Exhibit G

OAK INDUSTRIES, Plaintiff, v. ZENITH INDUSTRIES, Defendant

No. 86 C 4302

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

1988 U.S. Dist. LEXIS 7985

July 25, 1988, Decided; July 27, 1988, Filed

OPINION BY: [*1] GRADY

OPINION

MEMORANDUM OPINION

JOHN F. GRADY, UNITED STATES DISTRICT JUDGE

This patent infringement case comes before us on three motions. Plaintiff Oak Industries ("Oak") moves (1) for relief from the alleged ethical violations of Michael Barclay ("Barclay"), one of Zenith's attorneys; (2) for relief from Barclay's alleged violation of the protective order imposed in this case; and (3) to compel Zenith to produce a witness pursuant to Rule 30(b)(6) of the Federal Rules of Civil Procedure. We deny the ethics motion, but grant the motion to compel discovery. We reserve ruling on the protective order motion and all attorney-client privilege issues, pending further discovery concerning Barclay's communication with Carl Bradshaw ("Bradshaw"). We turn first to the ethics and protective order motions and then to the discovery motion.

ETHICS AND PROTECTIVE ORDER MOTIONS

Facts

In May, 1987, Barclay, one of Zenith's attorneys, contacted Bradshaw, who no longer worked for Oak but had served as its general counsel from the 1970s until August 1984. Defendant's Memorandum in Opposition to Plaintiff's Motion for Violation of Ethics Provision and Protective Order, Bradshaw Deposition [*2] at 6. According to Barclay, he contacted Bradshaw in order to obtain any non-privileged information Bradshaw had about the Harney patent, one of the patents at issue in this case. Barclay Declaration at para. 5. Bradshaw agreed to speak with Barclay and did so on two occasions in 1987. Id. at para. 7.

In preparation for their conversations, Barclay sent Bradshaw several documents which he directed Bradshaw not to copy or disclose. The record does not reveal what documents Bradshaw actually received. However, Barclay acknowledges that the materials included one or more internal Oak memoranda "of which Bradshaw was a recipient." Id. at para. 11. Barclay claims that "such memoranda were not designated confidential under the protective order at the time they were produced by Oak, and were such that, under Barclay's agreement with Oak's counsel, [he] was permitted to show such documents to their recipients such as Mr. Bradshaw." Id. The record also does not reveal what Barclay and Bradshaw discussed during their two conversations. However, Zenith contends that it is "unlikely" that privileged matters were discussed. Def. Memo. in Opp. at 10.

Oak alleges that Barclay also tried [*3] to contact several other ex-Oak employees. However, the only ex-employee (other than Bradshaw) specifically mentioned in Oak's memoranda is Mr. Leo Jedynak

("Jedynak"). Barclay admits that he spoke with Jedynak, but maintains that their conversation did not touch upon any substantive matters involved in this case. Barclay Deposition at para. 15-16.

Discussion

The Model Code of Professional Responsibility prohibits direct contact between an attorney and an opposing party without the consent of opposing counsel:

(A) During the course of his representation of a client a lawyer shall not

(1) communicate or cause another to communicate on the subject of the representation with a party he knows to be represented by a lawyer on that matter unless he has the prior consent of the lawyer representing such other party or is authorized by law to do so . . . .

Model Code of Professional Responsibility DR 7-104 (emphasis added); Ill. Rev. Stat., ch. 110A, Rule 7-104. The new Model Rules of Professional Conduct also proscribe such contact: [1]

In representing a client, a lawyer shall not communicate about the subject of the representation with a party the lawyer knows to be [*4] represented by another lawyer in the matter, unless the lawyer has the consent of the other lawyer or is authorized by law to do so.

Model Rules of Professional Conduct Rule 4.2 (emphasis added). In cases such as this, where employees of a party are involved, the task of identifying the opposing "party" can be very difficult. The Comment to Rule 4.2 of the Model Rules attempts to clarify which employees constitute a "party" for the purposes of the ethical rules:

In the case of an organization, this Rule prohibits communications by a lawyer for one party concerning the matter in representation [1] with persons having a managerial responsibility on behalf of the organization and [2] with any other person whose act or omission in connection with that matter may be imputed to the organization for purposes of civil or criminal liability or [3] whose statement may constitute an admission on the part of the organization.

Id. Comment 2 (emphasis added).

1 We note that the Illinois Supreme Court has adopted the Model Code of Professional Responsibility, but not the Model Rules of Professional Responsibility. However, like other courts, see In Re Industrial Gas Antitrust, No. 80 C 3479 (N.D. Ill. Jan. 28, 1986) (Getzendanner, J.), we also look to the Model Rules for their persuasive value.

[*5] Though somewhat unclear, Clause 2 of the Comment suggests that a "party" includes former employees, such as Jedynak and Bradshaw, insofar as their acts or omissions in connection with the subject matter of the litigation can be imputed to their employer. See, e.g., Chancellor v. Boeing, No. 85-6131 (D. Kan. February 3, 1988); Sperber v. Washington Heights-West Harlem-Inwood Mental Health Council, No. 82 CIV 7428 (S.D.N.Y. Nov. 21, 1983), vacated and withdrawn (LEXIS, GenFed library, Dist. file). Some authorities have nevertheless held that DR 7-104 and Model Rule 4.2 do not apply to contacts with former corporate employees. See In Re Industrial Gas Litigation, 80 C 3479, Memorandum Op. at 5 (N.D. Ill. January 28, 1986) (Getzendanner, J.); Illinois State Bar Association Opinion No. 85-12, 74 Ill. Bar J. 514 (1986); Massachusetts Bar Association, Formal Opinion No. 82-7, quoted in Amarin v. Maryland Cup, 116 F.R.D. 36 (D. Mass. 1987); Wright by Wright v. Group Health Insurance, 103 Wash.2d 192, 691 P.2d 564, 569 (1984); Bobele v. Superior Court of Los Angeles County, 199 Cal. App. 3d 708, 245 Cal. Rptr. 144 (2d Dist. 1988) (applying similar, [*6] though not identical, state disciplinary rule).

We hold that Barclay's contacts with Bradshaw and Jedynak do not constitute ethical violations. The plain meaning of the word "party," as used in DR 7-104 and Model Rule 4.2, does not include persons who are no longer associated with the employer at the time of the litigation. The fact that former employees may have information damaging to the employer has nothing to do with the question of whether the employee should be considered an alter ego of the employer. We believe that expanding the definition of "party" under either DR 7-104 or Model Rule 4.2 to include former employees would unduly hinder attorneys' ability to conduct informal discovery in cases with employer party-opponents. As we see it, requiring the formal consent of an employer's counsel prior to contacting former employees will only increase the costs of litigation and possibly decrease the willingness of former

employees to provide information.

Our inquiry does not end here. As former general counsel of Oak, Bradshaw undoubtedly possesses information subject to the attorney-client privilege. Therefore, Oak is justifiably concerned that Bradshaw may have disclosed privileged [*7] information during his conversations with Barclay. However, we cannot rule today on whether Bradshaw did in fact disclose privileged matters because the record does not reveal the substance of the Barclay-Bradshaw conversations. Oak may therefore conduct discovery on the subject matter of Barclay's contacts with Bradshaw.

A similar problem is raised by Oak's motion alleging violation of the protective order. The record does not reveal what, if any, documents Bradshaw and Jedynak received from Barclay. Therefore, Oak may discover what documents Barclay did in fact send to Bradshaw and Jedynak.

Zenith argues that the work product doctrine prohibits discovery of any notes Barclay took during his conversations with Bradshaw and Jedynak. Rule 26(b)(3), which codifies the work product privilege, allows:

a party [to] obtain discovery of documents and tangible things otherwise discoverable under subdivision (b)(1) of this rule and prepared in anticipation of litigation or for trial by or for another party or by or for that other party's representative (including the other party's attorney, consultant, surety, indemnitor, insurer, or agent) only upon a showing that the party seeking discovery [*8] has substantial need of the materials in the preparation of the party's case and that the party is unable without due hardship to obtain the substantial equivalent of the materials by other means. In ordering discovery of such materials when the required showing has been made, the court shall protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party concerning the litigation.

Rule 26(b)(3). Oak's desire to investigate a possible breach of the attorney-client privilege or the protective order certainly constitutes a "substantial need." Moreover, it is difficult to imagine how Oak could obtain the "substantial equivalent" of contemporaneous records of Barclay's conversations from any other source. If Zenith wishes to excise any passages or notes which reflect only Barclay's legal theories or ideas, rather than his summary of the conversations, it should move for an appropriate protective order, Rule 26(c).

To summarize, we deny Oak's motion for relief from ethics violations. We reserve ruling on whether Zenith breached the protective order or whether Bradshaw disclosed privileged information. Oak [*9] may conduct discovery on Barclay's contacts with Bradshaw and Jedynak, and may request production of Barclay's notes.

MOTION TO COMPEL DISCOVERY

Pursuant to Rule 30(b)(6), Oak called for Zenith to produce a witness to testify regarding:

Any and all statements made, orally or in writing, by or between Zenith on the one hand, and on the other hand, any or all of Thompson-CSF, Philips NV, and any other potential purchaser of Zenith's Consumer Electronics.

Zenith argues that it need not produce a Rule 30(b)(6) witness because its discussions with potential buyers of its consumer electronics group are irrelevant to this case. We agree that discussions unrelated to the patents at issue in this case are irrelevant. However, any statements made by Zenith employees concerning the patents at issue are relevant.

Zenith nevertheless contends that any such relevant statements are protected by the attorney-client privilege because they must have been based on "opinion of counsel." Even assuming that such statements were the product of Oak's legal counsel and protected by the attorney-client privilege, Zenith waived the privilege by disclosing such information to the potential buyers [*10] of its consumer electronics group. See U.S. v. Lawless, 709 F.2d 485 (7th Cir. 1983) (disclosure may constitute waiver of privilege).

The so-called "community of interest" exception to the general rule that disclosure waives the attorney-client privilege does not apply here. The leading "community of interest" case is Duplan v. Deering Milliken, 397 F. Supp. 1146 (D.C.C. 1975). [2] In Duplan, the court held that sharing confidential information with a third party who has a "common legal interest" does not waive the attorney-client privilege. "The key consideration is that the nature of the interest be identical, not similar, and be legal, not solely commercial." Id. at 1172. The Duplan court strictly applied this "identical legal interest" test.

For example, it held that a party could disclose information to an outsider who owed it a contractual duty to serve as its patent law advisor. Id. at 1175. However, the court found that the same party's disclosure of confidential information to the exclusive licensee of its patent constituted waiver because the licensee held only a "commercial" interest, not a legal interest, in the litigation. Id.

> 2 The parties have directed us to no Seventh Circuit cases addressing the "community of interest" exception. However, in a related situation, the Seventh Circuit has held that the sharing of confidential information between codefendants' attorneys does not waive the attorney-client privilege. U.S. v. McPartlin, 595 F.2d 1321 (7th Cir.), cert. denied. 444 U.S. 833 (1979).

[*11] It is true that many cases subsequent to Duplan have interpreted the "community of interest" exception more liberally. However, of the cases addressing a party's disclosure of confidential information during negotiations, almost all have held that such disclosure waives the privilege. These cases have held that whatever the common interest shared by parties at the negotiating table, it is insufficient to warrant application of the "community of interest" exception. See Research Institute for Medicine and Chemistry v. Wisconsin Alumni Research Foundation, 114 F.R.D. 672, 676-77 (W.D. Wis. 1987); Union Carbide v. Dow Chemical, 619 F. Supp. 1036, 1050 (D. Del. 1985); SCM v. Xerox. 70 F.R.D. 508, 512-13 (D. Conn. 1976). Therefore, because Zenith did not share any common protected interest in this case with the potential buyers of its consumer electronics group, we hold that the attorney-client privilege does not protect any disclosures made during negotiations with those buyers.

We acknowledge that Hewlett-Packard v. Bausch & Lomb, 115 F.R.D. 308, 4 U.S.P.Q.2d 167 (N.D. Cal. 1987), holds to the contrary on facts very similar to this case. In Hewlett-Packard, the [*12] patent owner disclosed its patent attorney's opinion letter during negotiations with persons interested in purchasing one of its divisions. Magistrate Brazil held that such disclosure did not constitute waiver. In a thoughtful opinion, Magistrate Brazil extended the "community of interest" exception to potential buyers of one of the patent owner's divisions. Nevertheless, we choose to follow the weight of authority and hold that Zenith waived its attorney-client privilege by disclosing confidential information to potential purchasers. In light of the Seventh Circuit's admonition to construe the privilege narrowly, U.S. v. Lawless, 709 F.2d 485, 487 (7th Cir. 1983), we decline to expand the coverage of the attorney-client privilege to information which a party freely shares with other business persons. Such an expansion -- to all persons with whom the party may enter or consider entering into a business transaction -- would quickly swallow up the general rule that disclosure waives the attorney-client privilege. Moreover, it would do little to promote the underlying purpose of the privilege, that of encouraging open discussions between clients and their attorneys.

CONCLUSION

[*13] We deny Oak's motion for relief from ethical violations. We grant Oak's motion to compel discovery. We reserve ruling on Oak's motion for violation of the protective order and on all issues of attorney-client privilege relating to Michael Barclay's discussions with former Oak employees.

DATED: July 25, 1988