Shenandoah Coatings, LLC v Xin Dev. Mgt. E., LLC
2020 NY Slip Op 34309(U)
December 24, 2020
Supreme Court, Kings County
Docket Number: 517102/18
Judge: Daniel Martin

At an IAS Term, Part Comm 12 of the Supreme Court of the State of New York, held in and for the County of Kings, at the Courthouse, at Civic Center, Brooklyn, New York, on the 24nd day of December, 2020

P R E S E N T:

HON. LARRY D. MARTIN,
Justice.

- X

SHENANDOAH COATINGS, LLC,

Plaintiff,

- against -

Index No. 517102/18

XIN DEVELOPMENT MANAGEMENT EAST, LLC, 421 KENT DEVELOPMENT, LLC, c/o XIN DEVELOPMENT GROUP INTERNATIONAL INC., and U.S. SPECIALTY INSURANCE COMPANY,

Defendants.

- X

The following efiled papers read herein:

	Papers Numbered
Notice of Motion/Order to Show Cause/ Petition/Cross Motion and Affidavits (Affirmations) Annexed	66-67, 84-85, 117, 119
Opposing Affidavits (Affirmations)	121-122
Reply Affidavits (Affirmations)	
Affidavit (Affirmation)	

Upon the foregoing papers, plaintiff Shenandoah Coatings, LLC, moves for an order, pursuant to CPLR 3124, compelling defendants Xin Development Management East, LLC, and 421 Kent Development, LLC, c/o Xin Development Group International Inc. (collectively, 421 Kent) to produce certain electronic records listed on 421 Kent's privilege log and, pursuant to CPLR 3122 (b), for production by 421 Kent of missing

information on their privilege log. 421 Kent and defendant U.S. Specialty Insurance Company cross-move for an order: (1) pursuant to CPLR 3101 (a) and 3124, compelling plaintiff to exchange certain electronically stored information (ESI) related to one ESI custodian/employee; and (2) pursuant to 22 NYCRR § 202.70, Rule 11-b, awarding defendants costs and attorneys' fees with relation to the analysis and creation of additional privilege logs contained in their October 2019 and March 5, 2020 correspondences and in opposition to plaintiff's instant motion to compel.

Background

Plaintiff commenced this action to recover damages for breach of contract and foreclosure of a mechanic's lien related to plaintiff's work on a construction project at 421 Kent Avenue in Brooklyn. The project involved the construction of a luxury condominium by 421 Kent. According to the amended complaint, when the construction on the project had fallen behind schedule, plaintiff was retained in August 2016 by 421 Kent to perform certain labor and services and to furnish certain materials in connection with the continued construction and improvement of the property. Plaintiff thereafter performed labor and services and furnished materials pursuant to the contract. Plaintiff invoiced 421 Kent for its performance of services and provision of materials in accordance with the terms of the contracting agreement. Plaintiff asserts that 421 Kent received all of plaintiff's invoices without protest or objection. While 421 Kent initially paid plaintiff's invoices fairly predictably, 421 Kent eventually stopped paying the invoices in June 2017,

after which plaintiff ended its work on the project. Plaintiff alleges that it is owed a balance of $471,999.74.

Plaintiff thereafter filed a mechanic's lien against the property and commenced the instant action in August, 2018. 421 Kent filed an answer setting forth various affirmative defenses and interposing counterclaims related to plaintiff's work on the project which included breach of contract, negligence and willful exaggeration of lien.

On April 4, 2019, the parties finalized a stipulation setting forth each party's obligation to search and produce responsive records of their electronically stored information ("ESI") in their respective databases. The ESI stipulation identified persons who were considered custodians of ESI and listed certain of their email addresses. The ESI stipulation also provided that, "The producing party has the obligation to produce emails from any email address used by the listed person as governed by the terms of this Stipulation. Both parties reserve the right to name additional custodians" (ESI stipulation § 2). The ESI stipulation specified the exact search terms each party agreed to use in the search and (ESI stipulation § 4 [a]), and that "[d]ocuments responsive to use of the above search terms shall be produced in addition to those documents, electronic or otherwise, known to be responsive or that can reasonably be identified as responsive, and non-privileged to a party's proper discovery request" (ESI stipulation § 4 [c]). Additionally, the agreement provided:

> "Nothing in this Stipulation shall be interpreted to require the disclosure of any ESI or other documents that a party contends are non-responsive to the discovery demands served by the

> other party or protected from disclosure by the attorney-client privilege, work product doctrine or any other applicable privilege or protection, nor shall this Stipulation require the production of ESI or other documents that are not discoverable under applicable law" (ESI stipulation § 8 [c]).

421 Kent thereafter served plaintiff with certain ESI records it asserted were responsive to the ESI stipulation, while withholding records which it claimed were privileged or confidential as set forth in its privilege logs. To date, 421 Kent refuses to turn over certain ESI records retrieved as a result of the stipulated search criteria, claiming that they are subject to the attorney-client privilege, anticipation of litigation privilege and/or were otherwise confidential or proprietary records. With respect to the withheld records, emails and documents, plaintiff rejected 421 Kent's grounds of privilege and confidentiality and demanded that the records be produced, resulting in the instant motion to compel.

As an initial matter, that part of plaintiff's motion to compel 421 Kent to provide certain required information that is missing in its privilege log is rendered moot as 421 Kent has since furnished the information.

Plaintiff challenges 421 Kent's assertion of the attorney-client privilege on certain emails (1) among 421 Kent employees where no attorney is identified as the sender, primary recipient or "carbon copied" [CC] recipient, (2) emails where the attorney is merely a CC recipient and/or (3) emails where certain third parties are identified as the sender, recipient or CC recipient. Plaintiff maintains that the inter-company transmittal of documents between non-attorneys, even if they concern legal matters, are not protected

unless certain stringent requirements are shown (which are not established here). Emails where the attorney is merely a CC recipient ostensibly could not relate to primarily legal matters or constitute the transmission of legal advice and that the receipt of otherwise privileged documents by third parties outside of the attorney and the client constitutes a waiver of the privilege. Plaintiff also disputes 421 Kent's claim that certain documents are privileged in that they were created in anticipation of litigation insofar as there was no showing made that the communications were made *solely* in anticipation of *the instant* litigation, particularly those documents dated prior to the commencement of this action. With respect to those documents classified as confidential and/or proprietary, plaintiff maintains that no privilege is recognized under the law which attaches to those classifications and that the documents, which consist of certain financial records, may reveal information that is material and necessary to the prosecution of plaintiff's claims against 421 Kent to recover sums allegedly owed and withheld. Plaintiff further asserts that any concerns 421 Kent harbors as to the confidential nature of the documents should be abrogated in light of a confidentiality agreement executed by the parties. Such confidentiality agreement covers information that is designated confidential if it contains trade secrets, proprietary business information, competitively sensitive information, sensitive personal information such as health information, social security numbers or other financial information. The agreement also covers other information the disclosure of which would, in the good faith judgment of the party designating the material as confidential, be detrimental to the conduct of that party's business or the business of any of that party's

customers or clients. For any record designated confidential under the confidentiality agreement, the receiving party agreed that the confidential information shall only be used by the party and its counsel for purposes of this action and for no other purposes shall only be furnished, shown or disclosed to a select group of persons, all of whom are related to the lawsuit.

With respect to those emails where no attorney is included as a recipient or is merely a CC recipient, 421 Kent takes the position that where the substance of legal advice was being transmitted or discussed within the company, and/or if the attachments were privileged, the documents are subject to the privilege and may not be produced. As to the emails which include a third party as a recipient, 421 Kent maintains that the relevant third parties are "agents" of 421 Kent for privilege purposes and any inclusion of such agents on communications from or to counsel does not constitute a waiver of the privilege. Finally, 421 Kent asserts that many documents at issue that are identified as privileged or confidential are simply irrelevant to plaintiff's claims, and their production is thus not material and necessary to the continuation of the action.

Discussion

Material and Necessary

This court will first address 421 Kent's contention that many of the documents at issue, that they contend are protected by privilege or are otherwise confidential, are simply irrelevant to plaintiff's claims because the court need not reach those issues if the production of the documents is not material and necessary. Although sections 4 (a) and 4

(c) of the ESI stipulation require production of documents that are identified by the parties agreed upon search terms, this court finds that 421 Kent can still challenge the relevance or materiality of the documents identified by the search terms in light of section 8 (c) of the ESI stipulation, which allows the parties to decline to disclose documents that are "non-responsive to the discovery demands" or are "not discoverable under applicable law."[1]

"Discovery determinations are discretionary, and the trial court possesses wide discretion to decide whether information sought is material and necessary to the prosecution or defense of an action" (*Slapo v Winthrop Univ. Hosp.*, 186 AD3d 1281, 1283 [2d Dept 2020]; *see Vargas v Lee*, 170 AD3d 1073, 1076 [2d Dept 2019]; CPLR 3101 [a]). The words "material and necessary" are "liberally interpreted to require disclosure, upon request, of any facts bearing on a controversy which will assist in sharpening the issue at trial" (*Roman Catholic Church of Good Shepherd v Tempco Systems*, 202 AD2d 257, 258 [1st Dept 1994]). Disclosure is thus not limited to "evidence directly related to the issues in the pleadings" (*Allen v Crowell-Collier Publishing Co.*, 21 NY2d 403, 408 [1968]). "It is incumbent on the party seeking disclosure to demonstrate that the method of discovery sought will result in the disclosure of relevant evidence or is reasonably calculated to lead to the discovery of information bearing on the claims, and unsubstantiated bare allegations of relevancy are insufficient to establish the factual predicate regarding relevancy"

[1] The court cannot address whether the documents at issue fall within any discovery demands, because the neither plaintiff nor the defendants have appended the discovery demands to their respective papers.

(*Crazytown Furniture v Brooklyn Union Gas Co.*, 150 AD2d 420, 421 [2d Dept 1989] [citations omitted]; *see 101CO, LLC v Sand Land Corp.*, __AD3d ___, 2020 NY Slip Op 07328, *2 [2d Dept 2020]; *Whitnum v Plastic & Reconstructive Surgery, P.C.*, 142 AD3d 495, 496 [2d Dept 2016]). "[T]he burden of showing that disclosure is improper is upon the party asserting it" (*Roman Catholic Church of Good Shepherd*, 202 AD2d at 258).

421 Kent asserts that the irrelevant documents include documents that relate to the overall project financial condition (such as budget summaries, credit card or debit card statements, vendor transaction lists, etc.); that relate to loan information (such as forms, financial documentation, etc.); documents that relate to the development of the project or tax information; and one document which relates to an internal general audit. As "[t]ax returns and other financial information are generally not discoverable absent a showing that the information is relevant to the claims asserted and cannot be obtained from other sources" (*Chang v SDI Intl. Inc.*, 15 AD3d 520, 521 [2d Dept 2005]; *see Latture v Smith*, 304 AD2d 534, 535-536 [2d Dept 2003]), this court is hard pressed to see how such documents would have any application to plaintiff's claims and 421 Kent's defenses and counterclaims, all of which primarily relate to which party breached the contract and whether 421 Kent was justified in declining to pay plaintiff's final invoices (*see Dienst v Paik Constr., Inc.*, 161 AD3d 638, 639 [1st Dept 2018]; *Guadagno v Diamond Tours & Travel*, 59 AD2d 685, 685-686 [1st Dept 1977]; *see also Chang*, 15 AD3d at 521; *Saratoga Harness Racing, Inc. v Roemer*, 274 AD2d 887, 888 [3d Dept 2000]; *Raisler Corp. v 101 Park Ave. Assoc.*, 102 AD2d 794, 795 [1st Dept 1984]).

Indeed, plaintiff, in its reply papers, has failed to identify, in other than conclusory fashion, how such material is relevant to its claims or to its defenses to 421 Kent's counterclaims or how such material could lead to relevant information. Plaintiff asserts that the project's overall budget and other financial documents might show that 421 Kent cut off payments to other contractors or venders in a manner similar to its actions with plaintiff. Such collateral proof of unrelated actions is, however, generally inadmissable (*see Orser v Wholesale Fuel Distribs. CT, LLC*, 173 AD3d 1519, 1523 [4th Dept 2019], *lv denied* 34 NY3d 909 [2020]), and discovery of such is generally barred because evidence of such lacks probative value (*see Crawford v R. Jewula Holdings, LLC*, 170 AD3d 1644, 1644-1645 [4th Dept 2019]; *Daniels v Fairfield Presidential Mgt. Corp.*, 43 AD3d 386, 388 [2d Dept 2007]; *Latture*, 304 AD2d at 536; *MS Partnerships v Wal-Mart Stores, Inc.*, 273 AD2d 858, 858 [4th Dept 2000]; *NBT Bancorp v Fleet/Norstar Fin. Group*, 192 AD2d 1032, 1033 [3d Dept 1993]; *Feeley v Midas Props., Inc.*, 168 AD2d 416, 417 [2d Dept 1990]; *see also European Am. Bank v Competition Motors*, 186 AD2d 784, 785 [2d Dept 1992]).

Defendants also contend that other documents that relate to lien filings by other contractors, the handling of liens, and discussions regarding unrelated lawsuits involving other contractors on the project are irrelevant. In reply, plaintiff asserts that such material would be to its advantage if 421 Kent blamed another contractor for defective work. Again, the court fails to see the relevance of such collateral material or see how such material

could lead to relevant evidence (*see Crawford*, 170 AD3d at1644-1645; *Daniels*, 43 AD3d at 388; *Latture*, 304 AD2d at 536).

As such, 421 Kent need not produce documents relating to the overall financial picture of the project, relating to other contractors, or relating to other legal actions. Further, documents it has clearly identified as relating to other matters in its privilege charts need not be provided to plaintiff or produced for purposes of the in camera inspections directed below. The court, however, directs that 421 Kent clearly indicate which documents it is not producing for these reasons on the privilege charts and the charts it has created for documents 421 Kent asserts contain confidential or proprietary information.[2] The court now turns to the privilege issues raised by the parties.

Attorney-Client Privilege

"Because the [attorney-client] privilege shields from disclosure pertinent information and therefore 'constitutes an "obstacle" to the truth-finding process,' it must be narrowly construed" (*Ambac Assur. Corp. v Countrywide Home Loans, Inc.*, 27 NY3d

[2] Based on its representations in the memorandum of law and the notations made in the chart for confidential or proprietary information (cross motion exhibit DD), it appears that 421 Kent is asserting that most, if not all of the documents identified as confidential or proprietary information, are not relevant. The court notes, however, that if a document addresses or assesses plaintiff's work, it may not be excluded based on relevance. For example, while loan information would appear to be generally irrelevant to plaintiff's claims, if the loan document involved appraisals or assessments of plaintiff's work, such loan information could be relevant and must be produced (*see Raisler*, 101 AD2d at 795). Further, if any if the documents listed in the chart for confidential or proprietary information are relevant, the court finds that they must be produced to plaintiff, as any issues relating to confidentiality of the documents are adequately addressed by the parties' confidentiality agreement (see Backer & Assoc., LLC v PPB Eng'g & Sys. Design, Inc., 173 AD3d 1625, 1626 [4th Dept 2019]; Yatter v William Morris Agency, 273 AD2d 83 [1st Dept 2000]).

616, 624, [2016], quoting *Matter of Jacqueline F.*, 47 NY2d 215, 219 [1979]). Consequently, "[t]he party asserting the privilege bears the burden of establishing its entitlement to protection by showing that the communication at issue was between an attorney and a client for the purpose of facilitating the rendition of legal advice or services, in the course of a professional relationship, that the communication is predominantly of a legal character, that the communication was confidential and that the privilege was not waived" (*Ambac*, 27 NY3d at 624 [internal quotation marks omitted]). The burden that the party asserting privilege must meet cannot be satisfied by counsel's conclusory assertions of privilege, rather the proponent of the privilege must set forth competent evidence establishing the elements of the privilege (*see Martino v Kalbacher*, 225 AD2d 862 [3d Dept 1996]). "[W]hether a particular document is or is not protected [by the attorney-client privilege] is necessarily a fact-specific determination, most often requiring in camera review" (*Spectrum Sys. Intl. Corp. v Chemical Bank*, 78 NY2d 371, 378 [1991] [citation omitted]).

Plaintiff argues that the emails between employees, with no attorney as sender or recipient, cannot be deemed a privileged communication between attorney and client. 421 Kent contends, however, that the emails between their employees consisted of legal advice from counsel and are privileged as inter-company legal communications. In *Compass Productions International LLC v Charter Communications, Inc.*, (2020 WL 3448012, *3 [SDNY 2020]) the United States District Court stated that, "[t]he attorney-client privilege applies not only to individuals, but also to corporate entities" [citations omitted] and

"'protects from disclosure communications among corporate employees that reflect advice rendered by counsel to the corporation'" (*Compass Productions International LLC*, 2020 WL 3448012 at *3, quoting *Bank Brussels Lambert v Credit Lyonnais (Suisse) S.A.*, 160 FRD 437, 442 [1995]). "Therefore, although dissemination of privileged information to third parties generally waives attorney-client privilege, the distribution within a corporation of legal advice received from its counsel does not, by itself, vitiate the privilege" (*id.*, quoting *Strougo v BEA Assocs.*, 199 FRD 515, 519-520 [SDNY 2001]). "In order to preserve the privilege, disclosure within the corporate ranks must be limited to employees who are 'in a position to act or rely on the legal advice contained in the communication' (*id.*, quoting *Scott v Chipotle Mexican Grill, Inc.*, 94 F Supp 3d 585, 598 [SDNY 2015]) or "who share[ ] responsibility for the subject matter underlying the consultation" (*SCM Corp. v Xerox Corp.*, 70 FRD 508, 518 [D Conn 1976] [citation omitted], *appeal dismissed*, 534 F 2d 1031, 1032 [2d Cir 1976]).

While there is a paucity of controlling New York state law addressing the extension of the attorney-client privilege to inter-company communications regarding legal matters, one New York court recognized that "[f]ederal courts expand attorney-client protection to third-party communications for one reason: to facilitate the attorney's provision of legal advice to the client" (*Charter One Bank v Midtown Rochester*, 191 Misc 2d 154, 166 [Sup Ct, Monroe County, 2002] [citations omitted]).

> "The [attorney-client] privilege protects from disclosure communications among corporate employees that reflect advice rendered by counsel to the corporation. A privileged

> communication should not lose its protection if an executive relays legal advice to another who shares responsibility for the subject matter underlying the consultation. This follows from the recognition that since the decision-making power of the corporate client may be diffused among several employees, the dissemination of confidential communications to such persons does not defeat the privilege" (*Charter One Bank*, 191 Misc 2d at 165 [citations and internal quotation marks omitted]).

In another New York lower court case, *Delta Fin. Corp. v Morrison* (15 Misc 3d 308 [Sup Ct, Nasssau County 2007]), the court recognized that "the [attorney-client] privilege protects from disclosure communications among corporate employees that reflect advice rendered by counsel to the corporation" (*Delta Fin. Corp.*, 15 Misc 3d at 317, citing *Bank Brussels Lambert v Credit Lyonnais [Suisse] S.A.*, 160 FRD 437 [SDNY 1995]). The court stated that "'[a] privileged communication should not lose its protection if an executive relays legal advice to another who shares responsibility for the subject matter underlying the consultation'" (*id.*, quoting *SCM Corp. v Xerox Corp.*, 70 FRD 508, 518 [D Conn 1976]) and it therefore follows that "since the decision-making power of the corporate client may be diffused among several employees, the dissemination of confidential information to such persons does not defeat the privilege" (*id.* at 317, citing *SCM Corp.*, 70 FRD at 518).

Recognizing that legal advice to a corporate client "inherently involves dispersing the advice to corporate representatives," the court holds that communications between employees concerning legal matters in this instance may be privileged. In his affidavit, 421 Kent's general counsel, Ralph Tawil, avers that "it was "generally the practice of

[d]efendants to only copy individuals within the company with subject matter knowledge of the information contained in the correspondence." As an example, Tawil explains that if an email pertained to a subcontractor dispute and the legal aspects pertaining to that dispute, individuals within the company would be copied on the correspondence with knowledge of the underlying facts and/or dispute. 421 Kent maintains that the individuals on the legal related transmissions were "high ranking individuals, such as manager, consultant/director, managing director, director of construction."

Because the application of the attorney-client privilege in the corporate setting is necessarily a fact specific determination for the court (*see Rossi*, 73 NY2d at 593; *Baliva v State Farm Mut. Auto. Ins. Co.*, 275 AD2d 1030, 1031 [4th Dept 2000]), the documents identified by 421 Kent to be subject to the attorney-client privilege as between its employees or on which counsel was merely a CC recipient[3] shall be examined in camera to determine whether the subject communications were primarily and predominately of a legal character and were made for the purpose of facilitating the rendition of legal advice in the course of the professional relationship between the attorney and the corporate client (*see John Mezzalingua Assoc., LLC v Travelers Indem. Co.*, 178 AD3d 1413, 1416-1417 [4th Dept 2019]; *Stephen v State of New York*, 117 AD3d 820, 821 [2d Dept 2014]; *Ural v*

[3]The fact that an attorney is a CC recipient of an email does not, in and of itself, make the email privileged (*see LSH Co. v AXA Equitable Life Ins Co.*, 2019 WL 10947152, *1 [U] [SDNY 2019]).

Encompass Ins. Co. Of Am., 97 AD3d 562, 567 [2d Dept 2012], *abrogated on other grounds Taggart v Costabile*, 131 AD3d 243 [2d Dept 2015]).[4]

Although attorney-client communications shared with a third-party generally are not privileged, "an exception exists for 'one serving as an agent of either attorney or client'" (*Robert V. Straus Prods. v Pollard*, 289 AD2d 130, 131 [1st Dept 2001], quoting *People v Osorio*, 75 NY2d 80, 84 [1989]). Here, the affidavit of Tawil shows that the three third-parties identified on the allegedly privileged emails, Carlyle, Kuafu Properties (Kuafu) and Mark Edwards Partners (Mark Edwards), were acting as defendants' agents and that defendants had a reasonable expectation that they would keep the communications confidential (*see Osorio*, 75 NY2d at 84; *see also Stroh v General Motors Corp.*, 213 AD2d 267, 268 [1st Dept 1995]).

Tawil asserts that Carlyle was retained to provide construction development services, was generally involved in all aspects of construction and construction management and as an entity with significant construction-related knowledge and knowledge related to the contractors' work on the project, Carlyle was also involved in discussions as a representative of 421 Kent in litigations and other legal issues and disputes

[4]The court does not find that 421 Kent waived any reclassification of privilege on certain documents from anticipation of litigation to attorney-client as there is no showing that the original classification was a deliberate mislabeling rather than error or mistake (*cf. Gama Aviation Inc. v Sandton Capital Partners, L.P.*, 99AD3d 423 [1st Dept 2012]). Moreover, as the ESI stipulation provides that the privilege is not waived where a document is mistakenly produced if a document is inadvertently produced (ESI stipulation § 8 [a]), the court fails to see how changing a preliminary classification in an initial privilege log made under the ESI stipulation may be deemed a waiver of the privilege in the context of the current motions before the court.

that arose related to the project. Tawil avers that as a provider of important construction services, 421 Kent reasonably expected that any correspondences pertaining to legal matters between counsel, Carlyle and 421 Kent, or between 421 Kent and Carlyle, would be protected.

Tawil maintains that Kuafu, similar to Carlyle, was retained by 421 Kent in 2017 related to punch list work. Kuafu was also involved with all aspects of the project, including with litigations and other legal issues and disputes that arose and in communications with attorneys that arose. Tawil sates that 421 Kent reasonably expected that any correspondence pertaining to legal matters, between counsel, Kuafu and 421 Kent, or between 421 Kent and Kuafu, would be protected. Tawil further explains that 421 Kent's insurance broker, Mark Edwards, communicated with 421 Kent related to obtaining a defense in unrelated personal injury matters, and as its insurance broker having communications regarding litigation defenses in matters completely unrelated to the instant action, 421 Kent had an expectation that communications between 421 Kent and Mark Edwards would be protected.

For the so-called agency exception to apply, it must be shown that client (1) had a "reasonable expectation of confidentiality under the circumstances" (*Osorio*, 75 NY2d at 84) and (2) disclosure to the third party was necessary for the client to obtain informed legal advice (*see National Education Training Group, Inc. v Skillsoft Corp.*, 1999 WL 378337, *4 [SDNY 1999], citing *United States v Kovel*, 296 F 2d 918, 922 [2d Cir 1961]; *In re Pfohl Brothers Landfill Litigation*, 175 FRD 13, 23–24 [WDNY1997]; *Hendrick v*

Avis Rent a Car System, Inc., 944 F Supp 187, 189 [WDNY1996]; *Doe v Poe*, 244 AD2d 450, 451 [2d Dept 1997], *affd* 92 NY2d 864 [1998]; *Stroh v General Motors Corp.*, 213 AD2d 267, 268 [1st Dept 1995]). It has been held that "[t]he necessity element means more than just useful and convenient but requires the involvement be indispensable or serve some specialized purpose in facilitating attorney client communications" (*National Education Training Group, Inc. v Skillsoft Corp.*, 1999 WL 378337, *4 [SDNY 1999]).

While Tawil demonstrates that 421 Kent had an expectation of confidentiality from its three "agents," there is no statement form Tawil or from 421 Kent's litigation counsel that the agents' involvement in the communications from counsel was "necessary" for 421 Kent to obtain informed legal advice, rather than just useful or convenient (*see Don v Singer*, 19 Misc 3d 1139 [A], 2008 NY Slip Op 51071, *5 [U] [Sup Ct, New York County 2008];.*see also Doe*, 244 AD2d at 451). As a result, the court cannot find that the attorney-client privilege protected the communications to Carlyle, Kuafu and Mark Edwards in this instance, and 421 Kent must produce those emails and documents resulting from the ESI search which were sent or delivered to these entities.

Anticipation of Litigation

Materials prepared in anticipation of litigation are subject to a conditional privilege (CPLR 3101 [d]). To demonstrate that this privilege is applicable, it must be shown that the material was prepared exclusively in anticipation of litigation (*Bombard v Amica Mut. Ins. Co.*, 11 AD3d 647 [2d Dept 2004]; *Agovino v Taco Bell 5083*, 225 AD2d 569 [2d Dept 1996]). When such a showing is made, materials prepared in anticipation of litigation are

immune from disclosure unless a party shows "substantial need" and the "inability to obtain the substantial equivalent elsewhere without undue hardship" (*Valencia v Obayashi Corp.*, 84 AD3d 786, 787 [2d Dept 2011]; CPLR 3101 [d] [2])."The burden of proving that a statement is privileged as material prepared solely in anticipation of litigation or trial is on the party opposing discovery" (*Sigelakis v Washington Group, LLC*, 46 AD3d 800, 800 [2d Dept 2007]; *see Koump v Smith*, 25 NY2d 287, 294 [1969]; *Bombard*, 11 AD3d at 648). Such burden is met "by identifying the particular material with respect to which the privilege is asserted and establishing with specificity that the material was prepared exclusively in anticipation of litigation" (*Ural*, 97 AD3d at 566; *see Geffner v Mercy Med. Ctr.*, 125 AD3d 802 [2d Dept 2015]; *New York Schools Ins. Reciprocal v Milburn Sales Co., Inc.*, 105 AD3d 716 [2d Dept 2013]; *Crazytown Furniture v Brooklyn Union Gas Co.*, 145 AD2d 402 [2d Dept 1988]). The protection accorded by CPLR 3101 (d) (2) applies only to material prepared in anticipation of the litigation in which the protection is invoked (*see Marten v Eden Park Health Servs.*, 250 AD2d 44, 47 [3d Dept 1998]); any material which may have been prepared in the context of other or prior litigation is not protected (*see Firemen's Ins. Co. Of Newark N.J. v Gray*, 41 AD2d 863, 864 [3d Dept 1973]; *Bennett v Troy Record Co.*, 25 AD2d 799, 799-800 [3d Dept 1966]; *Barcelar v Pan*, 12 Misc 3d 1162[A], 2006 NY Slip Op 51009, *2 [U] [Sup Ct, Westchester County 2006]). Even where material has been prepared in anticipation of the subject litigation, it nevertheless is discoverable if it has been prepared for mixed or other purposes, as well (*see Barcelar*, 2006 NY Slip Op 51009, *2, citing *Friend v SDTC-Center for Discovery, Inc.*, 13 AD3d

827 [3rd Dept 2004]). Whether a particular document is shielded from disclosure necessarily is a fact-specific determination that most often requires an in camera inspection (*see Spectrum Sys. Intl. Corp.*, 78 NY2d at 378).

To the extent any documents were not made in anticipation of the instant litigation, or were generated for a mixed purpose, 421 Kent is directed to produce those documents. With respect to the documents which 421 Kent asserts were prepared in anticipation of the instant litigation, the content of those withheld documents, which cannot be adequately gleaned from the privilege logs, must be examined by in camera review to determine whether the documents are subject to the privilege.

Sanctions

Under the circumstances of this case, where 421 Kent has demonstrated that it has reasonable grounds for declining to produce some of the documents at issue, and demonstrated that others may be protected by privilege, plaintiff's request for sanctions (which was not made in the notice of motion and was only made in its memorandum of law) is denied (*see Dabrowski v Abax Inc.*, 135 AD3d 489, 490 [1st Dept 2016]; *cf. Eyeking, LLC v Singer*, 174 AD3d 506, 506 [2d Dept 2019]).

421 Kent's Cross Motion

In it cross motion, 421 Kent requests production of ESI possessed by Taylor Mergler. Plaintiff opposes 421 Kent's request by asserting that Mergler was never issued a company email account, that any emails she possesses are on a private email account that is protected by the Stored Communications Act and that, in any event, 421 Kent has failed

to demonstrate that she should be considered a custodian for purposes of the ESI stipulation. Contrary to plaintiff's contention, Mergler, as its employee, is within its control, and plaintiff can require her to provide it with all work related emails that are stored in her private email account (*see Shim-Larkin v City of New York*, 2019 WL 5198792, *10 [SDNY 2019]; *Royal Park Invest. SA/NV v Deutsche Bank National Trust Co.*, 2016 WL 5408171, *6-7 [SDNY 2016]; *Chevron Corp. v Salazar*, 275 FRD 437, 448-449 [SDNY 2011]; *see also Main Place Pharmacy Corp. v Central Buffalo Project Corp.*, 55 AD2d 1007, 1007 [4th Dept 1977]). The court is hard pressed to see how an employer's request or demand that its employee provide it with such work related material could be deemed a violation of the Stored Communications Act (*see generally Walker v Coffey*, 956 F3d 163 [3d Cir 2020]; *see also Classic Soft Trim, Inc. v Albert*, 2020 WL 6730977, *3 [MD Fl 2020]; *Mintz v Mark Bartelstein & Assocs.*, 885 F Supp2d 987, 994 CD Cal 2012]; *Juror Number One v Superior Court*, 206 Cal App4th 854, 864-867, 142 Cal Rptr 3d 151, 158-161 [2012]). Although it does not provide a great deal of detail, the email provided by 421 Kent shows that Mergler may have had some involvement in the submission of invoices. The court thus finds it appropriate to require that plaintiff acquire any work related email from Mergler; after doing so, perform a search of such email pursuant to the terms of the ESI stipulation; and produce any email identified by such a search, unless privileged or not material or relevant to the claims at issue here.

The portion of 421 Kent's cross motion to recover costs pursuant to 22 NYCRR § 202.70, Rule 11-b (b) (2) is denied. Said rule provides:

> "(2) In the event the requesting party ***refuses to permit a categorical approach***, and instead ***insists on a document-by-document listing*** on the privilege log, then unless the Court deems it appropriate to issue a protective order pursuant to CPLR 3103 based upon the facts and circumstances before it, the requirements set forth in CPLR 3122 shall be followed. In that circumstance, however, the producing party, upon a showing of good cause, may apply to the court for the allocation of costs, including attorneys' fees, incurred with respect to preparing the document-by-document log. Upon good cause shown, the court may allocate the costs to the requesting party."

While 421 Kent states that its revised privilege logs were prepared on a document-by-document basis, 421 Kent does not allege in its supporting papers that plaintiff refused a categorical approach in the preparation of the privilege log and insisted that 421 Kent produce a document-by-document listing. 421 Kent implies in its memorandum of law that the choice to create a document by document log was a response to plaintiff's alleged "unwarranted and combative tactics," however, there no assertion that plaintiff expressly refused a categorical approach to the privilege log as required under the relevant court rule. In any event, 421 Kent has failed to show that it has incurred any extraordinary expenses in the creation of the privilege log that would warrant imposing such costs on plaintiff (*see U.S. Bank, N.A. v Green Point Mtge. Funding Inc.*, 94 AD3d 58, 64-65 [1st Dept 2012] [under general rule, the producer pays of production of discovery material, which may be taxed as costs by the prevailing party]).

Accordingly, it is hereby

ORDERED that plaintiff's motion is granted to the extent that those emails identified by 421 Kent as being subject to attorney client privilege which were exchanged between employees of 421 Kent and those on which counsel was a CC recipient shall be produced to the court for in camera inspection; and it is further

ORDERED that those documents alleged by 421 Kent to be made in anticipation of the *instant* litigation shall be produced to the court for in camera inspection; and it is further

ORDERED that 421 Kent produce to plaintiff all other withheld documents retrieved as a result of the ESI search which were designated as subject to the attorney-client privilege which were sent to Carlyle, Kuafu and Mark Edwards; and it is further

ORDERED that 421 Kent produce to plaintiff all withheld documents identified as privileged as made in anticipation of litigation which were not made in anticipation of the instant litigation; and it is further

ORDERED that 421 Kent produce to plaintiff all documents designated by 421 Kent as confidential and/or proprietary in its privilege log; and it is further

ORDERED that 421 Kent may exclude from the in camera review and/or production directed above any documents that solely involve its overall financial picture, other contractors, or other litigation – as discussed within the "Material and Necessary" section of this decision – on the condition that 421 Kent clearly indicates such on its privilege log;

ORDERED that plaintiff shall handle those documents identified as confidential and/or proprietary as confidential documents in accordance with the terms of the confidentiality agreement executed by the parties; and it is further

ORDERED that nothing in this decision and order shall be construed as preventing or prohibiting the parties from entering into any further discovery stipulations or otherwise agreeing to the production of any documents currently being withheld as privileged or confidential/proprietary; and it is further

ORDERED that 421 Kent's cross motion is granted to the extent that plaintiff shall direct Tayler Mergler to provide it with her work related it mails, and after doing so, plaintiff shall perform a search of such email pursuant to the terms of the ESI stipulation, and produce any email identified by such a search, unless privileged or not material or relevant to the claims here; 421 Kent's motion is otherwise denied.

The foregoing constitutes the decision and order of the court.

E N T E R,

J. S. C.