

Federal Rule of Evidence 502(d) (“502(d)”) plainly permits such an Order, stating that “[a] federal court may order that the privilege or protection is not waived by disclosure connected with the litigation pending before the court — in which event the disclosure is also not a waiver in any other federal or state proceeding.” Indeed, in Shao, et al. v. Beta Pharma, Inc., et al., No. 3:14-CV-01177 (D. Conn.) (the “Shao Action”), Judge Haight recently entered an Order permitting such disclosure in materially identical circumstances.

Although Katz litigated the Shao protective order, he opposes that same Order here. Katz seeks to force Defendants into the “Hobson’s choice” of not providing the Court with relevant, privileged evidence or waiving privileges. He argues that 502(d) does not cover intentional disclosures. Courts have established that 502(d), on its plain language, extends to intentional disclosures.

Disqualification protects litigants from their confidential and privileged information being used against them. See, e.g., Gov’t of India v. Cook Indus, Inc., 569 F.2d 737, 740 (2d Cir. 1978) (a party should not face “the Hobson’s choice of either having to disclose his privileged information in order to disqualify his former attorney or having to refrain from the disqualification motion altogether”); see Mot. Prot. Ord. at 7-8. Since 502(d) enables adjudication of a Motion to Disqualify without waiver, the Motion for Protective Order should be granted.

LEGAL ARGUMENT

I. 502(d) Covers Intentional Disclosures

The Proposed Order includes a 502(d) provision that disclosure of attorney-client privilege or work-product in connection with the DQ Motion would

not be deemed a waiver of such privilege or protection in this or any other proceedings. Pr. Ord. (Mot. Prot. Ord., Exh. A), ¶ 13. 502(d) specifically authorizes this provision, to prevent the “Hobson’s choice” discussed above.

Plaintiff argues that 502(d) “is intended to apply to inadvertent disclosures of information during exchange of discovery—not to voluntary, selective disclosures under Rule 502(a).” Opp. Br. at 9. The plain language of Rule 502 and abundant authority establish that 502(d) is not limited to inadvertent disclosures.¹

First, the text of 502(d) is not limited to inadvertent disclosures. Rule 502 first defines its scope: “The following provisions apply, in the circumstances set out, to disclosure of a communication or information covered by the attorney-client privilege or work-product protection.” Subsection (d) states: “A federal court may order that the privilege or protection is not waived by disclosure connected with the litigation pending before the court—in which event the disclosure is also not a waiver in any other federal or state proceeding.” 502(d). No language limits the Court’s power to inadvertent disclosures. As one court stated, “[a]lthough the rule address[es] the consequences of an inadvertent disclosure of privileged information, this is not the extent of the rule. Instead, the plain language of the rule addresses the ‘disclosure of a communication of

¹ The Chief Magistrate Judge for the U.S. District of Maryland characterized the argument that 502(d) applies only to inadvertent disclosures as “incorrect.” P. Grimm, L. Bergstrom & M. Kraeuter, “Federal Rule of Evidence 502: Has It Lived Up to Its Potential?”, Richmond J. of Law & Tech., XVII-3 (“Grimm Article”), at 59.

information covered by the attorney-client privilege or work-product protection' in various 'circumstances.'" Whitaker Chalk Swindle & Sawyer, LLP v. Dart Oil & Gas Corp., 2009 WL 464989, *4 (N.D. Tex. Feb. 23, 2009).

Indeed, many courts have issued 502(d) orders to prevent waiver of intentionally disclosed privileged documents. For example, in Whitaker, the plaintiff law firm (Whitaker) had been counsel for the defendant corporation (Dart) in an ongoing state court action (the "Underlying Action"). Id. at *1. Whitaker sued Dart for failing to pay for services in the Underlying Action, making its billing documents potentially relevant. Id. As disclosure of the billing documents in the Whitaker action could waive its privileges in the Underlying Action, Dart moved for a protective order. Id. The court addressed Dart's concern with a 502(d) order: "it is within this Court's authority to order discovery to proceed and that by complying with such order Dart has not waived the attorney-client or work-product privilege in [the Underlying Action]." Id. at *4. It held that 502(d) is not limited to inadvertent disclosures. Id. The court ordered, inter alia, that "[t]he attorney-client privilege and work-product privilege are not waived by the disclosure of confidential privileged communications and information related to [the Underlying Action] pursuant to this order and [502]." Id. at *5.

This situation is the same. As in Whitaker, Defendants fear disclosure of documents relevant to a dispute about their former counsel will waive the privilege, though in a DQ Motion rather than a fee dispute. Thus, Whitaker establishes that a 502(d) order permits Defendants to effectively litigate the DQ Motion without waiving their privilege in litigation of Plaintiff's underlying claims.

Many courts have entered 502(d) orders covering intentional disclosures. One 502(d) order allowed submission of attorney invoices without waiving privileges in other proceedings. Reagan v. U.S. Bank, 2013 WL 3323185, *1-2 (S.D. Tex. July 1, 2013). Another 502(d) order permitted a party who alleged that his former attorney had committed wrongful acts in representing him to produce records of other attorneys who had acted for him without waiving his privilege. Wade v. Gaither, 2010 WL 624249, at *1 (D. Utah Feb. 20, 2010).²

Many other court decisions have applied 502(d) to intentional disclosures. See, e.g., In re Processed Egg Prods. Antitrust Litig., 2014 WL 6388436, *6 (E.D. Pa. Nov. 17, 2014) (court issued 502(d) order and stated that “the plain language of this Order does not limit the 502(d) protection to mere accidental or inadvertent disclosures”); Goldstein v. Fed. Deposit Ins. Corp., 494 B.R. 82, 88 (D.D.C. 2013) (court encouraged parties, with respect to documents listed in a privilege log, to meet and confer about whether a 502(d) order would suffice to enable production of the documents without waiving claims of privilege); Chevron Corp. v. Weinberg Gp., 286 F.R.D. 95, 101 (D.D.C. 2012) (court encouraged production of certain “technically privileged” documents stating it would “gladly issue” a 502(d) order to alleviate concern that disclosure would be a waiver of the privilege in other

² Yet another 502(d) order covered documents “disclosed, exchanged, produced, or discussed—whether intentionally or inadvertently—among the parties, their counsel or their agents (such as vendors [sic.] and experts) in the course of this litigation.” White v. Electrolux North America, Inc., 2014 WL 1365424, at *1 n. 1 (N.D. Ill. Apr. 7, 2014) (emphasis added).

state or federal proceedings); U.S. v. Daugerdas, 2012 WL 92293, *1-2 (S.D.N.Y. Jan. 11, 2012) (court found an email was protected work product and noted that it was covered by a 502(d) order designed to enable a third party law firm to produce certain documents without enabling use in a separate proceeding); PIC Gp., Inc. v. Landcoast Insulation, Inc., 2011 WL 2669144, *12 (S.D. Miss. July 7, 2011) (court issued 502(d) order that production of contents of “unofficial general counsel’s” laptop would not waive privilege in other proceedings); Radian Asset Assurance, Inc. v. Coll. of the Christian Bros. of N.M., 2010 WL 4928866, *9 (D.N.M. Oct. 22, 2010) (court issued 502(d) order establishing defendant’s future production of specific electronically stored information would not waive privileges); D’Onofrio v. SFX Sports Gp. Inc., 2010 WL 3324964, *3 (D.D.C. Aug. 24, 2010) (court issued 502(d) order to permit plaintiff to test the validity of defendants’ privilege log using statistical sampling without waiving privilege as to the sampled documents).

Plaintiff cites Hostetler v. Dillard, 2014 WL 6871262 (S.D. Miss. Dec. 3, 2014) for the principle that 502(d) applies only to inadvertent disclosures. Opp. Br. at 9. However, Hostetler explicitly acknowledges the reverse: “The court recognizes that there are certain instances where a purposeful disclosure of privileged information may fall within the ambit of Rule 502(d).” Id. at *4 n. 4 (citing Whitaker). Clearly, 502(d) does apply to intentional disclosures.

II. Even Without 502(d), the Court May Issue an Order Preventing Waiver of the Attorney-Client Privilege in this Situation

Even absent 502(d), the Court may issue an order preventing waiver of the attorney-client privilege here. See Grimm Article at 60 (court may issue order

limiting the effect of production on waiver under Federal Rule 26). For example, a federal court issued a “discovery protocol” without 502(d) covering documents subject to a contested claim of privilege as it could not “wade through the contested documents with only the ex parte assistance of the side claiming the privilege.” Nolte v. CIGNA Corp., 2010 WL 3199740, *1-2 (C.D. Ill. Aug. 5, 2010). The court ordered material disclosed “shall not, under any circumstances, be deemed a waiver of privilege and the defendants may continue to claim the privilege throughout this litigation and in any other litigation that may be commenced against their clients.” Id. at *2.

III. The Proposed Order Does Not Violate Rule 502(a) or the Law on “Subject Matter Waivers”

Plaintiff argues that the Proposed Order violates Federal Rule of Evidence 502(a) (“502(a”). Opp. Br. at 2-7. He argues that, under 502(a), Defendants’ submission of privileged documents in support of the Motion to Disqualify would create a “subject matter waiver.” However, the issue of 502(a) and “subject matter waivers” is not relevant to the Proposed Order.

502(a) and the “subject matter waiver” caselaw that Plaintiff cites concern only whether a waiver as to certain documents extends to other documents. Under 502(a), when a disclosure does waive the attorney-client privilege or work-product protection as to a document, it extends to “undisclosed” documents (if three conditions are met). 502(a). The “subject matter waiver” doctrine likewise arises when a party withholds privileged documents that it arguably placed at issue. See, e.g., Favors v. Cuomo, 285 F.R.D. 187, 198-99 (E.D.N.Y. 2012).

The Motion for Protective Order does not involve subject matter waiver. The Proposed Order would not permit Defendants to waive the privilege as to some, while withholding other, related documents. Rather, it would permit them to submit certain documents to the Court (and serve them on Plaintiff's counsel) without waiver or the use of the same documents for any purpose other than litigation of the DQ Motion.

Plaintiff also mistakenly argues that Defendants seek to use privilege as a "sword" and a "shield." Opp. Br. at 4, 8. Defendants are not asking the Court to consider some documents relevant to an issue while withholding other documents relevant to the same issue, as in the "sword and shield" decisions that Plaintiff cites. See, e.g., Nolan v. City of Yonkers, 1996 WL 120685, *2 (S.D.N.Y. Mar. 19, 1996). No other documents are at issue, and the Proposed Order will not limit Plaintiff's ability to litigate the Motion to Disqualify.

Courts have recognized that the need to submit privileged materials in support of a disqualification motion permits special procedures. For example, a district court in this circuit allowed a party seeking disqualification to submit privileged documents to the court but not to opposing counsel. Decora Inc. v. DW Wallcovering, Inc., 899 F.Supp. 132, 137-38 (S.D.N.Y. 1995). The plaintiff moved to disqualify a law firm that represented two defendants since an associate of the law firm had previously represented the plaintiff in a related matter. The court held an ex parte and in camera hearing to allow the plaintiff to use privileged material to show the substantial relationship between the two matters. Id. at 137. The court did so "because the presentation of relevant details

necessarily involved the disclosure of client confidences.” Id. at 138. “The former client should not have to disclose such confidences to an adversary as the price of obtaining disqualification.” Id. Here, Defendants do not even ask to submit the documents ex parte; while the Proposed Order would prohibit the documents from being provided to Plaintiff or successor counsel, it would require that they be served on Katz. Pr. Ord., ¶ 10.

Another court permitted a plaintiff bringing a disqualification motion to submit documents in camera with access only by the court and some of the opposing attorneys. Radware, Ltd. v. A10 Networks, Inc., 2014 WL 116428, *3 (N.D. Cal Jan. 10, 2014). The court decided that plaintiff Radware should not be forced into “the agonizing and unfair choice between disclosing its attorney-client communications to third parties . . . and litigating against a firm that Radware believes will use confidential information obtained in its previous representation of Radware against Radware.” Id. It held that the privilege waiver should be no broader than necessary to permit the opposing party (A10) to litigate the motion to disqualify and gave Radware the option to submit the documents for in camera review; neither A10 nor all of its attorneys would be permitted to view the privileged documents. Id. Also, Judge Haight’s order in the Shao Action included such protections. Mot. Prot. Ord., Exh. E. Defendants now seek only the opportunity that courts granted in Decora, Radware, and Shao.

IV. Issuance of the Same Protective Order in the Shao Action Supports Its Issuance In Identical Circumstances Here

Judge Haight’s issuance of the identical order under identical circumstances in the Shao Action strongly supports its issuance here. Facing

exactly the same situation, Judge Haight entered a protective order containing a 502(d) provision. See Mot. Prot. Ord. at 5-6. Plaintiff argues that the Court should ignore Judge Haight's order as "the procedural history of the protective order in the Shao case did not provide plaintiffs there with an opportunity to brief the issue of whether federal law prohibited defendants from making a selective and temporary waiver of the attorney-client privilege." Opp. Br. at 10-11. But that argument is both irrelevant and factually inaccurate.

First, the Shao plaintiffs' failure to make Plaintiff's current arguments does not render Judge Haight's decision unpersuasive. In fact, Judge Haight had the authority to enter the 502(d) order sua sponte. 502(d) does not require a motion. See, e.g., Whitaker, 2009 WL 464989 at *4 (issuing 502(d) order without motion pending). Also, Judge Haight's order was issued after due consideration, as shown by his written decision supporting it. Mot. Prot. Ord., Exh. F.

Second, Katz did have an opportunity in Shao to make his current arguments, and in fact filed a document presenting his own version of the proposed order and arguing against Beta Pharma's version. [Shao Action D.E. #42]. Katz had approximately six weeks during which to make his current arguments, but elected not to do so.

Plaintiff also argues irrelevantly that his underlying claims differ from the underlying claims of the Shao plaintiffs. Opp. Br. at 11. The protective-order and disqualification motions in the two cases raise exactly the same issues.

Plaintiff raises a red herring when he states that Judge Haight's opinion criticized Defendants because their proposed protective order did not use the

sealing procedure under L.R. 5(e)(4)(d). Opp. Br. at 13. That was an entirely different issue. Judge Haight was under the misimpression that Defendants' order would prevent Katz from seeing documents filed under seal, which was not the case in Shao or here. The Proposed Order specifically provides for the service on Katz of any documents submitted to the Court. Pr. Ord., ¶ 10.

V. The Motion for Protective Order Has No Ulterior Motive

Plaintiff asserts that Defendants filed the Motion with the "ulterior motive" of blocking a subpoena served on Teplitzky & Company ("Teplitzky"), Beta Pharma's former accountants, and that the DQ Motion itself is a litigation tactic because it was filed late. Opp. Br. at 8 n. 3, 14-15. But Defendants moved promptly after uncovering information proving Liu worked on the subject matter of this action, as explained in their Reply Brief on their request for expedited consideration [D.E. #54], at 6-8.

There is nothing ulterior here. Plaintiff's subpoena to Teplitzky simply underscores the importance of the DQ Motion, as Plaintiff seeks Defendants' sensitive documents through a conflicted attorney. Apart from that, the subpoena is not relevant to this Motion. Neither the Proposed Order nor the DQ Motion would stop successor counsel from obtaining the Teplitzky documents.

The DQ Motion seeks to protect Defendants against having privileged documents used against them. The Proposed Order simply permits a full inquiry into whether Katz is conflicted. For these reasons and the reasons set forth in the Motion for Protective Order, Defendants respectfully request that the Court issue the Proposed Order.

**DEFENDANTS BETA PHARMA, INC. AND
DON ZHANG,**

By: /s/

**Michael G. Caldwell (ct26561)
LeClairRyan, A Professional Corporation
545 Long Wharf Drive, Ninth Floor
New Haven, Connecticut 06511
Telephone: (203) 672-1636
Facsimile: (203) 672-1656
Email: michael.caldwell@leclairryan.com**

**Jack L. Kolpen (NJ Bar No. 026411987)
Benjamin R. Kurtis (NJ Bar No. 029492010)
Fox Rothschild, LLP
Princeton Pike Corporate Center
997 Lenox Dr., Bldg. 3
Lawrenceville, NJ 08648-2311
Telephone: (609) 895-3304
Facsimile: (609) 896-1469
Email: JKolpen@foxrothschild.com
Email: bkurtis@foxrothschild.com
*Admitted as Visiting Attorneys***

**Glenn A. Duhl (ct03644)
Siegel, O'Connor, O'Donnell & Beck, P.C.
150 Trumbull Street
Hartford, CT 06103
Tel. (860) 280-1215
Fax (860) 527-5131
Email: gduhl@siegelocconnor.com**

CERTIFICATE OF SERVICE

I hereby certify that on April 21, 2015 a copy of the foregoing was filed electronically and served by mail on anyone unable to accept electronic filing. Notice of this filing will be sent by e-mail to all parties by operation of the Court's electronic filing system or by mail to anyone unable to accept electronic filing as indicated on the Notice of Electronic Filing. Parties may access this filing through the Court's CM/ECF System.

/s/

Michael G. Caldwell (ct 26561)