intended to produce the document, albeit under a mistaken belief, it was not “inadvertently” produced and was not entitled to Rule 502(b) protection.

Still other courts reject both these approaches in favor of a much simpler analysis, “essentially asking whether the party intended a privileged or work-product protected document to be produced or whether the production was a mistake.” Courts applying this simpler approach do so because it is repetitive to apply reasonableness factors, such as the procedures used to review the documents prior to production and the producing party’s actions upon discovery of the production, to determine “inadverntence” when Rule 502(b) requires examination of those same factors later in the analysis. Additionally, such courts have held that defining “inadvertent” as analogous with “mistaken” is consistent with the dictionary definition and the goals of the drafting committee to “devise a rule to protect privilege in the face of an innocent mistake.”

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156 See, e.g., Smith v. Allstate Ins. Co., 912 F. Supp. 2d 242, 247 (W.D. Pa. 2012) (“[T]here is no dispute as to the privileged nature of the subject documents or that the production of the privileged documents was inadvertent. Accordingly, the Court begins its analysis with the second and third elements of Federal Rule of Evidence 502(b) and the five factors that inform this analysis.”).


159 Id. at *11.

160 Id. See also Harleysville, 2017 WL 1041600, at *6 (‘[A]n inadvertent waiver would occur when a document, which a party intended to maintain as confidential, was disclosed by accident such as a misaddressed communication to someone outside the privilege scope or the inadvertent inclusion of a privileged document with a group of nonprivileged documents being produced in discovery. In contrast, when a client makes a decision—albeit an unwise or even mistaken, decision—not to maintain confidentiality in a document, the privilege is lost due to an overall failure to maintain a confidence.’) (citation omitted).


b. Reasonable Steps to Prevent Disclosure

Rule 502(b)(2) prohibits producing parties from mindlessly dumping documents on the opposing party and later demanding that the produced documents are protected, but at the same time supports that despite reasonable efforts, inadvertent production can occur. “The reasonableness of the precautions adopted by the producing party must be viewed principally from the standpoint of customary practice in the legal profession at the time and in the location of the production, not with the 20-20 vision of hindsight.”164 “Reasonable precautions are not necessarily “foolproof” and “[c]arelessness should not be inferred merely because an inadvertent production of privileged documents occurred.”165

Courts generally agree that use of a two-step approach, in which company employees conduct an initial review of documents and then experienced in-house or outside counsel make the final decision regarding what document should be produced and what documents should be marked as privileged, is reasonable.166 Similarly, it is reasonable for the producing party to collect documents, load them into an online document review platform maintained by an external vendor, and have attorneys review them prior to production.167 Importantly, courts have held that inadvertent disclosures resulting from vendor or processing errors that occur after the attorney review, selection, and segregation of confidential materials do not vitiate the reasonableness of the review procedure.168 As explicitly stated in the advisory committee notes, “[t]he rule does not require the producing party to engage in a post-production review to determine whether any protected communication or information has been produced by mistake.”169

Large ESI cases often render “eyes-on” review, in which attorneys physically review each document, an impossibility. The advisory committee recognized this, explaining that a “party that uses advanced analytical software applications and linguistic tools in screening for privilege and work product may be found to have taken “reasonable steps” to prevent inadvertent disclosure.”170 Although use of such search procedures and other technology also need not be foolproof, they must reflect an objectively reliable methodology. For example, Mt. Hawley Ins. Co. v. Felman Prod., Inc. illustrates the kind of carelessness in a keyword search review that could result in a finding of waiver.171 In Mt. Hawley, the producing party collected potentially relevant ESI based upon pre-selected search terms, and then from those documents identified potentially privileged documents based upon a second set of search terms. Counsel did not, however, perform any quality control sampling to ensure reliability of the searches.172 As a result, 30% of the million-

165 Id. (quoting U.S. ex rel. Bagley, 204 F.R.D. 170, 179-80 (C.D. Cal. 2001) (internal quotations omitted)).
166 Id. at *9.
167 Id.
169 Fed. R. Evid. 502(b) advisory comm. notes (Nov. 28, 2007).
170 Id.
172 Id. at 135-36.
page production was determined to be irrelevant and non-responsive to discovery requests, and at least 377 privileged documents not harvested by the search terms were disclosed.\footnote{173}{Id.} The court found that the producing party did not take reasonable precautions to protect the privileged documents, and therefore waived the privilege. The Court highlighted the producing party’s sloppy approach to the discovery process, the failure to test the reliability of the word searches, gross overproduction of irrelevant materials, the substantial number of privileged documents that were disclosed, and the fact that the identification of the majority of privileged materials was made by defense counsel and not counsel for the producing party.\footnote{174}{Id. at 136.}

c. **Reasonable Steps to Rectify the Disclosure**

The reasonableness of steps taken to rectify an inadvertent disclosure often turn on the amount of time the disclosing party took to act after discovering the inadvertent disclosure and what remedial steps it took. While there is no bright line rule, it should go without saying that the sooner the better.\footnote{175}{See, e.g., Clarke v. J.P. Morgan Chase & Co., No. 08 Civ. 02400, 2009 WL 970940, at *6 (S.D.N.Y. Apr. 10, 2009) (describing cases in which a waiver was found after a delay ranging from six days to one month).} Remedial steps should include, at a minimum, notifying opposing counsel of the inadvertent disclosure and, if the inadvertent disclosure is discovered in connection with the opposing party’s use of the document in a deposition or otherwise, objecting to use of the document.

Rule 502(b) explicitly includes Federal Rule of Civil Procedure 26(b)(5)(B) as a potential step that may be a reasonable means to rectify an inadvertent disclosure. Rule 26(b)(5)(B) essentially provides that if a party notifies another party of the production of privileged documents through discovery, the receiving party must return the documents and not use them without a court determination on the issue.\footnote{176}{Rule 26(b)(5)(B) provides: “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. After being notified, a 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.”} But compliance with Rule 26(b)(5)(B) is not an automatic safe harbor. In *Williams v. D.C.*, upon discovering the inadvertent disclosure of attorney-client communications, defense counsel notified plaintiff’s counsel of the error and demanded that the communication be returned “at once” in accordance with Rule 26(b)(5)(B).\footnote{177}{806 F. Supp. 2d 44 (D.D.C. 2011).} The plaintiff’s counsel did not respond in any way to the letter, and defense counsel took no further action to address the issue with opposing counsel nor did he bring the matter to the attention of the court until almost three years later.\footnote{178}{Id. at 52.} Under such circumstances the court held that “mere compliance with Rule 26(b)(5)(B), without more, did not constitute ‘reasonable steps to rectify the error’ because defense counsel was on notice that further action was required when plaintiff’s counsel
failed to respond to the letter. “This sort of indifference is fundamentally at odds with the principle that the attorney-client privilege ‘must be jealously guarded by the holder of the privilege lest it be waived.’”

d. Clawback Agreements and Orders

One means of addressing the uncertainty of the Rule 502(b) analysis, and minimizing discovery battles over inadvertent production, is to enter into a clawback agreement (governed by Rule 502(e)), which ideally is then incorporated into an order governed by Rule 502(d). Clawback agreements and orders provide for the return of privileged documents to the producing party without waiver. If the parties are unable to agree on the terms of a stipulated clawback order, a court can include a clawback provision in a protective order issued on a party’s motion, or in an order issued by the court sua sponte. Regardless of the route one takes to obtain a clawback order, practitioners must be aware of splits in authority regarding the proper application of Rule 502(d), and that many issues can be avoided by carefully drafting an appropriate clawback agreement in compliance with governing law.

One issue faced by many courts since the 2008 enactment of Rule 502 is whether the three-part Rule 502(b) test (i.e., whether the disclosure was inadvertent, whether reasonable steps were taken to prevent the disclosure, and whether reasonable steps were taken to rectify the error) should be incorporated into clawback agreements and orders governed by Rule 502(d) and (e). It appears that the prevailing view among courts that have considered this issue is that incorporating the Rule 502(b) test is contrary to the plain language of Rule 502(d) and (e), and the purpose for which Rule 502 was enacted. As the court in *East Coast Sheet Metal Fabricating Corp. v. Autodesk, Inc.* explained:

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179 Id. at 52-53.

180 Id. at 52 (citation omitted).

181 “The rule makes clear that if parties want protection against non-parties from a finding of waiver by disclosure, the agreement must be made part of a court order.” Advisory Comm. Notes, Fed. R. Evid. 502(e) (Nov. 28, 2007).

182 See Fed. R. Civ. P. 26(c)(1) (allowing the court to issue protective orders to protect a party from, among other things, undue burden or expense); see also Rule 502 advisory committee notes to subdivision (d) (“Under the rule, a confidentiality order is enforceable whether or not it memorializes an agreement among the parties to the litigation. Party agreement should not be a condition of enforceability of a federal court’s order.”).

183 See, e.g., *U.S. v. Wells Fargo Bank, N.A.*, No. 12-CV-7527, 2015 WL 5051679, at *2 (S.D.N.Y. Aug. 26, 2015) (rejecting application of Rule 502(b) test where the court issued a stipulated protective order, stating that "where parties have entered into a protective order that includes a non-waiver provision, as here, courts have found waiver only where the producing party acted in a "completely reckless" manner with respect to its privilege"); *East Coast Sheet Metal Fabricating Corp. v. Autodesk, Inc.*, No. 12-cv-517, 2014 WL 4627262, at *2 (D. N.H. Sept. 16, 2014) (ruling that Rule 502(d) order does not contain the reasonableness requirement set forth in Rule 502(b), and that the protective order governs the issue of waiver not Rule 502(b)); *Dover v. British Airways, PLC (UK)*, No. CV 2012-5567, 2014 WL 4065084, at *3 (E.D.N.Y. Aug. 15, 2014), aff’d, 2014 WL 5090021 (E.D.N.Y. Oct. 9, 2014) (evaluating whether privilege was waived pursuant to the parties’ stipulated protective order and the “completely reckless” standard imposed under common law to protective orders, rather than case law interpreting Rule 502(b)(1) requirement of inadvertency); *Brookfield Asset Management, Inc. v. AIG Financial Products Corp.*, No. 09 Civ. 8285, 2013 WL 142503, at *1 (S.D.N.Y. Jan. 7, 2013) (holding that Rule 502(d) stipulated protective order granted producing party “the right to claw back the minutes, no matter what the circumstances giving rise to their production were”); *Zivali v. AT&T Mobility LLC*, No. 08 Civ. 10310, 2010 WL 5065963, at *1 (S.D.N.Y. Dec. 6, 2010) (explaining that a protective order issued under Rule 502(d) overrides the provisions of Rule 502(b) that ordinarily would apply); *Alcon Mfg., Ltd. v. Apotex*, No. 1:06-cv-1642, 2008 WL 5070465, at *4 (S.D. Ind. Nov. 26, 2008) (evaluating waiver in accordance with the parties’ stipulated...
Federal Rule of Evidence 502(d) was adopted for the express purpose of allowing
parties to limit the costs associated with screening documents produced during
discovery for privileged material. See Fed. R. Evid. 502 advisory committee’s note.
To accomplish this, Rule 502 “seeks to provide a predictable, uniform set of
standards under which parties can determine the consequences of a disclosure of
a communication or information covered by the attorney-client privilege or work-
product protection. Parties to litigation need to know, for example, that if they
exchange privileged information pursuant to a confidentiality order, the court’s
order will be enforceable.” Id. Inserting a reasonableness requirement into Rule
502(d) would thwart this purpose.184

On the other hand, a few district courts, most of which are within the Fourth Circuit, have
held that to supplant the “default Rule 502(b) test,” clawback agreements and orders must contain
“concrete directives” regarding each prong of Rule 502(b).185 “In other words, if a court order or
agreement does not provide adequate detail regarding what constitutes inadvertence, what
precautionary measures are required, and what the producing party’s post-production
responsibilities are to escape waiver, the court will default to Rule 502(b) to fill in the gaps in
controlling law.”186 Interestingly, the primary case cited in support of this approach, U.S. Home
Corp. v. Settlers Crossing, LLC, reached this conclusion based on case law in which none of the
courts discussed Rule 502(d), or the purported incorporation of the Rule 502(b) requirements into
clawback arrangements under Rule 502(d) and (e).187 Additionally, one of the cases cited by the
Settlers court, United States v. Sensient Colors, Inc., applied the Rule 502(b) factors only because
the parties did not include a clawback provision in the stipulated discovery plan nor did they
include language opting out of the Rule 502(b) requirements.188

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184 East Coast Sheet Metal, 2014 WL 4627262, at *2.
N.C. Aug. 5, 2015) (“Courts within the Fourth Circuit have held that to the extent court orders regarding accidental
disclosure of privileged documents are silent as to the three prongs of Federal Rule of Evidence 502(b), the court will
default to 502(b) to fill in the gaps of the controlling agreement.”) (citing Settlers, 2012 WL 3025111, at *5); Johnson v.
the Rule 502(b) test despite the presence of a clawback order have done so without any analysis of Rule 502(d)
whatsoever. See, e.g., Mt. Hawley Ins., 271 F.R.D. at 133 (S.D.W. Va. 2010); Felman Prod. Inc. v. Indus. Risk Insurers,

187 Id.

188 No. 07-1275, 2009 WL 2905474, at *2-3 (D.N.J. Sept. 9, 2009). In a footnote, the Sensient court described clawback
arrangements as involving “the return of documents without waiver irrespective of the care taken by the disclosing
party,” and noted that “they are specifically mentioned in the 2006 advisory notes to Fed. R. Civ. P. 26(f) as a way to
reduce discovery costs and delays and to minimize the risk of waiver.” Id. at *2 n. 6 (emphasis added). Thus, it is
reasonable to infer that had the parties in Sensient included a properly drafted clawback provision in their stipulated
discovery plan, the Sensient court would have applied the clawback provision rather than engaging in a Rule 502(b)
analysis.
Moreover, at least one court has expressly rejected the approaches propounded in *Settlers* and *Sensient*. In *Great-West Life & Annuity Ins. Co. v. American Economy Ins. Co.*, the U.S. District Court for the District of Nevada considered whether clawback provisions contained in the parties’ stipulated scheduling and protective orders supplanted the Rule 502(b) test.\(^{189}\) The court concluded that they did.\(^{190}\) In reaching this conclusion, the Court discredited the above-described holding in *Settlers*, opining that:

The Court respectfully disagrees that an order or agreement entered into under Rule 502(d) or (e) requires “concrete directives be included in the court order or agreement regarding each prong of the [Rule 502(b)] analysis.” The text of the rule does not contain or support such rigid, formulaic requirements. . . . In many instances, such requirements would lead to illogical results. For example, even if parties included an express provision that they were entering into an enforceable claw back agreement that supplants Rule 502(b), under *Settlers*, the agreement would not be enforceable if it did not include details about the factors set forth in the precise provision sought to be supplanted. Such an outcome defeats the purposes of Rule 502.\(^{191}\)

The court similarly rejected the *Sensient* court’s determination that clawback agreements and orders must include specific opt-out language, and further noted that the underlying problem in *Sensient* was the poorly drafted language in that case.\(^{192}\)

A related issue that has resulted in a split of authority is whether clawback agreements and orders can provide that disclosure does not constitute waiver even if the disclosing party has taken *no pre-production steps whatsoever* to prevent disclosure of privileged material (a/k/a “blanket” protection). Many courts have held that Rule 502(d) and (e) allow parties to enter into blanket protection clawback agreements and orders.\(^{193}\) This interpretation is supported by the plain language of the Rule, as well as the advisory committee notes:

> The rule provides that when a confidentiality order governing the consequences of disclosure in that case is entered in a federal proceeding, its terms are enforceable against non-parties in any federal or state proceeding. For example, the court order may provide for return of documents without waiver irrespective of the care taken by the disclosing party; the rule contemplates enforcement of “claw-back” and


\(^{190}\) *Id.* at *11-14.

\(^{191}\) *Id.* at *12 (internal citation omitted).

\(^{192}\) *Id.*

\(^{193}\) See, e.g., *Id.* at *14 (explaining that Rule 502(d) orders may provide for the return of privileged documents without waiver “regardless of the care taken by the disclosing party”); *RIPL Corp. v. Google Inc.*, No. 2:12-cv-02050, 2013 WL 6632040, at *3 (W.D. Wash. Dec. 17, 2013) (“Such clawback provisions permit parties to ‘forego privilege review altogether in favor of an agreement to return inadvertently produced privileged documents.’”) (citation omitted); *Brookfield Asset Management, Inc. v. AIG Financial Products Corp.*, No. 09 Civ. 8285, 2013 WL 142503, at *1 (S.D.N.Y. Jan. 7, 2013) (holding that Rule 502(d) grants the producing party “the right to claw back [privileged materials], no matter what the circumstances giving rise to their production were.”); *Adair v. EOT Production Co.*, Nos. 1:10 cv00037, 1:10CV00041, 2012 WL 2526982, at *3-5 (W.D. Va. June 29, 2012) (ordering party to produce ESI without any prior individual documents review, holding that any potentially privileged documents would be protected by orders issued pursuant to Rule 502(d)).
“quick peek” arrangements as a way to avoid the excessive costs of pre-production review for privilege and work product. See Zubulake v. UBS Warburg LLC, 216 F.R.D. 280, 290 (S.D.N.Y. 2003) (noting that parties may enter into “so-called ‘claw-back’ agreements that allow the parties to forego privilege review altogether in favor of an agreement to return inadvertently produced privilege documents”). The rule provides a party with a predictable protection from a court order—predictability that is needed to allow the party to plan in advance to limit the prohibitive costs of privilege and work product review and retention.194

Other courts, relying on case law prior to the enactment of Rule 502, have held that some degree of pre-production review is required to protect against waiver.195 Finally, some courts require pre-production review if the clawback provision expressly states that it applies to “inadvertent” disclosure, but does not define the term “inadvertent” to include documents produced without a privilege review.196

**Practice Pointer** – Practitioners must carefully draft stipulated clawback orders to avoid as many potential pitfalls as possible. The following are a few recommended best practices for clawback orders:197

- Label the order a “Clawback Order” or “Rule 502(d) Order” to distinguish it from a general confidentiality order, which are aimed only at protecting confidential information from disclosure outside the litigation but do not usually address mistakenly produced privileged material, waiver, or return of the documents.

- Define the term “inadvertent” broadly to include any mistake in identification, review, or production of privileged material. **Better yet, avoid the term “inadvertent” altogether**, stating instead that any document produced in connection with the pending litigation can be clawed back by the producing party without waiver of any rights.198

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194 Fed. R. Evid. 502(b) advisory comm. notes (Nov. 28, 2007) (emphasis added).

195 See US Commodity Futures Trading Comm’n v. Parnon Energy Inc., No. 11 Civ. 3543, 2014 WL 2116147, at *4 (S.D.N.Y. May 14, 2014) (citing cases dating back to 1997, and holding that a stipulated clawback order protected against waiver unless the disclosing party was “completely reckless,” which the court defined as showing “no regard for preserving the confidentiality of the privileged documents.” In this case, the court held that the producing party’s failure to conduct any pre-production privilege review was “completely reckless” and, therefore, resulted in waiver).

196 See, e.g., Rajala v. McGuire Woods, LLP, No. 08-2638, 2010 WL 2949582, at *3 (D. Kan. July 22, 2010) (“The clawback provision proposed by McGuire Woods, by its express terms, governs the ‘inadvertent’ disclosure and production of attorney-client privileged and work product materials. If Plaintiff should find evidence that McGuire Woods is abusing the clawback provision by engaging in a ‘document dump’ and making no effort whatsoever to review for privilege or protected documents, Plaintiff would not be foreclosed from seeking appropriate relief from the Court.”); BNP Paribas Mortg. Corp. v. Bank of America, N.A., Nos. 09 Civ. 9783 and 09 Civ. 9784, 2013 WL 2322678, at *5 (S.D.N.Y. May 21, 2013) (applying Rule 502(b) test to determine whether documents were produced inadvertently because the clawback order did not define the term “inadvertent disclosure”).


198 See Crissen v. Gupta, No. 2:12–cv–00355, 2014 WL 1431653, at *4–5 (S.D. Ind. Apr. 14, 2014) (finding that because the clawback provision expressly stated that no party waived “any rights,” the provision applied to all documents inadvertently produced even though they were not subject to the attorney-client, work product, or any other privilege).
If the parties are in a jurisdiction that allows parties to forego all pre-production review, and the parties have agreed to this, explicitly state this in the order.

If you are in a jurisdiction that requires some degree of pre-production review to avoid waiver, describe in detail the methodology agreed to by the parties.

State that the order’s provisions supersede and replace the provisions of Rule 502(b).

Specify that if a receiving party suspects that a privileged document was produced, the receiving party must notify the producing party and must not use, distribute, or further review the document until the producing party has responded stating either that the document is not privileged, or that it is and the receiving party must comply with Federal Rule of Civil Procedure 26(b)(5)(B). Provide specific timeframes for the notification and response, as well as the method of notification and response.

Likewise, specify that a producing party who learns that it has produced privileged documents shall promptly notify the recipient to comply with the obligations of Fed. R. Civ. P. 26(b)(5)(B). Provide details for the timeframe and the method of notification.

If the parties can agree to privilege log details, discussed below, these can be included in the order as well.

2. State Law on Inadvertent Disclosure

The federal “middle ground” approach to inadvertent disclosure has been adopted by most state jurisdictions.199 A few jurisdictions, however, still adhere to the lenient view that in order to find waiver a court must find that the client had a subjective intent to disclose the privileged information.200 Courts favoring the lenient approach reason that the privilege belongs to the client, not the attorney, and that there can never be waiver by inadvertent disclosure because waiver must be intentional and knowing.201

D. Waiver During Deposition Preparation

As to documents and things that are subject to work production protection, the protection may be waived if a witness reviews the document or thing in preparation for testimony in court or in a deposition, and such review refreshes the witness’ memory. Federal Rule of Evidence 612 permits opposing counsel to receive, inspect, and ask questions about any “writing” that a witness

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200 See, e.g., State Comp. Ins. Fund v. WPS, Inc., 70 Cal. App. 4th 644, 652-54, 82 Cal. Rptr. 2d 799, 805 (1999) (holding that courts must examine the privilege-holder’s intent to find waiver, and accidental disclosure by an attorney does not constitute waiver); Ardon v. City of Los Angeles, 62 Cal.4th 1176, 366 P.3d 996 (2016) (favorably citing and discussing the holding in State Comp. Ins. Fund); Trilogy Communications, Inc. v. Excom Realty, Inc., 279 N.J. Super. 442, 445-48, 652 A.2d 1273-77, 1276 (1994) (holding that “in New Jersey it must be shown the party charged with the waiver knew their legal rights and deliberately intended to relinquish them”); Revera v. State, 223 Ga. App. 450, 452, 477 S.E.2d 849, 851 (1996) (“The privileged nature of a confidential communication is not lost or waived even if the attorney should voluntarily or inadvertently produce a transcript of the communication.”).

201 Id.
uses to refresh her memory. Recently, the federal court in New Mexico held that Rule 612 overrides the work-product doctrine and required a deponent to reveal the documents that counsel gave her to review as part of her deposition-preparation process. \(^{202}\) The court reasoned that Rule 612 trumped the work-product doctrine, even if it did apply, because the deponent specifically testified during her deposition that “she used the documents provided to her to refresh her recollection in anticipation of testifying at her deposition.” \(^{203}\) Other courts have clarified that even if a witness is required to disclose the identity of the documents reviewed in preparation to give testimony, opposing counsel is nevertheless not entitled to know which, if any, of the documents were selected by the witness’ counsel because that information would reveal counsel’s mental impressions. \(^{204}\)

E. **Exceptions to Waiver Through Alignment of Interests**

Franchise litigation often involves more than a franchisor suing one franchisee, or vice versa. Common scenarios include: (1) a franchisee suing the franchisor and the franchisor’s employees and/or officers; (2) a consumer suing the franchisee and franchisor; (3) the franchisor suing the franchisee, the franchisee’s guarantors/principals, and the entity they created in violation of a noncompetition covenant; (4) multiple franchisees suing the franchisor, either in a group or via multiple separate lawsuits; and (5) the franchisor and franchisee litigating against an intellectual property infringer. Parties to such legal disputes, whose interests are not adverse, may find it desirable to join forces to prosecute their claims or defend themselves, but would be unable to do so if it would result in the waiver of the attorney-client privilege and work product doctrine. Parties often resolve this dilemma through joint representation or the joint defense/common interest doctrine.

1. **Joint Representation**

Joint representation occurs when two or more parties to a legal matter, whose interests are not adverse, are simultaneously represented by the same counsel. \(^{205}\) From a privilege standpoint, the benefit of joint representation is that those represented by the same counsel can confer, share documents and information, and collaborate on litigation strategies, yet all such communications and documents made in the course of the joint representation are privileged and cannot be compelled by third parties. \(^{206}\) But it is important to understand two important limitations to joint representation.


\(^{203}\) *Id.*

\(^{204}\) See *In re Yasmin & Yaz Mktg. Sales Practices & Relevant Prods. Liab. Litig.*, No. 3:09-md-02100, 2011 WL 2580764, at *2-4 (S.D. Ill. June 29, 2011) (compelling the defendant to identify the documents its witnesses reviewed in preparation for deposition but not which documents counsel had asked that the witnesses review).

\(^{205}\) For a thorough discussion of the multitude of issues surrounding joint representation in the franchising context, which are beyond the scope of this paper, see Rupert M. Barkoff, Daniel W. Smith, Elizabeth M. Weldon, and Gary R. Batenhorst, *Untangling the Tangled Webs We Weave: Joint Representation Issues in Franchise Cases*, IFA 49th Annual Legal Symposium, May 15-17, 2016.

First, jointly represented parties waive confidentiality as to each other, and cannot instruct the attorney to withhold information relevant to the representation from the co-client. As explained in one of the comments to Rule 1.7 of the Model Rules of Professional Conduct:

As to the duty of confidentiality, continued common representation will almost certainly be inadequate if one client asks the lawyer not to disclose to the other client information relevant to the common representation...the lawyer has an equal duty of loyalty to each client, and each client has the right to be informed of anything bearing on the representation that might affect that client's interests and the right to expect that the lawyer will use that information to that client's benefit.207

The second limitation to joint representation is that although third parties cannot compel disclosure of attorney-client protected communications involving joint clients, the same is not true as between the joint clients themselves if they subsequently sue each other.208 As one court explained: "[T]he great caveat of the joint-client privilege is that it only protects communications from compelled disclosure to parties outside the joint representation. When former co-clients sue one another, the default rule is that all communications made in the course of the joint representation are discoverable."209

2. Joint Defense or Common Interest Doctrine

Unlike joint representation, the "joint defense" or "common interest" doctrine210 comes into play when parties with common interests, who are separately represented by their own respective counsel, form an alliance so that they can share information and strategies.211 While parties wishing to assert the common interest doctrine need not reduce their agreement to writing for it to be enforceable, a written agreement will help avoid future questions on whether and when the common interest doctrine applies.212

207 MODEL RULES OF PROF'L CONDUCT R. 1.7 cmt. 31.

208 Ohio-Sealy Mattress Mfg. Co. v. Kaplan, 90 F.R.D. 21, 29 (N.D. Ill. 1980) ("[T]he joint defense privilege cannot be waived without the consent of all parties to the defense, except in the situation where one of the joint defendants becomes an adverse party in a litigation.").

209 In re Teleglobe Commc'ns Corp., 493 F.3d 345, 367 (3d Cir. 2007) (citing Restatement (Third) of Law Governing Lawyers § 75(2) (2000) (stating that "[u]nless the co-clients have agreed otherwise, a [privileged] communication . . . is not privileged as between the co-clients in subsequent adverse proceedings between them."). See also MODEL RULES OF PROF'L CONDUCT R. 1.7 cmt. 31 (explaining that "[w]ith regard to the attorney-client privilege, the prevailing rule is that, as between commonly represented clients, the privilege does not attach. Hence, it must be assumed that if litigation eventsuates between the clients, the privilege will not protect any such communications, and the clients should be so advised.").

210 Courts use these terms interchangeably. This paper will use the term "common interest" to describe the doctrine.

211 See, e.g., U.S. v. Bay State Ambulance and Hosp. Rental Service, Inc., 874 F.2d 20, 28 (1st Cir. 1989) ("The joint defense privilege protects communications between an individual and an attorney for another when the communications are "part of an on-going and joint effort to set up a common defense strategy.") (citation omitted). See also In re Grand Jury Subpoenas, 89-3 & 89-4, John Doe 89-129, 902 F.2d 244, 249 (4th Cir. 1990) ("[P]ersons who share a common interest in litigation should be able to communicate with their respective attorneys and with each other to more effectively prosecute or defend their claims.").

212 Hunton & Williams v. U.S. Dept' of Justice, 590 F.3d 272, 285 (4th Cir. 2010).
The common interest doctrine is not an independent privilege; rather, it serves as an exception to the general rule that privileged communications are waived when shared with third parties. Courts applying the common interest doctrine generally require the invoking party to prove that: (1) an underlying privilege protects the communication; (2) the disclosure took place at a time when the parties shared a common interest; (3) the disclosure was made in furtherance of that common interest; and (4) the parties have not waived the privilege. But as recognized by courts and commentators alike, these general requirements are not uniformly interpreted or applied throughout the jurisdictions. Areas of common discord include:

- The type of interest that satisfies the "common interest" criteria – i.e., Must the parties' interests be “identical” or will a lesser degree of interest suffice, such as a "substantially similar" or a “demonstrably common” interest? Must the parties have a common legal interest or will a common commercial interest suffice?

- Whether the common interest doctrine applies absent pending or anticipated litigation.

- Whether direct communications between the parties, without counsel present, are privileged under the common interest doctrine.

As one court succinctly stated, “Many aspects of the common-interest doctrine are subject to debate across the country. . . . To be blunt, non-binding case law to support any view on any subject in this area can be found.” It is, therefore, important for practitioners to evaluate the law governing each specific situation.

Courts do agree, however, that once the parties have entered into a common interest arrangement, no party may waive it absent the consent of all members of the common interest group. An unauthorized waiver by one member of the group serves only as a waiver as to that

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213 United States v. BDO Seidman, LLP, 492 F.3d 806, 815–16 (7th Cir. 2007).


217 In re Teleglobe Commc’ns Corp., 493 F.3d 345, 365 (3d Cir. 2007), as amended (Oct. 12, 2007).


219 Schaffzin, supra note 214, pp. 69-74; Giesel, supra note 215, pp. 551-53.

220 Schaffzin, supra note 214, pp. 74-79; Giesel, supra note 215, pp. 555-56.

221 Schaffzin, supra note 214, pp. 79-81; Giesel, supra note 215, pp. 556-57.


223 See, e.g., U.S. v. Balsiger, No. 07–CR–57, 2011 WL 10879630, at *9 (E.D. Wis. May 11, 2011) (holding that “any non-waiving member of the joint defense may still assert the common interest privilege over not only his own
party, with the remaining members of the group retaining the privilege.\textsuperscript{224} Courts reason that the requirement that all parties consent to the waiver of the common interest doctrine “is necessary to assure joint defense efforts are not inhibited or even precluded by the fear that a party to joint defense communications may subsequently unilaterally waive the privileges of all participants.”\textsuperscript{225}

But, just as subsequent litigation between jointly represented parties will waive any claims of privilege, the common interest privilege is also waived where two parties to a common interest agreement become adversaries in subsequent litigation. For instance, in \textit{Securities Investor Protection Corp. v. Stratton}, a trustee for liquidation of a securities brokerage company became involved in a discovery dispute with the brokerage company's former principal.\textsuperscript{226} The principal, Daniel Porush, objected to the trustee's discovery on the basis of the common interest privilege. Refusing to grant Porush's motion for a protective order, the court held that where members to a valid common interest agreement subsequently find themselves adversaries in litigation, the privilege is waived.\textsuperscript{227} The court reasoned that “just as a former joint client would expect to be able to use the information previously acquired about the other joint client against him in a subsequent and related litigation, the expectations of a former member to a [common interest] agreement should be no different.”\textsuperscript{228}

\section{Privilege in a Litigation Context}

It is imperative that franchisors and franchisees protect privileged documents during litigation. This section addresses outside counsel's role in protecting privileged documents or in seeking the production of documents believed to have been inappropriately designated as privileged. It will discuss rules and tips for creating a privilege log, and will also explore how to make and respond to a privilege challenge.

\subsection{Can a Franchisor Search its Server to Locate Relevant ESI Generated by a Franchisee?}

A franchisor that provides its franchisees with e-mail, and that searches its email server for ESI relevant to litigation with a franchisee, may find documents and communications that the franchisee asserts are privileged. This begs the question, is a franchisor allowed to search its communications, but also those communications by other members that reveal his own otherwise-privileged communications.”; \textit{Niagara Mohawk Power Corp. v. Megan-Racine Assocs., Inc.}, 189 B.R. 562, 572 (N.D.N.Y. 1995) (“The joint-defense privilege cannot be waived unless all the parties consent or where the parties become adverse litigants.”); \textit{In re Grand Jury Subpoenas}, 902 F.2d 244, 248 (4th Cir. 1990) (“[A] joint defense privilege cannot be waived without the consent of all parties who share the privilege.”); \textit{Ohio-Sealy Mattress}, 90 F.R.D. at 29 (“T]he joint defense privilege cannot be waived without the consent of all parties to the defense, except in the situation where one of the joint defendants becomes an adverse party in a litigation.”).

\textsuperscript{225} \textit{Id.}
\textsuperscript{226} 213 B.R. 433 (S.D.N.Y. 1997).
\textsuperscript{227} \textit{Id.} at 439.
\textsuperscript{228} \textit{Id. See also Johnson Matthey, Inc. v. Research Corp.}, No. 01 CIV 8115, 2002 WL 1728566 (S.D.N.Y. July 24, 2002) (stating that subsequent litigation \textit{inter sese} operates to waive the common interest privilege); \textit{Ageloff v. Noranda, Inc.}, 936 F. Supp. 72, 76 (D. R.I. 1996) (describing the law on this point as "well settled").
server for ESI sent and/or received by a franchisee, which may be pertinent to litigation? In short, the answer is yes.

Courts have consistently upheld a company’s right, in the ordinary course of business, to search, access, and copy communications sent and received using the company’s provided e-mail system, particularly when the company has a clear written policy regarding its right to do so.\(^\text{229}\) Courts similarly have upheld a company’s right to search for and preserve ESI that is relevant to ongoing litigation, including through use of forensic imaging of hard drives.\(^\text{230}\) Such reasoning supports a franchisor’s right to access its own server in accordance with its electronic use policy and/or for purposes of preserving potentially relevant evidence.

One note of caution - before accessing a franchisee’s communications and documents maintained on a franchisor’s server, the franchisor must be cognizant of the Stored Communications Act, which is Title II of the Electronic Communications Privacy Act (“SCA”).\(^\text{231}\) It is a violation of the SCA for a person to “intentionally access[] without authorization a facility through which an electronic communication service is provided” or to “intentionally exceed[] an authorization to access that facility” “and thereby obtain[] . . . access to a wire or electronic communication while it is in electronic storage in such system.”\(^\text{232}\) To be clear, the SCA “prohibits only unauthorized access and not the misappropriation or disclosure of information.”\(^\text{233}\) Thus, “there is no violation of [the SCA by] a person with authorized access to the database no matter how malicious or larcenous his intended use of that access.”\(^\text{234}\)

The SCA has an exception that exempts searches performed by a “provider” of the e-mail account.\(^\text{235}\) However, some courts interpret the exemption to only apply to the entity that stores the e-mails and administers the e-mail system, which in many cases is a third party.\(^\text{236}\) For this reason, the better practice is for the franchisor to satisfy a second exception to the SCA, generally referred to as the authorized access exception, by including in the franchise agreement, operations manual, and/or other written policies that any franchisee (or representative of the franchisee) who uses the franchisor-provided e-mail system agrees and consents to the


\(^{230}\) Id. at 326.

\(^{231}\) 18 U.S.C. § 2701 et seq.


\(^{234}\) Id.

\(^{235}\) 18 U.S.C. § 2701(c)(1). See In re Info. Mgmt. Servs., Inc. Derivative Litig., 81 A.3d 278, 294 (Del. Ch. 2013) (noting that § 2701(c)(1) “has been held to permit an employer to search e-mail stored on a system that the employer administered.”).

\(^{236}\) See, e.g., Steinbach v. Village of Forest Park, No. 06 C 4215, 2009 WL 2605283, at *5 (N.D. Ill. Aug. 25, 2009) (holding that although defendant municipality provided the e-mail address to the plaintiff, a third party provided the e-mail service; therefore, the defendant did not fit within the exception found at 18 U.S.C. § 2701(c)(1)); In re JetBlue Airways Corp. Privacy Litigation, 379 F.Supp.2d 299, 307–08 (E.D.N.Y. 2005) (opining that JetBlue is not the provider of the electronic communication service that allows data to be transmitted over the Internet; rather, the third party provider with whom JetBlue purchased its internet access is the provider).
The franchisor having the right to access all information sent or maintained on the system, and if possible to obtain a signed acknowledgment of the authorization.237

The authors of this paper were unable to locate any cases involving claims against a franchisor for violating the SCA; however, the SCA is not industry specific and can result in substantial damages if found liable, including actual damages, statutory damages, and attorneys' fees.238 Thus, franchisors would be wise to ensure that they fit within an exception to the SCA before accessing a franchisee’s emails.

Finally, even if the franchisor fits within an exception allowing it to search its system, the franchisor must make sure to not overstep its access rights. For example, even if a search of the franchisor's system reveals personal information, such as passwords used by the franchisee to access personal, internet based e-mail accounts or social media accounts, the franchisor should not access the personal accounts.239 Additionally, as discussed in the next section, if through the search of its system the franchisor discovers material that the franchisee may assert is privileged, it should not assume it can use the materials without first notifying the franchisee and/or seeking guidance from the court.

B. What Should a Franchisor or Franchisee Do upon Discovery or Receipt of Potentially Privileged Materials?

As discussed above, Federal Rule of Civil Procedure 26(b)(5)(B) provides a means for a producing party to notify a receiving party that privileged documents were inadvertently disclosed through discovery, and for the parties to address the situation.240 But what should a receiving party, or more accurately the receiving attorney, do if it receives material that it suspects may be privileged? What if the receiving attorney suspects waiver? What if the materials weren't produced by the opposing party through discovery, but were instead discovered as a result of searching the franchisor's server for relevant ESI?

First and foremost, the attorney should consult the governing ethical rules, case law, and ethics opinions. ABA Model Rule 4.4(b) deals specifically with the obligations of recipients of inadvertently disclosed privileged material.241 Under the rule, if a lawyer receives a document or ESI and the lawyer either “knows or reasonably should know” that the material was inadvertently sent, then the lawyer must promptly notify the sender.242 But even though the purpose of the rule is to allow the sender an opportunity to take protective measures,243 the rule does not address

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239 Owen v. Gigna, 188 F. Supp. 3d 790, 795 (N.D. Ill. 2016) (explaining that although a former employee had the authority to access a company owned computer, it was not authorized to access the former employee’s password protected private e-mail account); Konop v. Hawaiian Airlines, Inc., 302 F.3d 868 (9th Cir. 2002), cert. denied 537 U.S. 1193 (2003); Pietrylo v. Hillstone Rest. Group, No. 06-5754, 2009 WL 3128420 (D.N.J. Sept 25, 2009).
241 Model Rules of Prof’l Conduct R. 4.4(b).
242 Id.
243 Model Rules of Prof’l Conduct R. 4.4(b) cmt. 2.
what, if anything, the receiving party must do with the material because that is a legal rather than ethical matter.\textsuperscript{244} Thus, if there is no binding legal requirement, the decision whether to return a document, even when the lawyer reasonably knows the material was sent inadvertently, “is a matter of professional judgment ordinarily reserved to the lawyer.”\textsuperscript{245}

However, not all states have adopted a rule on this issue, and those that have do not address the issue uniformly. Thirty-five jurisdictions have adopted Model Rule 4.4, or a substantially similar version requiring notification only.\textsuperscript{246} Eleven states and the District of Columbia have enacted professional conduct rules that require receiving counsel to take one or more steps beyond notification.\textsuperscript{247} In the remaining four states, there are no professional conduct rules that address the recipient’s ethical obligations.\textsuperscript{248} A quick-reference chart identifying state rules of professional conduct dealing with receipt of inadvertently sent material is included as Appendix A.

Further complicating the issue is that in those jurisdictions with a pertinent professional conduct rule, the receiving attorney’s ethical obligation is not triggered unless he determines opposing counsel sent the document “inadvertently” or that the document was not “intended for the receiving lawyer,” which as discussed above is not always a clear-cut decision.\textsuperscript{249} Additionally, even though neither the ABA’s definition of “inadvertently sent”\textsuperscript{250} nor the plain language of Model Rule 4.4(b) contain a requirement that the receiving party know or reasonably know that the material is privileged, courts applying substantially similar state rules have incorporated such a requirement, which adds yet another level of uncertainty.\textsuperscript{251} Other states expressly include the requirement in their rules.\textsuperscript{252}

Even if there is a governing professional conduct rule, courts may not necessarily apply the rule as one might expect. \textit{Stengart v. Loving Care Agency} is an example of one court’s broad

\textsuperscript{244} \textit{Id.} at cmt. 3.
\textsuperscript{245} \textit{Id.}
\textsuperscript{246} \textit{See Appendix A.}
\textsuperscript{247} \textit{Id.}
\textsuperscript{248} \textit{Id.}
\textsuperscript{249} \textit{Id.}
\textsuperscript{250} \textit{MODEL RULES OF PROF’L CONDUCT R. 4.4(b) cmt. 2.} (“A document or electronically stored information is inadvertently sent when it is accidentally transmitted, such as when an e-mail or letter is misaddressed or a document or electronically stored information is accidentally included with information that was intentionally transmitted.”).
\textsuperscript{251} \textit{See, e.g., Kmart Corp. v. Footstar, Inc.}, No. 09 C 3607, 2010 WL 4977228, at *2 (N.D. Ill. Dec. 1, 2010) (holding that receipt of a document that is labeled as privileged does mean the document is actually privileged; therefore, the receiving party did not have reason to know that the documents were inadvertently disclosed and was not required to notify the producing party pursuant to Ill. R. of Prof’l Conduct 4.4(b)). \textit{But see Harleysville}, 2017 WL 1041600, at *8 (noting that because an e-mail produced through discovery contained an explicit confidentiality notice, the receiving counsel had “sufficient notice . . . that the sender was asserting that the information was protected from disclosure.”).
\textsuperscript{252} \textit{See Appendix A.}
application of such a rule. In Stengart, discussed supra, a former employer created a forensic image of the company-owned laptop previously used by the plaintiff. Among the imaged files were the contents of e-mails the plaintiff exchanged with her attorney. The employer’s attorneys reviewed the e-mails, did not notify the plaintiff or her counsel, and used information from them in discovery. On appeal, the court considered whether the review and use of the e-mails by the employer’s attorneys violated Rule 4.4(b) of the New Jersey Rules of Professional Conduct, which at that time provided: “[a] lawyer who receives a document and has reasonable cause to believe that the document was inadvertently sent shall not read the document or, if he or she has begun to do so, shall stop reading the document, promptly notify the sender, and return the document to the sender.”

The law firm argued that the rule didn’t apply because the e-mails were not “sent” to the firm, let alone “inadvertently sent,” as required by the rule. Rather, the employer found them on a company-owned computer that the former employee had used. The court disagreed without much discussion, stating that the firm’s review and use of the e-mails “fell within the ambit” of the New Jersey rule and violated the rule. The court further stated:

To be clear, the Firm did not hack into plaintiff’s personal account or maliciously seek out attorney-client documents in a clandestine way. Instead, it legitimately attempted to preserve evidence to defend a civil lawsuit. Its error was in not setting aside the arguably privileged messages once it realized they were attorney-client communications, and failing either to notify its adversary or seek court permission before reading further. . . . the Firm should have promptly notified opposing counsel when it discovered the nature of the e-mails.

The court remanded the case for a hearing to determine whether disqualification or some other sanction was appropriate.

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253 201 N.J. 300, 990 A.2d 650 (2010).
254 Id. at 307.
255 Id.
256 Id. at 325 (emphasis added). The New Jersey rule was amended in 2016, but the requirement that the receiving party have “reasonable cause to believe” the document was “inadvertently sent” remains. See Appendix A.
257 Id. at 325-26.
258 Id. at 326.
259 Id.
260 Id. at 327. But cf. Long, 2006 WL 2998671 at *4 (holding that the inadvertent disclosure doctrine did not apply to e-mails an employer discovered on the company issued computer used by two former employees, explaining “[i]n order for the inadvertent disclosure doctrine to apply, the party asserting the doctrine must be the party that made the disclosure. Here, the [the employees] did not “disclose” the e-mail messages to the defendants during the pretrial discovery phase of the litigation. Rather, [the defendant employer] discovered these communications while reviewing [its] computers to fulfill [its] disclosure obligations in this litigation and, thereafter, “disclosed” them to the plaintiffs. Moreover, the [employees] did not use their [company] assigned computers and their [company] provided internet access accidentally or inadvertently to exchange the pertinent e-mail messages; they did so voluntarily, intentionally and repeatedly.”).
Other courts, such as the court in *Harleysville Ins. Co. v. Holding Funeral Home*, rely upon ethic opinions for guidance in the absence of a governing rule or case law. In *Harleysville*, discussed *supra*, defense counsel used a hyperlink contained in an e-mail produced by a third party pursuant to a subpoena, which gave anyone who clicked on it access to an unsecure online database and Harleysville’s confidential claims file. Instead of notifying Harleysville’s counsel of the active link and documents stored on the database, defense counsel downloaded the entire claims filed, reviewed all the documents, and shared them with their clients. After concluding that Harleysville waived any claim of privilege, the court endeavored to determine whether defense counsel acted unethically under the circumstances. Because there was no state rule on point, the court referred to two non-binding Virginia State Bar ethics opinions.

The first ethics opinion, from 1997, stated that upon receiving a facsimile containing privileged information from opposing counsel, the receiving party has an ethical duty to notify opposing counsel, honor opposing counsel’s instructions, and not use the document. The second ethics opinion, issued in 2013, stated that a receiving attorney has an ethical duty to notify opposing counsel when a privileged document is found among documents produced through discovery. Under such circumstances, if a receiving attorney suspects that the privilege has been waived, the state committee felt that the receiving attorney should “either sequester[] or destroy[]” his copy of the [document] pending a judicial determination of whether he could use the document.

Applying the lessons from these legal ethics opinions, the court admonished defense counsel, holding that they should have known that the documents accessible using the hyperlink might be privileged and, therefore, they were ethically obligated to notify Harleysville’s counsel. Further, even if defense counsel believed Harleysville had waived any attorney-client privilege and work product protection, which is what the court ultimately held, defense counsel should have brought the issue to the court before using or disseminating the documents. Accordingly, the court ordered defense counsel to pay the parties’ costs as a sanction.

**Practice Pointer:** These cases illustrate that it is NOT better to ask for forgiveness than permission when it comes to dealing with a potentially inadvertent disclosure. If a client locates

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262 *Id.* at *2.

263 *Id.*

264 *Id.* at *6.

265 *Id.* at *7.

266 *Id.* (citing Virginia State Bar Standing Committee on Legal Ethics, Legal Ethics Opinion No. 1702 (November 24, 1997)).

267 *Id.* (citing Virginia State Bar Standing Committee on Legal Ethics, Legal Ethics Opinion No. 1871 (July 24, 2013)).

268 *Id.*

269 *Id.* at *8.

270 *Id.*
or receives potentially privileged material, but there is no definitive guidance from a rule and/or
common law, the best practice is to:

- Notify opposing counsel before using or disseminating the materials, even if you
believe the materials were arguably not “inadvertently” sent or that any privilege has
been waived; and
- If you disagree with the opposing party’s assertion that the materials were
inadvertently produced and should be returned or destroyed, or you believe that the
opposing party waived any privilege claim, at the very least you should sequester the
materials, refrain from using them, and seek a ruling from the court on the proper
disposition of the materials.

Complying with this best practice allows you to address the issue immediately and to zealously
advocate your position to the court (if it comes to that), while at the same time complying with the
highest professional standards.

C. What Should be Included in a Privilege Log?

Ideally, outside counsel should work with in-house counsel and other key decision makers
early to ascertain what possible privileged documents are likely to be requested in the litigation
prior to receiving discovery requests. Counsel should also ascertain in-house counsel’s
involvement in the company outside of her legal capacity. On the franchisee side, counsel should
investigate how corporate counsel functioned in the company and how possibly privileged
documents were treated. Was in-house counsel involved in making business decisions? Did she
or other employees make any effort to distinguish between those roles? Did the employees
hearing the advice believe she was providing legal advice? How were specific communications
treated? The privilege log is the starting point in determining what documents are protected
by privilege and what documents may be open to challenge.

The Federal Rules of Civil Procedure require that a party withholding otherwise
discernible information on the basis that the information is privileged or subject to protection as
trial preparation material must make the claim expressly, and must describe the nature of the
documents, communications, or things not produced in a manner that, without revealing
information itself privileged or protected, will enable other parties to assess the applicability of the
privilege or protection. This obligation is commonly satisfied by filing a privilege log.

Boilerplate objections are insufficient to establish privilege.273

The Federal Rules of Civil Procedure require the party responding to discovery to identify
what documents they are withholding on the basis of privilege and to describe the information in
a way that provides “a factual basis for its assertions.” However the 1993 Advisory Committee

273 Id.
Note declined to provide specific guidance as to exactly what information a party asserting privilege needs to provide:

The rule does not attempt to define for each case what information must be provided when a party asserts privilege… Details concerning time, persons, general subject matter, etc., may be appropriate if only a few items are withheld, but may be unduly burdensome when voluminous documents are claimed to be privileged or protected, particularly if the items can be described by categories. A party can seek relief through a protective order under subdivision (c) if compliance with the requirement for providing this information would be an unreasonable burden. In rare circumstances, some of the pertinent information affecting applicability of the claim, such as the identity of the client, may itself be privileged; the rule provides that such information need not be disclosed.275

**Practice Pointer:** Given the advisory committee’s decision not to apply a blanket rule as to what information should be included in a privilege log, court rulings on the sufficiency of privilege logs are “a very mixed bag” as to what standard should be applied and what the appropriate sanction for the failure to keep such a log should be.276 The standard varies widely depending on the specific facts of the case and the court in which the case is being heard. Counsel should implement the following best practices: (1) check the local rules for privilege log requirements and guidance; (2) communicate early and often with opposing counsel regarding the amount of information at issue and how documents should be logged; (3) work with the court through discovery conferences to establish a protocol.

1. **How Should Information be Logged?**

The goal of a privilege log is to identify the document being withheld and set forth “specific facts that, if credited would…establish each element of the privilege…which is claimed.”277 In the context of attorney-client privilege, the log and the accompanying declaration should at a minimum show that the communication was: (1) made between privileged persons; (2) in confidence; and (3) for the purpose of securing legal advice. To achieve this goal, the privilege log should include, at the very least, the document’s date, author, recipients, the type of document, the privilege claimed and a description of the subject of the document. Notations that fail to identify the document’s creator or the actual or intended recipients are virtually guaranteed to be found insufficient to establish privilege.278

The amount of detail required in the description of the document is a frequent source of conflict. In *S.E.C. v. Beacon Hill Asset Management, LLC*, the trial court found a privilege log description that described the document as “communication with counsel” was insufficient to establish privilege. The court noted that “[a]n attorney and client can have many communications

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278 *Id.* at 145 (“Other documents in this category are insufficiently described because the log does not identify the author and intended or actual recipients…One document is described as “Attachment—letter to investors” (Document 1937); this description does not even remotely suggest that any privilege or protection is applicable.”).
which are neither privileged nor subject to work product protection." The court found that the
description was "insufficient to establish even the minimal showing required in a privilege log
because it does not permit the adversary to make an intelligent assessment as to the applicability
of the privilege." Similarly, in CSX Transp. Inc. v. Admiral Ins. Co., the court found that
descriptions such as "confidential attorney-client communication for the purpose of providing legal
advice concerning environmental claims made in connection with [specific construction site]" were
"conclusory" and insufficient to establish privilege. Other courts have also held the "skeletal"
descriptions are insufficient to establish privilege.

The party asserting the privilege should move beyond asserting that the document is
privileged and focus on showing why it is privileged. In F.D.I.C. v. Fidelity and Deposit Co. of
Maryland, the court explained that using a description that said "redacted email chain regarding
[legal issue]" may "adequately describe what the document is, but do[es] not allow the court or
the opposing party to determine why the attorney-client privilege applied to that particular
document." The court suggested that a better description would establish "why" such as a
description like "the email contains the opinion of counsel on whether to file the complaint."

Generally, documents should be logged on an individual basis. However, "courts retain
some discretion to permit less detailed" privilege logs in "appropriate cases." In SEC v. Thrasher,
the court held that in appropriate circumstances, "the court may permit the holder of
withheld documents to provide summaries of the documents by category or otherwise limit the
extent of his disclosure." The Thrasher court reasoned that a categorical privilege log would be
appropriate "if (a) a document-by-document listing would be unduly burdensome and (b) the
additional information to be gleaned from a more detailed log would be of no material benefit to
the discovering party in assessing whether the privilege claim is well grounded."

The party seeking to identify documents and assert privilege by category rather than
individually bears the burden of establishing that identifying each document individually imposes
an undue burden and that party requesting the documents would not be prejudiced by categorical
rather than individual descriptions. A categorical privilege log should contain the following

279 Id.
280 Id.
281 See Bowne of N.Y.C., Inc. v. AmBase Corp., 150 F.R.D. 465, 474-75 (S.D.N.Y. 1993); In re Diet Drugs (Phentermine,
‘analysis of claim’ or ‘report in anticipation of litigation’-with which we have all become too familiar—will be insufficient.").
284 Id.
285 Id.
286 Id.
287 See Games2U Inc. v. Games Truck Licensing, L.L.C., No. MC-13-00053, 2013 WL 4046655 at *7 (D. Ariz. Aug. 9,
10, 2011) ("Furthermore, it is not apparent what material benefit GenOn would derive if Shaw were required to identify
information: (1) an aggregate listing of the number of withheld documents; (2) an identification of the relevant time periods; (3) an affidavit containing the representations that the withheld documents meet the required elements of privilege.\(^{288}\) Thus in *Neelon v. Krueger*, the plaintiff’s categorical privilege log was rejected when it failed to quantify the documents in each subcategory of privileged communication, only approximated relevant time periods, and identified categories of documents in “broad strokes.”\(^{289}\)

**Practice Pointer:** Although courts speak of the need to balance specificity in the privilege log against the risk of waiving privilege by providing too much detail, the authors could not find a single case where a court held that an overly detailed privilege log constituted waiver of the privilege. In many cases, the courts were willing to exercise their discretion to tailor the privilege log requirements to address the parties’ concerns. The court’s inclination to work with the parties increased in relation to how early the parties sought the court’s help and how willing the parties were to provide information. Conversely in *Neelon*, the plaintiff produced a privilege log that identified the documents categorically and then sought the court’s blessing. Therefore, the best approach for counsel dealing with a significant amount of privileged documents is to seek agreement amongst counsel and/or court guidance early in the case.

2. **Logging E-mails**

E-mails are uniquely challenging to describe in privilege logs because a single e-mail string may contain dozens of separate e-mails, may include attachments, and may involve a shifting list of participants. Courts are split on whether a privilege log should include separate entries for multiple e-mails within the same string. Some courts have held that one e-mail string should receive only a single entry.\(^{290}\) Other courts have concluded that each e-mail should be listed separately, to enable the opposing party to determine whether each e-mail in the strand is entitled to privilege, on the theory that this inquiry is necessary if the court is to determine that the entire strand is to receive protection.\(^{291}\) There is currently no binding authority on this issue.

In *Muro v. Target Corp.*, the appellate court reasoned that an e-mail forwarding previously disclosed materials to counsel and including a string of e-mails discussing those materials did not require separate itemization. The court explained that not only would individually logging previously disclosed e-mails be confusing, but that the disclosure of what specific information was provided to corporate counsel would imperil attorney-client privilege because “opposing party can gather enough material from the log and already produced materials to discover the topic or content of material forwarded to counsel.”\(^{292}\)

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\(^{288}\) See *in re Imperial Corp. of America*, 174 F.R.D. 475, 479 (S.D. Cal. 1997).


\(^{290}\) See *United States v. ChevronTexaco Corp.*., 241 F. Supp. 2d 1065, 1074 n. 6 (N.D. Cal. 2002).

\(^{291}\) See *In re Univ. Serv. Fund Tel. Billing Practices Litig.*., 232 F.R.D. 669, 673 (D. Kan. 2005); see also *Stafford Trading, Inc. v. Lovely*, No. 05-C-4868, 2007 WL 611252, at *8 (N.D. Ill. Feb. 22, 2007) (treating an e-mail which forwarded a second e-mail as two separate communications, and then holding that privilege was waived as to both such “communications” if either was sent to an unidentified recipient).

\(^{292}\) 250 F.R.D. 350, 363 (N.D. Ill. 2007).
However, in *In re Universal Service Fund Telephone Billing Practices Litigation*, the court described AT&T’s “decision to treat each e-mail strand on a topic as a single document” and to draft only a single privilege log entry describing the withheld communications as “arguably reasonable” under the circumstances, but “very risky.” The court explained that while listing a string e-mail as a single document may be appropriate where “a strand is limited to a distinct and identifiable set of individuals, all of whom are clearly within the attorney-client privilege relationship on which legal advice is being sought or given,” the reality of e-mail communications suggests that most e-mail strings do not meet that description. In addition to the fact that an e-mail strand can span several days, the court noted that:

the individuals receiving or being copied on the e-mails within a strand—may and usually do—vary; in some instances, certain individuals may receive only a portion of the strand while others may receive the entire strand, and in other instances an e-mail may be sent or copied to an individual or group of individuals who are not part of the attorney-client relationship, thus waiving the privilege. [Additionally,] one e-mail within a strand in which counsel are senders, recipients, or being copied may contain entirely factual and thus non-privileged information, while another e-mail within the same strand may quite clearly seek or render legal advice.

To allow counsel to identify such an e-mail strand as a single document on a privilege log would create “stealth claims of privilege which, by their very nature could never be the subject of a meaningful challenge by opposing counsel or actual scrutiny by a judge.”

Attachments to e-mails also pose a unique challenge to drafting a privilege log. While an e-mail may be privileged, an attachment to the e-mail may not. A party seeking to assert privilege over an attachment to the e-mail must make a separate showing that the attachment itself is privileged, such as showing that the attachment was a draft document containing attorney comments.

3. **When Must a Privilege Log be Produced?**

In addition to describing the withheld documents in sufficient detail, the withholding party must deliver a privilege log in a timely manner. Like the detail requirement, the timeliness requirement does not have an explicit standard for what constitutes a “timely production.” Courts will generally look first to the deadline for when the withholding party is required to respond to discovery and “notice the grounds for its objections.” Thus, in *Horace Mann v. Nationwide Mut. Ins. Co.*, the court noted that a party responding to a subpoena must set forth its objections in 14 days and provide a “full privilege log within ‘reasonable time’ thereafter.” The court noted that

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294 *Id.* at 673.

295 *Id.*

296 *Id.* (emphasis in original).

297 *Beacon Hill*, 231 F.R.D. at 145.


299 *Id.* at 48.
while other courts had found a 32-day delay was not unreasonable, it found that a four month delay between the filing of the objections and the privilege log was unreasonable and held that the withholding party had waived the privilege.\footnote{Id.}

4. **Penalties for Failure to Timely Produce an Adequate Privilege Log**

When a party provides an inadequate or untimely privilege log, the court may choose between four remedies: (1) give the party another chance to submit a more detailed log; (2) deem the inadequate log a waiver of the privilege; (3) inspect \textit{in camera} all of the withheld documents; and (4) inspect \textit{in camera} a sample of the withheld documents.\footnote{\textit{NLRB v. Jackson Hospital Corp.} 257 F.R.D. 302, 307 (D.D.C. 2009).} In shaping a remedy, courts generally consider “how inadequate the log is” in light of all relevant factors.\footnote{\textit{Id.}} Relevant factors include:

- the degree to which the objection or assertion of privilege enables the litigant seeking discovery and the court to evaluate whether each of the withheld documents is privileged (where providing particulars typically contained in a privilege log is presumptively sufficient and boilerplate objections are presumptively insufficient); the timeliness of the objection and accompanying information about the withheld documents (where service within 30 days, as a default guideline, is sufficient); the magnitude of the document production; and other particular circumstances of the litigation that make responding to discovery unusually easy (such as, here, the fact that many of the same documents were the subject of discovery in an earlier action) or unusually hard.\footnote{\textit{Universal City Development Partners, Ltd. v. Ride & Show Engineering, Inc.}, 230 F.R.D. 688, 695 (M.D. Fla. 2005) (quoting \textit{Burlington Northern & Santa Fe Ry. v. United States District Court for the District of Montana}, 408 F.3d 1142 (9th Cir. 2005)).}

While some courts have held that a party that fails to produce a sufficiently detailed privilege log in a timely manner has waived privilege as to the withheld documents,\footnote{See \textit{Horace Mann}, 240 F.R.D. at 48. \textit{See also In Re Chevron Corp.}, 749 F. Supp. 2d 170, 180-85 (S.D.N.Y. 2010) (failure to produce a privilege log was an intentional delay and warranted imposition of waiver).} most courts are reluctant to impose waiver as a sanction. A “waiver of a privilege is a serious sanction most suitable for cases of unjustified delay, inexcusable conduct, and bad faith.”\footnote{\textit{First Sav. Bank, F.S.B. v. First Bank System}, 902 F. Supp. 1356. 1361-62 (D. Kan. 1995).} The 1993 advisory committee notes to Rule 26(b)(5) speaks only of the possibility of a waiver when a party withholds materials without proper notice.\footnote{Fed. R. Civ. P. 26(b)(5) advisory comm. note (1993).} Under Rule 37(d), a party may waive its discovery objections by seriously disregarding its discovery obligations, such as where a party fails to appear for deposition, to answer interrogatories, or to respond to a request for inspection. Rule 37(d) is concerned with complete failures to respond, not just incomplete or inadequate attempts.\footnote{8A Charles Alan Wright, Author R. Miller & Richard L. Marcus, \textit{Federal Practice and Procedure} § 2291 (2d ed. 1995).} Rule
37(d) implicitly stands for the notion that the sanction of waiver is best suited for the more serious discovery violations.

Courts generally consider the reasons for the failure to respond to a discovery request and reserve the harshest sanctions only for the most flagrant violations. When determining whether imposing waiver is appropriate, most courts will look closely at the breadth of the discovery request, the cost of responding quickly, the amount of documents sought, and what efforts the withholding party has made in responding the request. Thus, in First Sav. Bank, F.S.B. v. First Bank System, the court found that imposing waiver as a sanction for the withholding parties failure to timely provide a privilege log was not warranted when: (1) the party was responding to a “broad” discovery request and the withholding party was “actively engaged in an extraordinary effort to locate and produce a vast number of documents responsive to the plaintiffs' request”; (2) the withholding party was diligent in communication regarding delays and updates with opposing counsel and the trial court; and (3) when the plaintiffs made no specific allegations of prejudice arising from the withheld information. Conversely, In re Chevron Corp., the court held that waiver of privilege was the appropriate sanction when: (1) the withholding party refused to provide the log after several requests to do so; (2) the party’s assertions of privilege for almost a quarter of the documents were facially invalid; (3) there were several inconsistencies between what the withholding party told different courts; and (4) the withholding party appeared to be “gaming” the system by withholding the privilege log until after key depositions.

D. Best Practices for Challenging Privilege

After receiving the privilege log, counsel should carefully compare it against the discovery plan they drafted early in the litigation (if there is one). Counsel should also revisit the privilege log after key depositions of the withholding party’s witnesses. During depositions, counsel may be able to clarify the role of corporate counsel within the company and whether or not she was involved in business and legal decisions. As the case develops, withheld documents may become susceptible to privilege challenges. Counsel should develop and regularly review and update a “wish list” of relevant documents.

If counsel concludes that there are documents that are incorrectly designated as privileged, or documents for which counsel needs more information to make this determination, counsel should take the appropriate steps either to request the withholding party to produce the document or provide additional information, or seek relief from the court when appropriate.

In federal court, privilege challenges are subject to Federal Rule of Civil Procedure 37 (a)(1), which requires the party seeking to compel to certify “that the party has in good faith conferred or attempted to confer with the [withholding] person or party in an effort to obtain it

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308 See, e.g., Queen’s Univ. at Kingston v. Kinedyne Corp., 161 F.R.D. 443, 447 (D. Kan. 1995) ("[I]n the instant case, waiver would be an especially harsh sanction. . . ."); Godsey v. United States, 133 F.R.D. 111, 113 (S.D. Miss. 1990) (Though an untimely privilege objection may be waived, "the more advisable and prudent course is to sanction the plaintiff's attorneys . . ."); Eastern Technologies, Inc., 128 F.R.D. 74, 75 (E.D. Pa. 1989) ("[G]iven the specific circumstances of this individual case, the failure to object [on the basis of a privilege] is not such a 'flagrant violation' as to warrant 'the harshest sanction.'").

309 902 F. Supp. at 1364.

310 749 F. Supp. 2d at 180-85.
without court action.\textsuperscript{311} Courts expect counsel to be cooperative, practical and sensible, and counsel should seek judicial intervention “only in extraordinary situations that implicate truly significant interests.”\textsuperscript{312} The meet and confer obligation “promote[s] a frank exchange between counsel to resolve issues by agreement or to at least narrow and focus matters in controversy before judicial resolution is sought.”\textsuperscript{313} Nastygrams do not satisfy the meet and confer requirement.

With the obligation to be “cooperative, practical, and sensible” in mind, counsel challenging a privilege designation should write a deficiency letter to the withholding party. In the letter, counsel should specifically identify the document or subset of documents that she believes have been improperly designated as privileged, explain the basis for her challenge, request any additional information, and schedule a meet and confer conference. While the deficiency letter does not need to be a mini-brief on the issue, if there are specific cases that are on-point, it may make sense to cite them. Bear in mind that if counsel cannot resolve the issues directly, the deficiency letter is likely to appear in a court filing and counsel should draft the letter accordingly.

During the meet and confer, counsel for both parties should make a “sincere effort” to resolve the matter.\textsuperscript{314} Parties should lay “all the cards…on the table” and present to each other the merits of their respective positions with the same candor, specificity, and support during informal negotiations as during the briefing of discovery motions.\textsuperscript{315} This should not be a perfunctory conversation.\textsuperscript{316} Finally, throughout the meet and confer process, counsel for both parties should engage in a meaningful evaluation of possible avenues to compromise. Possible compromises include producing some but not all of the challenged documents, providing additional information to support the assertions of privilege, and redacting the challenged documents. Even if the parties are ultimately unable to reach a compromise, judges will look favorably on parties that engaged in a good faith attempt to reach a compromise.

**E. Bringing a Motion to Compel**

If the parties are unable to reach a compromise, the requesting party may file a motion to compel. Prior to filing their motion, the requesting party should evaluate the requested documents in light of their overall litigation strategy and only seek to compel those documents that are either subject to particularly weak assertions of privilege or are particularly important to the party’s case. When drafting the motion to compel, the requesting party should be as specific as possible, including identifying documents or categories of documents at issue and challenging the assertions of privilege.

\textsuperscript{311} Fed. R. Civ. P. 37(a)(1).

\textsuperscript{312} In re Convergent Techs. Securities Litig., 108 F.R.D. 328, 331 (N.D. Cal. 1985).


\textsuperscript{314} Id. at 120.

\textsuperscript{315} Id.

\textsuperscript{316} Id. ( Parties had not adequately met and conferred when their efforts to resolve the dispute “consisted entirely of a single discussion” in which the withholding party agreed to “look into” the matter and get back to the requesting party and neither party expressly stated their desired outcome).
In addition to being as specific as possible (without waiving privilege) in demonstrating why the requested documents are privileged, the party asserting the privilege should carefully evaluate the potential effects of an in camera review of the challenged documents. Frequently, the person conducted the in camera review of the documents is also the ultimate trier of fact, and the party asserting the privilege should carefully consider whether it is advisable to have the trier of fact closely examining the challenged document, regardless of whether or not it is ultimately produced.

VI. CONCLUSION

Given the highly regulated nature of franchising, not to mention the complexity of the relationship between franchisors and franchisees, parties involved in franchising will continually find themselves in need of legal representation and advice—which we legal professionals are more than happy to provide! But as technology evolves, so do the issues surrounding the attorney-client privilege, the work product doctrine, and waiver. Counsel for franchisors and franchisees must stay apprised of the multitude of privilege-related issues, so as to put their clients in the best position possible to maintain the confidentiality of their communications and documents, and contest an opposing party’s inappropriate privilege claims.
## Appendix A
### Summary of State Professional Conduct Rules Regarding Receipt of Inadvertently Sent Material

<table>
<thead>
<tr>
<th>State</th>
<th>Citation</th>
<th>Is state rule substantially similar to ABA Model Rule 4.4(b)?</th>
<th>If not, the pertinent language</th>
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<tbody>
<tr>
<td>Alabama</td>
<td>Ala. Rules of Prof'l. Conduct, Rule 4.4(b) (2008)</td>
<td>No</td>
<td>A lawyer “who knows or reasonably should know that the document was inadvertently sent, should promptly notify the sender and (1) abide by the reasonable instructions of the sender regarding the disposition of the document; or (2) submit the issue to an appropriate tribunal for a determination of the disposition of the document.”</td>
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<tr>
<td>Alaska</td>
<td>Alaska Rules of Prof'l Conduct R. 4.4(b) (2017)</td>
<td>Yes</td>
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<tr>
<td>Arizona</td>
<td>Ariz. Rules of Prof'l Conduct, R. 4.4(b) (2015)</td>
<td>No</td>
<td>“A lawyer who receives a document or electronically stored information and knows or reasonably should know that the document or electronically stored information was inadvertently sent shall promptly notify the sender and preserve the status quo for a reasonable period of time in order to permit the sender to take protective measures.”</td>
</tr>
<tr>
<td>Arkansas</td>
<td>Ark. Rules of Prof'l Conduct, R. 4.4(b) (2014)</td>
<td>Yes</td>
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<td>California</td>
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<td>Colorado</td>
<td>Colo. Rules of Prof'l Conduct R. 4.4(b-c) (2008)</td>
<td>No</td>
<td>(b) is substantially the same as ABA Model Rule 4.4(b), but (c) adds “Unless otherwise permitted by court order, a lawyer who receives a document relating to the representation of the lawyer’s client and who, before reviewing the document, receives notice from the sender that the document was inadvertently sent, shall not examine the document and shall abide by the sender's instructions as to its disposition.”</td>
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<tr>
<td>Connecticut</td>
<td>Conn. Rules of Prof'l Conduct R. 4.4(b) (2014)</td>
<td>Yes</td>
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<tr>
<td>Delaware</td>
<td>Del. Lawyers’ Rules of Prof'l Conduct R. 4.4(b) (2013)</td>
<td>Yes</td>
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<tr>
<td>District of Columbia</td>
<td>D.C. Rules of Prof'l Conduct R. 4.4(b) (2007)</td>
<td>No</td>
<td>“A lawyer who receives a writing relating to the representation of a client and knows, before examining the writing, that it has been inadvertently sent, shall not examine the writing, but shall notify the sending party and abide by the instructions of the sending party regarding the return or destruction of the writing.”</td>
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<td>Florida</td>
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<td>Hawaii</td>
<td>Haw. Rules of Prof'l Conduct R. 4.4(b) (2014)</td>
<td>No</td>
<td>“A lawyer who receives a document and knows or reasonably should know that the document was inadvertently sent shall: (1) not read the document further than reasonably necessary to determine its privileged or confidential nature within the meaning of Rule 1.6 of these Rules, and shall not disseminate the document or information about its contents to anyone other than a supervisory lawyer and/or disinterested lawyer consulted to secure legal advice about the receiving lawyer’s compliance with this Rule; (2) promptly notify the sending lawyer; and (3) either reach agreement with the sending lawyer with respect to the disposition of the material or refrain from using the materials until a definitive resolution of the proper disposition of the materials is obtained from a court.”</td>
</tr>
<tr>
<td>Idaho</td>
<td>Idaho Rules of Prof'l Conduct R. 4.4(b) (2004)</td>
<td>Yes</td>
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<td>Illinois</td>
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<td>“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: (1) refrain from reading the document, (2) promptly notify the sender, and (3) abide by the instructions of the sender regarding its disposition.”</td>
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<td>Louisiana</td>
<td>La. Rules of Prof'l Conduct R. 4.4(b) (2015)</td>
<td>No</td>
<td>“A lawyer who receives a writing or electronically stored information that, on its face, appears to be subject to the attorney-client privilege or otherwise confidential, under circumstances where it is clear that the writing or electronically stored information was not intended for the receiving lawyer, shall refrain from examining or reading the writing or electronically stored information, promptly notify the sending lawyer, and return the writing or delete the electronically stored information.”</td>
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<tr>
<td>Maine</td>
<td>Me. Rules of Prof'l Conduct R. 4.4(b) (2009)</td>
<td>No</td>
<td>“A lawyer who receives a writing and has reasonable cause to believe the writing may have been inadvertently disclosed and contain confidential information or be subject to a claim of privilege or of protection as trial preparation material. (1) shall not read the writing or, if he or she has begun to do so, shall stop reading the writing; (2) shall notify the sender of the receipt of the writing; and (3) shall promptly return, destroy or sequester the specified information and any copies. The recipient may not use or disclose the information in the writing until the claim is resolved, formally or informally. The sending or receiving lawyer may promptly present the writing to a tribunal under seal for a determination of the claim.”</td>
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<td>Maryland</td>
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<td>New Hampshire</td>
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<td>“A lawyer who receives materials relating to the representation of the lawyer's client and knows that the material was inadvertently sent shall promptly notify the sender and shall not examine the materials. The receiving lawyer shall abide by the sender's instructions or seek determination by a tribunal.”</td>
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<td>“A lawyer who receives a document or electronic information and has reasonable cause to believe that the document or information was inadvertently sent shall not read the document or information or, if he or she has begun to do so, shall stop reading it. The lawyer shall (1) promptly notify the sender (2) return the document to the sender and, if in electronic form, delete it and take reasonable measures to assure that the information is inaccessible. A lawyer who receives a document or electronic information that contains privileged lawyer-client communications involving an adverse or third party and who has reasonable cause to believe that the document or information was wrongfully obtained shall not read the document or information or, if he or she has begun to do so, shall stop reading it. The lawyer shall (1) promptly notify the lawyer whose communications are contained in the document or information (2) return the document to the other lawyer and, if in electronic form, delete it and take reasonable measures to assure that the information is inaccessible. A lawyer who has been notified about a document containing lawyer-client communications has the obligation to preserve the document.”</td>
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<td>New Mexico</td>
<td>N.M. Rules of Prof'l Conduct R. 16-404 (b) (2013)</td>
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<td>Tenn. Rules of Prof'l Conduct R. 4.4(b) (2017)</td>
<td>No</td>
<td>“A lawyer who receives information (including, but not limited to, a document or electronically stored information) relating to the representation of the lawyer's client that the lawyer knows or reasonably should know is protected by RPC 1.6 (including information protected by the attorney-client privilege or the work-product rule) and has been disclosed to the lawyer inadvertently or by a person not authorized to disclose such information to the lawyer, shall: (1) immediately terminate review or use of the information; (2) notify the person, or the person's lawyer if communication with the person is prohibited by RPC 4.2, of the inadvertent or unauthorized disclosure; and (3) abide by that person's or lawyer's instructions with respect to disposition of written information or refrain from using the written information until obtaining a definitive ruling on the proper disposition from a court with appropriate jurisdiction.”</td>
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<tr>
<td>Texas</td>
<td>No rule</td>
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<td>West Virginia</td>
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</thead>
<tbody>
<tr>
<td>Wisconsin</td>
<td>Wis. Rules of Prof'l Conduct for Attorneys R. 20:4.4(c) (2017)</td>
<td>No</td>
<td>“A lawyer who receives a document or electronically stored information relating to the representation of the lawyer's client and knows or reasonably should know that the document or electronically stored information contains information protected by the lawyer-client privilege or the work product rule and has been disclosed to the lawyer inadvertently shall: (1) immediately terminate review or use of the document or electronically stored information; (2) promptly notify the person or the person's lawyer if communication with the person is prohibited by SCR 20:4.2 of the inadvertent disclosure; and (3) abide by that person's or lawyer's instructions with respect to disposition of the document or electronically stored information until obtaining a definitive ruling on the proper disposition from a court with appropriate jurisdiction.”</td>
</tr>
<tr>
<td>Wyoming</td>
<td>Wyo. Rules of Prof'l Conduct R. 4.4(b) (2014)</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>
Caroline B. Fichter

Caroline B. Fichter is an associate the Bundy Law Firm, PLLC in Kirkland, Washington. She has been practicing law since 2010, and has been focusing on franchise law since 2013. Caroline represents franchisees and other small businesses in all stages of their business, from the initial FDD review to negotiating the sale of their franchise or independent business. She also represents franchisees in litigation. She has helped clients recover damages, terminate franchise agreements, and obtain releases from covenants not to compete.

Caroline has served as the chairwoman for the American Bar Association Forum on Franchising Small and Solo Firm Committee since 2015 and as a member of the Litigation and Alternative Dispute Resolution committee since 2016. In 2016, she received the Chair’s Award for Substantial Written Work or Presentation. She graduated from Washington State University in 2006 with a Bachelor of Arts and from Seattle University School of Law in 2009 with her J.D. (summa cum laude 2002).

Theresa Koller

Teri Koller is a litigation partner in the Omaha, Nebraska office of Cline Williams Wright Johnson & Oldfather, L.L.P., and is a member of the firm’s Franchising and Distribution Practice Group. She has been practicing law since 2002, and has been actively engaged in franchise litigation in state and federal courts since 2003. Teri has represented franchisors and franchisees with respect to a host of franchise relationship, intellectual property, and compliance issues. She has achieved a variety of positive results for her clients including the recovery of damages, termination of franchise relationships (and on the flip-side, preservation of franchise relationships), enforcement of non-competition and other post-termination covenants, the winding down of hold-over franchisees, and rescission of franchise agreements. She has also counseled start-up franchisors regarding franchise and business opportunity matters.

Teri has served as member of the American Bar Association Forum on Franchising Publications Committee since January 2012. She has also presented programs on franchising topics for the American Bar Association, at Nebraska continuing education programs, and at seminars for individuals interested in establishing franchised businesses. She received a Bachelor of Science from the University of Nebraska (magna cum laude 1998) and her J.D. from Creighton University School of Law (summa cum laude 2002).