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Course Materials

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The Corporate Attorney-Client Privilege

Why Is Everything so Much Harder?

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# The Corporate Attorney-Client Privilege

*Why Is Everything so Much Harder?*

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The Corporate Attorney-Client Privilege

Why Is Everything so Much Harder?

The purpose of this paper is to discuss the attorney-client privilege issues that arise in the corporate context. Privilege concerns are particularly important for in-house counsel, since the joinder of legal and business functions, contacts with outsiders, and broad document distribution can all destroy the privilege.

This paper outlines the basic principles underlying the attorney-client privilege and the work-product doctrine:

1) Section A summarizes the “black letter” law on the attorney-client privilege, covering the elements of the privilege, the difficulty of defining the corporate client, waiver and exceptions.

2) Section B briefly examines the work-product doctrine.

3) Section C examines privilege law as it has been applied to in-house counsel, focusing on the business/legal function distinction.

4) Section D examines five issues of recent relevance: (a) the effect of disclosure of internal investigations to government prosecutors; (b) the effect of disclosures to corporate auditors, particularly in the wake of Sarbanes-Oxley; (c) the conflicting and sometimes puzzling requirements for substantiating claims of privilege; (d) changes to the law of privilege in recognition of e-discovery and (e) the debate over whether internet questionnaires are privileged.

The discussion provides only a summary of the law as it is generally applied. Since (a) a state-by-state analysis of each point would be impractical and unwieldy and (b) state law frequently follows federal interpretations, there is frequent reference to federal cases that can serve as a starting point for research.

I. An Overview of the Law of Attorney-Client Privilege

A. The Policies Underlying the Privilege

The attorney-client privilege, the oldest of the common law privileges for confidential communications, is based on two parallel policy considerations:


2) Compliance with the law—By promoting a client’s freedom of consultation with an attorney, the privilege is intended to foster voluntary compliance with the law. *ABA Monograph* at 3.
B. The Elements of the Privilege

The attorney-client privilege protects from disclosure:

1) a communication;
2) made in confidence;
3) between a client and an attorney;
4) for the purpose of obtaining or giving legal advice;
5) so long as there has been no waiver. See United States v. United Shoe Mach. Corp., 89 F. Supp. 357, 358–59 (D. Mass. 1950); 8 J. Wigmore, Evidence §2285 at 527 (McNaughton Rev. 1961).


The federal system lacks a statutory definition of the privilege. Instead, the attorney-client privilege is “governed by the principles of the common law as they may be interpreted by the courts of the United States in the light of reason and experience.” Fed. R. Evid. 501. But see §IV.A, infra at p. 25 (proposed Fed. R. Evid. 502, which addresses certain limitations on privilege waivers).

C. The Elements of the Privilege As Interpreted in the Case Law

1. Communication

The attorney-client privilege attaches only to “communications.” Such communications may be oral, written or wordless (as when a client simply nods yes in response to a question). Even a client’s silence can be a “communication” for purposes of the privilege; for example, silence may constitute an admission in a criminal case. What a client does not say may be as much a “communication” as what he does. Cf. United States v. Andrus, 775 F.2d 825, 852 (7th Cir.1985). See also United States v. White, 970 F.2d 328 (7th Cir. 1992).

The privilege protects only the “communication” itself from compelled disclosure. It does not protect underlying facts that can be learned from non-privileged sources, In Re Grand Jury Subpoena Duces Tecum, 731 F.2d 1032, 1037 (2d Cir. 1984). Nor does the privilege cover facts merely observed by the attorney. See In re Walsh, 623 F.2d 489, 494 (7th Cir.), cert. denied, 449 U.S. 994 (1980). This raises several important points:

1) Merely conveying something to a lawyer does not thereby cloak the underlying facts from disclosure. United States v. O’Malley, 786 F.2d 786, 794 (7th Cir. 1986).
2) The privilege does not protect from disclosure the existence of an attorney-client relationship, the purpose for which the lawyer was retained, records of dates, places and times of client-attorney meetings, fee arrangements, billing statements or the general nature of the attorney’s work. Grand Jury Subpoena, 204 F.3d 516 (4th Cir. 2000); Savoy v. Richard A. Carrier Trucking Co., 178 F.R.D. 346, 350 (D. Mass. 1998).
3) To be protected by the privilege, the communication must be directed to the lawyer. Thus, if the lawyer is serving merely as a conduit for a message to a third party, the message is not privileged. Restatement §123 cmt. i.


2. Made in Confidence

Privileged communications must be made in “confidence.” A communication is made in confidence “if the client expressly so states or if the lawyer reasonably so concludes.” ABA Monograph at 167. Accordingly:

1) No privilege attaches where a client makes a communication to the attorney in the presence of third parties (with the possible exception of the attorney’s agents or employees). Liggett Group v. Brown & Williamson Tobacco Co., 116 F.R.D. 205 (M.D.N.C. 1986). See also Section I.C.3 below.

2) No privilege attaches if the client intends that the attorney will pass the communication on to third parties. Thus, the privilege may not cover communications to an attorney with information for a tax return, audit response, prospectus or agency filing. United States v. (Under Seal), 748 F.2d 871, 875 (4th Cir. 1984); United States v. Cote, 456 F.2d 142, 144 (8th Cir. 1972).

3) If confidentiality is not strictly maintained, the privilege can be waived. (See Section I.E. below.)

3. Between a Client and an Attorney

The attorney-client privilege covers only communications made between a “client” and a licensed attorney who is acting as a lawyer in relation to the client. The first question is whether the communication is made from (or to) an actual “client.” The client is the party (or successor to the party, as in a bankruptcy trustee) who is the intended beneficiary of legal services. The issue of who is the “client” is considerably more complex when the client is a corporation. The attorney-client privilege belongs solely to the client, although the attorney may assert the privilege on the client’s behalf (unless the client directs otherwise). In re Impounded Case (Law Firm), 879 F.2d 1211, 1213 (3d Cir. 1989).

The next issue is whether the lawyer is acting as an “attorney” for purposes of the privilege. Since the touchstone of the privilege is the protection of communications made for the purpose of obtaining or providing legal assistance, a communication to a lawyer for the purpose of non-legal services is not privileged. Most importantly:

1) The privilege does not cover an attorney’s business judgment or advice or where the attorney acts as a business negotiator or advisor. United States v. Wilson, 798 F.2d 509, 513 (1st Cir. 1986); United States v. Int’l Business Mach. Corp., 66 F.R.D. 206, 212–13 (S.D.N.Y. 1974).
The Restatement notes that the privilege should apply “without distinction to lawyers who are inside legal counsel or outside legal counsel for an organization,” Restatement §123 cmt. i., and most courts do not distinguish between in-house and outside counsel in determining whether the privilege exists. See In re Sealed Case, 737 F.2d 94, 99 (D.C. Cir. 1984); Natta v. Hogan, 392 F.2d 686, 692 (10th Cir. 1968); Ames v. Black Entertainment Television, 1998 U.S. Dist. LEXIS 8888, *10 (N.D. Ill. 1998); United States v. United Shoe Mach. Corp., 89 F. Supp. 357, 360 (D. Mass. 1950). Nevertheless, additional problems often arise when in-house counsel claims the privilege. This is so because in-house lawyers are more likely to be involved in non-privileged business activities. See generally ABA Monograph at 93.

In general, agents and other employees working under the direction, supervision and control of the attorney are included within the scope of the privilege, e.g., Under Seal v. United States, 947 F.2d 1188, 1191 (4th Cir. 1991) (conversations between client and accountant privileged). When acting in this capacity (and when the client communications are for the purpose of obtaining or providing legal services), communications to or overheard by attorney agents such as paralegals, investigators and secretaries usually remain privileged. See, e.g., Colo. Rev. Stat. §13-90-107(1)(b) (Supp. 1996). In addition, the work-product protection (broader in this respect than the privilege) may cover confidential activities of non-lawyers acting at the lawyer’s request. See, e.g., United States v. Nobles, 422 U.S. 225, 238–39 (1975); Scott Paper Co. v. Ceilcote Co., Inc., 103 F.R.D. 591, 594 (D. Me. 1984).

4. For the Purpose of Seeking or Obtaining Legal Advice

In order to be privileged, a communication must be made primarily for the purpose of obtaining legal advice or services from the attorney. Upjohn Co. v. United States, 449 U.S. 383 (1981). Advice or a legal opinion need not be requested expressly; rather, it will generally suffice if a request for legal assistance is implicit in the communication. Diaz v. Delchamps, Inc., U.S. Dist. LEXIS 17389 (E.D. La. 1997).

Information conveyed to outside or in-house counsel for purposes other than the rendition of legal advice is not protected by the privilege. This simple (but often overlooked) rule raises two crucial points:

1) Communications regarding business matters on which the client does not seek legal advice will not become privileged merely because they are sent to an attorney. Fisher v. United States, 425 U.S. 391, 403–04 (1976); In re Grand Jury Proceedings (Malone), 655 F.2d 882, 886 (8th Cir. 1981).

2) Sending a copy of a document to a lawyer does not mean that the document is covered by the privilege. In order to be protected, the documents must contain a communication that was intended to be confidential and was made for the purpose of seeking legal advice.

D. Corporate Employee Communications—The Corporate “Client”

Where a party to litigation is an individual, there is almost never a question as to who is the “client.” In contrast, defining the “client” for purposes of privilege is far more complicated in the context of a corporation with hundreds or thousands of employees. Making the determination even more treacherous is that federal common law and state law may apply different tests in defining which employees constitute the corporate client.
1. The *Upjohn* Test under Federal Common Law

In *Upjohn Co. v. United States*, the Supreme Court rejected the common law’s various categorical tests for determining whether a corporate employee was a “client” within the meaning of the attorney-client privilege. The Court instead adopted a case-by-case approach, noting several factors relevant to the determination of whether communications are from a “client,” including whether the communications are:

1. made by an employee to corporate counsel upon the order of superiors;
2. concerning matters within the scope of the employee’s corporate duties;
3. made in order to obtain legal advice (and the employee was aware of that purpose);
4. needed by corporate counsel to formulate legal advice; and
5. confidential when made and kept confidential by the company.


Since the *Upjohn* Court preferred a fact-specific analysis instead of a black-letter rule, the case did not end the debate over the corporate privilege. It simply provided a new framework for it.

Moreover, state courts (and federal courts sitting in diversity) are not bound by *Upjohn*. Although most states have followed *Upjohn* in defining the corporate client, not all have done so. For example, Arizona adheres to the fundamental principle of *Upjohn*, but it excludes from the privilege those communications to company counsel from persons who, notwithstanding their status as corporate officers, agents, or employees, are mere “witnesses” (*i.e.*, those who were not communicating facts about their own conduct). *Samaritan Foundation v. Goodfarb*, 862 P.2d 870, 880 (Ariz. 1993). Other states declining to adopt a blanket *Upjohn* approach include Texas and Georgia. *ABA Monograph* at 106–07.

2. The “Control Group” Test (Illinois Law)

Some states that have rejected the *Upjohn* formulation, most notably Illinois and Texas, have maintained the previous common law tests. The Illinois Supreme Court continues to adhere to the “control group” test to define the “client” in attorney-corporate client communications. *Consolidation Coal Co. v. Bucyrus-Erie Co.*, 432 N.E.2d 250, 254–58 (Ill. 1982); see also *Favala v. Cumberland Eng‘g Co.*, 17 F.3d 987 (7th Cir. 1994) (interpreting Illinois law). The Texas Supreme Court has held that the control group test applies under its rules of evidence, which were adopted after *Upjohn*. See *National Tank Co. v. Brotherton*, 851 S.W.2d 193 (Tex. 1993); Tex. R. Civ. Evid. 503 (West 1994).

Under the control group test, courts examine whether an employee, in a position to control or to take a substantial part in the determination of corporate action in response to legal advice, made the communication. Only those individuals within this “control group” (generally senior management and the Board of Directors) are considered the “client” for purposes of the privilege. *Id.*; see also *Midwesco-Paschen Joint Venture v. Imo Indus.*, 635 N.E.2d 322 (Ill. App. 1994).

3. Former Employees

Several courts have held that communications with former employees are privileged because former employees may possess information needed by counsel to advise the corporate
client. Allen v. McGraw, 106 F.3d 582, 606 (4th Cir. 1997); In re Coordinated Pretrial Proceedings, 658 F.2d 1355, 1361 n.7 (9th Cir. 1981), cert. denied, 455 U.S. 990 (1982); see also Admiral Ins. Co. v. District Court, 881 F.2d 1486, 1493 n.6 (9th Cir. 1989); Amarin Plastics, Inc. v. Maryland Cup Corp., 116 F.R.D. 36, 41 (D. Mass. 1987); Porter v. Arco Metals, 642 F. Supp. 1116, 1118 (D. Mont. 1986). Although the Supreme Court expressly declined to address the issue in Upjohn, the Chief Justice stated in concurrence that the privilege rules should extend to all former employees. 449 U.S. at 394 n.3 and 402–03 (Burger, C.J., concurring).

Under the Restatement formulation, a former employee is covered by the privilege if, at the time of the communication to the attorney, the former employee had a continuing legal obligation to furnish the information to the lawyer. The law of agency and the terms of the employment contract determine the scope of this obligation. Restatement §123 cmt. e.

E. Waiver of the Privilege

1. Those Who May Waive the Privilege

The client is the “owner” of the privilege and is therefore entitled to decide whether to claim it or waive its protections, e.g., In re Grand Jury Proceedings, 73 F.R.D. 647, 652 (M.D. Fla. 1977). In practice; however, it is generally the client’s attorney who makes the claim or waiver on the client’s behalf. Restatement §129; see also ABA Monograph at 270. The attorney may not waive the privilege without the client’s consent (except in some instances in which the attorney requires a waiver to defend against an accusation of wrongdoing. See, e.g., In re Nat’l Mortgage Equity Corp. Mortgage Pool Certificates Sec. Litig., 120 F.R.D. 687, 692–92 (C.D. Cal. 1988).

In contrast to those whose communications may be entitled to the privilege in the first instance, the power to waive the privilege in the corporate context generally rests with executive management of the corporation (the “control group”), not middle management personal or low-level employees. Commodity Futures Trading Comm’n v. Weintraub, 471 U.S. 343, 348 (1985). Courts have not fully explored the application of this rule after Upjohn. It seems clear that although the power of intentional waiver may belong to the control group, a lower-level employee could inadvertently waive the privilege (e.g., during a deposition or during a negotiation session), even though the “power to waive” does not formally rest in his or her hands. For example, a district court found that where corporate management did not take minimal steps to preserve confidentiality, disclosure by a lower-level employee constituted waiver. Jonathan Corp. v. Prime Computer, Inc., 114 F.R.D. 693, 697–700 (E.D. Va. 1987).


2. Actions and Situations Constituting Waiver

The most obvious case of waiver of the privilege is by intentional disclosure. This arises when the contents of the communication are disclosed to persons outside the privileged relation-
ship. *Id.* at 173. There is scant disagreement amongst courts that intentional disclosure will waive the privilege. *But see* proposed Fed. R. Evid. 502, below at Section IV.A, p. 25, placing limitations on waiver in the context of federal governmental investigations.

The more difficult issue is inadvertent disclosure. There are three distinct approaches to whether such disclosure works a waiver (conflicting case law can make the rule unclear):

1) **The “Strict Responsibility Test”**—This is the traditional approach, which treats any arguably negligent disclosure as a waiver. The reasoning is that the privilege protects only confidential attorney-client communications; once that tight circle is breached—whatever the circumstances—the privilege is breached as well. See, *e.g.*, 8 Wigmore, *Evidence* §2325, at 633 (McNaughton Rev. 1961). This test is often harsh, *e.g.*, a federal court in Illinois found waiver when the client threw confidential documents into the trash, which were discovered when an opposing party foraged in the client’s dumpster. *Suburban Sew ’N Sweep, Inc. v. Swiss Bernina Inc.*, 91 F.R.D. 254, 260 (N.D. Ill. 1981). This holding may well have gone too far—a different judge on the same court later noted that the decision did not comport with the federal rules or Supreme Court precedent. *Mendenhall v. Barber-Greene Co.*, 531 F. Supp. 951, 954 n.8 (N.D. Ill. 1982).

2) **The “Subjective Intent Test”**—This test is the opposite extreme, whereby waiver occurs only when the party or the attorney consciously intends to relinquish the privilege. These cases generally involve inadvertent disclosure of privileged documents by an attorney in the course of a large document production. *Id.* at 954 (citing federal law).

3) **The “Evaluation of the Circumstances Test”**—This test examines whether waiver would be fair under the circumstances of the disclosure. The fairness factors include: 1) the reasonableness of precautions taken against disclosure; 2) the time taken to rectify the disclosure; 3) the extent of disclosure and 4) the scope of discovery. See, *e.g.*, *Lois Sportswear, U.S.A., Inc. v. Levi Strauss Co.*, 104 F.R.D. 103, 105 (S.D.N.Y. 1985); *Kanter v. Superior Court*, 253 Cal. Rptr. 810, 818 (1988).

4) Under all of these rules, counsel must be careful to avoid disclosure, but if a mistake is made, the attorney must act quickly to rectify the error.

5) **Note:** See discussion in Section IV.D, at p. 31 of proposed Fed. R. Civ. P. 26(b)(5)(B) (supporting “claw back” agreements).

3. **Limited Waiver**

The traditional rule is that, once waived, the privilege is generally relinquished for all purposes and in all circumstances thereafter. Moreover, a waiver of the privilege as to a particular communication has historically swept more broadly, waiving the privilege as to all other communications on the same subject matter. *In re Sealed Case*, 676 F.2d 793, 818 (D.C. Cir. 1982); *see generally* 8 Wigmore, *Evidence* §2328 at 638.

But see Section IV.A at p. 25 below, discussing proposed Fed. R. Evid. 502 (limiting the scope of waiver if privileged information is revealed in the course of a federal government investigation).

F. Common Interest and Joint Defense Privilege

Communication between attorneys in pursuit of a common interest for their clients and communication between a client and an attorney in the presence of those with a common interest generally will remain privileged and will not constitute a waiver. Some states recognize the common interest exception by statute. See, e.g., Wisc. Stat. §905.03(2) (1995).

The common interest exception can apply to wholly owned or majority-owned affiliates of the corporation (and their employees), so long as the parent and the subsidiaries share a genuine common interest in the subject matter of the communication. See Weil Ceramics & Glass, Inc. v. Work, 110 F.R.D. 500, 503 (E.D.N.Y. 1986); Roberts v. Carrier Corp., 107 F.R.D. 678, 687 (N.D. Ind. 1985); Scott Paper Co. v. Ceilcote Co., Inc., 103 F.R.D. 591, 597 (D. Me. 1984); United States v. American Tel. & Tel., 86 F.R.D. 603, 616 (D.D.C. 1979). Importantly, courts often require the party claiming a “common interest” privilege to show that the parties explicitly agreed to pursue a common interest. See, e.g., In re Bevill, Bresler & Schulman Asset Management Corp., 805 F.2d 120, 126 (3d Cir. 1986).

The similar “joint defense” privilege enables counsel for clients facing a common litigation opponent to exchange privileged communications without waiver. Haines v. Liggett Group, Inc., 975 F.2d 81, 94 (3d Cir. 1992); Waller v. Financial Corp. of America, 828 F.2d 579, 583 n.7 (9th Cir. 1987). Unlike the common interest claim, the joint defense privilege covers only parties that have been made formal “co-defendants” by indictment, a grand jury investigation or a civil proceeding. Thus, a formal showing of an agreement often is unnecessary in the joint defense context (though such an agreement may be prudent). Under the joint defense privilege, waiver by one party does not constitute waiver by another, but if the parties later become adversaries, the privilege cannot be asserted by one against the other. In re Grand Jury Subpoena Duces Tecum Dated November 16, 1974, 406 F. Supp. 381, 393 (S.D.N.Y. 1975).

G. Exceptions to the Privilege

The attorney-client privilege is subject to several exceptions. Among them:

1) Corporate Fiduciaries (Garner Doctrine): Shareholders in a derivative action may pierce the attorney-client privilege and compel discovery of communication between the corporation and its attorneys if they can show “good cause” for such disclosure. The Garner doctrine is named for the fifth circuit’s seminal decision on this issue. Garner v. Wolfinbarger, 430 F.2d 1093, 1104 (5th Cir. 1970), cert. denied, 401 U.S. 974 (1971) (The “good cause” factors for piercing the corporate privilege in shareholder derivative actions include: 1) the number of shareholders involved and the percentage of stock they represent; 2) the bona fides of the claimant shareholders; 3) the nature of their claims; 4) the necessity of obtaining the information and its availability from other sources; 5) whether the alleged misconduct of the corporation was criminal, or of doubtful legality; 6) whether the communication related to past or prospective actions; 7) whether the communication concerned advice pertaining to
the litigation itself; 8) whether the shareholders were “blindly fishing” and 9) the risk of revealing trade secrets or other confidential information.)

2) Insurance: When an insurance policy requires the insured to cooperate with the insurance company in litigation or other covered matters, the insured generally may not use the attorney-client privilege to withhold relevant attorney-client communications from the insurance company. Waste Management, Inc. v. International Surplus Lines Ins. Co., 579 N.E.2d 322 (Ill. 1991). The duty to cooperate generally destroys any expectation of confidentiality. Insurance companies also may be able to defeat an insured’s claim of attorney-client privilege under the common-interest doctrine. Id. Where an attorney acts for the mutual benefit of both the insurer and the insured, either party may obtain the relevant materials from the attorney. The increasing incidence of insurance coverage litigation, of course, introduces new complexity into—and perhaps vitiation of—these rules; it is hard to say an insurance company that is suing its insured (or vice versa) shares a common or joint interest any longer.

3) Crime/Fraud: The privilege will not function as a shield where advice is sought in connection with an ongoing or future crime or scheme to defraud. United States v. Zolin, 491 U.S. 554, 563 (1989); e.g., In re Grand Jury Proceedings, 87 F.3d 377, 381 (9th Cir. 1996), cert. denied, 117 S. Ct. 333 (1996). This exception destroys the privilege even where the attorney was unaware of the client’s improper purpose. United States v. Hodge & Zweig, 548 F.2d 1347, 1354 (9th Cir. 1977). Note: There are protective requirements that govern the court’s in camera review and decision on crime/fraud grounds. See Zolin, 491 U.S. 554.

4) Attorney’s Protection or Defense: The attorney sometimes may breach the privilege in order to protect his or her own interest. This generally applies when the attorney’s performance has been called into question (e.g., a suit for malpractice, bar disciplinary or criminal charges or an action against the client for fees). See In re Nat’l Mortgage Equity Corp., 120 F.R.D. at 691–92; see also, Model Rules of Prof. Conduct, Rule 1.6(b)(2) (1989); ABA Monograph at 373–75.

II. The Work-Product Doctrine

A. The Nature of Work-Product Protection

The attorney-client privilege should be distinguished from the related but distinct work-product doctrine, which is intended to encourage careful and thorough preparation for trial by the client’s lawyer and other representatives. The work-product doctrine generally protects from disclosure: 1) documents and things otherwise discoverable; 2) prepared in anticipation of litigation or for trial; 3) by or for a party or that party’s representative. Hickman v. Taylor, 329 U.S. 495 (1947). Note: Different rules may apply in state courts.

B. The Work Product Doctrine Does Not Require the Participation of an Attorney

The principal advantage of the work-product doctrine is that the participation of an attorney usually is not a prerequisite for the work to be protected, since the doctrine expressly
applies to documents and tangible things created by a “party” or that “party’s representative.” Work-product protection is based upon the motivation behind the preparation, not on the person who prepared the document. Nevertheless, it is always safer to have a lawyer involved. *Thomas Organ Co. v. Jadranska Slobodna Plovidba*, 54 F.R.D. 367, 372 (N.D. Ill. 1972)).

C. The Attorney May Have An Independent Right to Claim the Protection of Work Product.

The work-product doctrine protects both the attorney and the client, and to the extent that their interests do not conflict, the attorney should be entitled to claim the protection, even if the client does not. *Sealed Case*, 676 F.2d at 809 n.56. As the fifth circuit noted, “a waiver by the client of the work-product privilege will not deprive the attorney of his own work-product privilege, and vice-versa.” *In re Grand Jury Proceedings*, 43 F.3d 966, 972 (5th Cir. 1994).

The scope of the attorney’s right to assert the work product protection for his/her memoranda and files in the face of a client demand for all those materials has received varying treatment in the courts. A majority of courts have adopted the “entire file” standard, which provides that the client owns the entire file, including drafts. See, e.g., *Sage Realty Corp. v. Proskauer Rose Goetz & Mendelsohn LLP*, 689 N.E. 2d 879 (N.Y. 1997); Restatement (Third) of the Law Governing Lawyers, §46(3). A minority of courts has endorsed the “end product” standard, which provides that clients are entitled only to documents that they specifically hired their attorneys to produce, e.g., final court documents and client memoranda. See, e.g., *Federal Land Bank of Jackson v. Federal Intermediate Credit Bank of Jackson*, 127 F.R.D. 473, 480 (S.D. Miss. 1989); *Corrigan v. Armstrong, Teasdale, Schlafly, Davis & Dicus*, 824 S.W. 2d 92 (Mo. Ct. App. 1992).

D. The “Anticipation of Litigation” Requirement


There is no singular test for determining whether a particularized suspicion of litigation was reasonable at the time that the communication was made or the document was created. As some courts have interpreted it; however, this standard can be unusually exacting. For example, one court found that the existence of an internal investigation (commenced prior to an official government investigation) was insufficient to support a claim that the corporation anticipated possible future litigation. *Diversified Indus. v. Meredith*, 572 F.2d 596, 604 (8th Cir. 1977). Others have found that documents prepared for agency proceedings are not work product unless the proceedings are adversarial in nature. Compare *Oak Indus. v. Zenith Elec. Corp.*, 687 F. Supp. 369, 373–75 (N.D. Ill. 1988) (not privileged) with *Electronic Memories & Magnetics v. Control Data Corp.*, 1975 U.S. Dist. LEXIS 11757 (N.D. Ill. 1975) (privileged).

E. The Qualified Nature of Work Product Protection

The work product protection stands in interesting contrast to the attorney-client privilege, in that with few exceptions, the attorney-client privilege is absolute—if all the elements are present and no waiver is identified, the attorney-client privilege will be applied without any
consideration of the “need” for disclosure in a particular case. By contrast, under Rule 26(b)(3), work-product protection is conditional and may be abrogated upon a proper showing by the adversary of “substantial need” for the information and “undue hardship in obtaining it.” “Substantial need” includes situations in which a witness is unavailable due to death, being beyond the court’s reach, a claim of privilege or a faulty memory. “Undue hardship” exists when the opponent cannot obtain the information or obtain it only with inordinate expense. See, e.g., In re Int’l Sys. & Controls Corp. Sec. Litig., 693 F.2d 1235, 1240–41 (5th Cir. 1982).

F. Opinion Work-Product

In contrast to the qualified nature of the ordinary work-product privilege, most courts have granted complete (or almost complete) protection to “attorney’s opinion work-product,” which contains the lawyer’s (or representative’s) mental impressions and thoughts. Rule 26(b)(3) requires federal courts to “protect against disclosure” of such material. Although the Upjohn Court declined to rule expressly that such material is always protected by the work-product doctrine, the Court observed that a “far stronger showing of necessity and unavailability...would be necessary to compel disclosure [of opinion work product]” 449 U.S. at 401–02. That such protection is required is the clear implication of Rule 26(b)(3). ABA Monograph at 568.

III. The Attorney-Client Privilege and Work Product Doctrine as Applied to in-House Counsel

A. The General Rule: No Distinction, but Heightened Scrutiny

It is generally recognized that there is no distinction between in-house and outside attorneys for purposes of the attorney-client privilege. See Upjohn, 449 U.S. at 391; United Shoe, 89 F. Supp. at 360; In re Sealed Case, 737 F.2d 94, 99 (D.C. Cir. 1984); John W. Gergacz, Attorney-Corporate Client Privilege (2d ed. 1990), at 3–14. “The relevant inquiry is whether the attorney, regardless of his or her place of employment, was acting as confidential counsel to the party concerning the privilege.” O’Brien v. Board of Educ. of City School Dist. of New York, 86 F.R.D. 548, 549 (S.D.N.Y. 1980).

Because in-house counsel routinely perform duties in addition to rendering purely legal advice; however, a court is more likely to scrutinize the in-house attorney’s actions when examining privilege. As the New York Court of Appeals noted:

[U]nlike the situation where a client individually engages a lawyer in a particular matter, staff attorneys may serve as company officers, with mixed business-legal responsibility; whether or not officers, their day-to-day involvement in their employers’ affairs may blur the line between legal and nonlegal communications; and their advice may originate not in response to the client’s consultation about a particular problem but with them, as part of an ongoing, permanent relationship with the organization. [T]he need to apply [the privilege] cautiously and narrowly is heightened in the case of corporate staff counsel, lest the mere participation of an attorney be used to seal off disclosure....

B. The Main Problem: Attorney not Acting as an Attorney

Courts analyzing communications to and from in-house counsel typically focus on whether counsel was acting as an attorney in the relationship. Where in-house counsel proffers or receives information involving mixed questions of business and law, courts have undertaken a highly fact-specific analysis to determine whether the privilege exists.

1. Transactions

The problem of determining whether communications to/from the in-house attorney are for the purpose of legal advice and hence privileged is well-illustrated by a decision from the Southern District of New York in the GAF case. The parties had signed an asset purchase agreement, but the transaction failed to close and instead went to litigation. The seller sought discovery from the buyer’s in-house environmental counsel, who had participated in negotiating the agreement. The court declined to extend the privilege to protect the in-house attorney’s recommendations to management, based on the attorney’s role as a negotiator on behalf of management. Georgia-Pacific Corp. v. GAF, 1996 U.S. Dist. LEXIS 671 (S.D.N.Y. Jan. 24, 1996).

Finding that the attorney had been acting in his “business capacity” during the negotiations and that his discussions with management were “not in the context of imminent litigation” (so no work-product protection applied), the court held that the adversary was entitled to the attorney’s findings and advice to his client. Id. The court there may have been influenced by the fact that the attorney’s testimony went to the heart of the breach of contract issue. “Only by such testimony,” the court said, “can it be determined whether [the buyer], as a matter of business judgment, agreed to assume certain environmental risks when it entered the Agreement.”


2. Internal Investigations

The results of an internal corporate investigation will remain privileged only if the work is undertaken for the purpose of rendering legal advice. See, e.g., Mission Nat’l Ins. Co. v. Lilly, 112 F.R.D. 160, 163 (D. Minn. 1986). The “legal advice” standard can be especially problematic with regard to internal investigations.

For example, one court held that an investigative memorandum prepared by a law firm was not privileged. The memorandum had been requested by a Board of Directors in response to SEC inquiries into the corporation’s business practices. Although this seems like this would be “legal advice,” the eighth circuit found to the contrary:

[The] law firm was not hired by Diversified to provide legal services or advice. It was employed solely for the purpose of making an investigation of facts and to
make business recommendations with respect to the future conduct of Diversified in such areas as the result of the investigation might suggest.  

_Diversified Indus. v. Meredith_, 572 F.2d 596, 603 (8th Cir. 1977) [emphasis added]. One wonders if the court of appeals would have arrived at the same result in the litigious society of 2006.

In another case, a court declined to protect communications to a corporate committee made by a "special counsel" appointed at the demand of the SEC. The court found that "the [special counsel] attorneys were employed not for their legal acumen but for their skill as investigators." Although the lawyers' "experience in interviewing witnesses, compiling documents, and evaluating data may have been garnered from years of practicing law," application of those skills was not "limited to that field." _Osterneck v. E.T. Barwick, Indus._, 82 F.R.D. 81, 85 (N.D. Ga. 1979). _See generally_ John N. Nonna and Michael A. Knoerzer, _The Attorney-Client Privilege and Corporate Transactions: Counsel as Keeper of Corporate Secrets_, reprinted in American Bar Association, _The Attorney-Client Privilege Under Siege_ (1989).

By contrast, another federal court protected the work of a law firm that was hired to gather data regarding a corporate client’s past business and securities practices. _In re LTV Sec. Litig._, 89 F.R.D. 595 (N.D. Tex. 1981). The court found that because the purpose of the investigation was "to evaluate and draw conclusions as to the propriety of past actions and to make recommendations for possible future courses of action," the client’s communication of business practices was privileged. As the court explained:

> While in-house accountants or lay investigators could have been employed to investigate the events in question, neither would have brought to bear the same training, skills and background possessed by attorneys and necessary to make the professional independent analysis and legal recommendations sought by the [company]'s Board of Directors.

_Id._ at 601.

Although there is no clear-cut rule discernible from the cases, courts have looked at a number of factors to determine whether the underlying motive of the communication was legal advice:

1. Could a non-lawyer have handled the task?
2. What was the purpose for which the lawyer was contacted?
3. What was the intended role of the lawyer?
4. To what degree did the proffered advice relate to purely legal matters? _See generally Gergacz, Attorney-Corporate Client Privilege_, at 3–18.

Courts are particularly sensitive to attempts by corporations to funnel documents to in-house or (or even outside) counsel in an attempt to "create" the privilege. _See, e.g., Rossi_, 540 N.E.2d at 705. If a document had a "dual" purpose _e.g., if it was generated for a business purpose and merely copied to the lawyer), then a court may not uphold a claim of privilege.

C. Maintaining Confidentiality

There is frequently a question about the extent to which confidential information can be disclosed within a corporation without waiving the privilege. The general test for confidentiality in the corporate context—albeit an imprecise one—is whether the confidential information
was circulated no further than among those employees who had a legitimate “need to know” (i.e., those who had reasonable involvement in the subject matter at issue and who had need of the legal advice). See, e.g., In re Brand Name Prescription Drugs Antitrust Litig., 1995 WL 557412 (N.D. Ill. Sept. 19, 1995); Hohenwater v. Roberts Pharm. Corp., 152 F.R.D. 513, 517 (D.S.C. 1994); Coastal States Gas Corp. v. Dep’t. of Energy, 617 F.2d 854, 863 (D.C. Cir. 1980).

1. Protecting Information Given to Third Parties

Disclosure (inadvertent or intentional) of confidential information to third parties (e.g., outside consultants working for the corporation as opposed to the lawyer) may waive the privilege. See, e.g., United States v. El Paso Co., 682 F.2d 530, 539–41 (5th Cir. 1982), cert. denied, 466 U.S. 944 (1984). Most courts find that revealing a communication to outside auditors or accountants will waive the privilege, unless the communication is made for the explicit purpose of obtaining legal advice or help with a legal (not business) matter. Chevron Corp. v. Penzoil, 974 F.2d 1156, 1.162 (9th Cir. 1992); United States v. El Paso Co., Inc., 682 F.2d 530, 539–40 (5th Cir. 1982), cert. denied, 466 U.S. 944 (1984); In re John Doe Corp., 675 F.2d 482, 488–89 (2d Cir. 1982); In re Pfizer Inc. Sec. Litig., 1993 WL 561125 (S.D.N.Y. Dec. 22, 1993); United States v. Rosenthal, 142 F.R.D. 389, 392–93 (S.D.N.Y. 1992). The Illinois Supreme Court has found that revealing information to outside auditors waives the privilege. In re October 1985 Grand Jury No. 746, 530 N.E.2d 453, 457 (Ill. 1988). But see discussion at Section IV.B, infra.

The second circuit has held that a corporation failed to establish that the privilege extended to communications by its in-house counsel to an accounting firm that advised corporate counsel of the tax consequences of a proposed corporate reorganization. United States v. Adlman, 68 F.3d 1495, 1500 (2d Cir. 1995).

By contrast, another court found that documents relating to an environmental audit prepared by outside auditors at the request of in-house attorneys were privileged, since the reports were prepared for the purpose of “securing an opinion of law” (that the company was in compliance with applicable laws and regulations). Olen Properties v. Sheldahl, 1994 U.S. Dist. LEXIS 7125 (C.D. Cal. Apr. 12, 1994).

2. Protecting Files within the Company

Even within the corporation, the party asserting the privilege must make affirmative efforts to identify and segregate privileged documents. In re Grand Jury Proceedings Involving Berkely & Co. & Others, 466 F. Supp. 863, 870 (D. Minn. 1979), aff’d, 629 F.2d 548 (8th Cir. 1980). Failure to do so can raise a presumption of waiver. In rejecting claims of privilege, some courts have found it determinative that materials were kept in routine, open business files of the company. United States v. Kelsey-Hayes Wheel Co., 15 F.R.D. 461, 465 (E.D. Mich. 1954).

Modern technology poses even more daunting problems in maintaining confidentiality:

1) Shared electronic files and documents available to all employees on a networked computer system might be found by a court to be non-privileged because they have been essentially “posted” on the company bulletin board. Legal department files on a shared network may require additional protection.

2) At least one bar association has published a formal opinion cautioning lawyers conversing on cell phones to warn the other party that he or she is doing so and not to

3) By contrast, e-mail messages sent to attorneys via the Internet are probably secure enough—even without encryption software—to avoid a waiver, although the law is still evolving. Though such messages are theoretically subject to interception by third parties, some commentators have likened this risk to that of a telephone wiretap, which would not constitute a waiver, as opposed to a cellular phone which is easily intercepted. See, e.g., William Freivogel, Communicating With or About Clients on the Internet, ALAS Loss Prevention J. 17 (Jan. 1996). See also Freivogel, Internet Communications—Part II: A Larger Perspective, ALAS Loss Prevention J. (Jan. 1996).

4) And the technology becomes ever more complex, as do the questions of what is protected. See, e.g., IV.D. below, (discussing e-discovery amendments to the Fed. R. Civ. P.).

D. Regulatory Compliance Audits

In-house lawyers routinely give compliance advice under antitrust, environmental, labor, securities, tax and other laws. In this function, many of the concerns about attorney-client privilege issues discussed above regarding internal investigations, business advice and communication with outsiders can apply.

The use of non-legal personnel such as internal or external auditors to provide advice on regulatory compliance may jeopardize the privilege. However, there is support, as noted above, for the proposition that if the auditors' participation is for the purpose of assisting in the provision of legal advice, the privilege should still apply. The auditors should be treated as others who act as the attorney's agents.

Work product protection may be of some assistance where a specific legal proceeding is contemplated. Adversarial proceedings before regulatory agencies (such as agency permit proceedings) count for purposes of work product protection. Thus, representatives of a party can assist in preparing material in anticipation of a regulatory proceeding within the scope of applicable work product protection available in a particular jurisdiction.

Finally, some regulatory statutes have self-reporting requirements. For instance, the Clean Water Act is premised upon a self-reporting scheme, and companies that discover violations may be obliged to turn themselves in under certain conditions. Legal reporting requirements may as a practical matter override privilege protection in certain instances in the arena of regulatory compliance.

IV. Recent Issues Involving the Attorney-Client Privilege and Work Product Doctrine

While much of the discussion that follows stems from events in federal agencies and courts, the ripples extend quickly and seemingly inevitably to state agencies and courts. What happens in the federal system today often crops up in the states tomorrow. The most obvious example is the effect of federal rules on state rules of procedure and evidence, since many states have chosen to adopt counterparts of federal rules.
A. The Effect of Disclosure of Internal Investigations to Government Prosecutors

Democrats and Republicans rarely agree on anything. In a surprising show of unanimity, the Deputy Attorneys General in the last two administrations (Clinton and Bush) has seen the attorney-client privilege as an impediment to efficient prosecution of corporations. Both set out to remedy that situation.

1. The Holder/Thompson memoranda.


Today, federal prosecutors are adding to their arsenal of weapons, both by threatening to indict and by seeking more serious charges or sentences, if such cooperation is not provided. After the government has selected the crimes to be charged and obtained conviction, courts must impose a sentence for that level crime, as prescribed by the Federal Sentencing Guidelines. As a result, prosecutors are able to exert a great measure of control over both the charging and sentencing process, thus requiring that defense counsel take into account the often harsh effect of the sentencing guidelines before responding to a federal prosecutor’s request for a waiver of the attorney-client privilege or work product protections.

The DOJ standards under both Holder and Thompson have encouraged federal prosecutors to seek waivers of the attorney-client and work product privilege. They state that, when weighing whether the corporation has sufficiently cooperated in the investigation phase so as to not be charged with a crime, the prosecutor may consider whether the corporation has identified culprits, turned over its internal investigation and waived the attorney-client and work product protections. The Standards provide:

In determining whether to charge a corporation, that corporation’s timely and voluntary disclosure of wrongdoing and its willingness to cooperate with the government’s investigation may be relevant factors. In gauging the extent of the corporation’s cooperation, the prosecutor may consider the corporation’s willingness to identify the culprits within the corporation, including senior execu-
tives; to make witnesses available; to disclose the complete results of its internal investigation; and to waive attorney-client and work product protection.


Although the Standards emphasize that such a waiver is not an absolute requirement but merely a single factor the government should consider in evaluating the corporation’s cooperation, id. §VI.B, the term “may” carries a veiled threat. The practical effect is that attorneys are being asked to waive the privilege and do the government’s work for it: to conduct an investigation with the leniency traditionally accorded to internal investigations and then to turn over to the government the results of that investigation, at pain of the corporation earning a greater sentence.

One factor the prosecutor may weigh in assessing the adequacy of a corporation’s cooperation is the completeness of its disclosure including, if necessary, a waiver of the attorney-client and work product protections, both with respect to its internal investigation and with respect to communications between specific officers, directors and employees and counsel. Such waivers permit the government to obtain statements of possible witnesses, subjects, and targets, without having to negotiate individual cooperation or immunity agreements. In addition, they are often critical in enabling the government to evaluate the completeness of a corporation’s voluntary disclosure and cooperation. Prosecutors may, therefore, request a waiver in appropriate circumstances. This waiver should be limited to the factual internal investigation and any contemporaneous advice given to the corporation concerning the conduct at issue. Except in unusual circumstances, prosecutors should not seek a waiver with respect to communications and work product related to advice concerning the government’s criminal investigation. The Department does not, however, consider waiver of a corporation’s attorney-client and work product protection an absolute requirement, and prosecutors should consider the willingness of a corporation to waive such protection, when necessary to provide timely and complete information as one factor in evaluating the corporation’s cooperation.”


2. Waiver of the Privilege to the Government May Mean Waiver in Civil Litigation as Well

Nor does the erosion of the privilege end with disclosure of the investigation to the government. Where corporate wrongdoing is concerned, a remarkable nexus has developed between criminal and civil litigations. Civil litigation—products liability claims, shareholder litigation, consumer fraud cases—piggyback on criminal litigation and vice-versa. The law of privilege in many states leaves no room for “selective” waiver: if a party waives as to one (e.g., the federal government) the party waives as to all (e.g., private civil litigants).

3. The Crime/Fraud Exception

In addition to the policies expressed in the Standards, the federal government has further attacked the attorney-client privilege and work product doctrine by challenging the existence of these protections in ex parte proceedings, asserting that the crime-fraud exception vitiates any privilege. Under this exception, a client who seeks assistance from counsel for the purpose of

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committing a crime or a fraud is not entitled to the protections of confidentiality. Indeed, “[t]he privilege ends when the client seeks to involve the attorney in wrongdoing.” See David J. Fried, Too High a Price for Truth: The Exception to the Attorney-Client Privilege for Contemplated Crimes and Frauds, 64 N.C.L. Rev. 443, 443–44 (1986). In these situations, the defendant or person under investigation has no opportunity to be heard and the government need make only a prima facie showing.

4. The ABA Task Force Response

There have been recent attempts to deal with the potential and actual erosion of the attorney-client privilege by the Holder and Thompson memoranda. In 2004, the ABA launched a task force on attorney-client privilege that has been working in close cooperation with a broad coalition of business and legal groups—ranging from the U.S. Chamber of Commerce to the American Civil Liberties Union—in an effort to protect the attorney-client privilege and the work product doctrine. The ABA's policies on privilege waiver and other resources on this topic are available on the ABA Task Force website at http://www.abanet.org/buslaw/attorneyclient/ and the Governmental Affairs Office website at http://www.abanet.org/poladv/acprivilege.htm. These include:

1) Survey of Corporate Counsel. According to a new survey of over 1,200 corporate counsel that was completed by the Association of Corporate Counsel, the National Association of Criminal Defense Lawyers, and the ABA in March 2006, almost 75 percent of corporate counsel respondents believe that a “culture of waiver” has evolved in which governmental agencies believe that it is reasonable and appropriate for them to expect a company under investigation to broadly waive attorney-client or work product protections. Respondents also said that when prosecutors give a reason for requesting privilege waiver, the Holder/Thompson Memoranda and the 2004 amendment to the Sentencing Guidelines were among the reasons most frequently cited. According to the ABA, this survey provides compelling new evidence in support of its contention that the Justice Department’s waiver policies, combined with the 2004 amendment to the Federal Sentencing Guidelines, have resulted in the routine compelled waiver of attorney-client privilege and work product protections.

2) Congressional Hearings on Privilege Waiver. On March 7, 2006, the House Judiciary Subcommittee on Crime, Terrorism and Homeland Security held a hearing on the privilege waiver issue. During the hearing, a number of Subcommittee members from both political parties expressed strong support for preserving the attorney-client privilege and serious concerns regarding both the Justice Department’s internal waiver policy and the 2004 privilege waiver amendment to the Federal Sentencing Guidelines.

3) Sentencing Commission Votes to Reverse Privilege Waiver Amendment. A major victory for those opposing the DOJ measures occurred in April 2006. The U.S. Sentencing Commission voted unanimously on April 5, 2006 to remove the privilege waiver language that it had previously added to the Federal Sentencing Guidelines in 2004, under which waiver of the privilege was viewed as a measure of cooperation justifying more lenient treatment. See Letter of Michael C. Green, ABA President, dated 5/2/06 available at http://www.abanet.org/buslaw/attorney/client. Unless Con-
gress affirmatively takes action to modify or disapprove the Commission’s action, the Commission’s decision will become effective on November 1, 2006.

4) ABA Letter to Attorney General Gonzales. On May 2, 2006, the ABA sent a letter to Attorney General Alberto Gonzales expressing the ABA’s concerns over the Department’s privilege waiver policy and urging DOJ to adopt specific new language recommended by the ABA and the coalition.

5. Proposed Fed. R. Evid. 502

Most recently, in late April 2006, the Advisory Committee for the Federal Rules of Evidence decided on a proposed Fed. R. Evid. 502 that would limit the extent of waiver when the results of an internal investigation are shared with the government. There is; however, a long way to go before the Rule becomes law.

The Rules Enabling Act requires affirmative Congressional approval of any rule “creating, abolishing, or modifying an evidentiary privilege.” 28 U.S.C. §2074(b). Therefore, Proposed Rule 502 will become effective only if enacted by Congress, some members of whom support such a measure.

The proposed Rule has four primary aspects:

1) A test for determining the extent of subject matter waiver of privilege or work product material that is voluntarily disclosed.

2) A test for whether inadvertent disclosure affects a waiver that resolves a split in the circuits.

3) A tentative adoption of the principle of selective waiver, under which disclosure to a federal office conducting an investigation does not effect a waiver as to third parties;

4) A provision that a federal court order governing waiver through disclosure (inadvertent or otherwise) in the course of a litigation is binding on subsequent courts and third parties.

It is significant that the proposed Rule—by its terms—affects proceedings in state court. For example, that on the issue of inadvertent waiver, the rule provides that if such a disclosure occurs “in connection with federal litigation or federal administrative proceedings,” the disclosure will not work a waiver in subsequent proceedings in either federal or state court.

Most notable, perhaps, is the Rule’s treatment of deliberate waiver to the government. Subdivision (c) adopts the doctrine of selective waiver, permitting a person who has disclosed privileged communications to the government to continue asserting the privilege against others:

[(c) Selective waiver. In a federal or state proceeding, a disclosure of a communication or information covered by the attorney-client privilege or work product protection—when made to a federal public office or agency in the exercise of its regulatory, investigative or enforcement authority—does not operate as a waiver of the privilege or protection in favor of non-governmental persons or entities. The effect of disclosure to a state or local government agency, with respect to non-governmental persons or entities, is governed by applicable state law. Nothing in this rule limits or expands the authority of a government agency to disclose communications or information to other government agencies or as otherwise authorized or required by law.]

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B. The Effect of Disclosures to Auditors

Corporate audits play an important role in the orderly functioning of our nation’s social and economic systems because they ensure that the financial statements of companies “fairly present” such companies’ financial conditions to shareholders or prospective purchasers. Because auditors must have access to enough information to conduct audits properly and because corporations have a need to protect certain information from disclosure so that the interests protected by the privilege and the work-product doctrine are not undermined, a natural tension is created between the privilege and work-product doctrine, on the one hand, and audits, on the other hand. See Report and Recommendation of ABA Task Force on Attorney-Client Privilege (ABA Report), p. 22, http://www.abanet.org/buslaw/attorneyclient.

Auditors’ vigilance and scrutiny have been markedly expanded in our past-Enron world. Anecdotal evidence is accumulating that:

1) Auditors now demand access to a broad range of information as soon as there is any whiff of trouble that needs to be investigated;
2) Auditors often refuse to sign off on the next SEC filing or earnings release unless they get virtually full access to investigative materials (including privileged information);
3) Many audit firms now insist on participating in the employee interviews that may be conducted as part of an internal investigation;
4) Auditors are now, routinely, requesting information regarding contingencies and litigation merits.

See, e.g., Corporate Counsel Consortium, The Auditor’s Need for Its Client’s Detailed Information Versus the Client’s Need to Preserve the Attorney-Client Privilege and Work Product Protection, 3 at http://www.abanet.org/buslaw/attorneyclient (corporations reported “sharp increase” in auditors’ requests for privilege information, either as condition of engagement or as requirement for completion of financial statement audits or reviews).

The Sarbanes-Oxley Act, Section 101, created a Public Accounting Oversight Board (PCAOB), which is developing standards applicable to audits of public companies, including the question of access to privileged materials. Although §105 of Sarbanes-Oxley has a provision protecting privilege when disclosures are made to the PCAOB, federal law is silent when such information is made to a company’s auditors. The common law of only a handful of states recognizes an accountant-client privilege. Ga. Code Ann. §43–3–32; see also Corporate Counsel Consortium, supra, Ex. C, note 87. Elsewhere, disclosures to auditors enjoy no protection. Gutter v. E.I. DuPont De Nemours, 1998 WL 2017926 at *3 (S.D. Fla. May 18, 1998); In Re Pfizer, 1993 WL 561125 (S.D.N.Y.) at *5. See also Merrill Lynch & Co. v. Allegheny Energy, Inc., 2004 U.S. Dist. LEXIS 21543 (S.D.N.Y., Oct. 22, 2004) (finding no waiver of work product from production to auditors and discussing case law on selective waiver).

Triggered by the corporate scandals of 2001–2002, legislation, regulations of the SEC and standards and rules of the PCAOB have impacted how generally accepted auditing standards (“GAAS”) are applied. Auditors’ procedures to verify company positions and representations have been under fire. The PCAOB’s and the SEC’s roles overseeing auditors’ compliance with GAAS in the detection of fraud and public companies’ compliance with securities laws have been strengthened. While the auditors’ role in performing procedures regarding the fair presentation of a company’s financial statements has been spotlighted, it is the companies that are
charged with developing proper internal controls and cooperating with their auditors in the first instance. Their reward for all this may; however, be vast exposure to civil litigation. See generally ABA Report at 23.

What is the result of disclosures of protected material to public auditors? The decisions raise uncertainties.

The ABA Report observes that disclosing attorney-client privileged documents to outside auditors has been held to waive the privilege, at least as far as those documents are concerned. For example, in a decision dealing with Pfizer’s disclosure of privileged information relevant to litigation reserves, the court stated: “Pfizer cannot assert attorney-client privilege for any documents that were provided to its independent auditor. Disclosure of documents to an outside auditor destroys the confidentiality seal required of communications protected by the attorney-client privilege, notwithstanding that the federal securities laws require an independent audit.” In Re Pfizer Inc. Securities Litig., 1993 U.S. Dist. LEXIS 18215 *22 (S.D.N.Y. 1993). Whether the waiver is “selective” or has the effect of waiving the privilege as to all communications with counsel on the same subject matter is less clear. ABA Report at 23.

As the ABA notes, whether a corporation may share attorneys’ litigation work product with public auditors without relinquishing the protection of the work-product doctrine is also uncertain. On one hand, in Medinol, Ltd. v. Boston Scientific Corp., the court found that the protection had been waived when a company shared the results of an internal investigation with outside auditors who were reviewing the company’s litigation exposures. The court reasoned that work-product protection is not waived when protected material is disclosed “to a party sharing common litigation interests,” but found that the independent auditors did not share common litigation interests with the company. Medinol, Ltd. v. Boston Scientific Corp., 214 F.R.D. 113, 115 (S.D.N.Y. 2002). The court concluded,

[T]he auditor’s interests are not necessarily aligned with the interests of the company. And, as has become crystal clear in the face of the many accounting scandals that have arisen as of late, in order for auditors to properly do their job, they must not share common interests with the company they audit.

Id. at 116. See ABA Report at 23–24.

More recently, another judge in the United States District Court for the Southern District of New York reached the opposite conclusion in Merrill Lynch & Co. v. Allegheny Energy, Inc., 2004 U.S. Dist. LEXIS 21543 (S.D.N.Y. Oct. 22, 2004); see also Laguna Beach County Water Dist. v. Superior Court (Woodhouse), 04 C.D.O.S. 11096 (Cal. Ct. App. December 15, 2004) (finding that in certain circumstances work-product given to an auditor will remain protected from disclosure to third parties). In that case, Merrill Lynch’s auditors received attorneys’ litigation work product arising out of an internal investigation of a trader’s theft, in order to enable the auditors to determine whether the theft impacted on Merrill Lynch’s financial statements and whether any conditions reflected adversely on the company’s ability to report financial information. Later, the plaintiff in a civil lawsuit relating to the theft sought discovery of the material provide to the auditors. The court held that the company had not waived work product protection. ABA Report at 24.
C. The Proof Required to Substantiate Claims of Privilege

The determination of whether one can reasonably claim privilege for a corporate communication is difficult enough. But after that determination is made, there is still a more treacherous landscape to traverse: how does one prove that the privilege exists, without disclosing the very information sought to be protected?

The privilege log has become the primary tool. Presumably, this is because blanket assertions of the privilege are not effective, and claims must be made document by document. *United States v. Rockewell*, 897 F.2d 1255 (3d Cir. 1990).

In 1989, federal rule makers recommended a new subpart of Rule 26 that would require every party in every case who asserts a privilege to provide an index. Interestingly, the rule was not preceded by a series of documented abuses or even a large number of cases that explored the need to substantiate claims of privilege.

The seminal case was *International Paper v. Fibreboard Corp.* 63 F.R.D. 88 (D. Del. 1974), which required the following information to be provided:

(a) the identity and corporate position of the person or persons interviewed or supplying the information, (b) the place, approximate date, and manner of recording or otherwise preparing the instrument, (c) the names of the person or persons (other than stenographical or clerical assistants) participating in the interview and preparation of the document, and (d) the name and corporate position, if any, of each person to whom the contents of the document have heretofore been communicated by copy, exhibition, reading or substantial summarization.

*International Paper* was originally followed primarily in the third circuit, with little interest elsewhere. Of note is that neither *International Paper*, much less the cases that followed it, contained a requirement that an index be unilaterally provided at the time privilege was originally claimed. Privilege logs were reserved for disputes.

All of this changed in 1989 with Rule 26(b)(5). Thereafter, an index was required at the outset. During the rulemaking process, there was lively debate as to what information should be required. The first draft of the new provision required that six categories of information be listed:

1) The type of document;
2) The document’s general subject matter and purpose;
3) Date of the document;
4) The name of the persons making or receiving the communication or a copy thereof or, if the communication was oral, of those present when it was made;
5) Their relationship to the author or speaker; and
6) Any other information needed to determine the applicability of the privilege or protection.

After considerable comment and debate, the rule eliminated specific categories of information in favor of a more general requirement:

Claims of Privilege or Protection of Trial Preparation Materials. When a party withholds information otherwise discoverable under these rules by claiming that it is privileged or subject to protection as trial preparation material, the
party shall make the claim expressly and shall describe the nature of the documents, communications, or things not produced or disclosed 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 general statement left a number of questions open to debate.

1) *When must the log be provided?* See *First Savings Bank v. First Bank System, Inc.*, 902 F. Supp. 1356, 1360 (D. Kan. 1995) (“the applicability of the privilege turns on the adequacy and timeliness of the showing as well as the nature of the documents”). But courts have consistently recognized the impracticality of providing large privilege logs within 30 days of document requests. If the parties cannot reach agreement on a schedule, most courts have been liberal in affording a protective order, so long as progress is being made. Advisory Committee Notes, Fed. R. Civ. P. 26(b)(5).


3) Must there be other proof of privilege—e.g., affidavits—in addition to the log? See, e.g., *General Motors Corp. v. Conkle*, 226 Ga. App. 34, 486 S.E.2d 180 (1997):

GM contends it asserted its privilege claims in its first response to the Conkles’ requests to produce on September 14, 1993, and again when it submitted a privilege log to the Conkles and submitted the documents to the court. Stating a privilege claim and meeting the burden of showing by evidence that privilege applies are not the same. GM did not submit any evidence to support its privilege claim [i.e., affidavits supporting each entry on the log] until its motion for reconsideration.

D. Changes to the Law of Privilege in Recognition of the Burdens of E-Discovery.

The Advisory Committee on the Federal Rules of Civil Procedure undertook an astonishingly ambitious task several years ago when it embarked on amendments to govern electronic discovery. The campaign is now in its fourth year, and the end is near; the Supreme Court has approved the amendments, and Congress is expected to allow them to become effective in December 2006.

The impetus for this Sisyphean task was the recognition that discovery—already responsible for the lion’s share of spiraling litigation costs—was due to become exponentially more expensive and burdensome due to the ubiquity of electronic information and management systems. The overwhelming consensus that came out of the public comments and hearings on the proposed rules was that the volume of e-information required accommodation to curb the mounting costs of document production. Because it was believed that ascertaining the privileged status of e-documents was made more difficult by the excessive volume of electronic information, certain changes in the proposed amendments addressed the management of privileged and work product documents.

Most notable is the provision allowing a so-called “claw back” of privileged information. The proposed amendment to Fed. R. Civ. P. 26(b) provides:
Information produced. If information is produced in discovery that is subject to a claim of privilege or 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 and may not use or disclose the information until the claim is resolved. A receiving party may promptly present the information to the court under seal for a determination of the claim. If the receiving party disclosed the information before being notified, it must take reasonable steps to retrieve it. The producing party must preserve the information until the claim is resolved.


Significantly, this proposal does not address whether a waiver of privilege has been affected by the production. That issue remains for individual courts to decide. The proposed rule simply provides an interim protocol for handling belatedly recognized claims of privilege that may well occur in the course of massive document productions. A number of questions remain open. For example, what about the timing of the assertion of privilege? May there be circumstances when the producing party is so delinquent in making his claim of privilege that a court will find a waiver?

Other portions of the proposed amendments recognize the likelihood that parties may increasingly enter into agreements for so-called “quick peaks” and “claw-backs.” Amended Rule 26(f), governing the parties’ initial discovery conference, will add as a topic of that discussion “any issues relating to claims of privilege or protection as trial-preparation material, including—if the parties agree on a procedure to assert such claims after production—whether to ask the court to include their agreement in an order.” Similarly, Rule 16(b) adds as a topic for the scheduling order to be entered at the initial pretrial conference “any agreements the parties reach for asserting claims of privilege or protection as trial-preparation material after production.”

E. The Debate over Whether Internet Questionnaires Are Privileged

The Internet has changed much about law practice, not least the recruitment of new clients. Law firm websites now routinely advertise expertise and encourage interested persons to contact the firm via the Internet. With increasing frequency, such websites ask potential clients to complete an on-line questionnaire.

Some courts have protected completed questionnaires from disclosure on attorney-client privilege and on work product grounds. Others have found reasons why they are not protected. Compare Steven Morisky v. Public Serv. Elec. & Gas Co., 191 F.R.D. 419 (D.N.J. 2000)(questionnaires passed out to potential class action clients at a public meeting and filled out by them were not privileged because at the time of the communication the individuals completing the questionnaires were not clients) and Hudson v. General Dynamics Corp., 186 F.R.D. 271 (D. Conn. 1999) (questionnaires completed by employees prior to becoming clients not protected by work-product because they are simply witness statements) with High Tech Communications, Inc. v. Panasonic Co., 1995 U.S. Dist. LEXIS 2547, 1995 W.L. 83614 (E.D. La. Feb. 24, 1995) (questionnaires completed by class representatives were attorney-client privileged).

The United States Ninth Circuit Court of Appeals has recently weighed in on the issue. In MDL litigation involving GlaxoSmithKline’s antidepressant Paxil, plaintiffs’ attorneys col-
lected information from potential plaintiffs via an electronic questionnaire made available on three websites. The questionnaire was placed online, solely for the purpose of finding potential class action plaintiffs. The trial court found that the responses from interested claimants were not privileged, based on a disclaimer at the end of the questionnaire that read:

I agree that the above does not constitute a request for legal advice and that I am not forming an attorney-client relationship by submitting this information.... I agree that any information that I will receive in response to the above questionnaire is general information.... I will not rely upon this information as legal advice.

In oral argument, counsel explained that the firm incorporated the disclaimer for the purpose of protecting itself from potential conflicts of interest. Nonetheless, the trial court found that, by checking a box to indicate agreement to the disclaimer, the individuals who filled out the questionnaire relinquished any expectation that the attorney-client privilege would protect their responses. *In Re Paxil Products Liab. Litig.*, No. MDL 03–1574 (C.D. Cal. Jan. 28, 2005).

Plaintiffs petitioned for a writ of mandamus to vacate the court’s order. The ninth circuit accepted the petition and reversed. Recognizing that mandamus was a “drastic remedy limited to extraordinary situations,” the court nonetheless found that a new and novel question was presented:

What is “new” about the case is attorneys trolling for clients on the internet and obtaining there the kind of detailed information from large numbers of people that used to be provided only when a potential client physically came to a lawyer’s office. Two things had to happen to bring this about: the change in law in the 1970s that permitted attorney advertising, and the sufficiently widespread use of the internet, within the past five or ten years, that makes internet advertising worthwhile.

*Barton, et al. v. United States District Court for the Central District of California*, 410 F.3d 1104 (9th Cir. 2005).

Remarkably, the ninth circuit found that the unequivocal disclaimer did not vitiate the claim of privilege. “The district court clearly erred in treating the disclaimer of an attorney-client relationship as a disclaimer of confidentiality.” The court professed great concern for the rights of clients, as opposed to lawyers and was unwilling to penalize potential clients for the “vagueness and ambiguity of the law firm’s prose.” *Id.* Moreover, the court noted longstanding California law that retention interviews *(i.e., interviews undertaken in the course of deciding whether to retain a law firm)* were privileged. *Id.* The court observed that while the questionnaire required the submitter to check a box indicating that he/she agree that no attorney-client relationship existed, “the box [did] not disclaim the purpose of securing legal service.” *Id.*
Protective Orders and Confidentiality

The Role of the Courts in Safeguarding Property Rights

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# Protective Orders and Confidentiality

*The Role of the Courts in Safeguarding Property Rights*

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I. Introduction

In litigation, liberal discovery rules commonly require parties to produce documents and information that a party normally would carefully protect from disclosure. This information can include sensitive materials, such as research and development goals, design drawings, marketing plans and pricing strategies. This information may or may not fit a strict definition of a protectible trade secret.

Protective orders have commonly been sought to ensure that information provided in discovery is not unnecessarily disseminated or used for a purpose unrelated to the litigation. Certain statutes have recently limited a court’s ability to provide protection for discoverable information.

This paper briefly reviews representative precedent and statutes, both federal and state, governing protection of information in litigation. These cases address some of the issues confronted by litigants and courts in shaping protective orders that will serve both the interest of the public in open judicial proceedings and the interests of litigants in efficient litigation without unnecessary disclosure of confidential business information.

In conclusion, the paper highlights certain practical considerations that should be addressed in crafting a protective order. Sample clauses are also provided.

II. The Constitution and Protective Orders

There have been a number of cases in which a party has argued that the First Amendment precludes entry or enforcement of protective orders that limit dissemination of information acquired during discovery. The leading case on the subject is *Seattle Times Co. v. Rhinehart*, 467 U.S. 20, 104 S. Ct. 2199 (1984).

In *Seattle Times*, Rhinehart was the leader of the Aquarian Foundation, a Washington-based spiritual group. The Seattle Times published several articles on Rhinehart and the group. Rhinehart sued, alleging defamation and invasion of privacy. The Seattle Times sought discovery on the identity of the group’s members and information about the group’s finances. Based upon affidavits averring that dissemination of certain information gathered in discovery would subject members of the Foundation to harassment and affect its income, the trial court issued a protective order prohibiting the Times from using financial and membership information obtained through discovery for any purpose outside the litigation context. The Times claimed that the protective order violated the First Amendment.

According to the Supreme Court’s analysis, the core issue was “whether a litigant’s freedom [of speech] comprehends the right to disseminate information that he has obtained pursuant to a court order that both granted him access to that information and placed restraints on the way in which the information might be used.” 104 S. Ct. at 32. The test for constitutionality of protective order depended on the answers to the following questions:

1) Does the practice in question [here, the protective order] further an important or substantial governmental interest unrelated to the suppression of expression?
2) Is the limitation of First Amendment freedom no greater than is necessary or essential to protect that governmental interest?

The Court concluded that the government has a substantial interest in preventing abuse of liberal discovery rules. The court stated: “A litigant has no First Amendment right of access to information made available only for the purposes of trying his suit.” *Id.* Moreover, there is a substantial governmental interest unrelated to the suppression of expression that justifies protective orders with respect to discovery. Because discovery rules are liberal and are provided for the sole purpose of assisting in preparation for trial or settlement of litigated disputes, protective orders are necessary to circumscribe the potential for abuse. *Id.* at 35. Moreover, because information learned through discovery is not traditionally part of the public components of a civil trial, restraints on discovery do not constitute a restraint on public information.

The Court ruled that the protective order at issue was not a prior restraint because the order covered only information gathered solely through discovery—the Times was free to publish any information about the Foundation that it gathered from other sources. *Id.* at 34. The Court also ruled that trial courts should have latitude to determine the scope of a protective order and, in this case, “Where a protective order is entered on a showing of good cause as required by Rule 26(c), is limited to the context of pretrial discovery and does not restrict the dissemination of information if gained from other sources, it does not offend the First Amendment.” *Id.* at 37.

In *United States v. $9,041,598.68*, 976 F. Supp. 654 (S.D. Tex. 1997), the court applied *Seattle Times* in concluding that a protective order did not violate the First Amendment. In *$9,041,598.68*, the Houston Chronicle sought access to a deposition taken in connection with a civil forfeiture trial. During the trial, the court entered a protective order sealing deposition transcripts and other information regarding the identity and testimony of informants who were involved in an ongoing criminal investigation. The Chronicle challenged the protective order on the grounds that “the reason for sealing the deposition ‘may no longer outweigh the right of access’ to the deposition which arises under the common law and the First Amendment to the United States Constitution.” *Id.* at 656.

The court rejected the argument, noting that *Seattle Times* unequivocally holds that valid protective orders do not violate the First Amendment and that the “heightened scrutiny” test does not apply to protective orders. According to the court, the “good cause” that permitted the issuing of the protective order at trial was still present—thus the protective order should remain in place. The court was not persuaded that the First Amendment standards for criminal pretrial proceedings set forth in *Press-Enterprise v. Superior Court of California*, 478 U.S. 1 (1986), applied to confidential information subject to a protective order. *Press-Enterprise* established “two considerations for determining whether a First Amendment right of access attaches to a particular proceeding”: i) whether the place and process in question historically have been open to the press and general public and ii) whether public access plays a significant positive role in the functioning of the particular process in question. *Id.* at 657. The court held that the deposition at issue in *$9,041,598.68* should still not be unsealed under the *Press-Enterprise* standard, as depositions—in contrast to judicial records—are not traditionally public, and public access to the discovery process does not play a significant role in the administration of justice. *Id.* at 657–58.

In *Maggi v. Superior Court*, 119 Cal. App. 4th 1218 (Ct. App. 2004), a protective order limiting counsel’s right to discuss the case and from representing other parties was found to be unconstitutional. In *Maggi*, petitioners entered into a number of investment transactions with
several other parties (“Real Parties”). After cashing out of the investments, petitioners sued the Real Parties. The parties entered into a protective order, which the Real Parties accused petitioners of violating. The court issued a temporary restraining order preventing petitioners’ counsel from discussing the litigation with any third parties. At a later hearing, the court determined that petitioners had violated the protective order and thus continued the TRO. The court further issued a restraining order preventing petitioners’ counsel from representing any new plaintiffs against any of the defendants. The restraining order also limited counsel’s ability to question witnesses. Petitioners sought to vacate the restraining order on the grounds that it violated their and their counsel’s freedom of speech. Petitioners also challenged the restraining order as an unconstitutional sanction.

According to the court, gag orders on trial participants are unconstitutional unless:

1) the speech sought to be restrained poses a clear and present danger or serious and imminent threat to a protected competing interest;

2) the order is narrowly tailored to protect that interest; and

3) no less restrictive alternatives are available.

In Magi, the restraining order failed the first prong—there was no “protected competing interest” there. The court ruled that gag orders are not an appropriate means of protecting confidential information from disclosure and that restricting speech as a sanction for the violation of a protective order was unconstitutional. The Magi court distinguished Seattle Times, in which a protective order was found to be a constitutional means to limit discovery from the circumstances before it where the restriction on speech was a remedy for violation of a protective order.

### III. State Statutory Provisions

The discussion in this section sets forth rules and statutes relating to protective orders that have been enacted in various states. The cases discussed are intended to be representative of issues encountered under these rules and statutes and are not intended to be a comprehensive presentation of either the statutes or the case law in the various states.

Texas Rules of Civil Procedure

1. Rule 192.6 Protective Orders

   (a) Motion. A person from whom discovery is sought, and any other person affected by the discovery request, may move within the time permitted for response to the discovery request for an order protecting that person from the discovery sought. A person should not move for protection when an objection to written discovery or an assertion of privilege is appropriate, but a motion does not waive the objection or assertion of privilege. If a person seeks protection regarding the time or place of discovery, the person must state a reasonable time and place for discovery with which the person will comply. A person must comply with a request to the extent protection is not sought unless it is unreasonable under the circumstances to do so before obtaining a ruling on the motion.

   (b) Order. To protect the movant from undue burden, unnecessary expense, harassment, annoyance, or invasion of personal, constitutional, or property
rights, the court may make any order in the interest of justice and may—a mong other things—an order that:

(1) the requested discovery not be sought in whole or in part;
(2) the extent or subject matter of discovery be limited;
(3) the discovery not be undertaken at the time or place specified;
(4) the discovery be undertaken only by such method or upon such terms and conditions or at the time and place directed by the court;
(5) the results of discovery be sealed or otherwise protected, subject to the provisions of Rule 76a.

2. Texas Rule 76a. Sealing Court Records

1. Standard for Sealing Court Records. Court records may not be removed from court files except as permitted by statute or rule. No court order or opinion issued in the adjudication of a case may be sealed. Other court records, as defined in this rule, are presumed to be open to the general public and may be sealed only upon a showing of all of the following:

(a) a specific, serious and substantial interest which clearly outweighs:
   (1) this presumption of openness;
   (2) any probable adverse effect that sealing will have upon the general public health or safety;
(b) no less restrictive means than sealing records will adequately and effectively protect the specific interest asserted.

2. Court Records. For purposes of this rule, court records means:

(a) all documents of any nature filed in connection with any matter before any civil court, except:
   (1) documents filed with a court in camera, solely for the purpose of obtaining a ruling on the discoverability of such documents;
   (2) documents in court files to which access is otherwise restricted by law;
   (3) documents filed in an action originally arising under the Family Code.
(b) settlement agreements not filed of record, excluding all reference to any monetary consideration, that seek to restrict disclosure of information concerning matters that have a probable adverse effect upon the general public health or safety, or the administration of public office, or the operation of government.
(c) discovery, not filed of record, concerning matters that have a probable adverse effect upon the general public health or safety, or the administration of public office, or the operation of government, except discovery in cases originally initiated to preserve bona fide trade secrets or other intangible property rights.

6. Order on Motion to Seal Court Records. A motion relating to sealing or unsealing court records shall be decided by written order, open to the public, which shall state: the style and number of the case; the specific reasons for
finding and concluding whether the showing required by paragraph 1 has been made; the specific portions of court records which are to be sealed; and the time period for which the sealed portions of the court records are to be sealed. The order shall not be included in any judgment or other order but shall be a separate document in the case; however, the failure to comply with this requirement shall not affect its appealability.

3. Interpretation of the Texas Rules

*The Upjohn Company v. Freeman*, 847 S.W.2d 589 (Ct. App. Tex. 1992)

In a products liability suit, Upjohn moved for a sealing order under Rule 76a. The trial court applied a clear and convincing evidence standard and held that Upjohn failed to meet this burden. Upjohn appealed.

According to the appellate court, abuse of discretion is the appropriate standard for review because the advisory committee for Rule 76a had rejected a clear and convincing evidence standard in favor of a preponderance of evidence standard. The case was remanded to the trial court for rehearing on the Rule 76a motion under the appropriate standard.

*The Upjohn Company v. Freeman*, 906 S.W.2d 92 (Ct. App. Tex. 1995)

On remand of the above case, the trial court reheard Upjohn’s motion for a sealing order. The trial court sealed documents containing trade secrets—specifically Upjohn’s protocols in testing and developing the drug in question. Upjohn appealed regarding the unsealed documents; plaintiffs appealed regarding the sealed documents.

As explained by the appellate court, under Rule 76a, “court records” are presumed to be open to the general public. Therefore, a trial court must first determine whether documents at issue are “court records” as defined by Rule 76a. If there is a dispute over whether certain documents are “court documents,” the party seeking openness must prove that the documents are court records by a preponderance of the evidence.

Documents in this case were “court records” under 76a(2)(c) because they were:

1) discovery
2) not filed of record
3) documents that concern matters that have a probably adverse effect upon the general public health and safety.

In addition, some were “court records” because they were admitted in evidence during trial.

The party requesting the sealing order bears the burden of rebutting the presumption of openness by a preponderance of the evidence. The presumption of openness can be rebutted by showing:

1) a specific, serious and substantial interest which clearly outweighs:
    a) this presumption of openness; and
    b) any probable adverse effect that sealing will have upon the general public health or safety; and
2) that no less restrictive means than sealing the records will adequately and effectively protect the specific interest asserted.
The appellate court noted that a motion to seal or unseal court records must be in writing, open to the public, specific as to reasons for sealing (or unsealing, depending on the motion) and must specify the portions of the court record to be sealed.

In *Upjohn* the court upheld portions of the sealing order protecting trade secrets, noting that: “A properly proven trade secret interest may constitute a specific, serious and substantial interest, which would justify restricting access to the documents in question.” *Id.* at 96. As explained by the court: “A trade secret may consist of any formula, pattern, device or compilation of information which is used in one’s business and which gives one an opportunity to obtain an advantage over competitors who do not know or use it.” *Id.*

In contrast, *Upjohn* failed to prove that “its privacy rights, right to a fair trial, trade secret interest, or any other interests were specific, serious, and substantial interests under Rule 76a(1)(a)” justified sealing with respect to the unsealed documents. As to those documents, the evidence presented at the hearing regarding *Upjohn*’s “specific, serious and substantial interests” was conflicting—some of the evidence supported the presumption of openness, whereas some of the evidence supported *Upjohn*’s contention that it would be harmed by the release of information. Accordingly, the trial court’s decision not to seal based on conflicting evidence was not an abuse of discretion.

*Chandler v. Hyundai Motor Company*, 829 S.W.2d 774 (Sup. Ct. Tex. 1992)

In *Chandler*, defendant in a wrongful death suit sought a protective order preventing the plaintiff from releasing information obtained in discovery to any outside parties. Plaintiff sought a hearing to review the defendant’s request. The trial court denied the request and the court of appeals dismissed the plaintiff’s interlocutory appeal of the trial decision.

The Texas Supreme Court reversed, noting that interlocutory appeal under Rule 76a(8) was the appropriate means to challenge the trial court’s decision.


Following the decision described above, defendant moved for a protective order under Rule 166b(5)(c). Plaintiff argued that defendant failed to comply with the provisions of Rule 76a by moving for a protective order under Rule 166b5c. The trial court granted defendant’s motion for a protective order. Plaintiff appealed the protective order. In the interim, the parties tried the case on the merits and a final judgment was entered.

The appellate court rejected defendant’s contention that plaintiff’s appeal was moot simply because a judgment had been entered on the merits because Rule 76a “operates to benefit the public at large and not just the party litigants; the public’s interest cannot be ‘mooted’ or settled by the party’s litigants.” *Id.* at 883. The plaintiff had not waived its rights under Rule 76a by agreeing that the master could preliminarily determine whether Rule 76a applied and whether an evidentiary hearing was required. Where the ensuing hearing did not comport with the requirements of Rule 76a, the aggrieved party had the right to bring an interlocutory appeal. Moreover, as found in the prior Supreme Court decision, plaintiff’s interlocutory appeal of the court’s finding that the documents in question were not court records was permissible under Rule 76a

The appellate court found that the trial court did not conduct an evidentiary hearing per the standards of Rule 76a as the trial court’s grant of the protective order was based on a special master’s preliminary ruling in favor of the defendant. Thus, the plaintiff was deprived of a hearing in which:
1) the notice requirements were met; and
2) the party seeking to restrict the dissemination of documents had sustained its burden to show:
   a) that it had specific, serious and substantial interest that clearly outweighed the statutory presumption of openness
   b) what probable adverse effect that restricting the dissemination of the documents to the public would have upon the general public health or safety; and
   c) no less restrictive means would adequately and effectively protect the specific interest asserted; and
3) after which the court made a written order stating the specific reasons for finding that the showing required in Rule 76a(1) had been made.

_Dunshie v. General Motors Corp._, 822 S.W.2d 345 (Ct. App. Tex. 1992)

In this products liability suit against a seat belt manufacturer, defendant sought two protective orders: one under Rule 166b(5)(c) to protect alleged trade secrets and confidential business information from indiscriminate disclosure and a second under Rule 76a to seal trade secrets and proprietary information to be produced in discovery. The trial court entered a protective order under 166b(5)(c) and a separate order under Rule 76a. The Rule 76a order covered engineering drawings, crash tests and government submissions but not organizational charts. Plaintiffs appealed.

The trial court held that the documents were not court records because they were unfiled and did not concern matters that would be adverse to the public health or safety. Accordingly, the documents were not court records and were not subject to restrictions of Rule 76a. The trial court’s decision was based on testimony from defendant’s expert that the documents neither revealed a threat to public safety nor posed a probably adverse effect on the general health. The appellate court concluded that it was within the trial court’s discretion to rely on the defendant’s expert and therefore there was no abuse of discretion. Moreover, because the documents were not court records, the interlocutory appeal provision of Rule 76a(8) did not apply. As a result, the court of appeals lacked jurisdiction to hear the appeal based on Rule 166b.


In this products liability suit regarding a prescription drug, the defendant sought a protective order under Rule 76a to prevent disclosure of its trade secrets. The trial court declined to consider the claims because Rule 76(a)(2)(c) excludes from the definition of court records “discovery in cases originally initiated to preserve bona fide trade secrets or other intangible property rights.” The appellate court reversed because “a properly proven trade secret is an interest that should be considered in making the determination required by Rule 76a,” and protection of trade secrets is not limited to cases in which protection of trade secrets is the underlying cause of action. _Id._ at 158.

_Eli Lilly and Company v. Biffle_, 868 S.W.2d 806 (Ct App. Tex. 1993)

In a products liability suit concerning the drug Prozac, the defendant sought a protective order for its trade secrets under Rule 76a. The trial court stated that because Rule 76a presumes that the information sought in discovery is open, the burden was on the defendants to prove that the information should not be disclosed. The trial court declined to issue the protective order.
The appellate court reversed because the party asserting that the documents are open to the public must prove, by a preponderance of the evidence, that the documents are court records as defined by Rule 76a. Only after the documents are determined to be “court documents” does Rule 76a presume that the documents are open. Once the documents are presumed open, the burden shifts to the moving party to prove that the documents should be sealed. In the present case, defendant specifically raised the issue of whether the documents in question were court records. Thus, the trial court abused its discretion in assuming that the documents in question were court records.


Plaintiff sued defendant for injuries stemming from a car accident. During discovery, defendant had an interim Rule 166b protective order in place. At a later pretrial hearing, the court suggested that the defendant should move to seal the documents under Rule 76a. Defendant filed the proper motion, but the parties then settled. Plaintiff’s counsel moved for relief from the Rule 166b protective order. The trial court vacated the order. Defendant appealed.

Texas Rule 166b “authorizes a trial court to enter a protective order when good cause is shown to protect the results of discovery. The court may order that discovery be sealed or otherwise adequately protected, that its distribution be limited or that its disclosure be restricted.” *Id.* at 447. However, any protection under 166b must be consistent with the provisions of Rule 76a, which governs all court records, while Rule 166b does not.

Under Rule 76a, the court must balance the presumption of openness and the probable adverse effect on the general public’s health and safety against the interest the movant has in sealing the documents. Only when the interests in favor of sealing clearly outweigh the presumption of openness and public interests may a court seal documents. Because the trial court was presented with conflicting evidence, the court did not abuse its discretion in refusing to seal the documents.

The court rejected General Tire’s constitutional challenges to Rule 76a, finding the rule is not constitutionally void for vagueness because the term “probably adverse effect” is limited and does not force people of common intelligence to guess at what the terms mean. Moreover, trade secrets are not a constitutionally protected property interest for the purposes of the takings clause in Texas, although trade secrets may be considered property in some contexts in Texas.


In this case, the Texas Supreme Court overruled part of the lower court’s holding discussed above, though not the points discussed above.

As explained by the Texas Supreme Court, the notice requirements and other Rule 76(a) procedures do not apply until the trial court has made a threshold finding that the documents in question are “court records.” Accordingly, the trial court erred in allowing intervenors to have full access to the documents at issue at the preliminary stage—when the court was determining whether the documents were “court records.” Parties may intervene for purposes of this threshold determination, but should not be given access to the documents at issue until the court determines that the documents are court records that cannot be sealed.

The Texas Supreme Court reversed the lower court’s findings that certain documents were “court records.” As to certain documents, there was no showing of a nexus between the alleged
defect and the manufacturer's proprietary design, research and testing records. That nexus could not be based solely on evidence that a defect existed, as had been done by the lower court.


USAA filed suit against Clear Channel, claiming civil conspiracy surrounding Clear Channel's broadcast of an investigation into USAA's labor practices. Clear Channel sought discovery, which USAA refused to comply with in the absence of a protective order that USAA formulated. Clear Channel refused USAA's protective order. USAA moved for and received an evidentiary hearing, at which the trial court entered a protective order that limited the dissemination of confidential information only to “qualified persons” and required sealing of any court documents that relied on confidential information. Clear Channel appealed this protective order.

The appellate court ruled that Rule 76a allows a party to appeal any order sealing records. Contrary to USAA's assertion, there is no requirement of a final sealing order. Thus, Clear Channel's appeal was proper and there was no ripeness issue in this case.

Protective Orders and Rule 76a decisions are reviewed under an abuse of discretion standard. A trial court has abused its discretion if it could only have reached one decision according to the evidence but failed to do so.

Rule 76a dictates that the following procedures must be followed:

1) Movant must file a written motion, subject to public inspection.
2) Movant must post a public notice at the appropriate place stating:
   a) a hearing will be held in open court on a motion to seal records;
   b) any person may intervene and be heard on the issue of whether to seal;
   c) the specific time and place of the hearing;
   d) the style and number of the case;
   e) a brief but specific description of the nature of the case and the records that are sought to be sealed; and
   f) identity of the movant.

Here, the trial court directed the clerk to seal the court records, based only on an evidentiary hearing and without following the procedural requirements of motion, notice and hearing required by Rule 76a. Thus, the trial court abused it discretion.

Virginia Code

§8.01–420.01. Limiting further disclosure of discoverable materials and information; protective order

A. A protective order issued to prevent disclosure of materials or information related to a personal injury action or action for wrongful death produced in discovery in any cause shall not prohibit an attorney from voluntarily sharing such materials or information with an attorney involved in a similar or related matter, with the permission of the court, after notice and an opportunity to be heard to any party or person protected by the protective order, and provided the attorney who receives the material or information agrees, in writing, to be bound by the terms of the protective order.
B. The provisions of this section shall apply only to protective orders issued on or after July 1, 1989.

Florida Statutes
Section 69.081. Sunshine in Litigation; Concealment of Public Hazards Prohibited

(1) This section may be cited as the “Sunshine in Litigation Act.”

(2) As used in this section, “public hazard” means an instrumentality, including but not limited to any device, instrument, person, procedure, product, or a condition of a device, instrument, person, procedure or product, that has caused and is likely to cause injury.

(3) Except pursuant to this section, no court shall enter an order or judgment which has the purpose or effect of concealing a public hazard or any information concerning a public hazard, nor shall the court enter an order or judgment which has the purpose or effect of concealing any information which may be useful to members of the public in protecting themselves from injury which may result from the public hazard.

(4) Any portion of an agreement or contract which has the purpose or effect of concealing a public hazard, any information concerning a public hazard, or any information which may be useful to members of the public in protecting themselves from injury which may result from the public hazard, is void, contrary to public policy, and may not be enforced.

(5) Trade secrets as defined in s. 688.002 which are not pertinent to public hazards shall be protected pursuant to chapter 688.

(6) Any substantially affected person, including but not limited to representatives of news media, has standing to contest an order, judgment, agreement, or contract that violates this section. A person may contest an order, judgment, agreement, or contract that violates this section by motion in the court that entered the order or judgment, or by bringing a declaratory judgment action pursuant to chapter 86.

(7) Upon motion and good cause shown by a party attempting to prevent disclosure of information or materials which have not previously been disclosed, including but not limited to alleged trade secrets, the court shall examine the disputed information or materials in camera. If the court finds that the information or materials or portions thereof consist of information concerning a public hazard or information which may be useful to members of the public in protecting themselves from injury which may result from a public hazard, the court shall allow disclosure of the information or materials. If allowing disclosure, the court shall allow disclosure of only that portion of the information or materials necessary or useful to the public regarding the public hazard.

Interpretation of the Florida Statutes
In this product liability suit, DuPont turned over trade secrets and confidential and proprietary information, subject to a confidentiality order. Two third parties filed a motion under the Sunshine In Litigation Act to set aside the confidentiality order, on the theory that the product at issue in the trial was hazardous to the public. Before the court reached the Sunshine Act claims, the jury returned a verdict in the product liability trial. On the basis of the evidence presented to the jury, the trial court set aside the confidentiality order. Dupont appealed.

The evidence established that all three parties to the Sunshine Act claims—Dupont, the Dept. of Agriculture and consumers Services and Lakeland Publishing Corporation—anticipated an independent hearing on the Sunshine Act claims. The court’s failure to provide a separate hearing constituted a violation of due process. The court denied the parties the opportunity to present evidence, thus robbing them of the “basic elements of notice and the opportunity to be heard.” Accordingly, the appellate court remanded for an evidentiary hearing on the Sunshine Act claims.

*Stivers v. Ford Motor Credit Company*, 777 So. 2d 1023 (Ct. App. Fla. 2001)

Plaintiff sued his former employer for economic fraud. The parties settled and entered into an agreement that prohibited the plaintiff from acting as an expert witness in suits against the defendant and from discussing the defendant’s policies and procedures in the media. Notwithstanding the settlement agreement, plaintiff continued to serve as an expert witness. When defendant moved to enforce the settlement agreement, plaintiff asserted that the agreement was unenforceable because it violated the Sunshine Act. The trial court held that the Sunshine Act did not apply to economic fraud. Plaintiff appealed.

Because the Sunshine Act is broadly drafted, the court looked to legislative intent in enacting the Act. Analysis of the Act revealed that it was enacted as part of a “national movement to attempt to limit the availability of protective orders covering documents and information produced during discovery, particularly in product liability cases.” *Id.* at 1025. The legislative intent revealed a concern for the public’s health and safety, where the “hazard” at issue posed a threat of tangible harm or a danger to health.

The court concluded that economic fraud, even where it results in financial harm, does not constitute a public hazard. Consequently, the settlement agreement did not violate the Sunshine Act.

*State Farm Fire and Casualty Co. v. Sosnowski*, 830 So. 2d 886 (Ct. App. Fla. 2002)

Plaintiff alleged that defendant fraudulently handled her insurance claim. Plaintiff’s only claim against defendant was economic fraud. In discovery, defendant produced the personnel records of its employees who had handled plaintiff’s claim, subject to a confidentiality order that both parties agreed upon. Plaintiff moved to set aside the confidentiality order pursuant to the Sunshine Act, claiming that the defendant’s policies created a public hazard in the form of future concealment of benefits to other policy holders. The trial court set aside the confidentiality order. State Farm appealed.

The appellate court concluded: “Financial practices that constitute economic fraud are not a ‘public hazard’” under the Sunshine Act. *Id.* at 887–88. Rather, “public hazard” is limited to “instances in which health and safety issues are implicated, such as in products liability cases.” *Id.* at 888.
As stated in the Sunshine Act, a public hazard is “an instrumentality, including but not limited to any device, instrument, person, procedure, product or a condition of a device instrument, person, procedure or product that has caused and is likely to cause injury.” Given this definition, the appellate court found that a suit over economic fraud could not support a claim to vacate the confidentiality order through the Sunshine Act and that the trial court had “departed from the essential requirements of law in setting aside the protective order.” Id. Accordingly, the appellate court quashed the order vacating the protective order.

California Rules of Court
Rule 243.1—Sealed Records
(a) [Applicability]
(1) Rules 243.1–243.4 apply to records sealed or proposed to be sealed by court order.
(2) These rules do not apply to records that are required to be kept confidential by law. These rules also do not apply to discovery motions and records filed or lodged in connection with discovery motions or proceedings. The rules do apply to discovery materials that are used at trial or submitted as a basis for adjudication of matters other than discovery motions or proceedings.
(b) [Definitions]
(1) “Record.” Unless the context indicates otherwise, “record” as used in this rule means all or a portion of any document, paper, exhibit, transcript, or other thing filed or lodged with the court.
(2) “Sealed.” A “sealed” record is a record that by court order is not open to inspection by the public.
(3) “Lodged.” A “lodged” record is a record that is temporarily placed or deposited with the court but not filed.
(c) [Court records presumed to be open] Unless confidentiality is required by law, court records are presumed to be open.
(d) [Express factual findings required to seal records] The court may order that a record be filed under seal only if it expressly finds facts that establish:
(1) There exists an overriding interest that overcomes the right of public access to the record;
(2) The overriding interest supports sealing the record;
(3) A substantial probability exists that the overriding interest will be prejudiced if the record is not sealed;
(4) The proposed sealing is narrowly tailored; and
(5) No less restrictive means exist to achieve the overriding interest.
(e) [Content and scope of the order]
(1) An order sealing the record must (i) specifically set forth the facts that support the findings and (ii) direct the sealing of only those documents and pages, or, if reasonably practicable, portions of those docu-
ments and pages, that contain the material that needs to be placed under seal. All other portions of each document or page must be included in the public file.

Rule 243.2—Procedures for Filing Records under Seal

(a) [Court approval required] A record must not be filed under seal without a court order. The court must not permit a record to be filed under seal based solely upon the agreement or stipulation of the parties.

(b) [Motion or application to seal a record]

(1) A party requesting that a record be filed under seal must file a motion or an application for an order sealing the record. The motion or application must be accompanied by a memorandum of points and authorities and a declaration containing facts sufficient to justify the sealing.

(2) A copy of the motion or application must be served on all parties who have appeared in the case. Unless the court orders otherwise, any party that already possesses copies of the records to be placed under seal must be served with a complete, unredacted version of all papers as well as a redacted version.

(3) (A) A party who files or intends to file with the court for the purposes of adjudication or to use at trial records produced in discovery that are subject to a confidentiality agreement or protective order, and does not intend to request to have the records sealed, must:

(i) lodge the unredacted records subject to the confidentiality agreement or protective order and any pleadings, memorandums, declarations, and other documents that disclose the contents of the records, in the manner stated in (d);

(ii) file copies of the documents in (i) that are redacted so that they do not disclose the contents of the records that are subject to the confidentiality agreement or protective order; and

(iii) give written notice to the party who produced the records that the records and the other documents lodged under (i) will be placed in the public court file unless that party files a timely motion or application to seal the records under this rule.

(B) If the party who produced the documents and was served with the notice under (A)(iii) fails to file a motion or an application to seal the records within 10 days or to obtain a court order extending the time to file such a motion or an application, the clerk must promptly remove all the documents in (A)(i) from the envelope or container where they are located and place them in the public file. If the party files a motion or an application to seal within 10 days or such later time as the court has ordered, these documents are to remain conditionally under
... seal until the court rules on the motion or application and thereafter are to be filed as ordered by the court.

(c) [References to nonpublic material in public records] A record filed publicly in the court must not disclose material contained in a record that is sealed, conditionally under seal, or subject to a pending motion or an application to seal.

(d) [Lodging of records]

(1) A record that may be filed under seal must be put in an envelope or other appropriate container, sealed in the envelope or container, and lodged with the court.

(h) [Motion, application, or petition to unseal records]

(1) A sealed record must not be unsealed except upon order of the court.

(2) A party or member of the public may move, apply, or petition, or the court on its own motion may move, to unseal a record. Notice of any motion, application, or petition to unseal must be filed and served on all parties in the case. The motion, application, or petition and any opposition, reply, and supporting documents must be filed in a public redacted version and a sealed complete version if necessary to comply with (c).

Interpretation of California Rules


A class action suit was brought against defendants for improper assessment of fees and charges to holders of credit cards. The trial court entered a confidentiality order permitting the parties to designate as confidential any material for which disclosure would violate a personal, financial or other interest protected by law. The court also mandated that confidential material be filed under seal. Defendants designated a number of documents as confidential. Plaintiffs alleged that defendant’s filing was over broad. A third party (Hearst) intervened and asked for reconsideration of the Confidentiality Order in light of public policy favoring openness. The parties referred the issue to a referee, who recommended that 67 of the sealed documents be unsealed. At that time, Rule 243 became effective. Plaintiff and Hearst argued that the new rule required a stronger burden be placed on defendant to prove the necessity for confidentiality. The issue went back to the referee, who recommended continued confidentiality for some documents, while recommending that the court unseal others. The trial court held that none of the documents should remain under seal. Defendant appealed.

In assessing the propriety of the lower court’s rulings, the appellate court first applied a rule formulated by the California Supreme Court to determine whether First Amendment rights are infringed by restricting access to trials.

Before substantive courtroom proceedings are closed or transcripts are ordered sealed, a trial court must hold a hearing and expressly find that:

(i) there exists an overriding interest supporting closure and/or sealing;
(ii) there is a substantial probability that the interest will be prejudiced absent closure and/or sealing

(iii) the proposed closure and/or sealing is narrowly tailored to serve the overriding interest; and

(iv) there is no less restrictive means of achieving the overriding interest.

Id. at 297–98.

Rules 243.1 and 243.2 were adopted to comply with the California Supreme Court jurisprudence and incorporate the findings mandated by that jurisprudence. Accordingly, a trial court may order that a record be filed under seal only if it makes the requisite findings.

Under California law, whether information constitutes a trade secret is a question of fact, subject to a number of related factual determinations such as:

1) whether the information is actually secret
2) whether the information derives independent economic value
3) whether a party made reasonable efforts to maintain secrecy
4) whether disclosure will cause damage. Id. at 300–01.

A trial court’s determination as to these factual issues will be upheld if a review reveals substantial evidence in support of the trial court’s findings.

In the present case, the defendant carried the burden of establishing the existence of a trade secret and of overcoming the presumption in favor of public access. Appellate review of an order to seal documents is a two-part determination:

1) examination of the express findings of fact to determine if they are supported by substantial evidence, based on the entire record and
2) determination of whether the trial court abused its discretion in issuing the order to seal.

Appellate review of an order to unseal is governed by Rule 243.2(h), which does not require express findings. The appellate court found that the defendants had not protected their trade secrets. Accordingly, the trial court did not abuse its discretion in unsealing the documents. The combination of the public’s interest in learning how the defendant allegedly defrauded its customers with the presumption in favor of public access also supported the trial court’s holding that the documents should be unsealed.


In a complex insurance claims case, the defendant filed a petition to set aside an order denying its cross summary adjudication motion in two related cases. The defendant filed the petition along with 2,589 pages of sealed exhibits. The court recognized that the amount of sealed material might be contrary to California law and thus ordered a review of the motion that permitted the sealing of these documents. Defendant decreased the number of documents that it sought to keep under seal, but strenuously argued in favor in sealing the parts of the remaining documents.

The trial court order to seal was made without the findings required by California case law and by Rule 243.1. Further, the material sealed included routine court documents—filings, proofs of service, notices of motion—that do not warrant sealing.
The appellate court found that defendant had failed to meet its burden of establishing substantial prejudice to an overriding interest if the document were made public, which has two required elements:

1) identification of an overriding interest, and
2) substantial probability that the overriding interest will be prejudiced in the absence of sealing.

Accordingly, the court held that none of defendant's documents might remain sealed. The court further determined that the proper procedure for unsealing documents on appeal was to return all sealed records to the defendant so that defendant could then refile the documents without seal.

IV. Federal Rules of Civil Procedure

This section discusses Rule 26 of the Federal Rules of Civil Procedure and cases that have addressed some of the myriad issues presented by protective orders in federal civil litigation.

A. Rule 26(c)

(c) Protective Orders. Upon motion by a party or by the person from whom discovery is sought, accompanied by a certification that the movant has in good faith conferred or attempted to confer with other affected parties in an effort to resolve the dispute without court action, and for good cause shown, the court in which the action is pending or alternatively, on matters relating to a deposition, the court in the district where the deposition is to be taken may make any order which justice requires to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense, including one or more of the following:

(1) that the disclosure or discovery not be had;
(2) that the disclosure or discovery may be had only on specified terms and conditions, including a designation of the time or place;
(3) that the discovery may be had only by a method of discovery other than that selected by the party seeking discovery;
(4) that certain matters not be inquired into, or that the scope of the disclosure or discovery be limited to certain matters;
(5) that discovery be conducted with no one present except persons designated by the court;
(6) that a deposition, after being sealed, be opened only by order of the court;
(7) that a trade secret or other confidential research, development, or commercial information not be revealed or be revealed only in a designated way; and
(8) that the parties simultaneously file specified documents or information enclosed in sealed envelopes to be opened a directed by the court.
If the motion for a protective order is denied in whole or in part, the court may, on such terms and conditions as are just, order that any party or other person provide or permit discovery. The provisions of Rule 37(a)(4) apply to the award of expenses incurred in relation to the motion.

**B. Interpretation of Rule 26**

*Citizens First National Bank of Princeton v. Cincinnati Insurance Co.*, 178 F.3d 943 (7th Cir. 1999)

On appeal, one of the parties to litigation requested permission to file an appendix under seal based on a protective order issued by the trial court judge. The court remanded to the district judge to assess whether good cause existed to allow the party to file under seal. The court also addressed the validity of the protective order issued by the district court judge.

As explained by the seventh circuit, a judge must make a determination of good cause before sealing any part of the court record. The protective order at issue here was found to be overbroad largely because it applied to pretrial litigation as well as the advanced stages of the litigation and therefore implicated the public’s interest in judicial proceedings. “The public’s interest may be “overridden” where the property and privacy rights of the litigants predominate in a particular case in such a manner that there is good cause for sealing a part or the whole of the record in that case.” Id. at 945. The protective order was also overbroad because it encompassed both trade secrets and documents “believed to contain trade secrets.” The court acknowledged that blanket protective orders (“umbrella orders”) have been found to be permissible:

We are mindful of the school of thought that blanket protective orders (“umbrella orders”), entered by stipulation of the parties without judicial review and allowing each litigant to seal all documents that it produces in pretrial discovery, are unproblematic aids to the expeditious processing of complex commercial litigation because there is no tradition of public access to discovery materials.

*Id.* However, the court noted that the weight of authority and its interpretation of Rule 26 are against such blanket orders. Accordingly, the court ruled that a protective order that is limited in scope to keeping trade secrets out of the public record is permissible only so long as:

1) the judge satisfies himself that the parties use an appropriate definition of “trade secret”;
2) the parties act in good faith in deciding what parts of the record are trade secrets; and
3) the judge makes explicit that either party and any interested member of the public can challenge the secreting of particular documents.


Plaintiff, a resident alien, worked for defendants. Plaintiff sued defendants for a number of labor violations. Plaintiff sought a protective order to bar the defendants from seeking discovery regarding her immigration status.

According to the court, although Rule 26 dictates that a party seeking a protective order bears the burden of proving the need for the order, circuits are split as to the required burden of proof:
1) the third and fifth circuits require that “the party seeking the protective order must demonstrate its need for protection based on ‘specific examples or articulated reasoning’”—thus, broad allegations of harm are not sufficient proof.

2) the first, seventh and D.C. circuits require only a showing of good cause—thus rejecting the specificity requirements of other circuits.

The court reviewed second circuit cases and held that appropriate burden for the second circuit was the less restrictive requirement of good cause. Plaintiff’s fear that her immigration status would be used to intimidate her into dropping the litigation constituted good cause, thereby satisfying her burden.

_Pansy v. Borough of Stroudsburg_, 23 F.3d 772 (3d Cir. 1994)

The Chief of Police sued the borough, claiming a violation of his civil rights. The parties entered into a settlement agreement that was reviewed by the court, but not filed with the court. The court’s order to dismiss the case contained a clause stating that the settlement agreement was confidential. Two newspapers—The Record and Ottaway Newspapers—intervened and sought access to the settlement agreement. The newspapers argued that the settlement agreement constituted a judicial record and should therefore be open to the public. The newspapers further argued that the confidentiality order should be vacated or modified. The district court held that the newspapers’ motion to intervene was not timely and that the settlement agreement was not part of the judicial record. The newspapers appealed.

According to the third circuit, third parties have standing to challenge protective orders and confidentiality orders in an effort to obtain access to information or judicial proceedings if they simply show that the order is an “obstacle to the attempt to gain access.” _Id._ at 777.

In addition, the third circuit rejected the argument that the motion was untimely. Although the case had been settled for almost six months when the newspapers intervened, the district court had applied an incorrect legal standard in denying the newspapers’ motion to intervene on timeliness grounds. According to the third circuit, intervention for the limited purpose of modifying a protective order even after the underlying dispute between the parties has long been settled is permissible. Because the intervenors sought only to address the confidentiality order and not to address the issues of merit, the delayed intervention caused little prejudice to the parties in the case.

In its analyses of the merits of the motion to alter the protective order, the court recognized the public’s right of access to judicial proceedings and judicial records, “and this right of access is beyond dispute.” Accordingly, if the settlement agreement were a judicial record, the newspapers would have a right to access.

However “when a settlement agreement is not filed with the court, it is not a ‘judicial record’ for purposes of the right of access doctrine.” Here, the district court neither filed the agreement nor sought to enforce it. The fact that the district court entered a confidentiality order regarding the settlement agreement did not convert the agreement into judicial record. The order of confidentiality is distinct from the terms of the settlement agreement. Thus, the agreement was not a judicial record that grants a right of access.

In addressing the newspapers’ challenge to the confidentiality order, the third circuit noted that a court has inherent equitable power to grant orders of confidentiality over materials not in the court file, but a court must temper this power where the public has an interest in
openness. “The public’s interest is particularly legitimate and important where, as in this case, at least one of the parties is a public entity or official.” Id. at 786.

The third circuit concluded that the district court had failed to balance the competing public and privacy interests before entering the confidentiality order. The district court had also failed to articulate the need for confidentiality.

A party wishing to obtain an order of protection must demonstrate that good cause exists. As explained by the third circuit, good cause remains the standard, whether the order covers discovery or any other phase of litigation, including settlement. “Good cause is established on a showing that disclosure will work a clearly defined and serious injury to the party seeking closure. The injury must be shown with specificity. Broad allegations of harm, unsubstantiated by specific examples or articulated reasoning do not support a good cause showing.” Id. at 787 [internal quotes and citations omitted]. As explained by the court, federal courts have adopted a balancing test to determine whether good cause exists. This test balances the party’s need for information against the injury that might result if uncontrolled disclosure is compelled. Whether disclosure will be limited depends on a judicial balancing of the harm to the party seeking protection and the importance of disclosure to the public.

The court identified the following interests to be considered in entering or modifying a protective order:

1) Privacy interests: Confidentiality can be used to prevent infliction of unnecessary or serious pain on parties whom the court reasonably finds are entitled to protection; legitimacy of purpose in seeking the information, as opposed to improper purpose, is a factor; however, privacy interests are diminished where the party seeking protection is a public person subject to legitimate public scrutiny.

2) Public health and safety: Where sharing of information about public health and safety would promote fairness, circumstances weigh against confidentiality.

3) Public concern: Whether the case involves issues important to the public weighs against confidentiality, whereas litigation between private parties that is of little interest to the public should be more likely to receive confidentiality.

4) Furthering settlement: Courts should require a particularized showing of the need for confidentiality in reaching a settlement; settlement should be only one factor in determining whether good cause exists—courts should not put excess weight on this factor; parties can create their own contractual limits on disclosure if good cause does not otherwise exist, such that the parties do not have to rely on the court for confidentiality.

5) Conflict between state and federal law:

To provide some measure of uniformity and predictability of outcome in this important area, we hold that where it is likely that information is accessible under a relevant freedom of information law, a strong presumption exists against granting or maintaining an order of confidentiality whose scope would prevent disclosure of that information pursuant to the relevant freedom of information law.

Id. at 791.

6) Reliance of original parties to confidentiality order on the order

Protective Orders and Confidentiality: The Role of the Courts in Safeguarding Property Rights  ★ Gillis  ★ 53
In the case before it, the third circuit remanded for the court to apply the proper balancing test and articulate the reasons justifying entry of the confidentiality order. 


The parties to litigation agreed on a protective order. Defendants moved for the court to approve the order. The magistrate declined to enter the order. According to the magistrate: “Federal courts must independently determine whether ‘good cause’ exists for proposed protective orders.... Independent and careful evaluations of protective orders are especially important because ‘the judge is the primary representative of the public interest in the judicial process....’” *Id.* at 647 [internal citations omitted].

When presented with an agreed proposed protective order seeking to seal documents produced in discovery, the court must ensure that:

1) The information sought to be protected falls within a legitimate category of confidential information

2) The information or category sought to be protected is properly described or demarcated

3) The parties know the defining elements of the applicable category of confidentiality and will act in good faith in deciding which information qualifies thereunder, and

4) The protective order explicitly allows any party to and any interested member of the public to challenge the sealing of particular documents.

*Id.* In *Pierson*, the proposed order was overbroad, did not establish that information sought to be protected was legitimately confidential and provided too much discretion to the parties to determine whether a given document is confidential.

Additionally, the order included language stating that the documents exchanged in discovery shall not be used for the purpose of any other litigation against the defendant. In response, the Magistrate stated, “This court will not so constrain other courts’ control of litigation before them. The parties shall add language to the effect that use of sealed information in other litigation is prohibited unless ordered by the courts before whom such litigation is pending.” *Id.* at 648.

*U.S. Steel Corp. v. U.S.*, 730 F.2d 1465 (Fed. Cir. 1984)

The Court of International Trade (CIT) denied a motion for access by U.S. Steel’s in-house counsel to certain confidential information, while granting access to counsel of other parties. The issue on this interlocutory appeal was whether the CIT erred in denying the motion for access based solely on the fact that U.S. Steel’s counsel was in-house as opposed to outside counsel.

The CIT’s ruling was based on the possibility of inadvertent disclosure by in-house counsel, despite acknowledging that U.S. Steel had a need for the information.

The denial of access here rested on the court’s stated general assumption that there is a ‘greater likelihood of inadvertent disclosure by lawyers who are employees committed to remain in the environment of a single company. Denial or grant of access, however, cannot rest on a general assumption that one group of lawyers are more likely or less likely inadvertently to breach their duty under a protective order.
Id. at 1467–68. The CIT distinguished between in-house and outside counsel because of the assumed length and closeness of the relationship between in-house counsel and their employers.

Meaningful increments of protection are achievable in the design of a protective order. It may be that particular circumstances may require specific provisions in such orders. In such cases the order would be developed in light of the particular counsel’s relationship and activities, not solely on a counsel’s status as in-house or retained.

Id. at 1468.

The federal circuit ruled: “In a particular case, e.g., where in-house counsel are involved in competitive decision-making, it may well be that a party seeking access should be forced to retain outside counsel or be denied the access recognized as needed.” Id. However, denial of access based solely on the status of counsel was error.


In this patent infringement action, the parties were direct competitors. The parties agreed to a majority of terms in an umbrella protective order. Plaintiffs wanted to include a provision that would allow disclosure of confidential documents to one in-house employee and one in-house counsel of each party. Defendant disputed the provision.

In rejecting the provision, the court noted:

It has often been recognized, particularly in intellectual property cases, that the need for disclosure of even highly relevant information to a competitor may be outweighed by the irreparable harm that can result to the disclosing party.... Parties in such cases often have agreed to provisions which restrict disclosure of information only to trial counsel.... Where the parties have been unable to agree on such a provision, courts have entered protective orders to the same effect.... At this stage, the Court’s task is to balance the defendant’s legitimate interest in maintaining the confidentiality of its proprietary information with plaintiff’s legitimate interest in gathering and analyzing evidence to support its lawsuit.... Although plaintiff might benefit from the additional assistance of its own employees, that benefit outweighs the danger of competitive harm to defendant.


In a patent infringement case, defendant moved for a protective order. Plaintiff contested the motion. Plaintiff further sought either to allow its president to have access to the confidential information produced by defendant or to exclude defendant’s in-house counsel from accessing plaintiff’s confidential material produced during discovery.

The court found that, although denying plaintiff’s president access to the documents would be tantamount to denying plaintiff the use of an expert, the potential harm to defendant outweighed the harm to plaintiff. Whereas plaintiff had the option of seeking other experts, any confidential information released to the president would be at his disposal forever. “Accepting that [plaintiff’s president] is a man of great moral fiber, we nonetheless question his human ability during future years of research to separate the applications he has extrapolated from Sundstrand’s documents from those he develops from his own ideas.” Id. at 22. The court rejected plaintiff’s argument for “symmetry”: “Significant differences mark the comparison between research scientist [such as plaintiff’s president] and trial attorney. The defendant has repre-
presented to this court that its in-house counsel involved in this litigation neither conduct scientific research nor prosecute patents.” *Id.*

Accordingly, the court permitted access by defendant’s in-house counsel because counsel would be “segregated” from the rest of defendant’s employees, thereby acting as a safeguard to prevent in-house counsel from disclosing plaintiff’s confidential information.

*Brown Bag Software v. Symantec*, 960 F.2d 1465 (9th Cir. 1992)

In a copyright infringement case concerning computer programming, the district court entered a protective order restricting plaintiff’s access to confidential information obtained through discovery, based on the fact that plaintiff’s counsel was in-house. At the evidentiary hearing regarding the classification of documents as “attorney’s eyes only” the magistrate suggested that plaintiff could access the documents through an independent consultant. The court suggested that the independent consultant would be able to review the attorney’s eyes-only documents and thus advise plaintiff on their contents. If the independent consultant determined that the information was vital to plaintiff’s case, then plaintiff would be permitted to make very specific requests to the court for the items. Plaintiff appealed.

On appeal, the ninth circuit recognized that conflicting interests exist regarding the disclosure of trade secrets, thereby requiring a balancing of factors, including the broad discovery provisions of Rule 26(b)(1) versus the right to protection from undue burden of discovery, including misuse of trade secrets by competitors.

Due process claims are implicated by the court’s order requiring that plaintiff retain outside counsel in order to gain access to certain documents. In accordance with *U.S. Steel v. U.S.*, “a court should examine the factual circumstances of any counsel’s relationship to the party demanding access.” Thus:

Proper review of protective orders in cases such as this require the district court to examine factually all the risks and safeguards surrounding inadvertent disclosure by any counsel, whether in-house or retained. Further, the nature of the claims and of a party’s opportunity to develop its case through alternative discovery procedures factors into decisions on the propriety of such protective orders.

*Id.* at 1470. Though the court was sympathetic to the sensitive nature of the documents in this case, the court was not reassured by plaintiff’s promises that its counsel would be able to separate the trade secret information. “The magistrate had to consider, however, not only whether the documents could be locked up in cabinets, but also whether Brown Bag’s counsel could lock-up trade-secrets in his mind, safe from inadvertent disclosure to his employer once he had read the documents” *Id.* at 1471.

In this case, the ninth circuit concluded that the magistrate had correctly inquired into the relationship between in-house counsel and his employer. Counsel was responsible for advising his employer on a gamut of legal issues. Knowledge of the trade secrets would put in-house counsel in the position of “having to refuse his employer legal advice on a host of contract, employment, and competitive marketing decisions lest he improperly or indirectly reveal Symantec’s trade secrets.” *Id.*

In-house counsel was thus involved in the kind of “competitive decision-making” that counsels against disclosure. The magistrate had also properly weighed the potential harm to
plaintiff. Plaintiff had outside counsel at the start of the suit; thus outside counsel had the opportunity to study the trade secrets and advise plaintiff of the existence of vital information.

In sum:

The record reveals that the magistrate inquired into the specific factual circumstances of Symantec’s and Brown Bag’s conflicting interests. The resulting protective order strikes a balance between those interests by shielding Brown Bag’s in-house counsel from personal knowledge of a competitor’s trade secrets, but allowing access to information through an independent consultant. The order did not arbitrarily distinguish between outside and in-house counsel.

Id.


This was a suit for patent infringement between competitors. The court barred plaintiff’s outside patent prosecution counsel from reviewing any of the confidential information disclosed during the litigation. Plaintiff sought reconsideration.

In denying reconsideration, the court observed: “In evaluating whether counsel should have access, a court should balance the risk of inadvertent disclosure of trade secrets to competitors against the risk of impairing the process of litigation by denying access.” *Id.*

A key factor in assessing the risk of inadvertent disclosure of trade secrets is whether counsel is engaged in competitive decision-making.

Involvement in competitive decision-making refers to counsel’s actual “advice and participation in any or all of the client’s decisions (pricing, product design, etc.) made in light of similar or corresponding information about a competitor.” *Id.* at *2* [internal citations omitted]. “Competitive decision-making is not limited to decision-making about pricing and design but can extend to the manner in which patent applications are shaped and prosecuted.” *Id.* at *3.*

The court denied plaintiff’s motion and clarified the order so that,

[A]ll of plaintiff’s attorneys who are privy to confidential information obtained from defendant in discovery shall not participate in the prosecution of any patent application for plaintiff relating to the subject matter of the patents in suit during the pendency of this case and for one year after the conclusion of this litigation, including appeals.

*Id.* at *4.*

*Litton Industries v. Chesapeake & Ohio Railway Co.*, 129 FRD 528 (E.D. Wis. 1990)

Litton was engaged in antitrust litigation. Litton sought discovery from Bay Shipbuilding, a non-party to the Litton litigation. Litton’s experts intended to use the information from Bay Shipbuilding to calculate Litton’s damages. Bay Shipbuilding objected to the discovery, as the discovery sought confidential financial information about Bay Shipbuilding’s business that Litton would not otherwise have, thereby creating an unfair advantage for Litton. Litton suggested that a protective order would protect any such confidential information.

In addressing the objection to discovery, the court noted that the party resisting discovery carries the burden of proving that the discovery subpoena should be quashed. In order to avoid discovery, the resisting party must prove that the information sought is confidential. If the
information is confidential, the burden shifts to the party seeking discovery to prove that the information is sufficiently relevant and necessary to outweigh the harm of disclosure.

Among the factors relevant to the balancing of the harm of disclosure relative to the relevancy and necessity of the information are the following:

1) Non-parties have a right to privacy in their financial affairs.
2) The needs of the party seeking discovery must “outweigh the burden and invasion of corporate privacy that would result to a non-party” necessitating a strong showing of need; relevance alone is not enough.

In this case, the court concluded that a protective order would not likely protect Bay Shipbuilding’s information because:

1) Litton’s experts would use the information at trial;
2) the experts would retain the information; and
3) the experts would likely be unable to “compartmentalize” the information learned from Bay Shipbuilding in the future, so that the information would remain available to the experts.

Accordingly, the court quashed the discovery subpoena.

SEC v. Thestreet.com, 273 F.3d 222 (2d Cir. 2001)

In the course of a civil suit brought by the SEC against a former stockbroker, with the New York Stock Exchange (hereinafter “NYSE”) as a third-party defendant, the district court entered a protective order that permitted the parties to designate information as “confidential.” Any information designated confidential would not be filed with the court except where required. The NYSE deposed two of its officials and marked those transcripts as confidential. TheStreet.com moved to intervene to gain access to the sealed deposition testimony. The district court unsealed the testimony; NYSE appealed.

The second circuit focused on the parties’ reliance on the order.

Where there has been reasonable reliance by a party or deponent, a District Court should not modify a protective order granted under Rule 26(c) “absent a showing of improvidence in the grant of [the] order or some extraordinary circumstance or compelling need” (citing Martindell v. Int’l Tel. & Tel. Corp., 594 F.2d 291 (2d Cir. 1979)).

Id. at 229.

The court’s rationale was that protective orders,

[S]erve the vital function of securing the just, speedy and inexpensive determination of civil disputes by encouraging full disclosure of all evidence that might be relevant…. And if previously entered protective orders have no presumptive entitlement to remain in force, parties would resort less often to the judicial system for fear that such orders would be readily set aside in the future.

Id.

Accordingly, policy considerations require that protective orders not be easily modifiable as parties would be less forthcoming in testimony if they did not feel that they could rely on the
It is “presumptively unfair for courts to modify protective order which assure confidentiality and upon which the parties have reasonably relied…. We have been hesitant, therefore, to permit modifications of protective orders in part because such modifications unfairly disturb the legitimate expectations of litigants.” *Id.* at 230.

However, where a litigant or deponent could not reasonably have relied on the continuation of a protective order a court may properly permit modification of the order. In such a case, whether to lift or modify a protective order is a decision committed to the sound discretion of the trial court.

The second circuit noted a different standard applies to “judicial documents.”

While [precedent] established a general and strong presumption against access to documents sealed under protective order when there was reasonable reliance on such an order, we have held more recently that a subspecies of sealed documents in civil cases—so-called “judicial documents”—deserve a presumption in favor of access.

*Id.* at 471 (citing *U.S. v. Amodeo*, 44 F.3d 141 (2d Cir. 1995)). The second circuit defined judicial documents entitled to the presumption of public access as items filed with the court that are relevant to the performance of the judicial function and useful in the judicial process. “It is proper for a district court, after weighing competing interests, to edit and redact a judicial document in order to allow access to appropriate portions of the document.”

In determining the weight of the presumption of public access, the district court must evaluate the role of the material at issue in the exercise of Article III judicial power and the resultant value of such information to those monitoring the federal courts. The court noted a difference between documents in discovery and those at trial: The public has a strong right of access to evidence introduced at trials, whereas the presumption of access does not apply to documents passed between the parties in discovery.

After determining the weight of the presumption of public access, the district court must balance the competing considerations against that presumption. The second circuit identified at least two countervailing factors: the danger of impairing law enforcement or judicial efficiency and privacy interests of those who resist disclosure.

The second circuit found the documents in question were not “judicial documents” because deposition discovery material does not play a role in the performance of Article III functions, the testimony did not directly affect an adjudication and the testimony did not significantly determine the litigants’ rights.

Having found the documents were not judicial documents and despite *Martindell’s* presumption against access, the second circuit ruled that the district court’s granting of access was appropriate because the parties did not show reasonable reliance on the protective order as third parties were present at the depositions in question. Given the lack of reasonable reliance on the protective order, “the specific nonconclusory relevant interest that the media might have in those depositions relating to the interaction of the SEC and the NYSE outweighs the possible reputational harm that may be involved in that disclosure.” *Id.* at 234.

*Wyeth Laboratories v. U.S. District Court for the District of Kansas*, 851 F.2d 321 (10th Cir. 1988)
At the completion of litigation over a vaccine manufactured by Wyeth, the district court set aside the protective order that had been in place during trial. The court further ordered the creation of a library containing the material used at trial, so that other litigants could access this material. Wyeth petitioned for a writ of mandamus to vacate the order that set aside the protective order, as well as to vacate the order creating the library.

The tenth circuit held that vacating the protective order was appropriate. Wyeth still had recourse to protect any information that it believed was confidential because the court’s order made no final determination on the rights/obligations of the parties to disclose any of the material used at trial. Accordingly, Wyeth retained the right to object to the disclosure of any material on an item-by-item basis. However, the tenth circuit found that the lower court had abused its authority in ordering the creation of the library, despite the possible public benefit of such a library because the use of public funds to establish such a library could only be authorized by Congress.


Stanley sued Newell for various antitrust violations. Both parties and National, a non-party, were direct competitors in the hardware business. Stanley and Newell entered into a protective order. Stanley then sought discovery from National. National objected. The court noted the following principles governed propriety of a protective order. “When protection from disclosure is sought, the court ‘must apply a balancing test to determine whether the need of the party seeking the disclosure outweighs the adverse effect such disclosure would have on the policies underlying the claimed privilege.’” *Id.* at *2.

“If confidential information is sought, ‘the burden is on the party seeking discovery to establish that the information is sufficiently relevant and necessary to his case to outweigh the harm disclosure would cause to the person from whom he is seeking the information.’” *Id.* at *2.

In balancing the competing interests involved, the court will consider the following factors:

1. The relevance of the requested information to the present litigation
2. The party seeking discovery’s need for the information
3. Whether the requests are burdensome
4. The fact that National is a nonparty
5. The fact that the disclosure would be made to National’s competitors.

*Id.* at *3.

The court found that National had met its burden in proving that the information sought was confidential; however, Stanley did not meet its burden in proving need. As a result, the court denied Stanley’s request to compel discovery.

The court concluded the protective order in effect could not adequately protect National’s interest, as even information that is characterized as “highly confidential” could be disclosed to the parties’ experts, creating a practical problem of enforcing the protective order:

Once an expert has digested this confidential information, it is unlikely that the expert will forget. The expert’s raison d’etre is to assimilate information in his or her chosen field and formulate that material into various theories. The information obtained will be added to the expert’s repository of other information for possible future use.
Id. at *5. Accordingly, the protective order could not sufficiently reduce the harm that would be caused by disclosure.

V. Practical Considerations
The following are some of the key issues to be considered in crafting a protective order.

1) Who may have access
   a) Relationship of the parties
      i) competitors
      ii) non-competitors
   b) Role of person
      i) areas of responsibility
      ii) decision-making role
   c) Counsel
      i) in-house counsel
      ii) outside counsel
   d) Business personnel
      i) financial
      ii) marketing
   e) Technical personnel
      i) outside experts
      ii) in-house personnel
      iii) patent prosecutors
   f) Former employees
   g) Third parties

2) Expert clearance
   a) Disclosure of role/background
   b) Undertaking to comply with protective order
   c) Resolution of disputes

3) Classification of confidential information
   a) Classify information as having varying levels of confidentiality
   b) Require isolation (non-networked storage) of highly sensitive information
   c) Procedures for challenge
      i) non-waiver for failure to challenge
      ii) burden
   d) Potential for disputes

4) Marking of confidential materials
   a) Documents—all pages/cover page
   b) Depositions
c) Oral communications

5) Clawback provisions
   a) Confidentiality
   b) Privilege

6) Treatment of judicial records
   a) Sealing
   b) Redacted filings

7) Post-litigation
   a) Destruction of materials
   b) Archival copies (of what?)
   c) Survival of obligations

VI. Sample Provisions

A. In-House Counsel

   No more than one in-house counsel of the receiving party who is working
directly on this litigation and to whom it is necessary that the Confidential Infor-
mation be disclosed for purposes of this litigation; provided, however, that no
Confidential Information may be disclosed to such in-house counsel until after
he or she has executed a written undertaking in the form attached as Exhibit A
and such executed undertaking has been provided to counsel for the other party;
and provided further that documents containing Confidential Information may
under no circumstances be at the premises of the receiving party other than in
electronic form on a standalone laptop that is password-protected to prevent
access by anyone other than the designated in-house counsel.

B. Former Employees

   Persons identified on documents containing Confidential Information as
authors or addressees with respect to only those documents for which they are
so identified as authors or addressees, provided, however, that the receiving
party may not disclose such documents containing Confidential Information
to such authors or addressees who are not current employees of the producing
party until ten (10) days after such author or addressee signs an undertaking in
the form attached as Exhibit C and such undertaking and the specific identity of
each document proposed to be disclosed to such author or addressee have been
delivered to the producing party. In the event the producing party objects to
disclosure to an author or addressee, no disclosure of Confidential Information
shall be made to such author or addressee until the party proposing to make
such disclosure obtains an order from the Court permitting disclosure. Copies
of the documents containing Confidential Information may be shown to such
addressees or recipients only in the presence of outside counsel for the receiv-
ing party and may not be retained by such addressees or recipients.
C. Experts

Written notice shall be provided to counsel of record for the producing party (i) stating the name, address, current employer, duties, area of expertise of the person to whom disclosure of Confidential Information is proposed to be made, (ii) including a copy of the person’s curriculum vitae, (iii) listing such person’s staff, (iv) describing all prior or existing consulting or other relationships between such person or any entity with which he or she is associated and the party retaining such consultant or expert, and (v) including a copy of Exhibit B executed by such person. No Confidential Information shall be disclosed to that expert prior to ten (10) days after receipt of the notice by counsel for the producing party, except upon consent of all parties. A party’s failure to object to the designation of a proposed expert (or a member of his staff) as a “Qualified Person” within the ten (10) day period after receipt of all of the information and materials required in (i) through (v) above shall be deemed a waiver of the right to object. If any party objects, then no Confidential Information shall be disclosed to that proposed “Qualified Person” either until the parties resolve their differences on the matter or until the Court rules on a motion to qualify that person brought by the party seeking that qualification. The parties are strongly encouraged to reach agreement on such matters by way of compromise, such as agreeing to disclosure of some, but not all, Confidential Information to that person.

D. Clawback

In the event that a producing party discovers that Confidential Information has been inadvertently produced without being marked with the appropriate designation, the producing party may thereafter notify the receiving party or parties and require the latter to retrieve and return any unmarked or incorrectly marked material and to substitute therefor appropriately marked material, provided (i) that the producing party has initially taken reasonable measures to identify and designate Confidential Information, (ii) that the producing party notifies the receiving party or parties promptly after learning of such inadvertent failure, and (iii) that the amount or material as to which an assertion of inadvertent failure is made is reasonably small in amount. Upon receipt of such notification from the producing party, the receiving party or parties shall not thereafter disclose any such material or any information contained therein to any persons who are not “Qualified Persons” as that term is defined above. However, the receiving party or parties shall have no liability with respect to any prior disclosure or use of such material which is consistent with the terms of this Order.

E. Depositions

Testimony given at the deposition of any person or party, or one of its present or former officers, directors, employees, agents, or independent experts retained by that party for purposes of this litigation, may be designated as Confidential Information by indicating on the record at the deposition that specific testimony is Confidential and subject to the provisions of this Order. Alterna-
tively, counsel for a producing party need not designate specific testimony as confidential during the course of a deposition, but may request that the entire contents of the deposition shall be designated on a temporary basis as Confidential and subject to the provisions of this Order. Counsel who temporarily designate an entire transcript as Confidential shall have twenty-one (21) days after receiving the transcript from the court reporter to designate specific portions of the testimony as Confidential and to inform opposing counsel of such designations. The portions of the testimony so designated shall remain subject to the provisions of this Order. Unless otherwise agreed in a specific situation, failure to provide timely specific designations shall remove the entire deposition transcript from the protection of this Order.
Exhibit A
Sample In-House Counsel Undertakings
Exhibit A

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

SONY CORPORATION, et al. ) Civil Action No.
 ) 2:04-cv-03193-JLL-RJII
 )
 Plaintiffs, )
 )
 v. ) Judge Jose L. Linares
 )
 EASTMAN KODAK COMPANY, ) Magistrate Judge Ronald J. Hedges
 )
 Defendant. )
 )
__________________________

UNDEARTAKING OF [IN-HOUSE COUNSEL OR CLERICAL STAFF]

STATE OF )
 ) ss.: 
 COUNTY OF )

I, __________ [name], am [in-house counsel/staff title] for __________ [party] _______ and am directly involved in the above-captioned lawsuit. I hereby acknowledge that I am about to receive Protected Information as defined in the Protective Order agreed to by the parties and so ordered by the Court in this case.

I currently have no involvement, other than activities relating to licensing, in any aspect of (i) decision-making concerning research, development, marketing or sales relating to the field of film or digital cameras, kiosks, printers, scanners, film processing or developing systems and methods, image sensors, digital image processing systems or methods or related software (the “Field”); or (ii) patent prosecution in the Field. Currently, my only involvement in the Field is providing legal advice and providing advice relating to licensing. For so long as I continue to have access to Protected Information, I agree to limit my involvement in the Field to my current involvement.
If my position changes to one that would expand my involvement in the Field, I agree to cease any involvement with this lawsuit immediately upon such change in position. I further agree that I will continue to abide by all of the terms of the Protective Order and, in particular, will continue to maintain the confidentiality of all Protected Information received pursuant to the Protective Order. I also agree that I will avoid any circumstances in which my ability to abide by my obligations under the Protective Order would be compromised. At least ten (10) days prior to making any such change of position, I shall provide written notice to all parties to the above litigation of such change, including the nature of the position I will be assuming, the responsibilities of that position and the employer with whom I will be taking that position.

I certify my understanding that the Protected Information is being provided to me pursuant to the terms and restrictions of the Protective Order and that I have been given a copy of and have read and understood my obligations under that Protective Order. I hereby agree to be bound by the terms of the Protective Order. I understand that the Protected Information and my copies or notes relating thereto may only be disclosed to or discussed with those persons permitted by the Protective Order to receive such material. I also understand that neither I nor anyone assisting me can use or rely on any Protected Information disclosed to me for any purpose not authorized under the Protective Order.

I will return on request all materials containing Protected Information, copies thereof and notes that I have prepared relating thereto to outside trial counsel for the party by whom or on whose behalf I am retained or I will destroy those materials.

I hereby submit to the jurisdiction of this Court for the purpose of enforcement of the Protective Order and waive any and all objections to jurisdiction and venue.
I declare under penalty of perjury that the foregoing is true and correct.

Dated: __________________

[Signature]

[Typed Name]
IN-HOUSE COUNSEL PROTECTIVE ORDER ACKNOWLEDGMENT

STATE OF ______________________

COUNTY OF ____________________

1. ________________________________, declare that:

   1. My address is ____________________________;

   2. My present employer is ____________________________;

   3. My present occupation and duties are ____________________________;

   4. I currently have no involvement in any aspect of (i) research and development, marketing, sales or business decisions relating to the field of diabetes diagnostic devices or any technology using enzyme electrodes (the “Field”) or (ii) patent prosecution in the Field. Currently, my only involvement in the Field is providing legal advice. I agree to limit my involvement in the Field to my current involvement and not have any other involvement in the Field during the pendency of this case and for a period of three years thereafter.

   5. I have been provided a copy of the Stipulated Protective Order (“Protective Order”) in this case signed by Magistrate Judge Foster of the United States District Court for

EXHIBIT A
the Southern District of Indiana and the Order on Plaintiff's Motion to Amend Protective Order in Light of Consolidated Cases ("Protective Order Amendment") signed by the Honorable Larry J. McKinney, Chief Judge, United States District Court of the Southern District of Indiana.

6. I have carefully read and understand the provisions of the Protective Order and the Protective Order Amendment.

7. I will comply with all of the provisions of the Protective Order.

8. I will hold in confidence and not disclose to anyone not authorized under the Protective Order any materials containing Confidential Information disclosed to me.

9. At no time will I permit any copies of documents containing Confidential Information to be present at my employer's premises other than in electronic form on the standalone, password-protected laptop specified in the Protective Order Amendment.

10. At the conclusion of this case, I will return all materials containing Confidential Information that come into my possession, and documents or things that I have prepared relating thereto, to counsel for the party by whom I am employed or retained, or I will destroy those materials.

11. I hereby submit to the jurisdiction of this Court for the purpose of enforcement of the Protective Order and Protective Order Amendment in this case.

12. I certify under penalty of perjury that the foregoing is true and correct.

Executed on: ___________________________ Signature: ___________________________

Copies to:

EXHIBIT A
Exhibit B
Sample Expert Undertakings
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

ROCHE DIAGNOSTICS CORPORATION,

Plaintiff,

vs.

SELFCARE, INC. d/b/a INVERNESS
MEDICAL TECHNOLOGY, INC.,
INVERNESS MEDICAL, INC.,
CAN-AM CARE CORPORATION, and
INVERNESS MEDICAL LIMITED, a UK
corporation,

Defendants.

Civil Action No. IP00-C-1103-D/F

INDEPENDENT EXPERT PROTECTIVE ORDER ACKNOWLEDGEMENT

STATE OF _______________________

COUNTY OF _______________________

I, _______________________________ being duly sworn, state that:

1. My address is _________________________________

2. My present employer is _______________________________

3. My present occupation and duties are _______________________________

EXHIBIT B
4. I have been provided a copy of the Stipulated Protective Order ("Protective Order") in this case signed by Magistrate Judge __________ of the United States District Court for the Southern District of Indiana.

5. I have carefully read and understand the provisions of the Protective Order.

6. I will comply with all of the provisions of the Protective Order.

7. I will hold in confidence and not disclose to anyone not authorized under the Protective Order any materials containing Confidential Information disclosed to me. I further agree that neither I nor anyone assisting me will use or rely on any Confidential Information disclosed to me for any purpose not authorized under the Protective Order. Without limiting the generality of this paragraph, I understand that it would be improper to use or rely on Confidential Information in connection with my own research or in connection with any consulting for third parties or the party by whom I am employed or retained in this case.

8. At the conclusion of this case, I will return all materials containing Confidential Information which come into my possession, and documents or things which I have prepared relating thereto, to counsel for the party by whom I am employed or retained, or I will destroy those materials.

9. I hereby submit to the jurisdiction of this Court for the purpose of enforcement of the Protective Order in this case.

10. I certify under penalty of perjury that the foregoing is true and correct.

Executed on ____________

Signature

EXHIBIT B
Exhibit B

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

SONY CORPORATION, et al.

Plaintiffs,

v.

EASTMAN KODAK COMPANY,

Defendant.

Civil Action No. 2:04-cv-03193-JLL-RJH

Judge Jose L. Linares

Magistrate Judge Ronald J. Hedges

__________________________

UNDEARTAKING OF [CONSULTANT]

STATE OF )
 ) ss.:  
COUNTY OF )

I, [name], having been retained by [party] in connection
with the above-captioned lawsuit, hereby acknowledge that I am about to receive Protected
Information as defined in the Protective Order agreed to by the parties and so ordered by the Court
in this case.

I certify my understanding that the confidential material is being provided to me pursuant
to the terms and restrictions of the Protective Order and that I have been given a copy of an have
read and understood my obligations under that Protective Order. I hereby agree to be bound by the
terms of the Protective Order. I understand that the Protected Information and my copies or notes
relating thereto may only be disclosed to or discussed with those persons permitted by the
Protective Order to receive such material. I also understand that neither I nor anyone assisting me
can use or rely on any Protected Information disclosed to me for any purpose not authorized under
the Protective Order.
I will return on request all materials containing Protected Information, copies thereof and
notes that I have prepared relating thereto to outside trial counsel for the party by whom or on
whose behalf I am retained or I will destroy those materials.

I hereby submit to the jurisdiction of this Court for the purpose of enforcement of the
Protective Order and waive any and all objections to jurisdiction and venue.

I declare under penalty of perjury that the foregoing is true and correct.

Dated: ____________________________                                [Signature]

[Typed Name]
Exhibit C
Sample Former Employee Undertaking
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

ROCHE DIAGNOSTICS CORPORATION,  )
      Plaintiff,                      )
                                        )
vs.                                     ) IP 00-1103-C-M/F
                                        )
INVERNESS MEDICAL TECHNOLOGY,  )
INVERNESS MEDICAL, INC., CAN-  )
AM CARE CORPORATION; INVERNESS    )
MEDICAL LIMITED, a U.K. corporation;  )
and BAYER CORPORATION,  )
      Defendants.                      )

AUTHOR/ADDRESSEE PROTECTIVE ORDER ACKNOWLEDGMENT

STATE OF ____________________________

COUNTY OF ____________________________

1. __________________________________________, declare that:

1. My address is ______________________________________________________________________;

2. My present employer is __________________________________________________________________;

3. My present occupation and duties are __________________________________________________________________;

4. I am a former employee of __________________________, and during that employment
I was privy to Confidential Information. For purposes of this litigation, ____________________________ is proposing to disclose to me the documents listed
on the attachment hereto on which I am advised that I am identified as an author or addressee.

5. I have been provided a copy of the Stipulated Protective Order (“Protective Order”) in this case signed by Magistrate Judge Foster of the United States District Court for the Southern District of Indiana and the Order on Plaintiff’s Motion to Amend Protective Order in Light of Consolidated Cases (“Protective Order Amendment”)

EXHIBIT C
signed by the Honorable Larry J. McKinney, Chief Judge, United States District Court of the Southern District of Indiana.

6. I have carefully read and understand the provisions of the Protective Order and the Protective Order Amendment.

7. I will comply with all of the provisions of the Protective Order and the Protective Order Amendment.

8. I will hold in confidence and not use for any purpose or disclose to anyone not authorized under the Protective Order or Protective Order Amendment any information contained in documents marked as provided in the Protective Order or Protective Order Amendment that are disclosed to me. I understand that I am permitted only to review documents containing Confidential Information in the presence of counsel for the producing party, ____________________________, and that I may not make notes or take possession of any such documents. I will immediately inform the producing party, ____________________________, in the event that any of the producing party’s Confidential Information other than that contained in the documents referred to in the attachment hereto, are disclosed to me by the receiving party, ____________________________, or there is any other violation of the Protective Order or Protective Order Amendment of which I become aware.

9. I hereby submit to the jurisdiction of this Court for the purpose of enforcement of the Protective Order and Protective Order Amendment in this case.

10. I certify under penalty of perjury that the foregoing is true and correct.

Executed on: ____________________________  Signature: ____________________________

Copies to:

Donald E. Knebel  Linda L. Pence
Lynn C. Tyler  Thomas A. Barnard
Paul B. Hunt  David J. Hensel
James R. Sweeney II  SOMMER & BARNARD
BARNES & THORNBURG  111 Monument Circle, Suite 4000
11 South Meridian Street  Indianapolis, IN 46204
Indianapolis, IN 46204

EXHIBIT C
Exhibit D
Sample ITC Protective Orders
Order No. 6: Amended Protective Order

WHEREAS, documents and information may be sought, produced or exhibited by and among the parties to the above captioned proceeding, which materials relate to trade secrets or other confidential research, development or commercial information, as such terms are used in the Commission's Rules, 19 C.F.R. Section 210.34(a)(7),

IT IS HEREBY ORDERED THAT:

1. Confidential business information is information which has not been made public and which concerns or relates to the trade secrets, processes, operations, style of work, or apparatus, or to the production, sales, shipments, purchases, transfers, identification of customers, inventories, amount or source of any income, profits, losses, or expenditures of any person, firm, partnership, corporation, or other organization, the disclosure of which information is likely to have the effect of either (1) impairing the Commission's ability to obtain such information as is necessary to perform its statutory functions, or (2) causing substantial harm to the competitive position of the person, firm, partnership, corporation, or other organization from which the information was obtained, unless the Commission is required by law to disclose such information.
2. Any information submitted, either voluntarily or pursuant to order, in this investigation, which is asserted by a supplier to contain or constitute confidential business information shall be so designated by such supplier in writing, or orally at a deposition, conference or hearing, and shall be segregated from other information being submitted. Documents shall be clearly and prominently marked on their face with the legend: "[supplier's name] CONFIDENTIAL BUSINESS INFORMATION, SUBJECT TO PROTECTIVE ORDER," or a comparable notice. Information obtained during discovery and asserted by the supplier to be confidential under this order will be deemed to be confidential unless the administrative law judge or the Commission rules that it is not. When such information is made part of a pleading, or is offered into the evidentiary record, the party offering it must state the basis for its claimed confidentiality. Confidential information whether submitted in writing or in oral testimony shall be disclosed at a hearing only on the in camera record and shall not be made part of the public record of this proceeding. The administrative law judge or the Commission may determine that information alleged to be confidential is not confidential, or that its disclosure is necessary for the proper disposition of the proceeding, at any time before, during or after the close of the hearing herein. If such a determination is made by the administrative law judge, opportunity shall be provided to the supplier of such information to argue its confidentiality, prior to the time that such ruling becomes final.

3. In the absence of written permission from the supplier or an order by the Commission or the administrative law judge, any confidential documents or business information submitted in accordance with the provisions of paragraph 2 above shall not be disclosed to any person other
than: (i) outside counsel for parties to this investigation, including necessary secretarial and clerical personnel assisting such counsel, (ii) qualified persons taking testimony involving such documents or information and necessary stenographic and clerical personnel thereof, (iii) technical experts and their staff who are employed by outside counsel under (i) above for the purposes of this litigation (unless they are otherwise employed by, consultants to, or otherwise affiliated with a non-governmental party, or are employees of any domestic or foreign manufacturer, wholesaler, retailer, or distributor of certain laminated floor panels, which are the subject of this investigation), and (iv) the Commission, the administrative law judge, the Commission staff, and personnel of any governmental agency as authorized by the Commission. However see Commission rule 210.5 (b) which conforms to 19 U.S.C. § 1337(n)(2), which clarifies the list of government officers and employees who may have access to confidential business information, and (c) which alerts suppliers to the possibility that confidential business information may be transmitted to a federal district court, subject to such protective order as the district court determines necessary. This result might occur in a limited class of cases because of 28 U.S.C. § 1659. Past Commission practice has been to permit the transfer of confidential business information to another court only with permission of the supplier of the information. Particularly where the supplier is a third party who is involved in neither the Commission investigation nor the district court case, it is important that the supplier be made aware that treatment of confidential information would be governed by the district court's protective order and not that of the Commission following transmittal of the record under this provision. See also Commission rule 210.39 which outlines the circumstances in which the Commission's record, including the in camera record, may be transmitted to a federal district court, subject to such
protective order as the district court determines necessary. In addition, referring to Commission Administrative Order No. 97-06, dated February 4, 1997, information submitted under this Protective Order may be disclosed to technical contract personnel who are acting in the capacity of Commission employees, for developing or maintaining the records of this investigation or related proceedings, or in internal audits and investigations relating to the programs and operations of the Commission pursuant to 5 U.S.C. Appendix 3. Any contract personnel will sign appropriate non-disclosure agreements. Where the supplier of information under this order is a third party who is not involved in the Commission investigation, it is important that the supplier be made aware of the disclosure of such information to contract personnel by being provided a copy of the protective order.

4. Confidential business information submitted in accordance with the provisions of paragraph 2 above shall not be made available to any person designated in paragraph 3(i) and (iii) unless he or she shall have first read this order and shall have agreed, by letter filed with the Secretary of this Commission (letter of acknowledgment): (i) to be bound by the terms thereof; (ii) not to reveal such confidential business information to anyone other than another person designated in paragraph 3; and (iii) to utilize such confidential business information solely for purposes of this investigation. Such letter shall also acknowledge that the signatory(ies) has (have) read the order. Such letter shall further state which parties the person filing the letter is involved with and shall state in what capacity he or she is a signatory to the Protective Order

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1 A supplier of confidential business information may request that the administrative law judge identify said contract personnel.
(e.g., as an attorney under Paragraph 3(i) or technical expert under Paragraph 3(iii) and, in the
case of an attorney, in what jurisdictions he or she is admitted to practice. Each attorney seeking
access to confidential business information shall sign such letter individually, but clerical and
support personnel (including law clerks and paralegals) of that attorney need not sign. All letters
of acknowledgment of this Protective Order shall be served on all non-parties who have
theretofore submitted confidential business information in accordance with the provisions of
paragraph 2, above.

5. Confidential business information obtained in the Commission proceeding may be
used with the consent of the supplier in a parallel district court proceeding under a protective
order issued by the district court without losing its confidential status under the protective order
in this proceeding as long as the information is not made public in the district court proceeding or
by someone who obtains the information from that source or by anyone else.

6. Confidential business information furnished by a supplier may lose its protection
under this order if it is disseminated to anyone not authorized to see it either by this protective
order or by a protective order issued by a district court in a parallel proceeding protecting
confidential business information obtained by the parties under the Commission's protective
order. Information obtained pursuant to the Commission's protective order, however, may be
produced to the district court under the district court protective order only with the consent of the
suppliers of that information.
7. If the Commission or the administrative law judge orders, or if the supplier and all parties to the investigation agree, that access to, or dissemination of, information submitted as confidential business information shall be made to persons not included in paragraphs 3, 5 or 6 above, such matter shall only be accessible to, or disseminated to, such persons based on the conditions pertaining to, and obligations arising from, this order, and such persons shall be considered subject to it unless the Commission or the administrative law judge finds that the information is not confidential business information as defined in paragraph 1 hereof.

8. Any confidential business information submitted to the Commission or the administrative law judge in connection with a motion or other proceeding within the purview of this investigation shall be submitted under a designation that confidential information is contained or attached therein, pursuant to paragraph 2 above. When any confidential business information submitted in accordance with paragraph 2 above is included in an authorized transcript of a deposition or exhibits thereto, arrangements shall be made with the court reporter taking the deposition to bind such confidential portions and separately label them "[supplier's name], CONFIDENTIAL BUSINESS INFORMATION, SUBJECT TO PROTECTIVE ORDER." Before a court reporter receives any such information, he or she shall have first read this order and shall have agreed in writing to be bound by the terms thereof. Alternatively, he or she shall sign the agreement included as Attachment A hereto. Copies of each such signed agreement shall be provided to the supplier of such confidential business information and to the Secretary of the Commission.
9. The restrictions upon, and obligations accruing to, persons who become subject to this order shall not apply to any information submitted in accordance with paragraph 2 above to which the person asserting the confidential status thereof agrees in writing, or the Commission or the administrative law judge rules, after proper notice and hearing, was publicly known at the time it was supplied to the receiving party or has since become publicly known through no fault of the receiving party.

10. The administrative law judge acknowledges that any document or information submitted as confidential business information pursuant to paragraph 2 above is to be treated as such within the meaning of 5 U.S.C. § 522(b)(4) and 18 U.S.C. § 1905, subject to a challenge by any party pursuant to paragraph 12 below or to a final ruling by the Commission, the administrative law judge or its Freedom of Information Act Officer to the contrary, or by appeal of such a ruling, interlocutory or otherwise.

11. If no determination has been made by the administrative law judge or the Commission that the information designated as confidential by the submitter is not confidential, the persons who are recipients of such information shall take all necessary and proper steps to preserve the confidentiality of, and to protect each supplier's rights with respect to, any confidential business information designated by the supplier in accordance with paragraph 2 above.

12. The supplier of any confidential information is hereby notified that Commission
regulations 19 C.F.R. § 201.19(c) through (e) generally require that the Commission will give notice to a submitter of confidential information upon the Commission's receipt of an FOIA request.

13. The supplier of any confidential information is put on notice that Commission rule 210.20 provides that only a party may move to declassify and that only then are such motions, whether brought at any time during or after the conclusion of an investigation, addressed to and ruled upon by an administrative law judge. Other requests to declassify made by non-parties, such as an FOIA request, will not be referred to the administrative law judge for consideration under the protective order.

14. If a party to this order who is a recipient of any business information designated as confidential and submitted in accordance with paragraph 2, disagrees with respect to such a designation, in full or in part, it shall notify the supplier in writing, and they will thereupon confer as to the status of the subject information proffered within the context of this order. If prior to, or at the time of, such a conference, the supplier withdraws its designation of such information as being subject to this order, but nonetheless submits such information for purposes of the investigation, such supplier shall express the withdrawal in writing and shall serve such withdrawal upon all parties, the administrative law judge, and the Commission investigative attorney. If the recipient and supplier are unable to concur upon the status of the subject information submitted as confidential business information within ten days from the date of notification of such disagreement, any party to this order may raise the issue of the designation of
such a status to the Commission or to the administrative law judge, and the Commission or the administrative law judge may raise the issue of designation of the confidential status without any request from a party. Upon notice that such confidential status of information is at issue, the party to the investigation which submitted the information and designated it as confidential shall have the burden of proving such confidential status.

15. No less than ten days (or any other period of time designated by the administrative law judge) prior to the initial disclosure to the proposed expert of any confidential information submitted in accordance with paragraph 2, the party proposing to use such expert shall submit in writing the name of such proposed expert and his or her educational and employment history to the supplier. If the supplier objects to the disclosure of such confidential business information to such proposed expert as inconsistent with the language or intent of this order or on other grounds, it shall notify the recipient in writing of its objection and the grounds therefor prior to the initial disclosure. If the dispute is not resolved on an informal basis within ten days of receipt of such notice of objection, motion may be made to the administrative law judge for a ruling on such objection. The submission of such confidential business information to such proposed expert shall be withheld pending the ruling of the administrative law judge. The terms of this paragraph shall be inapplicable to experts within the Commission or to experts from other governmental agencies who are consulted with, or used by, the Commission.

16. If confidential business information submitted in accordance with paragraph 2 is disclosed to any person other than in the manner authorized by this protective order, the party
responsible for the disclosure must immediately bring all pertinent facts relating to such
disclosure to the attention of the supplier and the administrative law judge and, without prejudice
to other rights and remedies of the supplier, make every effort to prevent further disclosure by it
or by the person who was the recipient of such information.

17. Nothing in this order shall abridge the right of any person to seek judicial review or
to pursue other appropriate judicial action with respect to any ruling made by the Commission,
its Freedom of Information Act Officer, or the administrative law judge concerning the issue of
the status of confidential business information.

18. Upon final termination of this investigation, each party that is subject to this order
shall destroy or return to the supplier all items containing confidential business information
submitted in accordance with paragraph 2 above, including all copies of such matter which may
have been made, but not including copies containing notes or other attorney's work product that
may have been placed thereon by counsel for the receiving party. All copies containing such
notes or other attorney's work product shall be destroyed. Receipt of material returned to the
supplier shall be acknowledged in writing. This paragraph shall not apply to the Commission,
including its investigative attorney, and the administrative law judge, which shall retain such
material pursuant to statutory requirements and for other recordkeeping purposes, but may
destroy those additional copies in its possession which are regarded as surplusage.

19. If any confidential business information which is supplied in accordance with
paragraph 2 above is supplied by a non-party to this investigation, such a non-party shall be considered a "supplier" within the meaning of that term as it is used in the context of this order.

20. At or before the final termination of the investigation, copies of confidential information that was in the hands of expert witnesses must be retrieved or destroyed.

21. Except as provided in Commission rule 210.20, the jurisdiction of the administrative law judge over this order terminates upon filing of the initial determination issued at the end of the case. After that date, the Commission has jurisdiction to enforce this order and to issue reprimands and other sanctions.

22. The parties may move to amend this order, but any proposed amendment that would broaden the range of persons having access to confidential business information must be proposed and adopted before such information is supplied in reliance upon the terms of this order, unless all suppliers of confidential information consent to the amendment.

23. The Secretary shall serve a copy of this order upon all parties.

Issued: September 19, 2005

Paul J. LaChense
Administrative Law Judge
ATTACHMENT A

NONDISCLOSURE AGREEMENT FOR REPORTER/STENOGRAPHER/TRANSLATOR

I, __________________________, do solemnly swear that I will not divulge any information communicated to me in any confidential portion of the investigation or hearing in Certain Laminated Floor Panels, Inv. No. 337-TA-545, except as permitted in the protective order issued in this case. I will not directly or indirectly use, or allow the use of such information for any purpose other than that directly associated with my official duties in this case.

Further, I will not by direct action, discussion, recommendation, or suggestion to any person reveal the nature of content of any information communicated during any confidential portion of the investigation or hearing in this case.

I also affirm that I do not hold any position or official relationship with any of the participants in said investigation.

I am aware that the unauthorized use or conveyance of information as specified above is a violation of the Federal Criminal Code and punishable by a fine of up to $10,000, imprisonment of up to ten (10) years, or both.

Signed ________________

Dated ________________

Firm or affiliation

____________________

____________________
A Brief View of How Limits on Judicial Independence Affect Litigants, the Courts and the Public

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D. Dudley Oldham is a senior partner in the Houston office of Fulbright & Jaworski L.L.P. having joined the firm in 1966. His varied litigation practice consists of complex litigation primarily in the areas of energy, intellectual property commercial and business matters. He has been lead counsel in many large, complex disputes in federal and state courts, both internationally and domestically. He is a Fellow of the American College of Trial Lawyers (ACTL) and a member of the American Board of Trial Advocates (ABOTA). A certified mediator and arbitrator, he is also a member of the AAA Texas Large Complex Case Panel and CPR. Dudley has served on the firm’s Executive and Policy Committees for over 25 years. He is the former Chairman of the firm’s Litigation Management Committee. Dudley is a former Chair of the American Bar Association’s Standing Committee on Independence of the Judiciary and former Chair of ABA Tort Trial and Insurance Practice Section (TIPS). He has served as a member of the Board of Editors of several legal publications and as country correspondent for the International Insurance Law Review. Dudley received his B.A. and J.D from The University of Texas. He was admitted in 1966 to practice law in Texas. He is also admitted to practice in the U.S. Supreme Court, all U.S. District Courts in Texas and in the U.S. Courts of Appeals for the Third, Fifth and Eleventh Circuits.
A Brief View of How Limits on Judicial Independence Affect Litigants, the Courts and the Public

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A Brief View of How Limits on Judicial Independence Affect Litigants, the Courts and the Public

I. Importance of Judicial Independence
   A. Promotes Separation of Powers / Checks and Balances
      1. Executive and legislative branch public officials are not expected to be independent of the people; to the contrary, those officials are expected to represent their respective constituencies by acting on the policy preferences of those who elected them. Judges, however, are different. Once voters’ policy preferences are enacted into rules of law, it is up to the judges to ensure that those rules of law are faithfully interpreted and upheld.
      2. Judges must be independent enough collectively as a branch to resist institutional encroachments from the other branches of government that could place the judiciary under the control of a political branch. It is important that judges and the judiciary possess decision-making and institutional independence.
      3. Judicial review prevents overreaching by the other branches. Judicial review is not possible without judicial independence.
      4. Alexander Hamilton: “Liberty can have nothing to fear from the judiciary alone, but would have everything to fear from its union with either of the two departments.”
   B. Promotes Just Decisions and Rule of Law
      1. Democracy cannot function unless the judiciary decides each individual case based on the particular laws and facts involved, rather than the prevailing public opinions at any given time. Judicial independence has paved the way for many important decisions, including:
         b. Nondiscriminatory college admissions. See, e.g., Sweatt v. Painter, 339 U.S. 629 (1950). Holding separate UT Law School for blacks necessarily failed the Plessy separate but equal test, both because of quantitative differences in facilities and intangible factors such as isolation from most of the future lawyers with whom its graduates would interact.
         d. Higher standards of care in prisons and mental care facilities. See, e.g., Estelle v. Gamble, 429 U.S. 97 (1976)—holding deliberate indifference to serious medical needs is prohibited by the 8th Amendment “whether the indifference is manifested by prison doctors in their response to the prisoner’s needs or by
prison guards in intentionally denying or delaying access to medical care or intentionally interfering with the treatment once prescribed.

e. Employment opportunities for women and minorities. See, e.g., *Corning Glass Works v. Brennan*, 417 U.S. 188 (1974)—holding employers violated Equal Pay Act by paying women lower wages because that is what they historically received under the “going market rate.”

C. Promotes the Protection of Commerce and Personal Liberties

1. An independent and trustworthy judiciary is necessary to protect commerce as well as personal liberties. Consistent development of contract rights, zoning laws, employment regulations, etc. is crucial to business development. Investors have little trust and confidence in doing business in an unstable legal environment where legal rights and assets are at risk due to variable governmental systems.

2. Georgia Attorney General Thurbert Baker, President-Elect of the National Association of Attorneys General commented on these necessary protections while addressing business leaders at a May 2006 conference in Washington by emphasizing that perceived fairness in the application of law has a significant impact on the attraction of business investments to a jurisdiction.

3. Recent example of the Hong Kong Handover (1997)

   a. Assuaging the fears of global business entities, the Basic Law for the Hong Kong Special Administrative region was adopted by the People’s Republic of China in 1990 (took effect when the handover occurred in 1997). Among other things, the Basic Law maintained judicial independence and the rule of law:

      i. The courts of the Hong Kong Special Administrative Region shall exercise judicial power independently, free from any interference. (BL Article 85) (note: Hong Kong Court of Final Appeal took over for English Privy Council).

      ii. The principle of trial by jury previously practiced in Hong Kong was maintained. (BL Articles 86–87).

   b. As a result, commerce in Hong Kong continued to thrive. The U.S. State Department website notes: “U.S. companies have a generally favorable view of Hong Kong’s business environment, including its legal system and the free flow of information, low taxation, and infrastructure.” Furthermore, “Hong Kong remains a free and open society where human rights are respected, courts are independent, and there is well-established respect for the rule of law.”

4. The recent example of decisive action taken by USDC Judge Janice Jack sitting in the Southern District of Texas Corpus Christi Division in which she pursued the trustworthiness of a significant number of medical evaluations and affidavits that had been submitted to her court in connection with pending silicosis cases with the resulting recanting of the expert testimony and sanctions being imposed. At a recent meeting of Lawyers for Civil Justice attended by a large segment of business leaders, widespread sentiment was expressed that the orders and actions of Judge Jack had done more to advance mass tort and class action reform than several years of legislative attempts in the U.S. Congress.
D. Promotes Trust and Confidence in the Justice System

1. Legislatures cannot address every consequence of every issue or law. Private litigants are necessary to fill in the gaps. But private litigation is chilled if there is a lack of trust and confidence in the system. An independent judiciary fosters public perception that cases will be decided on their merits as they are brought, and such public perception creates an incentive to permit disputes to be decided in an orderly fashion within the justice system.

2. Judge Paul Kelly, Federal Court of Appeals for the 10th Circuit, on Judicial Independence: “When you appear in a federal court, whether in a civil, criminal, or administrative matter, I think you have to have the confidence that those who will be sitting in judgment on your case will not be influenced simply because you are a member of a minority or because you are rich or poor: that they will decide on the basis of the facts and the law. That is the essence of judicial independence. I think perception is the most important part of the whole equation. I think it plays into how the system is judged by the public. Where there is the perception that a court is being manipulated or being pressured by people who are appearing before it, the public confidence is lost. If you ever lose the perception of fairness the judicial system ceases to be an effective branch of government. Even though not every decision may be correct, if it is seen as fair, the system is deemed to be independent and it will work.”

II. The important requirement of accountability: The appearance of impropriety and unfairness can compromise Judicial Independence

A. In earlier times the English king originally appointed and removed judges at his pleasure. The Glorious Revolution of 1688, however, led to the appointment of judges with more permanent tenure and fixed salaries. The British experience led the founding fathers to focus more on judicial independence than judicial accountability, as reflected in Article III of the Constitution and the Federalist Papers.

B. In recent times there has been an increased level of interest and concern regarding judicial accountability in the general public and in legislative branches.

1. The Judicial Accountability Initiative Law (JAIL)—has now been successfully placed as a constitutional amendment on the South Dakota 2006 November constitutional ballot. This initiative was begun by Ron Branson, the founder and leader of the original group that wrote the first version of the South Dakota amendment after a Los Angeles police officer arrested him on suspicion of burglary. After spending six days in jail, Mr. Branson unsuccessfully sued the Los Angeles Police Department and then focused on the court. He attempted to put the judicial accountability initiative on the California ballot three times but decided to move on to South Dakota, where low signature requirements make the endeavor easier. The South Dakota arm of the movement has sense distanced itself from jail for judges and Mr. Branson; however, the initiative continues on the South Dakota ballot.
2. Inspector General for the Judicial Branch—in late April 2006, Senators Sensenbrenner and Grassley proposed legislation entitled “Judicial Transparency And Ethics Enhancement Act of 2006” which would appoint an inspector general to oversee the judiciary. The majority of news publications and the ABA have spoken out against the passage of this judicial-oversight legislation. The New York Times featured an opinion editorial (op-ed) titled “Judges Should Police Themselves,” which critiqued the proposed bill as yet another attempt by Congress to overstep its powers. Five days later, The New York Times published a follow-up letter responding to this op-ed that further attacked the proposed legislation. The Washington Post featured a column attacking the Senators supporting this legislation, which was appropriately titled “Judge Thyself—and Soon.” The columnist went so far as to suggest changing the name of the proposed Act from the “Judicial Transparency and Ethics Enhancement Act of 2006” to the “Constitutional Crisis Creation Act of 2006.” The ABA has publicly expressed its concern. ABA President, Michael Greco, echoed the most high-profile critic of the bill—Justice Ruth Bader Ginsburg—in calling this proposal “unprecedented and a very unhealthy idea.”

3. The increasing impact of special interest groups and opinion polls pressure judicial candidates to announce their position on matters of special interest importance with the obvious expectation that the jurist would not be supported by that group or if elected would be severely criticized if the jurist did not rule in accordance with the “constituent’s” point of view. Various opinion research by interested organizations has consistently reflected that the general public does not understand the term “judicial independence.” Many in the non-legal community view the term as more properly reflective of judges “out of control.” The current focus on judicial accountability is fueled in many respects by the election practices in increasingly contentious partisan judicial elections and special interest group implementation of sound bite reporting in the organized press.

C. The increased emphasis on the topic of judicial accountability in part flows from perceived inadequacies in the enforcement or scope of state and federal judicial conduct codes. The Washington Post has reported that a number of federal appeals judges have violated ethics rules by presiding over lawsuits while having a financial conflict, and others have failed to disclose that they traveled to resorts on expense-paid trips. Some judges were reported to be repeat offenders. In 2003, federal appeals judges issued rulings in at least seven lawsuits while they or their spouses owned stock in a company involved in the case or had other financial ties to a party in the dispute. The problem stock holdings ranged in value from a few thousand dollars to as much at $50,000. On at least six occasions from 2002 to 2004 federal judges accepted air travel, food, and lodging from a sponsoring foundation but did not list the gifts on their annual disclosure reports, as required by law.

D. Codes of Judicial Conduct Revisions

1. The Model Code of Judicial Conduct was adopted by the House of Delegates of the American Bar Association on August 16, 1972. The Code replaced the Canons of Judicial Ethics, which had been formulated almost 50 years earlier. The
Code was twice amended between 1972 and 1990, when it was reviewed comprehensively. The Code has not been comprehensively revised since 1990.

2. Current Draft of Revisions to 1990 Code of Judicial Conduct—Following the recommendation of the ABA Commission on the 21st Century Judiciary, the ABA Standing Committee on Judicial Independence and the ABA Standing Committee on Ethics and Professional Responsibility joined to appoint a commission to undertake a current review of the 1990 Code. This work has been underway for over two years. The current plan is to submit a proposed draft for consideration at the 2007 ABA Winter meeting.

3. The Code of Judicial Conduct is not intended as an exhaustive guide for the conduct of judges. Judges should also be governed in their judicial and personal conduct by general ethical standards. The Code is intended, however, to state basic standards which should govern the conduct of all judges and to provide guidance to assist judges in establishing and maintaining high standards of judicial and personal conduct.

4. The Model Code of Judicial Conduct is not binding until a state adopts it. Though most states adopt the Code in some form, many make substantive changes.

III. Some Compromising Measures on Judicial Independence

A. Judicial Branch Funding

1. Chronic under funding of state judicial branches—For several years many, if not most states have operated on a budget of approximately 1.5 percent of an individual state’s overall operating budget. As the American Bar Association Commission on the 21st Century Judiciary reported in Justice In Jeopardy, states have experienced budgetary deficits that often exert a disproportionate impact on judicial systems. State budget crises are forcing many states to close courts and prisons, release some inmates from confinement, stop prosecuting certain non-violent crimes, and reduce indigent defense spending. Most often, budget cuts are, however, not the product of legislative indifference or governmental branch animus, but of a need for state-wide fiscal austerity.

2. The fair and impartial administration of justice is a priority of the highest order. Protecting and preserving that system requires adequate funding for judgeships, staff, facilities, and jury trials. Attention to the care and maintenance of good relationships among the branches of government is an essential element in these areas.

a. Massachusetts, 2001—Massachusetts courts received $40 million less than requested and were told to expect more cuts the next year. In addition to continuing conflicts over patronage appointments, legislators opposed the Supreme Judicial Court’s ruling that the Clean Elections Law (passed by the voters) must be funded. Threats to the budget became so extreme that the Massachusetts Bar Association organized a “Court Funding Lobby Day” at the legislature to protect funding for interpreters, court reporters and guardians ad litem.
b. Alabama, 2002—Alabama Chief Justice Roy Moore suspended civil and criminal trials when feuds with the legislature and the governor resulted in inadequate funding.

c. North Carolina, 2002—a partisan conflict over redistricting erupted with the elected courts at the center of the quarrel. A judge rejected the legislative map drawn by the Democratically-controlled legislature and oversaw the drawing of a new map, which was deemed Republican-friendly. The North Carolina Supreme Court, with a majority of Republican members, affirmed the decisions. The Democratically-controlled state Senate responded by decreasing the number of supreme court clerks and eliminating some judicial districts, including the one where the offending judge sat. As a result, the judge was forced to travel around the state holding court.

3. Federal Judiciary Budgets—There has been recent attention directed to the federal court budget process where many of the same budgetary constraints curtail the operation of the functions of the federal courts. Notable recent attention has been drawn to the long-standing practice of requiring the federal courts to pay excessive rents to the General Services Administration for courthouses and other judicial facilities the courts utilize throughout the United States. The federal courts spent $926 million in rent in 2005, but the GSA’s costs for providing the space only totaled $426 million. These exorbitant rent mark-ups cost the loss of 1,500 jobs in the judiciary between October 2003 and the end of 2005. The elimination of that large mark-up to the federal judiciary budget would immeasurably assist court operations over the United States, but little practical effect would be observed if the Congress accompanied the action with a like reduction in the annual operating appropriation for the federal courts.

4. Judicial Salaries

a. To attract the best, brightest and most dedicated to public service as judges in our state and federal courts, attention must continually be directed to increasing judicial salaries to reasonable income levels.

b. Reducing judicial pay, including relative earning power as well as actual salary reduction, can pressure the judicial branch into reversing countermajoritarian policies. Perhaps more importantly, reducing judicial pay means the best applicants—including jurists, law clerks, and staff—will go elsewhere, decreasing the quality of our judicial system.

B. Judicial Selection Methods—the broad range of issues and choices

1. 87 percent of state judges must stand for election, either against opponents or in up-or-down retention elections.

2. Nowhere is the tension between judicial independence and judicial accountability more acute than in the context of judicial selection methods.

a. Disagreements over the relative merits of appointive versus elective systems of judicial selection continue with no sign of abating. Most would argue that there is no perfect choice—no one size to fit all circumstances.
b. The ABA has long recommended judicial merit selection; however, the realities of selection method debates have moved the ABA to also offer numerous recommendations for the improvement of elective systems.

c. As reported by the ABA’s Commission on the 21st Century Judiciary, some of the most serious problems confronting our judicial systems today relate to judicial selection and reselection.

d. The focus on judicial elections has been magnified in the aftermath of the United States Supreme Court decision in *Republican Party of Minnesota vs. White* addressing First Amendment Freedom-of-Speech prohibitions in campaign speech.

e. Various states have reassessed their state codes of judicial conduct in light of *White*, but the debate continues over a clear direction regarding permissible judicial campaign conduct.

f. The court’s opinion in *White* does send the message that states that opt to select their judges by election must afford those candidates the First Amendment protection to discuss the issues. If the selection method is deemed to compromise judicial impartiality, then the state may conclude to select an alternate method of judicial selection to address the issue.

3. Campaign funding from special interest groups can create the appearance of impropriety and, in some cases, may affect outcomes

   a. The high level of interest by special interest groups and the incumbent infusion of large sums of money into judicial campaigns undermines public confidence in the courts by giving the appearance of “justice for sale.”

   b. Special interest group money has driven up the costs of elections.

      i. Back in 2000, candidates raised a record $45.6 million—a 61 percent increase over the previous election cycle, and political parties and interest groups spent $10 million more on independent TV ads. At that point the problem seemed confined to battleground states like Alabama, Illinois, Michigan, Mississippi and Ohio.

      ii. In the past three cycles, candidates have raised $123 million—compared to $73.5 million in the three cycles prior to that.

   c. Interest groups pressure judges to “declare” their positions declaring positions may lead to excessive recusal, apparent impropriety, or even actual interference with judicial decisions.

   d. The public can perceive judges who campaign and fundraise as political candidates, with platforms and opinions—in short, a constituency. As a result, the electorate may expect those judges to adhere to their platforms—to be accountable just like any other candidate for elected office. An electorate who believes that judges adhere to political platforms should necessarily question the ability of those judges to render impartial judgments.

   e. Fundraising has a particularly deleterious effect in judicial elections because there are fewer contributing special interest groups when compared to legisla-
tive or executive branch elections. Rather, there are anti- and pro-regulatory
groups, anti- and pro-tort reform groups, and an assortment of others. Conse-
sequently, there are fewer “factions” participating in judicial elections.

i. In Federalist No. 10, Madison opined that, while undesirable, factions nec-
essarily come along with elections. Madison believed the best way to pre-
vent factions from affecting election outcomes was to encourage them—to
have so many that it is impossible for any one faction be a deciding influ-
ence. Because there are fewer factions in judicial elections, the factions
have a more pronounced influence on the outcomes of those elections.

C. Jurisdiction-Stripping Legislation

1. Denies litigants access to the courts; limits courts’ ability to grant necessary relief.
   a. The Illegal Immigration Reform and Immigrant Responsibility Act of 1996
      stripped federal courts of jurisdiction over Immigration and Naturalization
      Service asylum decisions.
   b. REAL ID Act of 2005 eliminates habeas, all writs, and mandamus jurisdiction
      over final orders of deportation.
   c. Prison Litigation Reform Act of 1996 (PLRA) restricted the “remedies that a
      judge can provide in civil litigation relating to prison conditions.”
   d. Antiterrorism and Effective Death Penalty Act of 1996 limited the number of
      habeas petitions filed by state prisoners in federal courts, in addition to other
      limits on federal court authority related to such petitions.
   e. The U.S. Class Action Fairness Act of 2005 expanded federal diversity jurisdic-
      tion (thereby limiting state court jurisdiction), granting original federal jurisdic-
      tion to class actions where the amount in controversy exceeds $5 million,
      and in which any of the members of a class of plaintiffs is a citizen of a state
      different from any defendant, unless at least two-thirds or more of the mem-
      bers of all proposed plaintiff classes in the aggregate and the primary defend-
      ants are citizens of the state in which the action was originally filed.
   f. Marriage Protection Act.
   g. Pledge [of Allegiance] Protection Act.

D. External political pressures

1. Korematsu v. United States, 323 U.S. 214 (1944)
   a. Supreme Court of the United States upheld the internment of Japanese Amer-
      icans in World War II based on “military necessity.” It was later reported that
      the wartime government had suppressed reports finding no threat of espio-
      nage and relying instead on generalized stereotypes.
   b. Implications for Muslim-Americans in today’s Post-9/11 environment.
      i. Hamdi v. Rumsfeld, 542 U.S. 507 (2004)—the 2004 Supreme Court of the
         United States decision holding Yaser Esam Hamdi, a U.S. citizen being
         detained indefinitely as an unlawful combatant, had standing to bring a
         habeas petition.

2. Plessy v. Ferguson, 163 U.S. 537 (1896)
a. Supreme Court of the United States rejected the argument that racial segregation in railroad facilities gave the impression that African-Americans were inferior; the Court stated that segregation was acceptable as long as the result was “separate but equal facilities.” Plessy legitimized the move towards segregation practices demonstrating the danger of a judiciary that caters to popular opinion.

   a. Supreme Court of the United States upheld the Smith Act, which allowed Communist party members to be criminally prosecuted for teaching and advocating governmental overthrow.

   b. Justice Douglas, Dissenting: “Communists in this country have never made a respectable or serious showing in any election. I would doubt that there is a village, let alone a city or county or state which the Communists could carry. Communism in the world scene is no bogeyman; but communism as a political faction or party in this country plainly is. Communism has been so thoroughly exposed in this country that it has been crippled as a political force. Free speech has destroyed it as an effective political party.”

4. Schiavo, 404 F.3d 1270 (11th Cir. 2005)
   a. Intimidation of the judiciary nationwide was attempted by a Congressmen who, following the Terri Schindler-Schiavo case, stated “the time will come for the men responsible for this to answer for their behavior.” The Congressman threatened impeachment and said that he wanted to examine the “failure” of state and federal courts to protect the disabled woman, who died 13 days after the court-ordered withdrawal of her feeding tube.

   b. Despite extreme political pressure, the courts repeatedly denied restraining orders that would prohibit the withdrawal of her life support.

   c. Schiavo’s repercussions persist: A senator referred to the Schiavo case during a pre-confirmation meeting with now US Supreme Court Chief Justice John Roberts. The senator reportedly asked Judge Roberts whether he believed Congress should have taken action to preserve Schiavo’s life. Although Judge Roberts refused to discuss the Schiavo case specifically, Judge Robert reportedly stated, “I am concerned with judicial independence. Congress can prescribe standards but when Congress starts to act like a court and prescribe particular remedies in particular cases, Congress has overstepped its bounds.”