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

ILLINOIS COMPUTER RESEARCH, LLC., Plaintiff and Counterclaim Defendant, v. FISH & RICHARDSON P.C., Defendant, Counterclaimant and Third-Party Plaintiff, v. SCOTT C. HARRIS, Third-Party Defendant and Counterclaimant, v. FISH & RICHARDSON P.C., Defendant, Counterclaimant, Third-Party Plaintiff and Counterclaim Defendant.	Case No. 07 C 5081 Honorable Rebecca R. Pallmeyer Magistrate-Judge Maria Valdez **[REDACTED PUBLIC VERSION]**

ICR AND SCOTT HARRIS' MEMORANDUM IN SUPPORT OF MOTION TO COMPEL DOCUMENTS IMPROPERLY WITHHELD ON THE GROUND OF ATTORNEY-CLIENT PRIVILEGE AND WORK-PRODUCT IMMUNITY

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I. INTRODUCTION

The Court should compel production of all the documents identified on Fish & Richardson's privilege log (Ex. A). Fish's purported bases for withholding the documents are insufficient to support the existence of the privileges asserted, and the documents are directly relevant to the claims asserted in this litigation.

Fish's privilege log identifies twenty-eight log entries. With the exception of six entires, each log entry claims to have been made "in anticipation of litigation" and, thus, protected by work-product immunity. Yet, Fish's self-designating "firm counsel"– John Steele – testified that he did not anticipate litigation with Harris on the dates indicated. Therefore, Fish's "work product" claims were untenable from the beginning. Additionally, every document withheld based on the attorney-**client** privilege was both authored and received by Fish lawyers – all members of the firm that is a party in this case. Only one entry even mentions an unidentified outside counsel and, then, only by reference, stating "relaying outside counsel's legal advice" (Ex. A, Fish Privilege Log No. 46). Fish asserts that the attorney-client privilege somehow protects these internal corporate Fish-to-Fish communications (i.e., client-to-client communications). Fish's log abuses the attorney-client privilege in an attempt to conceal what, in reality, are relevant non-privileged communications between Fish employees, some of which have been disclosed to Scott Harris.

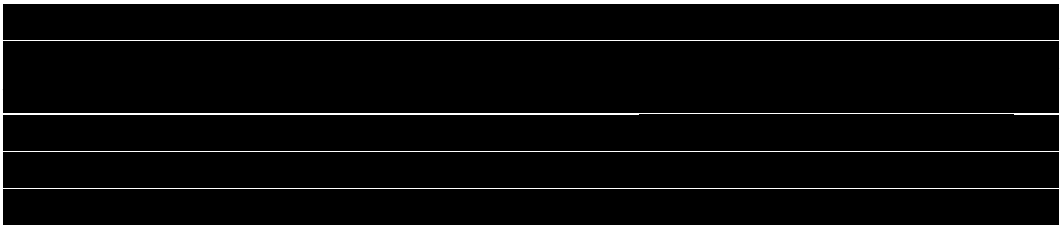
As required by Local Rule 37.2, Harris made a good-faith attempt to resolve the subject matter of this motion prior to filing its motion. Specifically, on Monday April 28, 2008 at approximately 10:00 a.m., counsel for ICR and Harris conferred in person with David Bradford, counsel for Fish, regarding the improperly withheld documents in an effort to determine whether Fish would produce them without the need for a motion. Mr. Bradford assured counsel for ICR and Harris that he would provide an answer on the issue later the same day or the morning of Tuesday, April 29, 2008. Counsel for Fish never followed-up with counsel for ICR and Harris.

II. THE COMMUNICATIONS SOUGHT BY ICR ARE RELEVANT

ICR filed a tortious interference claim against Fish. The tortious interference claim alleges that Fish purposefully and wrongfully interfered with ICR's and Harris' ability to

license the Harris patents. Fish subsequently filed a counterclaim against ICR and a third-party complaint against Harris. Fish alleges that Harris breached the Law Firm Agreement and breached his fiduciary duties by, among other things, selling his patents – the sale of which occurred at the direction of Fish lawyers, including John Steele, Kathi Lutton and Peter Devlin. Amazingly, after the fact, Fish now claims ownership of the Harris patents. The heart of the dispute between the parties relates to whether Fish has or ever had any claim to ownership of the Harris patents and whether Harris' actions in selling his patents at the direction of Fish was subject to alleged unannounced, unrecorded ownership rights of Fish.

Interestingly, during discovery, Fish produced documents reflecting not only its knowledge of the sale of the Harris patents but also its direct involvement in instructing Harris to sell his patents. (See, e.g., Ex. B, FR00147; email from K. Lutton to S. Harris, J. Steele, P. Devlin in which Lutton demanded Harris sell the patents quickly no matter what.)



(emphasis added). What's clear from this communication is that Lutton contemplated Harris would be compensated for the sale of his patents – the suggestion was only that he may have to sell them for less than he desired because of the timing. Lutton's email neither imposed restrictions on who Harris could sell his patents to, nor stated that specific terms were required for the sale. Moreover, throughout the communications between Harris and Fish regarding the sale of his patents, nobody at Fish ever told Harris that Fish believed it had any ownership rights in his patents. Yet, Fish now claims ownership. Harris and ICR are entitled to the logged communications because they are directly relevant to what was going on at Fish at the time. Fish attempts to assert a claim of privilege merely because the parties to the communications are lawyers. This is improper.

III. FISH HAS THE BURDEN TO ESTABLISH PRIVILEGE

The party seeking to invoke the protection of a privilege has the burden to establish all of its elements. United States v. White, 950 F.2d 426, 430 (7th Cir. 1991) (citing United States v. Lawless, 709 F.2d 485, 487 (7th Cir. 1983)). A claim of privilege cannot be a blanket claim, but must be established on a document-by-document basis. White, 950 F.2d at 430. The scope of any privilege claim must be narrowly limited since privilege claims are a "derogation of the search for truth." Id. (citing In Re Walsh, 623 F.2d 489, 493 (7th Cir. 1980)). The Seventh Circuit has made clear that the scope of privileges "should be confined to the narrowest possible limits." Lawless, 709 F.2d at 487.

IV. THE WORK-PRODUCT DOCTRINE DOES NOT PROTECT THE LOGGED DOCUMENTS

In order to come within the qualified protection from discovery created by Rule 26(b)(3), a party claiming protection must show that the materials sought are: (1) documents and tangible things, (2) ***prepared in anticipation of litigation or for trial*** and (3) by or for a party or by or for a party's representative. Caremark, Inc. v. Affiliated Computer Servs., Inc., 195 F.R.D. 610, 613-14 (N.D. Ill. 2000). Even if a prima facie case supporting the qualified work-product privilege is established, it may still be overcome if the party seeking the materials shows: (1) a substantial need for the materials and (2) an inability to obtain the substantial equivalent of the information without undue hardship. Caremark, 195 F.R.D. at 614.

Here, even Fish's "firm counsel" admits that neither he, nor the firm, were anticipating litigation against Harris when these communications took place. During his deposition, John Steele, Special Counsel and Director of Ethics at Fish, testified that Fish was not anticipating litigation with Harris:

[redacted]

(Ex. C, 4/23/08 Rough Trans. Steele Dep., p. 41). Later, Steele again testified:

[redacted]

[redacted]

(Ex. C, pp. 45-46).

Additionally, the head of Fish's global litigation practice, Kathi Lutton, testified that she had no idea what litigation, against Harris or anyone else, was contemplated by Fish on March 18, 2007:

[redacted]

(Ex. D, 4/14/08 Rough Trans. Lutton Dep., p. 128)

By the admission of Fish lawyers, who were actual parties to the withheld communications, apparently either no litigation was contemplated against Scott Harris or they had no idea what litigation, if any, the description "in anticipation of litigation" refers to on their privilege log. If Fish was not anticipating litigation with Harris, such evidence conclusively proves that the logged communications (which all relate or refer to "S. Harris") were ***not***, in fact, created in anticipation of litigation. Indeed, Lutton's testimony established that no litigation against any specific person or entity at all was contemplated. Thus, the work-product doctrine is inapplicable.

Although Steele intimated that in April of 2007 Fish was anticipating litigation with "current clients of the firm who were affected by Scott's conduct" (Ex. C, 4/23/08 Rough Tr. Steele Dep., p.41), this cannot be a basis to withhold these communications from Harris. If Fish were allowed to shield communications from Harris that were not prepared in anticipation of litigation with him, but instead prepared in anticipation of litigation with a non-party to the lawsuit, then a law firm would always be able to shield its communications from discovery because virtually every communication created by a law firm is created in "anticipation of litigation" with someone. Additionally, Internal documents prepared after an internal complaint has been made do not qualify as work product where, as here, there is no showing that litigation always ensues and no showing of why the particular litigation

was anticipated. Allen v. Chicago Transit Auth., 198 F.R.D. 495, 498 (N.D. Ill. 2001). The testimony provided by Steele reveals that Fish was not anticipating litigation with Harris. Thus, Fish cannot use the work-product doctrine to conceal relevant non-privileged communications from discovery.

Furthermore, even if the Court determines that such communications were created in anticipation of litigation, ICR and Harris should be permitted to overcome the privilege based on the substantial need for this information. If, as Fish asserts, it obtained outside counsel to conduct an internal investigation regarding the actions of Harris – the findings of such investigation and related communications are crucial to the outcome of this litigation. The success of Fish's claims against ICR and Harris depend on the advice Steele gave to Harris – the parties completely disagree as to the content of the advice that was conveyed to Harris by Steele. Without evidence of the actual content of the advice and/or outcome of the investigation, the fact-finder will be unable to discern the adequacy of the investigation and/or discover the substance of what was conveyed to Harris by Steele regarding his involvement in the Dell litigation. Moreover, since there is no other written evidence reflecting the advice that Steele gave to Harris, there is no substantial equivalent of this information. Thus, under these circumstances, the work product doctrine is insufficient to prevent discovery of the logged communications.

V. THE ATTORNEY-CLIENT PRIVILEGE CANNOT PROTECT INTERNAL CLIENT-TO-CLIENT COMMUNICATIONS

The attorney-client privilege is more narrow than the work-product doctrine. Caremark, 195 F.R.D. at 613. The attorney-client privilege protects communications made in confidence by a client to his attorney in the attorney's professional capacity for the purpose of obtaining legal advice." Jenkins v. Bartlett, 487 F.3d 482, 490 (7th Cir. 2007) (citing United States v. Evans, 113 F.3d 1457, 1461 (7th Cir. 1997)). More particularly, the elements of the attorney-client privilege are: "(1) where legal advice was sought; (2) from a professional legal advisor in his capacity as such; (3) the communications relating to that purpose; (4) made in confidence; (5) ***by the client***; (6) are at his instance permanently protected; (7) from disclosure by himself or by the legal advisor; (8) except the protection may be waived." In re Walsh, 623 F.2d 489, 492 (7th Cir. Ill. 1980) (emphasis added).

A. Fish Has Failed To Establish An Attorney-Client Relationship

Here, Fish's log deliberately obscures the relationships of the Fish lawyers. There is John Steele, who is said to be a "firm counsel" (whatever that may be). The management committee members include [redacted] (Ex. D, 4/14/08 Rough Trans. Lutton Dep., p. 5-6), as well as the additional Fish lawyers identified on the privilege log, including David Barkan, Neil McNabnay, Steven Stodghill, Charles Heinken and Wes Musselman. Because all of the identified individuals are lawyers (whose firm is a party in this case), the applicability of the alleged attorney-client relationship has not been established. Who is the attorney and who is the client for purposes of the alleged attorney-client privilege?

We are left to guess. And there is no clear and convincing evidence that the privilege is applicable. Sometimes the same Fish lawyers appear to be the attorney giving advice, while, at other times, they are the client receiving the advice. There is no clear and convincing evidence of an attorney-***client*** relationship and Fish has failed to explain or define any such a relationship. During Steele's deposition, when asked about the privilege log, he admitted: " [redacted] " (Ex. C, 4/23/08 Rough Tr. Steele Dep., p. 113). While he claims to hold the title "Special Counsel and Director of Ethics," he is a lawyer like every other lawyer identified on the log and employed by Fish. Steele is no different than Lutton or Devlin or McNabnay or any other lawyer at Fish – they are all attorneys. They are all effectively parties in this lawsuit and their communications are not privileged. Fish offered no facts defining any duties which would establish Steele as " firm counsel."

Additionally, there is no basis to withhold the logged documents because Steele even admitted that the communications were never meant to be kept from Harris:

- [redacted]
- [redacted]

[redacted]

[redacted]

[redacted]

****

[redacted]

[redacted]

(Ex. C, 4/23/08 Rough Tr. Steele Dep., p.189-190). Fish should be required to produce the requested communication.

Even assuming the Court were to recognize an in-firm privilege existed and determined that Steele's communications with the other lawyers at Fish were privileged, John Steele is not even an identified party to the any of the communications listed as Log Nos. 67 and 68. Accordingly, at a minimum, the privilege should not extend to protect the communications identified as Log Nos. 67 and 68 on Fish's privilege log. Fish is attempting to conceal communications that are directly relevant to what Fish believed at the time. Fish's conclusory "log" provides no information on any of the following critical issues: Did Fish believe it had an ownership interest? Did Fish communicate to Harris its belief that it had an ownership interest? Did Fish ever consider whether to record its alleged interest? Did Fish contemplate recording a lien? Why was Fish silent from May to September? What did Fish believe were the parameters/conditions to be associated with the sale of Harris' patents?

B. Steele Had A Clear Conflict of Interest

Courts have recognized that a law firm's ability to invoke an in-firm privilege is limited. See, e.g., Koen Book Distribs. v. Powel, Trachtman, Logan, Carrle, Bowman & Lombardo, P.C., 212 F.R.D. 283, 286 (E.D. Pa. 2002) (denying a law firm's claim of

privilege regarding communications made during the firms internal investigation of its potential liability toward a current client because it created a conflict of interest since the firm was simultaneously representing itself and its client); see also, Bank Brussels Lambert v. Credit Lyonnais (Suisse), S.A., 220 F. Supp. 2d 283, 288 (S.D.N.Y. 2002). The conflict of interest present herein, likewise, precludes application of the attorney-client privilege to the communications identified on Fish's log.

Steele had a clear conflict of interest in representing both Fish and Harris. Steele admits that Harris sought his legal advice:

[redacted]

* * * *

[redacted]

(Ex. C, 4/23/08 Rough Tr. Steele Dep., p. 113-14) (emphasis added).

During the Spring of 2007 (the time period in which all of the logged documents were created), Steele admittedly was representing both Harris and Fish. Steele was

representing Harris on both sides of what became this lawsuit. First, Steele himself testified that he was engaged in the representation of Harris as an individual attorney who had requested his legal advice and services. Critically, Steele was also representing Harris, as a partner in the firm. At the same time, Steele was representing Fish as its self-described "firm counsel" and he claims to have been providing "confidential" legal advice regarding Harris to the other attorneys at Fish. Thus, as a member of the firm, Steele was simultaneously representing himself as well as his "clients" (i.e., Harris and Fish). Consequently, Steele's representations involved more than one direct conflict of interest. His representations of Harris and Fish were directly at odds and clearly created a conflict of interest. Similar to the holdings in the current client cases, Fish's claim of privilege should be denied and the logged communications should be produced.

VI. THERE IS NO IN-FIRM ATTORNEY-CLIENT PRIVILEGE HERE

Some courts have recognized that an attorney-client relationship can exist within a law firm, but only strictly under some limited circumstances not present here. See, e.g., Lama Holding Co. v. Shearman & Sterling, 1991 U.S. Dist. Lexis 7987 (S.D.N.Y 1991) (denying motion to compel filed by plaintiff's former clients against defendant law firm and holding that the attorney-client privilege protects communications made to a lawyer for the firm during an internal investigation); Hertzog, Calamari & Gleason v. Prudential Ins. Co. of Am., 850 F. Supp. 255 (S.D.N.Y. 1994) (holding that when a law partnership elects to use a partner or associate as counsel of record in a litigated matter, the partner or associate becomes the functional equivalent of a corporate staff attorney representing a corporate employer and the privilege attaches – so long as the individual is not involved in the underlying events but, instead, is acting only as an [in-house] attorney); United States v. Rowe, 96 F.3d 1294 (9th Cir. 1996) (holding that associates who had been assigned to investigate a firm lawyer's handling of client funds "were, effectively, in-house counsel" because they had been assigned to preform services "on behalf of the firm").

But, none of these circumstances is present here. This is not a case in which a former client is attempting to discover communications related to a potential malpractice lawsuit. The facts of this case are clearly distinct from the cases recognizing an in-firm privilege. Here, Fish used Steele to provide legal advice to the attorney under investigation

– Scott Harris himself. Additionally, the withheld communications are party communications that were made by key fact witnesses – the lawyers directly involved in communications that led to the underlying lawsuit. Accordingly, ICR and Harris should not be precluded from discovering these communications.

In recognizing the in-firm privilege, courts have recognized that the role a firm attorney plays during any internal investigation is vital in determining which communications are privileged and which are not. Nesse v. Shaw Pittman, 206 F.R.D. 325 (D.D.C. 2002) (holding that communications between managing partners of a firm discussing a lawsuit in which the firm is a named defendant may be considered client-to-client communications, rather than attorney-client communications, and therefore not privileged). Id. at 329-30. In addressing communications made by the attorney under investigation to managing partners, the court held:

> Shielding the exchange among clients has nothing to do with encouraging them to be candid when they speak to a lawyer and the law has no interest in whether they are candid with each other.

Id. at 329-30. The court reasoned that the purpose for the attorney-client privilege – to encourage full disclosure between the client and its attorney – was not advanced by protecting client-to-client communications merely because both parties to the communication were lawyers. Likewise, the entries identified on Fish's log describing communications between Fish attorneys are also not privileged merely because the parties involved in the communications happen to be lawyers.

VII. FISH'S "FIDUCIARY DUTY EXCEPTION" ARGUMENT PREVENTS FISH FROM WITHHOLDING THE COMMUNICATIONS LISTED ON ITS PRIVILEGE LOG

Coincidently, in Fish's brief in opposition to Harris' and ICR's claim of privilege as to documents allegedly produced inadvertently and submitted under seal, Fish asserted that the fiduciary duty exception prevented Harris from withholding documents on the basis that he had a fiduciary relationship with the attorneys at Fish. Although Harris and ICR have refuted this argument in their response brief (see Dkt. No. 134 at p. 3-5), if the Court

determines that Fish's argument has merit, then that same argument would apply here and requires production of the documents on Fish's privilege log. If, as Fish contends, Harris is a fiduciary of the lawyers at Fish, it is likewise true that the lawyers at Fish are fiduciaries of Harris. Thus, the document logged by Fish as privileged communications, should be compelled.

VIII. FISH WAIVED ANY PRIVILEGE WITH OUTSIDE COUNSEL

Fish clearly waived the attorney-client privilege with respect to the advice sought by alleged outside counsel when it revealed the contents of the advice to Mr. Harris.

The documents produced by Fish in this matter (see, e.g., Ex. B, FR00147) clearly reveal that Fish disclosed the contents of the advice sought by outside counsel:

[redacted]

(Ex. E, 5/2/07 Email from John Steele to Katherine Lutton, Scott Harris, and Peter Devlin).

[redacted]

(Ex. E, 5/2/07 Email from Katherine Lutton to Scott Harris, John Steele and Peter Devlin).

Additionally, John Steele admitted that he conveyed the legal advice obtained from the outside counsel to Harris:

[redacted]

(Ex. C, 4/23/08 Rough Tr. Steele Dep., p.39) (objections omitted).

The attorney-client privilege is waived when a party shares the confidential

information with third parties. Vardon Golf Co. v. Karsten Mfg. Corp., 213 F.R.D. 528, 532 (N.D. Ill. 2003). When the attorney-client privilege is waived, the waiver may apply to all other documents covering the same subject matter. Id. In this case, Fish waived the attorney-client privilege by revealing the advice it received from outside counsel to the opposing party, Harris. Accordingly, ICR and Harris contend that Fish waived the privilege related to all other communications with outside counsel regarding the same subject matter (i.e., the Dell lawsuit and any wrongdoing on the part of Harris). ICR and Harris request that all documents related to this subject matter be produced.

In light of the allegations in the complaint, counterclaims and third-party compliant in this matter, the content of the advice provided by Fish's outside counsel is crucial to the determination of this matter. Fish freely admits it sought advice of outside counsel regarding Harris. Harris asserts that he was told by Steele that he had done nothing wrong. Fish now, after instructing Harris to sell his patents, asserts an ownership interest and claims Harris breached both the Law Firm Contract, as well as fiduciary duties, by selling his patents. At a minimum, the suspicious timing of Fish's claim to ownership raises a concern regarding the genuineness of the claim. If Fish sought advice from outside counsel and then, as Harris contends, informed Harris that he had done nothing wrong, Fish may be concealing exculpatory evidence. ICR and Harris submit that Fish's communications with outside counsel must be produced. Fish has waived the privilege.

IX. THE COURT SHOULD CONDUCT AN *IN CAMERA* INSPECTION OF THE DOCUMENTS DESCRIBED ON FISH'S PRIVILEGE LOG

At a minimum, if the Court does not order production of the requested documents based on the parties' briefs, it should conduct an *in camera* inspection of the documents to determine whether they, in fact, contain privileged information as alleged by Fish. At a minimum, all non-privileged documents should certainly be produced. Moreover, the documents should be produced in redacted form if the Court finds that the documents are only partially privileged. Muro v. Target Corp., 243 F.R.D. 301, 307 (N.D. Ill. 2007) (holding that only privileged portions of documents should be and withheld). ICR and Harris contend that all of the logged documents identified on Fish's privilege log should be produced. Furthermore, ICR and Harris should be permitted to conduct follow-up discovery

related to the subject matter of the produced documents.

X. RELIEF REQUESTED

ICR and Harris respectfully submit that the Court should issue an order compelling Fish to produce all documents listed on its privilege log that reflect mere internal client-to-client communications among Fish lawyers or that were disclosed to Mr. Harris. Alternatively, ICR and Fish seek an *in camera* inspection of the logged documents by the Court. In the event the Court determines that any of the withheld documents contain both privileged and non-privileged subject matter, ICR seeks an order compelling production of redacted copies of any such documents.

Respectfully submitted,

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CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the of foregoing **[REDACTED PUBLIC VERSION] ICR AND SCOTT HARRIS' MEMORANDUM IN SUPPORT OF MOTION TO COMPEL DOCUMENTS IMPROPERLY WITHHELD ON THE GROUND OF ATTORNEY-CLIENT PRIVILEGE AND WORK-PRODUCT IMMUNITY** was electronically filed with the Clerk of Court using CM/ECF system, which will send notification by electronic mail to the following:

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