Vanderbilt Law Review

Volume 13
Issue 1 *Issue 1 - December 1959*

Article 9

12-1959

Corporate Law Department Communications--Privilege and Discovery

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CORPORATE LAW DEPARTMENT COMMUNICATIONS—PRIVILEGE AND DISCOVERY

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With the growth in number and size of corporate law departments, there is increased interest in determining the conditions and areas in which their communications[1] may be called for, and used, in litigation. As business becomes more complex, requiring adherence to legislation and regulation which allows small tolerance between the licit and illicit, or demanding close attention to administrative detail, the role of the lawyer is amplified. Concurrently, corporate counsel[2] is engaged in areas where the distinction between business and legal considerations becomes decreasingly apparent.[3]

The combination of these factors has created a recurring need for analyzing traditional notions of the attorney-client privilege and the newer but even more significant "work-product" concept, as they apply to house counsel. It is the purpose of this article to attempt such an analysis. In order to do so, a brief inquiry into the juridical status of the modern corporation and its employed lawyers, a short history of the concepts, and some consideration of the extent to which the Federal Rules of Civil Procedure are creating homogeneity in the law of discovery, seems indicated. From these points it is concluded that corporate law department communications are exempt from compulsory disclosure under essentially the same conditions currently applicable to communications generally.[4] Last, but most

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1. "Communications," as used in this article, embraces items such as enumerated in FED. R. CIV. P. 34, which include "documents, papers, books, accounts, letters, photographs . . . ."

2. "Corporate Counsel," "Corporate Lawyer," "House Counsel," and "employed lawyer" are used interchangeably herein to designate attorneys employed by corporations on either a full or part-time basis.

3. "There is in the status and responsibilities of corporate law departments an inherent dilemma. It arises from the fact that the corporate executive expects the legal department to provide competent, skilled, objective, professional legal advice and performance *and,* at the same time, to be an integral, going part of a going business—both in the more or less truly legal activities of the department and in accepting many assignments which are essentially non-legal in nature." Woodman, *What the Executive Expects of the Corporate Law Department,* 13 BUS. LAW 461 (1958).

4. This, notwithstanding a competent writer's observations: "The lawyer often finds himself at the entrance to a field that lacks markers, paths, or even a solitary footprint to show there were travelers before him. Perhaps the ground has never been crossed, or has long since been abandoned; but more commonly, there have been frequent visitors who left no trace. This last, one suspects, is the case with the subject matter of this analysis. No doubt the attorney-client privilege problems affecting corporations are mapped out in intra-office memos, in the practices of litigators, and in the thinking habits of judges. However, there are only a handful of modern decisions dealing directly with some of the difficulties that arise in applying the tradi-

important, are considered specific matters of discovery with relation to house counsel's files.

I. THE CORPORATION AND THE LAW DEPARTMENT.

> A corporation is not in fact and in reality a person, but the law treats it as though it were a person by process of fiction, or by regarding it as an artificial person distinct and separate from its individual stockholders. It has a real existence with rights and liabilities as a separate legal entity.[5]

Corporations have been held to be "persons" within a variety of statutes.[6] They are responsible for torts which they are capable of committing,[7] and are liable for criminal acts done by agents on their behalf.[8] In brief, corporations are broadly considered to have juridical personality.

On the other hand, there are some definite limitations upon that personality. It is plain that a corporation may not practice law nor engage lawyers to carry on the business of practicing law for it.[9] However, it seems equally plain that attorneys may be employed by a corporation to perform legal services for it; and such does not constitute the practice of law by the corporation.[10]

> Defendant is as free as any corporation to consult its own convenience in selecting and employing attorneys. What it may do through one member of the bar it may do through another, if he is not specially disqualified. The attorney's employment may be sporadic, frequent, or continuous; it may be performed in and from defendant's offices or other offices; and

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tional rules of the privilege to corporations." Simon, *The Attorney-Client Privilege as Applied to Corporations*, 65 YALE L.J. 953 (1956). The "handful" of decisions has grown somewhat in the last few years. More important, the law appears to be settling, since many recent cases assume, without discussion, that no distinctions exist.

5. 1 FLETCHER, PRIVATE CORPORATIONS § 7 (perm. ed. 1931).

6. *E.g.*, Diffenbach v. H. H. Mahler Co., 167 Okla. 518, 30 P.2d 907 (1934) (mechanics lien); Reconstruction Fin. Corp. v. Ball, 239 Mo. App. 1189, 206 S.W.2d 35 (1947) (judgment execution).

7. "It is a general rule of substantive law, so frequently applied that it is unnecessary to cite cases in support, that corporations like individuals are responsible for tortious injuries to others." Pryor v. Chambersburg Oil & Gas Co., 376 Pa. 521, 103 A.2d 425, 428 (1954).

8. See Note, 60 HARV. L. REV. 283 (1946).

9. See 6 FLETCHER, PRIVATE CORPORATIONS § 2524 (perm. ed. 1931). 45 MICH. L. REV. 885 (1947) enumerates a collection of states which have adopted statutes prohibiting the practice of law by corporations.

10. The distinction to be drawn is whether the corporation is the conduit for the rendering of services to *others*. "The primary question before the court is whether the acts of the banks do in fact constitute the practice of law. It would be difficult, if not impossible, to make an all-inclusive definition of the term 'practice of law.' Grievance Committee v. Payne, 128 Conn. 325, 22 A.2d 623, 625. Several definitions are recited in Detroit Bar Ass'n v. Union Guardian Trust Co., 282 Mich. 216, 220, 276 N.W. 365. For the purposes of these cases, it is only necessary to observe that every definition assumes, or contemplates or states, that the services rendered, to constitute the practice of law, must be for others." State Bar Ass'n v. Connecticut Bank & Trust Co., 20 Conn. Supp. 248, 131 A.2d 646, 652 (1957).

> it may be paid for by fee or by salary. Salaried attorneys and outside counsel are subject to like motives and obligations, public and private, and to like public control. Either may be employed to perform legal services which are properly connected with their employer's business.[11]

So-called "House Counsel" are becoming a numerous group.[12] And the demands of modern business have constantly enlarged their role, since corporations now have a keen awareness of the need for legal advice in fields which may have been considered, formerly, areas of mere "business judgment."[13] With respect to the legal function exercised by the law department attorney, it is uniformly agreed that he acts completely as a professional. To some extent, however, as he engages in extra-legal work, his professional status is impaired.[14]

II. The Attorney-Client Privilege

In Elizabethan days, English courts began to recognize an attorney's right to keep the secrets of his clients. Originally, the notion was that the attorney should assert the privilege and that it related only to communications received since the beginning of the case at bar. Over the next several hundred years the theory evolved to prohibit disclosure by an attorney, except with the client's consent, as to any matter of legal advice.[15]

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11. Merrick v. American Security & Trust Co., 107 F.2d 271, 278 (D.C. Cir. 1939), *cert. denied*, 308 U.S. 625 (1940). See also New Jersey State Bar Ass'n v. Northern N.J. Mortgage Associates, 22 N.J. 184, 123 A.2d 498 (1956).

12. The Survey of the Legal Profession, sponsored by the American Bar Ass'n, estimated in 1954 that 5.24% of all listed attorneys (11,274 out of 224,347) were corporate employees. Blaustein & Porter, The American Lawyer 8 (1954).

13. "House Counsel is a relatively recent phenomenon, but he is already a key figure in American industry. There are few large corporations that do not have at least one lawyer in their full-time employ, and many companies have legal departments that are veritable law firms, both in the number of attorneys employed and the volume and variety of legal work that is transacted.

"There has been an awesome growth in the quantity of legal problems of most corporations. The complexities of everyday corporate relations with stockholders, customers, employees, competitors, financial institutions and insurance companies, and with local, state and federal regulatory authorities are such as to demand the everyday counsel of experienced attorneys who are familiar with all aspects of a corporation's activities." Davis, *House Counsel: The Lawyer with a Single Client*, 41 A.B.A.J. 830 (1955).

See, generally, Berle, *The Changing Role of the Corporation and its Counsel*, 10 Record of N.Y.C.B.A. 266 (1955). Also, Woodman, *What the Executive Expects of the Corporate Law Department*, 13 Bus. Law 461 (1958).

14. See Section V (A) *infra*. "The status of house counsel in respect of truly legal communications is just the same as that of outside counsel, and necessarily must be, in principle. Differences in practice are apt to eventuate from (i) the likelihood of house counsel adulterating his law with practical or business advice and (ii) as to work product, the fact that those legal communications of house counsel which do not technically fall within the aura of privilege, are usually not composed in the process of or with a view to litigation and so cannot be work-product." Carson, *Privilege and the Work Product Rule in Corporate Law Departments*, 14 Bus. Law 771, 777 (1959).

15. See 8 Wigmore, Evidence § 2290 (3d ed. 1940).

The principle has firm grounds in the common law and was succinctly stated by the United States Supreme Court as early as 1826:

> The general rule is not disputed, that confidential communications between client and attorney, are not to be revealed, at any time. The privilege, indeed, is not that of the attorney, but of the client; and it is indispensable for the purposes of private justice. Whatever facts, therefore, are communicated by a client to counsel, solely on account of that relation, such counsel are not at liberty, even if they wish, to disclose; and the law holds their testimony incompetent.[16]

Numerous states have embodied the principle in statutes, with little or no alteration of the theorem.[17] The Federal Rules of Civil Procedure recognize the privilege, without attempting any precise definition.[18] Various state procedural rules (promulgated primarily in those jurisdictions not having statutory coverage) do the same.[19]

III. THE WORK PRODUCT CONCEPT.

Apart from considerations of privilege, under traditional "adversary" procedure, evidence in the possession of a party was generally immune from compulsory disclosure. The important exception pertained to bills of discovery in equity proceedings.[20] Later, the com-

16. Chirac v. Reinicker, 24 U.S. (11 Wheat.) 280, 294 (1826). Undoubtedly, the most quoted definition of the privilege is that of Dean Wigmore: "(1) *Where legal advice of any kind is sought* (2) *from a professional legal adviser 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 his legal adviser,* (8) *except the protection be waived.*" 8 WIGMORE, EVIDENCE § 2292 (3d ed. 1940).

17. *E.g.,* CAL. CODE CIV. PROC. § 1881 (2) (Deering 1953): "An attorney can not, without the consent of his client, be examined as to any communication made by the client to him, or his advice given thereon in the course of professional employment; nor can any attorney's secretary, stenographer, or clerk be examined, without the consent of his employer, concerning any fact the knowledge of which has been acquired in such capacity."

MO. ANN. STAT. § 491.060 (1952): "The following persons shall be incompetent to testify: . . . an attorney, concerning any communication made to him by his client in that relation, or his advice thereon, without the consent of such client. . . ."

Wigmore acidly comments: "These (statutes) have seldom helped to settle any mooted point; but on the other hand they have seldom chanced to disfigure the common law rule or to unsettle its logical development. Their original wording was commonly ignored by the Courts as being merely an attempt to name and to recognize the common-law privilege. But in a few states the petty legislative tinkering has made the application of the principle become a mere matter of the statute's verbal interpretation." 8 WIGMORE, EVIDENCE § 2292 (3d ed. 1940).

18. See FED. R. CIV. P. 26(b): "[T]he deponent may be examined regarding any matter, *not privileged,* which is relevant to the subject matter involved in the pending action . . . ." Also, rule 34: "[T]he court . . . may (1) order any party to produce and permit the inspection and copying or photographing . . . of any designated documents, papers, books, accounts, letters, photographs, objects, or tangible things, *not privileged* . . . ." (Emphasis added.)

19. *E.g.,* DEL. SUPER. CT. (CIV.) R. 26(b), 34.

20. See 17 AM. JUR. *Discovery and Inspection* §§ 2-5 (1957). POMEROY, EQUITY JURISPRUDENCE § 190a (5th ed. 1941) observes: "The rules of the ancient common law concerning the competency of witnesses were exceed-

mon law tended to liberalize somewhat by requiring the production of papers if they would be obtainable under a bill of discovery.[21] More recently, state statutes and procedural rules have established relatively broad discovery criteria.[22] Of course, the federal courts, operating under the Federal Rules, and those states using substantially similar rules, have had the most liberal approach to the matter.

> Prior to the Federal Rules of Civil Procedure pre-trial discovery had been relatively rare in the federal courts. Rules 26-27, however, introduced a pre-trial deposition-discovery system of extremely broad scope, which was characterized as one of the most significant innovations, if not the outstanding contribution, made by the Federal Rules. One of the basic purposes of this procedural reform was to permit a full disclosure of the facts; the parties were no longer to be kept in the dark as to the evidence in the possession of their opponents; fact ascertainment was to have precedence over the disadvantages which extensive discovery might inflict upon a "diligent lawyer" whose trial preparations it would expose to the scrutiny of his adversary.[23]

Following the adoption of the Federal Rules in 1938, the courts expressed no immediate agreement as to the scope of permissible discovery. Frequent refusal to require disclosure of eyewitness statements or pretrial reports created a no-man's land in the matter.[24]

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ingly arbitrary, and would often work great injustice, unless their defects had been supplied by the equitable jurisdiction. In the common-law courts, prior to the modern statutory legislation, a party could not be examined as a witness, nor forced to make admission in his pleadings, in behalf of his adversary; nor was there any means in the common-law procedure of compelling a party to produce, or submit for inspection, or furnish copies of any documents or books which might be in his possession or under his control, however important they might be to the other party's cause of action or defense. It was to supply this grievous defect in the ancient common-law methods that equity established the first branch of its auxiliary jurisdiction, called discovery."

21. See note, 41 AM. ST. REP. 388 (1894).

22. *Statutes: E.g.*, VA. CODE ANN. § 8-324 (1950): "In any case at law a party may file . . . an affidavit, setting forth that there is, he verily believes, a book of accounts or other writing in possession of an adverse party or claimant containing material evidence for him, specifying with reasonable certainty such writing or the part of such book." This does not affect the right to exhibit a bill in chancery for a discovery. *Court Rules: E.g.*, PA. R. CIV. P. 4009: "[T]he court, on the petition of a party may (1) order a party to produce and permit the inspection, including the copying and photographing, by or on behalf of the petitioner, of designated tangible things, including documents, papers, books, accounts, letters, photographs and objects, which are in his possession, custody or control . . . ." Unlike rules based on the Federal Rules of Civil Procedure, Pennsylvania prohibits discovery which would disclose facts that "are not competent or admissible as evidence . . . ." PA. R. CIV. P. 4011(2).

23. Taine, *Discovery of Trial Preparations in the Federal Courts*, 50 COLUM. L. REV. 1026, 1026-27 (1950).

24. Taine lists refusals as based, generally, on the arguments that such did not constitute or contain material evidence, were hearsay, privileged or fishing expeditions. *Id.* at 1027-28.

It was not until after the landmark *Hickman*[25] case that any degree of uniformity appeared.[26]

The *Hickman* case arose over the refusal of the attorney for certain Jones Act defendants to reveal witness statements and information acquired prior to the litigation. The district court had ordered production[27] and thereupon adjudged the attorney in contempt. The court of appeals reversed the conviction and, while mentioning "work product," bottomed the decision upon the attorney-client privilege.[28] The case then went to the Supreme Court. Without dissent, the Court concluded: "We also agree that the memoranda, statements and mental impressions in issue in this case fall outside the scope of the attorney-client privilege and hence are not protected from discovery on that basis."[29] But the Court further stated:

> Here is simply an attempt, without purported necessity or justification, to secure written statements, private memoranda and personal recollections prepared or formed by an adverse party's counsel in the course of his legal duties. As such, it falls outside the arena of discovery and contravenes the public policy underlying the orderly prosecution and defense of legal claims. Not even the most liberal of discovery theories can justify unwarranted inquiries into the files and the mental impressions of an attorney.[30]

As to written statements obtained from witnesses, the court decided that the demanding party must carry the burden of showing adequate reason to justify production (the burden was not met). As to oral statements made by witnesses to counsel it was found that *no* showing of "necessity" could be made under the circumstances of the case so as to justify production.[31]

Although it spawned some difficulties, the *Hickman* case did much to clarify a perplexing area. The concept of "good cause" made it clear that the protection afforded work product was not absolute. But it remained for the lower courts to attempt to create a sensible body of law around the broad principles involved.

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25. Hickman v. Taylor, 329 U.S. 495 (1947).

26. This, irrespective of one court's concern that the *Hickman* case opened "a veritable Pandora's Box!" Vironi v. Wheeling & Lake Erie Ry., 10 F.R.D. 45, 47 (N.D. Ohio 1950).

27. 4 F.R.D. 479 (E.D. Pa. 1945).

28. 153 F.2d 212 (3d Cir. 1945).

29. 329 U.S. at 508.

30. *Id.* at 510.

31. By oblique reference to rule 34, "necessity" was apparently meant, and is generally accepted, to be approximately co-terminous with "good cause." The Supreme Court's Advisory Committee on Rules for Civil Procedure later recommended that any requirement of good cause be eliminated, but objections resulted in failure of adoption. See Tolman, *Discovery under the Federal Rules: Production of Documents and the Work Product of the Lawyer*, 58 COLUM. L. REV. 498 (1958).

IV. The Federal Rules—Basis for Homogeneity.

> It seems difficult now to remember that in 1938, when the federal rules became effective, they replaced the most confused, irrational and incomprehensible procedural system that one could imagine.[32]

While the federal procedural system was difficult, the state systems with special quirks developed in each jurisdiction, were even more so. Thus, depending on the court, it was possible to run the gamut from liberalism to conservatism on the same issue.[33] Indeed, disclosure rulings varied widely within the same jurisdiction.[34]

Even following adoption of the Federal Rules, there were differences of opinion as to their application. As an example, discovery of work product in the Third Circuit was for some time in a state of flux. The Eastern District Court, through Judge Kirkpatrick, originally ruled in the *Hickman* case[35] that the written statements should be produced and that the attorney's memoranda would be reviewed by the court to determine which parts were discoverable. As previously noted, the court of appeals and the Supreme Court denied production. Nevertheless, following the Supreme Court's opinion, Judge Kirkpatrick indicated in *De Bruce v. Pennsylvania Ry.*[36] that the district court's practice of requiring statements of witnesses in answer to interrogatories *without* a showing of good cause would be continued; this was based on the view that the Supreme Court in the *Hickman* case had not specifically forbidden it.[37] The *De Bruce* case was not appealed.

In 1948, Judge Kirkpatrick again ruled that copies of witness' statements must be produced in answer to interrogatories.[38] The court of

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32. Tolman, *supra*, note 31, at 499.

33. So, on a question of evidential admissibility of witnesses' statements, in Powell v. Northern P. Ry., 46 Minn. 249, 48 N.W. 907 (1891), it was held that statements made to defendant by its employees were hearsay. But, in Chesapeake & O. Ry. v. Swartz, 115 Va. 723, 80 S.E. 568 (1914), similar statements were held to be admissible either for purposes of impeachment or to corroborate the employees' testimony.

34. *Compare* Chesapeake & O. Ry. v. Swartz, *supra* note 33, *with* Norfolk & W. Ry. v. Wilkes Adm'r, 137 Va. 302, 119 S.E. 122 (1923), in which the court refused to require the production of a statement from an opposite party bearing on a witness' examination in chief.

35. 4 F.R.D. 479 (E.D. Pa. 1945).

36. 6 F.R.D. 403 (E.D. Pa. 1947).

37. The court concluded: "However, even if the whole problem be (wrongly, I think) assimilated to the question of production of documentary originals and if good cause be required, either by applying Rule 34 or by some other process of reasoning, I would not consider it necessary for the plaintiff to show more than that the accident occurred a considerable time, say a year, ago, that the defendant through its claims department immediately interviewed witnesses and took statements, that the plaintiff was not in a position to do so until the bringing of suit and after the lapse of considerable time." *Id.* at 406.

38. O'Neill v. United States, 79 F. Supp. 827 (E.D. Pa. 1948). The case was in admiralty, involving Admiralty Rule 31, which is identical with Civil Rule 33.

appeals vacated the decree, without touching on the question of good cause.[39] Following re-entry of a modified decree by the district court,[40] upon appeal, the court of appeals specifically considered the issue of good cause, holding that "the production by a party of any documents, either for mere inspection or for obtaining a copy, is predicated upon first showing good cause therefor and consequently is to be obtained only by proceeding under Civil Procedure Rule 34 (or Admiralty Rule 32)."[41] Upon the second remand in 1953 Judge Kirkpatrick found that good cause for the production of the statements of witnesses who were within comparatively easy reach did not exist, but that statements of witnesses whom the libelant was unable to locate must be produced.[42] The dissension apparently lapsed.

Today, the area of conflict between federal courts on the scope of discovery has been considerably lessened.[43] The attorney-client privilege doctrine, long established, has been more easily administered. The work-product concept, while creating some original doubts as to whether great liberalism should be employed, has trended toward a moderately liberal view.[44] The various states which have adopted statutes or court rules akin to the federal rules have generally followed federal precedent.[45] But where differences in interpretation exist, the states have somewhat more consistently followed a more conservative line.[46]

39. *Sub. nom.* Alltmont v. United States, 174 F.2d 931 (3d Cir. 1949).

40. Alltmont v. United States, 87 F. Supp. 214 (E.D. Pa. 1949).

41. Alltmont v. United States, 177 F.2d 971, 975 (3d Cir. 1949), *cert. denied*, 339 U.S. 967 (1950). Consequently, production could not be required under Civil Procedure Rule 33 (Admiralty Rule 31), which does not provide for "good cause."

42. Alltmont v. United States, 116 F. Supp. 54 (E.D. Pa. 1953).

43. This is partly because the mere formulation of concise rules reduces doubts. Perhaps more important, however, the federal courts were released from any presumed dictate of Erie R.R. v. Tompkins, 304 U.S. 64 (1938), that state rules would govern matters of discovery. "*Erie* relates only to substantive law and does not apply to procedure, of which discovery is clearly a part. None of the advances made by the federal rules would have been possible if the federal courts had been restrained by state practice. Indeed, it was the effort to escape the limitations of federal conformity to state procedure that prompted the enabling legislation." Tolman, note 31 *supra*, at 514. See Scourtes v. Albrecht Grocery Co., 15 F.R.D. 55 (N.D. Ohio 1953); 4 MOORE, FEDERAL PRACTICE ¶ 26.23 at 1152 (2d ed. 1950). However, there are some decisions, though few recently, indicating that federal courts will look to state law. Blank v. Great Northern Ry., 4 F.R.D. 213 (D. Minn. 1943); Munzer v. Swedish American Lines, 35 F. Supp. 493 (S.D.N.Y. 1940).

44. McCaffrey v. United States, 13 F.R.D. 512 (S.D.N.Y. 1952), stating "the De Bruce view is not generally favored by the cases."

45. Brooker v. Smith, 108 So. 2d 790, 795 (Fla. 1959): "Each of our said rules and the corresponding federal rule are essentially identical. Therefore, since the point in controversy here has not been ruled on by our Supreme Court, we may look to decisions by the various federal courts for assistance." Even where a state court is inclined to follow prior state precedent, effort may be made to coordinate with the federal law. So in Frank C. Sparks Co. v. Huber Baking Co., 49 Del. 267, 114 A.2d 657 (1955), the court suggested that the hardship provision in the federal rule—*i.e.*, good cause—be read into a Delaware rule of *privilege*.

46. *E.g.*, Prizio v. Penachio, 19 Conn. Supp. 381, 115 A.2d 340, 342 (1955);

Of course, a significant number of states have not adopted legislation or rules akin to the federal rules, so that opportunity for wide variation in state decisions still exists. Nevertheless, it seems clear that the federal rules have served as a catalyst for not only federal but state courts with respect to discovery procedures, and while the trend is still in motion, they undoubtedly form the basis for even more consistency and homogeneity in practice.

V. Production of Corporate Law Department Communications

A. General

It has not always been apparent that house counsel's files are entitled to the same general treatment as those of outside attorneys.[47] However, the *United Shoe* case, now generally recognized as the leading case on the subject of attorney-client privilege with respect to corporate documents, made it plain:

> On the record as it now stands, the apparent factual differences between these house counsel and outside counsel are that the former are paid annual salaries, occupy offices in the corporation's buildings, and are employees rather than independent contractors. These are not sufficient differences to distinguish the two types of counsel for purposes of the attorney-client privilege. And this is apparent when attention is paid to the realities of modern corporate law practice. The type of service performed by house counsel is substantially like that performed by many members of the large urban law firms. The distinction is chiefly that the house counsel gives advice to one regular client, the outside counsel to several regular clients.[48]

It was ruled that United's general counsel "and his clerks" were attorneys within the scope of the privilege.

Although some confusion has existed as to whether corporate attorneys must be members of the bar of the state in which they are

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while adopting much of the federal discovery procedure, "the new provisions were not intended to be as broad as the federal rules on this subject matter."

47. *E.g.*, Wise v. Western Union Tel. Co., 36 Del. 456, 178 Atl. 640, 644 (1935): "It may be somewhat doubtful if that privilege, which had its origin in the relation of attorney and client, applies to transactions between two branches of an elaborate corporate structure."

48. United States v. United Shoe Mach. Corp., 89 F. Supp. 357, 360 (D. Mass. 1950). Judge Wyzanski's condensation of the rule is widely quoted: "The privilege applies only if (1) the asserted holder of the privilege is or sought to become a client; (2) the person to whom the communication was made (a) is a member of the bar of a court, or his subordinate and (b) in connection with this communication is acting as a lawyer; (3) the communication relates to a fact of which the attorney was informed (a) by his client (b) without the presence of strangers (c) for the purpose of securing primarily either (i) an opinion on law or (ii) legal services or (iii) assistance in some legal proceeding, and not (d) for the purpose of committing a crime or tort; and (4) the privilege has been (a) claimed and (b) not waived by the client." *Id.* at 358.

employed,[49] this has been clarified so that it seems virtually settled that membership in any particular bar is not mandatory.[50]

It is generally agreed that whether or not discovery procedures may reach house counsel's files depends on the function of the attorney in gathering or preparing the material. Thus, where papers are prepared by an attorney, who is also a director, dealing primarily with business subjects, the claim of privilege may not be allowed.[51] Similarly, where an attorney who is also secretary of a company receives information from third persons, it is subject to disclosure.[52] While some courts have conditioned protection of files only upon a finding that house counsel is acting primarily in an attorney-client capacity rather than an employee-employer relationship,[53] the better reasoning seems to be that it is simply the function performed by the

49. This was created by the court's side observation that employees of the patent department who were not members of the Massachusetts bar (the corporation's home state) were outside the privilege. However, patent department employees were held excluded anyway. The case of International Min. & Chem. Corp. v. Golding-Keene Co., 162 F. Supp. 137 (W.D.N.Y. 1958) construes Judge Wyzanski's opinion as not precluding a patent attorney's assertion of the privilege although he may not be a member of the domestic bar. See Section V (F) *infra* as to patent document discovery.

50. Zenith Radio Corp. v. Radio Corp. of America, 121 F. Supp. 792, 794 (D. Del. 1954): "Bar memberships should properly be of the court for the area wherein the services are rendered, but this is not a sine qua non, *e.g.*, visiting counsel, long distance services by correspondence, pro hac vice services, 'house counsel' who practice law only for the corporate client and its affiliates and not for the public generally, for which local authorities do not insist on admission to the local bar." In Georgia-Pacific Co. v. United States Plywood Corp., 18 F.R.D. 463 (S.D.N.Y. 1956), the issue was faced clearly with respect to house counsel having offices in New York, but a member of only the District of Columbia and Pennslyvania bars. "There are two basic reasons for excluding lawyers who are not members of the state bar from the status of 'attorneys' within the attorney-client privilege. One is theoretical, the other practical. The first is based on the idea that since one government cannot grant a person a license which will be operative outside its own boundaries, therefore a confidential communication to that person made in another state should stand on no better basis than one made in confidence to a layman. See 1 Morgan, Basic Problems of Evidence 99 (1954). The obvious answer to this is that the second state is not bound to define its privileges in the same way as the first. It may grant the privilege to one not licensed anywhere or deny it to one licensed in its own state. The second reason is based on the idea that removing the privilege will act as a further incentive to people in Mr. Heilman's position to acquire local licenses. Although I recognize that there is nothing so sacrosanct about the attorney-client privilege, that it may not be curtailed when it runs afoul of a more important social policy, I do not find that to be the case here. If the threat of possible penal sanctions, N.Y. Penal Code § 271, is an insufficient deterrent, it is hardly likely that this further measure will do the trick.

"Furthermore, because of the requirement of re-examination in most states, the house counsel of a multi-state corporation is placed in an extremely difficult position. At the time of the prior litigation, United States Plywood had 50 warehouses in approximately 35 different states. Since corporate counsel will often be required to spend a great deal of time in different localities, the client may be deprived of the security of the attorney-client privilege unless counsel devotes himself almost entirely to studying for bar examinations . . . ." *Id.* at 465.

51. United States v. Vehicular Parking, Ltd., 52 F. Supp. 751 (D. Del. 1943).

52. Stone v. Grayson Shops, Inc., 8 F.R.D. 101 (S.D.N.Y. 1948).

53. Cogdill v. Tennessee Valley Authority, 7 F.R.D. 411 (E.D. Tenn. 1947).

attorney in acquiring the material which determines discoverability.[54]

Depending on the factual status of house counsel, broad differences in discovery results are possible. But where, as is usually the case, house counsel perform predominantly legal work, the same disclosure criteria applicable to the genus "lawyer" will apply. "The conclusion which can fairly safely be drawn is that house counsel's files are accorded the same protection as outside counsel's files; but the liberalizing of discovery rules has rendered files of all counsel more vulnerable than in the past. . . ."[55]

With this as a base, next are considered specific categories of discovery as to documents which may be found in house counsel's files.

B. Letters and Memoranda to and from Officers and Employees

Information given to house counsel for legal views and his legal replies to inquiries are privileged communications and exempt from discovery.[56] However, advice of counsel as to "business" matters is not exempt.[57] This does not mean that counsel may not comment on nonlegal matters, but that the nonlegal must be secondary to the legal. "[T]he privilege of nondisclosure is not lost merely because relevant nonlegal considerations are expressly stated in a communication which also includes legal advice."[58]

Apart from privilege, many memoranda between house counsel and other corporate employees cannot qualify for exemption as work product since " 'work product' encompasses the impressions, observations and opinions recorded by an attorney, as the product of his investigation of a case in his actual preparation for trial in behalf of a client."[59] This does not mean that a law suit must have started; it is sufficient that a memorandum is prepared "with an eye to litigation."[60]

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54. See Taine, *supra* note 23, at 1042.

55. Strack, *Attorney-Client Privilege—House Counsel,* 12 BUS. LAW. 229, 242 (1957). An excellent compilation of cases appears in this article. It is appropriate to acknowledge this writer's indebtedness to the Strack article and to Mr. L. S. Apsey's contributions, based on that article.

56. Georgia-Pacific Plywood Co. v. United States Plywood Corp., 18 F.R.D. 463 (S.D.N.Y. 1956).

57. United States v. Vehicular Parking, Ltd., 52 F. Supp. 751 (D. Del. 1943). This is particularly true where counsel acts, also in an officer's or manager's capacity. "Moreover, it appears that while Joynt (house counsel) was attorney for one of the corporate defendents he was at the same time one of its directors, acting as one of its primary promoters and serving throughout as one of its general business managers." *Id.* at 753. *Cf.* Commercio E. Indus. Continental, S.A. v. Dresser Indus., Inc., 19 F.R.D. 513 (S.D.N.Y. 1956).

58. United States v. United Shoe Mach. Corp., 89 F. Supp. 357 (D. Mass. 1950).

59. Zenith Radio Corp. v. Radio Corp. of America, 121 F. Supp. 792 (D. Del. 1954).

60. Hickman v. Taylor, 329 U.S. 495, 511 (1947). In this vein, in Vilastor-Kent Theatre Corp. v. Brandt, 19 F.R.D. 522 (S.D.N.Y. 1956), Judge Leibell held that a memorandum prepared by an attorney in a film corporation's legal department, as a result of a letter written by a third party's attorney com-

A memorandum prepared by an employee without the purpose of obtaining legal advice cannot become privileged merely by subsequent delivery to counsel.[61] But even assuming that employees' memoranda have been prepared for legal advice or with reference to litigation, nevertheless they are nonprivileged if they reflect information otherwise disclosed from available sources.[62]

If the information is revealed to third persons, the privilege is destroyed.[63] If the information relates to a purpose of committing a crime or tort, privilege cannot be asserted.[64] And, waiver must not occur.[65]

C. Letters and Memoranda to and from Outside Counsel

Letters and memoranda exchanged between house counsel and outside counsel may be protected from disclosure as privileged,[66] provided

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plaining of improper booking and mentioning possible legal action, was protected as work product. See also Connecticut Mut. Life Ins. Co. v. Shields, 16 F.R.D. 5 (S.D.N.Y. 1954).

61. "By hypothesis such 'pre-existing papers' do not contain confidences simulated by the lawyer, and should be no more privileged in the attorney's hands than they were when in his client's possession." Simon, *The Attorney-Client Privilege as Applied to Corporations*, 65 YALE L.J. 953, 978 (1956). "It follows that business correspondence, accountant's book, inter-office reports, file memoranda, minutes of business meetings, and all the other mountains of papers accumulated by modern enterprises would ordinarily not qualify for the privilege even though they were subsequently transmitted to counsel." *Id.* at 980. See also Humphries v. Pennsylvania R.R., 14 F.R.D. 177 (N.D. Ohio 1953).

62. United States v. American Radiator & Standard Sanitary Corp., CCH TRADE REG. REP. (1958 Trade Cases) ¶ 68,954, at 73,831 (W.D. Pa. Feb. 17, 1958). Figures taken from a trade association publication fall under Judge Wyzanski's test in United States v. United Shoe Mach. Co., 89 F. Supp. 357 (D. Mass. 1950), excluding information "disclosed in a public document."

63. *In re* Associated Gas & Elec. Co., 59 F. Supp. 743 (S.D.N.Y. 1944): "Once the confidential matter is voluntarily disclosed to the public, it is no longer a secret and the privilege which might have been claimed under the statute disappears." *Id.* at 744.

64. This applies in futuro: "[I]t is quite clear that the privilege disappears if it is invoked merely to cloak a fraudulent scheme, and that when a client consults an attorney as to how to concoct or perpetrate a fraud the privilege is unavailing." A. B. Dick Co. v. Marr, 95 F. Supp. 83, 102 (S.D.N.Y. 1950).

65. Waiver by a corporation of the claim of privilege as to *some* communications may "open the door to all the privileged correspondence between it and its attorney on that specific subject." *In re* Associated Gas & Elec. Co., *supra* note 63, at 744. Whether actual production of a document, together with a claim of privilege, renders the document inadmissible in evidence is a matter of controversy. See Annot., 151 A.L.R. 1006 (1944). It appears that a party should produce arguably privileged documents only upon protective order of the court.

As to a corporation maintaining letters to counsel in "open files" it has been held: "It is difficult to be persuaded that these documents were intended to remain confidential in the light of the fact that they were indiscriminately mingled with the other routine documents of the corporation and that no special effort to preserve them in segregated files with special protections was made. One measure of their continuing confidentiality is the degree of care exhibited in their keeping, and the risk of insufficient precautions must rest with the party claiming the privilege." United States v. Kelsey-Hayes Wheel Co., 15 F.R.D. 461, 465 (E.D. Mich. 1954).

66. Leonia Amusement Corp. v. Loews, Inc., 13 F.R.D. 438 (S.D.N.Y. 1952).

that primarily legal matters are dealt with.[67] If such letters and memoranda between counsel are privileged, it is immaterial whether other means of protection apply. However, whenever work product principles are relied upon, the circumstances under which the documents have been prepared must be shown. As in the case of memoranda between house counsel and corporate employees, they must have been written "with an eye toward litigation."

Privilege does not extend to communications between house counsel and an opposing party's attorney.[68]

In *United States v. American Radiator & Standard Sanitary Corp.*,[69] the court analyzed a group of letters between one Berberich, secretary and head of the Legal Affairs Department of the defendant, and one Green, defendant's outside counsel, but also a director of defendant. The rulings were as follows:

> 1. As to a letter from Berberich to Green, containing comments on Green's opinion as to certain facts connected with a corporate acquisition, it was a communication from house counsel to outside counsel, hence meeting the requirement that the holder of the privilege be a client and the person to whom the communication is made be a member of a bar; but the purpose was not to secure an opinion or services in connection with a legal proceeding, nor could the letter be deemed work product. The letter was ruled discoverable.
>
> 2. As to a letter from Green to Berberich consisting of a commentary on advertisements of other corporations, this was ruled to be more in the nature of business matters passing between an officer and director, than legal advice, opinions or assistance. Hence it was not privileged.
>
> 3. As to a letter from Green to defendant's president, this was also ruled to be a matter of business and not privileged.
>
> 4. As to a memorandum from Berberich to two of defendant's vice-presidents dealing with legal opinions concerning the merger, it was held to be privileged as a communication from house counsel to client.

As to a letter from one of defendant's managers to an assistant sec-

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The rationale is that corporate counsel is considered as the client. *Cf.* Zenith Radio Corp. v. Radio Corp. of America, 121 F. Supp. 792 (D. Del. 1954).

67. Georgia-Pacific Plywood Co. v. United States Plywood Corp., 18 F.R.D. 463 (S.D.N.Y. 1956); United States v. United Shoe Mach. Corp., 89 F. Supp. 357 (D. Mass. 1950). The protection, of course, extends to oral conferences. Smith v. Bentley, 9 F.R.D. 489 (S.D.N.Y. 1949); Byers Theatres, Inc. v. Murphy, 1 F.R.D. 286 (W.D. Va. 1940).

68. E. W. Bliss Co. v. Cold Metal Process Co., 1 F.R.D. 193 (N.D. Ohio 1940); Leach v. Greif Bros. Cooperage Corp., 2 F.R.D. 444 (S.D. Miss. 1942).

69. *Supra* note 62.

retary, with a copy to Berberich, it appeared that information was given upon a percentage of business, but that the information was otherwise revealed in a trade publication. Although the letter would have been privileged as a compilation of data by a client for an attorney to gain a legal opinion, public disclosure destroyed the privilege.[70]

The *American Radiator* case demonstrates that, although the courts will accept the rule of privilege as applied to letters and memoranda between house counsel and outside counsel, the privilege is strictly construed, and deviations from the rigid criteria of the rule will result in compelled disclosure.

D. Intra-Legal Department Papers and Memoranda

Certainly not all intra-legal department papers as such are protected by privilege.[71] To the extent that they are related to a corporate client's request for legal advice the privilege should apply unless they touch primarily on matters of business.[72] But, even if otherwise privileged, there is some authority to the effect that unless the memoranda are maintained in separate legal files, the privilege may be destroyed.[73]

The work product principle applies with full force to house counsel's papers and memoranda. Before production can be ordered, the demanding party must show good cause.[74] Few cases have involved a bald attempt to obtain counsel's internal office memoranda. While there is no absolute protection, it must at least be assumed that a demanding party need carry heavy burden in proving necessity for production.[75]

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70. Under Dean Wigmore's test, *supra* note 16, public disclosure would eliminate the element of confidence and could constitute a waiver.

71. United States v. United Shoe Mach. Corp., 89 F. Supp. 357 (D. Mass. 1950): "Hence, their [patent attorneys'] working papers are not privileged *even if* [contrary to the perhaps untenably broad dictum in Hickman v. Taylor, *supra* note 25] *it be assumed that there ever is a privilege for the working papers of attorneys.*" (Emphasis added.) *Id.* at 361.

72. United States v. Vehicular Parking, Ltd., 52 F. Supp. 751 (D. Del. 1943).

73. United States v. Kelsey-Hayes Wheel Co., 15 F.R.D. 461 (E.D. Mich. 1954). Yet applying the work product doctrine, it has been held that the fact that a legal department file may find its way into the possession of employees who are not lawyers does not create discoverability. Fey v. Stauffer Chem. Co., 19 F.R.D. 526 (D. Neb. 1956).

74. "Under the Hickman decision the inquiring party has the burden of showing that the memorandum relates to facts essential to the preparation of his client's case and he must sustain that burden by adequate reasons to justify production of that document. Otherwise, the court will not order counsel for the adverse party to produce a document coming within the 'work product' classification." Vilastor-Kent Theatre Corp. v. Brandt, 19 F.R.D. 522, 525 (S.D.N.Y. 1956).

75. So, in Connecticut Mut. Life Ins. Co. v. Shields, 16 F.R.D. 5 (S.D.N.Y. 1954), the investigative reports of an attorney in Connecticut Mutual's legal department, making "a complete study of the situation to find out what Connecticut Mutual's legal rights might be" were held nondiscoverable in the

E. Witnesses' Statements

The attorney-client privilege does not apply to witnesses' statements.[76]

Witnesses' statements are discoverable as work product only upon a showing of good cause;[77] but some differences exist as to what that may be. A few courts assume it without discussion.[78] Others *find* good cause when the facts are within the knowledge of a defendant's employees and they refuse to divulge[79] or are affected by "loss of memory."[80] Most courts require some affirmative showing of good cause, but incline toward not demanding elaborate specificity in support of a request for disclosure.[81] The middle ground has been stated:

> It is important to note, however, that there are certain principles in this field upon which all courts agree. Moore points out that "All courts agree that production should be allowed where it is shown that the statements

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absence of a showing of good cause. However, in a later unreported memorandum decision (Civil No. 91-247, S.D.N.Y. October 8, 1954), Judge Edelstein found that upon reargument good cause was shown and the reports should be disclosed "but not including the non-relevant material said to be contained therein."

In Slifka Fabrics v. Providence Washington Ins. Co., 19 F.R.D. 374 (S.D.N.Y. 1956) attorneys' memoranda were held to include even investigative reports of claims agents and were ruled to be protected work product.

76. Hickman v. Taylor, 329 U.S. 495 (1947). However, infrequently and primarily on the state level, courts do refuse production on the basis of privilege, *e.g., In re* Hyde, 149 Ohio St. 407, 79 N.E.2d 224 (1948); see also Seaboard Airline R.R. v. Timmons, 61 So. 2d 426 (Fla. 1952) (holding both as to privilege and work product).

77. Alltmont v. United States, 177 F.2d 971 (3d Cir. 1949) holding that witnesses' statements cannot be procured under rule 33 as of "right," but must be procured under rule 34, requiring a showing of good cause.

78. Atlantic Greyhound Corp. v. Lauritzen, 182 F.2d 540 (6th Cir. 1950).

79. Mitchell v. Bass, 252 F.2d 513 (8th Cir. 1958). Compare Meadows v. Southern Ry., 14 F.R.D 164 (E.D. Tenn. 1953). *But see* Tandy & Allen Constr. Co. v. Peerless Cas. Co., 20 F.R.D. 223 (S.D.N.Y. 1957), holding that good cause cannot be predicated upon a witness's probable hostility upon deposition; nor if the witness is, in fact, hostile and has been instructed by his employer not to disclose. *Cf.* Burns v. Philadelphia Transp. Co., 18 F.R. Serv. 34.411, case 5 (E.D. Pa. 1953).

80. Thomas V. Trawler Red Jacket, Inc., 16 F.R.D. 349 (D. Mass. 1954).

81. This does not mean that the courts go so far as Professor Moore's view: "We believe, therefore, with Judge Kirkpatrick, that even if a showing of good cause is required, in the normal case the bare fact of inequality of the parties with respect to gathering statements of witnesses should suffice." 4 MOORE, FEDERAL PRACTICE ¶ 26.23(8) at 1144 (2d ed. 1950). The reference to Judge Kirkpatrick relates to the *De Bruce* case, since discountenanced, see section IV *supra*. The argument of inequality has been replied to by one court: "I might state that it is common knowledge that insurance companies and other large concerns . . . often employ investigators and attorneys to conduct such investigation for them . . . . The Court is not blind to the fact, however, that a laboring man has certain similar advantages at his command. Many competent attorneys with an extensive personal injury practice maintain their own investigators who perform similar functions on behalf of their clients. Through their membership in labor organizations, their hiring halls and other such contacts, frequently the location of witnesses, the procuring of their statements, and other phases of investigation of a personal injury action are handled more speedily and efficiently on behalf of a plaintiff than a defendant." Lester v. Isbrandtsen Co., 10 F.R.D. 338 (S.D. Tex. 1950).

> may contain information which is not otherwise available to the moving party, as where the witnesses cannot be found or refuse to give information." It is the opinion of this court that the converse of that principle is also a sound rule of law. That is, production should *not* be allowed where the witnesses may be found, and where the witnesses offer the desired information. In any event, production should not be allowed before the moving party has shown a bona fide attempt to obtain the information by independent investigation.[82]

This ground represents a workable compromise between decisions such as the liberal *Brown v. New York, New Haven & Hartford R.R.*,[83] indicating that statements taken at or about the time of an accident are "unique" and therefore discoverable, and the conservative *Thompson v. Hoitsma* holding that when a party has other discovery methods available, he ordinarily lacks good cause in proceeding under Rule 34.[84]

Some question arises as to whether statements taken by non-attorneys are subject to the same rules as apply to statements obtained by attorneys. On the one hand, it has been held that there is no logical basis for making any distinction between statements of witnesses secured by a party's trial counsel personally in preparation for trial and those obtained by others for the use of the party's trial counsel.[85] On the other hand it has been said that the protection of *Hickman* does not extend to statements taken by claim agents, even if the agents be lawyers.[86]

With respect to the latter rule, preferred by Professor Moore, he observes:

> [I]t should serve to allay the fears, expressed by some commentators shortly after the Supreme Court decision [*Hickman*], that railroads, insurers and other large corporations frequently subject to suit might avoid the effect of the holding by employing lawyers as investigators and claims agents.[87]

While the question is not free from doubt, it appears that a lesser protection applies to information procured by persons acting in non-attorney capacities,[88] but in either case, a showing of good cause to

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82. Goldner v. Chicago & N.W. Ry. Sys., 13 F.R.D. 326 (N.D. Ill. 1952). The principle is quoted with approval in Meadows v. Southern Ry., 14 F.R.D. 164 (E.D. Tenn. 1953).

83. 17 F.R.D. 324 (S.D.N.Y. 1955).

84. 19 F.R.D. 112 (D. N.J. 1956). Actually, the *Thompson* view generally results only in delayed production.

85. Alltmont v. United States, 177 F.2d 971 (3d Cir. 1949).

86. Thomas v. Pennsylvania R.R., 7 F.R.D. 610 (E.D.N.Y. 1947).

87. 4 MOORE, FEDERAL PRACTICE ¶ 26.23(8) at 1137 (2d ed. 1950).

88. Hughes v. Pennsylvania R.R., 7 F.R.D. 737 (E.D.N.Y. 1948): "What an attorney does to prepare his client's cause for trial, and what a Claim Agent does for his employer prior to institution of a lawsuit, and which may never be embodied in a lawyer's file, are thought to be diverse products."

support production must be made.[89]

Another problem exists as to the compelled disclosure of a plaintiff's own statement taken by an opposing party. The cases are in conflict as to what constitutes sufficient cause;[90] but while necessary: "Even less of a showing of good cause should be required where a party is seeking discovery of his own statement, given to the adverse party or his agent."[91]

F. Patent Papers and Memoranda

Although the *United Shoe Machinery* case cast considerable doubt that any patent department communications may be privileged,[92] later decisions have surely indicated that, within defined areas, they can qualify. In *Zenith Radio*[93] the court held that patent department attorneys and their "immediate subordinates" (defined as general office clerks, law clerks and junior attorneys habitually reporting to and under the supervision of the attorney through whom the privilege passes) who are "acting as a lawyer" in connection with a specific communication may claim privilege for their client.[94]

In *Zenith*, Judge Leahy was commendably specific, although rather rigid, as to the area in which patent attorneys and immediate subordinates act as lawyers (p. 794):

> At this stage, attorney-employees of the patent departments of RCA, GE, or WE may or may not qualify in specific instances. They do, for example, when in specific matters they are engaged in applying rules of

89. Hanke v. Milwaukee Elec. Ry. & Transp. Co., 7 F.R.D. 540 (E.D. Wis. 1947) (plaintiff not entitled to disclosure of witness's statements taken by defendant's claim agent, absent good cause). See also Goldner v. Chicago & N.W. Ry. Sys., 13 F.R.D. 326 (N.D. Ill. 1952).

90. *Compare* Vironi v. Wheeling & Lake Erie Ry., 10 F.R.D. 45 (N.D. Ohio 1950), holding such statements are discoverable merely since defendant's rules forbade disclosure of information by "employees," *with* Lester v. Isbrandtsen Co., 10 F.R.D. 338 (S.D. Tex. 1950), holding such statements need not be produced, absent a showing that plaintiff was not in full possession of his faculties or that the statement would differ from "his present version."

A distinct minority of cases require disclosure of plaintiff's own statement without reasons, but "Rule 34 at the present time does not contemplate a mere automatic granting of the motion." Shupe v. Pennsylvania R.R., 19 F.R.D. 144, 145 (W.D. Pa. 1956).

91. 4 MOORE, FEDERAL PRACTICE ¶ 34.08 at 2454 (2d ed. 1950).

92. 89 F. Supp. 357, 360, 361: "All the men in the [patent] department function less as detailed legal advisers than as a branch of an enterprise founded on patents. . . . unlike the independent lawyer they are expected to have at the forefront of their considerations business judgment, corporate policy and technical manufacturing aspects of the shoe machinery industry. . . . the *relationship* of a person in the patent department to the corporation is not that of attorney and client. Hence, the communication of a person in the patent department is as unprivileged as that of a lawyer who shares offices with his so-called client and gives him principally business but incidentally legal advice . . . ."

93. Zenith Radio Corp. v. Radio Corp. of America, 121 F. Supp. 792 (D. Del. 1954).

94. Interestingly, *United Shoe Mach.* had relied on United States v. Vehicular Parking, 52 F. Supp. 751 (D. Del. 1943), a prior decision by Judge Leahy. In *Zenith*, Judge Leahy hastened to clarify his position.

> law to facts known only to themselves and other employees of their client-companies, and in preparing cases for and prosecuting appeals in the Court of Customs and Patent Appeals and other like courts of record. They do not 'act as lawyers' when not primarily engaged in legal activities; when largely concerned with technical aspects of a business or engineering character, or competitive considerations in their companies' constant race for patent proficiency, or the scope of public patents, or even the general application of patent law to developments of their companies and competitors; when making initial office preparatory determinations of patentability based on inventor's information, prior art, or legal tests for invention and novelty; when drafting or comparing patent specifications and claims; when preparing the application for letters patent or amendments thereto and prosecuting same in the Patent Office; when handling interference proceedings in the Patent Office concerning patent applications.[95]

Clearly privilege, as applied to patent papers, is somewhat limited, but nevertheless exists. Where privilege does not apply, the courts are quite willing to compel disclosure of patent papers and memoranda upon a showing of good cause.[96] Indeed, the courts will even compel disclosure of patent applications in a proper case.[97]

G. Trade and Research Secrets

Courts have the power to compel disclosure of material that may reveal trade, business and research information deemed confidential by the opposing party,[98] and the fact that such information may be found in counsel's files normally cannot raise questions of privilege since the information usually relates to matters of business. However, safeguards will be imposed to prevent disclosures beyond the strict necessities of the case.[99] As an example, in *Hirshhorn v. Mine*

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95. The *Zenith* decision was moderately criticized, in Ellis-Foster Co. v. Union Carbide & Carbon Corp., 159 F. Supp. 917 (D. N.J. 1958), for being too restrictive "with reference to the work of those technicians who are both lawyers and scientific specialists." *Id.* at 920. Judge Meaney holds that "I find myself unable to agree with the implied contention that because an attorney happens to be engaged in the field of patents, in which field non-attorneys are authorized to practice, he is *ipso facto* deprived of his status as a lawyer in every activity in which he operates so long as a patent prosecution is involved." *Ibid.*

96. Technical Tape Corp. v. Minnesota Min. & Mfg. Co., 18 F.R.D. 318 (S.D. N.Y. 1955). Some courts speak merely in terms of "relevance." Harnischfeger Corp. v. Miller Elec. Mfg. Co., 18 F.R.D. 3 (E.D. Wis. 1955).

97. Great Lakes Carbon Corp. v. Continental Oil Co., 23 F.R.D. 33 (W.D. La. 1958) (holding, however, that disclosure would not be required before pre-trial). Also, Hercules Powder Co. v. Rohm & Haas Co., 3 F.R.D. 328 (D. Del. 1944) (recognizing ability to compel patent application disclosure but finding no relevance in the particular case).

98. Radio Receptor Co. v. General Motors Corp., 1 F.R.D. 167 (S.D.N.Y. 1939): FED. R. CIV. P. 30(b), relating to deposition protective orders, recognizes the court's discretion to determine that secret processes, developments or research need not be disclosed. *Accord,* Sacks v. Frank H. Lee Co., 18 F.R.D. 500 (S.D.N.Y. 1955).

99. On the broad subject of trade secret disclosure, see Annot., 17 A.L.R.2d 383 (1951).

Safety Appliances Co.,[100] it was ruled that scientists' notes of discoveries, inventions and developments, contracts and memoranda relating to the use or application of certain chemicals and apparatus, and certain patent applications, were discoverable. But upon the certification of the producing party that particular documents "contain matters of a secretive research of confidential nature," the court provided for the deposit of the material with a third party, a limitation upon copying, and accessibility by counsel only.

It is implicit that trade and research secrets will be compulsorily revealed only upon showing good cause,[101] but many courts incline toward assuming such if the documents are apparently material to the action.[102]

A company's profit and loss data has been allowed restricted disclosure, but not reaching to "analyses and supporting data concerning its entire business operations."[103] General operations information, including methods of production, may be discoverable.[104] But chemical tests made by a litigant upon an opposing party's product have been held protected, since the moving party may "just as easily" make its own.[105]

H. Experts' Reports

Although it has been indicated that the attorney-client privilege applies to experts' reports,[106] it appears that, based on *Hickman*, such federal rulings may be in error, and only a limited number of state

100. 8 F.R.D. 11 (W.D. Pa. 1948).

101. Marks v. Gas Serv. Co., 168 F. Supp. 487 (W.D. Mo. 1958), holding that an investigation report of a gas fire should be produced, and basing its decision "solely on the question of whether good cause for disclosure exists." "Here the complexity of the subject, the immediacy of the tests after the fire, the technical nature of the report, and the length of time elapsed since the investigation all combined to make it difficult, if not impossible, for plaintiff to obtain the facts involved without recourse to the report." *Id.* at 490.

102. See Great Lakes Carbon Corp. v. Continental Oil Co., note 97 *supra* (patent application). In United States v. 48 Jars of Tranquilease, 23 F.R.D. 192 (D.D.C. 1958) involving misbranding under the Federal Food, Drug and Cosmetic Act, the court simply concluded that an interrogatory demanding the quantitative and qualitative formula of a skin cream had "obvious relevancy and materiality . . . plus . . . necessity . . . ." *Id.* at 197. However, manufacturing controls and methods of analysis, without limitation as to time and lacking sufficient identification, have been held protected as trade secrets. Hercules Powder Co. v. Rohm & Haas Co., 4 F.R.D. 452 (D. Del. 1944).

103. Buscher v. United Shoe Mach. Corp., 23 F.R.D. 183 (S.D.N.Y. 1958).

104. Louis Weinberg Associates, Inc. v. Monte Christi Corp., 11 F.R.D. 514 (S.D.N.Y. 1951) (permitting an expert's examination of a manufacturing process and compelling release of all records, time cards, work tickets, work sheets and other books, records, documents and memoranda, but denying production of defendant's expert's reports).

105. E. I. duPont de Nemours & Co. v. Phillips Petroleum Co., 23 F.R.D. 237 (D. Del. 1959).

106. *E.g.*, Schuyler v. United Air Lines, 10 F.R.D. 111 (M.D. Pa. 1950), referring to a Massachusetts Institute of Technology pressure report prepared for defendant: "Such has been held to be privileged, and it has been held that evidence obtained by an attorney or at his instance after litigation has been commenced or threatened, or with a view to the defense or prosecution of

courts preclude discovery on that ground.[107]

The work product concept, and its attendant requirement of good cause, has been a somewhat more serious barrier with respect to production of expert's reports than with most matters of discovery. There have been numerous decisions to the effect that such reports should not be revealed;[108] on the other hand, where the information is deemed critical to litigation, it may be ordered produced,[109] and occasionally whether or not there is any substantial showing of good cause.[110]

Assuming a proper case for production, to the extent that one party has incurred expense in obtaining experts' reports, it seems harsh that unqualified disclosure should be ordered.[111] More important, it appears that a distinction should be drawn between the *facts* found by the expert, and his *conclusions*. In the case of facts, perhaps their disclosure will enable a more orderly and speedy trial, but in the case of conclusions, small brief can be made for compelling production, when they may be clearly erroneous, insufficiently premised, inapplicable or simply otherwise available to the moving party. The cases give some strength to this view. So in *Walsh v. Reynolds Metals Co.*, involving a gas explosion report, it was observed:

> But while plaintiff is thus entitled to discovery of the actual facts as to the equipment which bore on the fatal explosion, there is real question whether plaintiff is entitled to ascertain, not only such objective facts, but the subjective expert conclusions of Peacock [expert] from such facts.[112]

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such litigation is protected even if obtained by the client." *Id.* at 113.

107. So, in Frank C. Sparks Co. v. Huber Baking Co., 49 Del. 267, 114 A.2d 657 (1955), a Delaware court accepted the previously decided state principle that an expert's report was privileged, but clearly recognized that, while Delaware followed the attorney-client privilege route, *Hickman* proceeds only upon the theory of preserving an attorney's personal trial files from invasion by his opponent.

108. *E.g.*, Lewis v. United Airlines Transp. Corp., 32 F. Supp. 21 (W.D. Pa. 1940); Louis Weinberg Ass'n, Inc. v. Monte Christi Corp., 11 F.R.D. 514 (S.D.N.Y. 1951). In Cold Metal Process Co. v. Aluminum Co., 7 F.R.D. 684 (D. Mass. 1947), the court considered the result to be the same under either a rule of privilege or public policy as enunciated in *Hickman*.

109. United States v. 50.34 Acres of Land, 13 F.R.D. 19 (E.D.N.Y. 1952) (land appraiser's reports).

110. Sachs v. Aluminum Co. of America, 167 F.2d 570 (6th Cir. 1948).

111. Professor Moore has suggested that the costs should, perhaps, be shared between the parties. 4 MOORE, FEDERAL PRACTICE ¶ 26.24 at 1158 (2d ed. 1950).

112. 15 F.R.D. 376, 378 (D.N.J. 1954). In Colonial Airlines, Inc. v. Janas, 13 F.R.D. 199, 200 (S.D.N.Y. 1952), the court refused to require production of an independent accountant's report on the ground that "the material itself, which was the subject of the report was available to it." In Dipson Theatres, Inc. v. Buffalo Theatres, Inc., 8 F.R.D. 313 (W.D.N.Y. 1948) it was ruled that an accountant's report, based on data which was in the possession of the moving party, need not be revealed.

I. Photographs and Diagrams

Photographs, maps and diagrams have been held to be "privileged" but, again, primarily on the state court level.[113]

Generally speaking, the decisions hold that photographs are discoverable upon a showing of good cause.[114] So, good cause can be predicated upon the probability of change in physical scene.[115] Even if taken by or under the direction of an attorney, perhaps the rationale to be considered is that described by *Shields v. Sobelman*[116] that "there is very little of legal talent that goes into the supervision and direction of the taking of . . . photographs."

A distinction has been drawn between photographs and diagrams. As to the latter, they have been held to be not discoverable when they are "drawings to illustrate counsel's notion."[117] This is consistent with basic *Hickman* doctrine insofar as such diagrams are indeed the work product of an attorney, but if such diagrams are reliably descriptive of matters in issue, and do not simply "editorialize," they may be ordered revealed.[118]

J. Miscellaneous

But for those communications which plainly bring the attorney-client privilege to bear, such as strict legal opinions rendered in anticipation of litigation at the request of the corporate employer, virtually any document may be discoverable upon a sufficient showing of good cause.[119]

Physicians' and medical reports are usually subject to production.[120]

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113. State *ex rel.* Terminal R.R. Ass'n v. Flynn, 257 S.W.2d 69 (Mo. 1953), also holding, under a statute similar to FED. R. CIV. P. 34, that such are protected work product.

114. Aetna Life Ins. Co. v. Little Rock Basket Co., 14 F.R.D. 383, 384 (E.D. Ark. 1953) ("the request . . . appears to be reasonable").

115. Helverson v. J. J. Newberry Co., 16 F.R.D. 330 (W.D. Mo. 1954). *Accord,* Flynn v. J. C. Nichols Co., 11 F.R.D. 275 (W.D. Mo. 1951).

116. 64 F. Supp. 619, 620 (E.D. Pa. 1946); another decision by Judge Kirkpatrick, decided after the circuit court decision in *Hickman* but before the Supreme Court opinion.

117. Brush v. Harkins, 9 F.R.D. 681, 682 (S.D. Mo. 1950).

118. Niks v. Marinette Paper Co., 11 F.R.D. 384 (N.D.N.Y. 1951) (drawings and blue prints pertinent to a patent action).

119. "It is difficult to imagine any document or thing which could not be ordered produced under appropriate circumstances," 4 MOORE, FEDERAL PRACTICE ¶ 134.09 at 2456 (2d ed. 1950). Moore also notes the kinds of documents which may be ordered to be produced: June v. George C. Peterson Co., 155 F.2d 963 (7th Cir. 1946) (corporate books and records); Fidelity & Cas. Co. v. Tar Asphalt Trucking Co., 30 F. Supp. 216 (D.N.J. 1939) (social security records); Galanos v. United States, 27 F. Supp. 298 (D. Mass. 1939) (hospital records); Cogdill v. T.V.A., 7 F.R.D. 411 (E.D. Tenn. 1947) (photographs and diagrams); Cox v. Pennsylvania R.R., 9 F.R.D. 517 (S.D.N.Y. (1949) (doctor's reports); Prosperity Co. v. St. Joe Mach's, Inc., 2 F.R.D. 299 (W.D. Mich. 1942) (drawings); Roth v. Paramount Film Distrib. Corp., 4 F.R.D. 302 (W.D. Pa. 1945) (business records); Walling v. R. L. McGinley Co., 4 F.R.D. 149 (E.D. Tenn. 1943) (employment records) and Byers Theatres, Inc. v. Murphy, 1 F.R.D. 286 (W.D. Va. 1940) (contracts).

120. Dumas v. Pennsylvania R.R., 11 F.R.D. 496 (N.D. Ohio 1951). *But*

This is generally true also in state court actions, since a majority of states do not recognize any physician-patient privilege.[121]

Detectives' and investigators' reports should not be protected unless obtained in anticipation of or in the course of litigation,[122] and even if so, the protection may not attach in the event that the investigator fails or refuses to reveal the facts of investigation upon deposition or interrogatory.[123] Perhaps the same test suggested as to experts' reports should be considered as to detectives' or investigators' results; that is, the facts of investigations must be revealed, but not the conclusions involved.[124]

As an incidental aspect of a current evidentiary mania, tape recordings of conversations are apparently subject to production, at least where the substance of the conversations has been testified to upon deposition.[125]

VI. CONCLUSION

House counsel are a product of the complex business climate in which corporations now exist. Burgeoning regulation and legislation has created a need for long range legal consideration by lawyers familiar with company plans and policy. In addition, the day to day operation of industry demands immediate legal attention in a variety of ways.

Although company attorneys are not new phenomena, the past two decades has seen a rapid growth. Their scarcity prevented the evolution of significant case law defining their scope and standing until the *United Shoe* decision. Since then it has been broadly accepted that house counsel and outside counsel are essentially alike. But there is a difference; where nonlegal functions are predominant, house counsel cannot claim true professional status.

It follows that house counsel's files are, to the extent they reflect legal considerations, no different than outside attorneys' records. For purposes of discovery then, the first inquiry must be whether either the doctrines of privilege or work product apply.

Briefly, privilege pertains to communications between a client and an attorney, with respect to legal advice, and it cannot be waived

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see Wilson v. Capital Airlines, 19 F.R.D. 263 (E.D.N.C. 1956) denying production of physicians' reports prior to depositions.

121. At common law, communications between physician and patient were not privileged. Commonwealth v. Edwards, 318 Pa. 1, 178 Atl. 20 (1935); O'Brien v. State, 126 Md. 270, 94 Atl. 1034 (1915).

122. Royal Exchange Assur. v. McGrath, 13 F.R.D. 150 (S.D.N.Y. 1952).

123. McManus v. Harkness, 11 F.R.D. 402 (S.D.N.Y. 1951) (indicating disclosure might be required if the witness is not available or cooperative).

124. This is supported in Floe v. Plowden, 10 F.R.D. 504 (E.D.S.C. 1950) where it was ruled that investigators would be subject to examination as to *physical* facts, but that "letters of advice or opinion" need not be produced, subject to the moving party's right to apply for further relief.

125. Blanchet v. Colonial Trust Co., 23 F.R.D. 118 (D. Del. 1958).

except upon consent of the client. Work product is the file material of an attorney, concerning litigation, and it may be compulsorily disclosed upon judicial order. Following *Hickman,* it has been established that work product must be revealed only upon a showing of good cause.

Using the Federal Rules of Civil Procedure, the federal courts have fashioned a fairly consistent, though liberal, body of discovery law. While the states have not moved so far, those which have statutes or procedural rules based on the federal pattern have substantially conformed to federal precept. It appears that relative consistency and homogeneity in the law of discovery is in the wood.

Tested against specific items of discovery, as expected, house counsel's legal papers receive essentially the same judicial treatment as outside counsel's files. And while no field of law can achieve that "seamless web," the subject of production of corporate law department communications has identifiable bounds.