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### Transactional Lawyers and Inadvertent Disclosure

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# TRANSACTIONAL LAWYERS AND INADVERTENT DISCLOSURE

PAULA SCHAEFER\*

## I. INTRODUCTION

The problems associated with inadvertent disclosure are often thought to be unique to litigators. The American Bar Association and most states seem to subscribe to that view. Model Rule of Professional Conduct 4.4(b) and equivalent rules in a majority of states provide that, if a confidential document is inadvertently disclosed, the receiving lawyer is only obligated to notify the lawyer who made the mistake.<sup>1</sup> The Rule's comment provides that whether the receiving lawyer must return the document or take other steps, "is a matter of law beyond the scope of these Rules."<sup>2</sup> In other words, if the disclosing lawyer wants the document returned, the lawyer should go to court and seek a ruling on the legal issue. A transactional lawyer is unlikely to do this, of course, because there is no pending litigation and thus no court from which to seek a ruling.

The bottom line is that, in most jurisdictions, professional conduct rules provide no real protection to transactional lawyers who inadvertently disclose confidential information. Why not? Perhaps rule makers believe that you can't "unring the bell,"<sup>3</sup> so a rule requiring the inadvertently disclosed document's return

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<sup>1</sup> MODEL RULES OF PROF'L CONDUCT R. 4.4(b) (2010) (providing that an attorney who receives a document that the lawyer "knows or reasonably should know . . . was inadvertently sent shall promptly notify the sender"); *see infra* note 16 and accompanying text for states that have adopted this rule.

<sup>2</sup> MODEL RULES OF PROF'L CONDUCT R. 4.4 cmt. 2 (2010).

<sup>3</sup> *See, e.g.*, Steven C. Bennett & Jeremy Cloud, *Coping With Metadata: Ten Key Steps*, 61 MERCER L. REV. 471, 476 & n.28 (2010) (giving examples of circumstances in which a producing lawyer cannot "unring the bell," such as a transactional lawyer's inadvertent disclosure of negotiation strategy in document metadata); Hon. Lee H. Rosenthal & Hon. James C. Francis IV, *Managing Electronic Discovery: Views from the Judges*, 76 FORDHAM L. REV. 1, 31 (2007) (explaining that you cannot "un-ring the bell" of inadvertent disclosure); *see also* F.D.I.C. v. Singh, 140 F.R.D. 252, 253 (D. Me. 1992) ("Once persons

would be of little value. They may think such relief is only needed in litigation to prevent the document being admitted as evidence, and a court can provide that relief by ruling on the issue of privilege waiver. Transactional lawyers, rule makers may believe, have no need for such a remedy because they do not care about admissibility at trial. Further, rule makers may be reticent to impose obligations (beyond notice) on innocent recipients of inadvertent disclosures, opting instead to make the careless, sending lawyer bear the consequences of the mistake.<sup>4</sup>

In this article, I refute these misconceptions that are currently embodied in the professional conduct rules of most jurisdictions. I explain that transactional lawyers need an inadvertent disclosure solution, even if it is one they create themselves on an *ad hoc* basis. In Part II, I describe how transactional lawyers are susceptible to inadvertent disclosure. Even if privilege waiver does not seem pressing and irrespective of fault or the ability to “unring the bell,” transactional lawyers and their clients can be damaged by inadvertent disclosure. That damage could be lessened by professional conduct rules, but, in a vast majority of jurisdictions, it is not.

In Part III, I explain how substantially similar inadvertent disclosure problems faced by transactional lawyers have been addressed for litigators. While the solutions have not been perfect, litigators have been given tools to protect their clients from the adverse consequences of inadvertent disclosure. Transactional lawyers and their clients could benefit from these protections and learn from the mistakes of their litigator counterparts.

Next, in Part IV, I discuss how transactional lawyers can obtain the inadvertent disclosure protections that they have been denied by rule makers in most states. First, I discuss how a lawyer can skillfully react to inadvertent disclosure, making the best legal and ethical arguments for the document’s return and other relief. Second, I consider the proactive approach of contracting for protection against the adverse consequences of inadvertent disclosure. This contractual

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not within the ambit of the confidential relationship have knowledge of the communication, that knowledge cannot be undone. One cannot ‘unring’ a bell.”).

<sup>4</sup> See, e.g., Kathleen Maher, *Don't Fax, Don't Tell: Differing Opinions about ABA Opinions 92-368 and 94-382*, 12 PROF. LAW. 23, 26 (2001) (explaining that the bar, bench, and commentators criticized a now-withdrawn ABA ethics opinion that obligated receiving counsel to return an inadvertent disclosure as inappropriately “placing the burden on the receiving lawyer to protect the confidentiality of a careless lawyer and his or her client”).

approach borrows the best and abandons the worst aspects of litigation's attempted inadvertent disclosure solutions. Finally, in Part V, I briefly conclude with thoughts on the future of inadvertent disclosure and transactional lawyers.

## II. TRANSACTIONAL LAWYERS AND INADVERTENT DISCLOSURE OF CLIENT CONFIDENCES

Absent permission from the client, all lawyers are obligated to keep information learned in the representation of a client confidential.<sup>5</sup> Technology has made it increasingly difficult for lawyers to fulfill this obligation. Both the amount of information and the ease of its communication can lead to more inadvertent disclosures than in the day of typewriters and mimeograph machines.<sup>6</sup> While some inadvertent disclosures<sup>7</sup> are the result of a lack of care (or even gross negligence or

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<sup>5</sup> MODEL RULES OF PROF'L CONDUCT R. 1.6(a) (2010) (explaining that a lawyer "shall not reveal information relating to the representation of a client" absent client informed consent, an implied authorization by necessity to carry out the representation, or an exception as defined in the rule); *see also* MODEL RULES OF PROF'L CONDUCT R. 1.6 cmt. 16 (2010) (stating that a lawyer must safeguard information competently from inadvertent disclosure); MODEL RULES OF PROF'L CONDUCT R. 1.6 cmt. 17 (2010) ("When transmitting [confidential information], the lawyer must take reasonable precautions to prevent the information from coming into the hands of unintended recipients.").

<sup>6</sup> *See* Paula Schaefer, *The Future of Inadvertent Disclosure: The Lingering Need to Revise Professional Conduct Rules*, 69 MD. L. REV. 195, 199-203 (2010) (describing the increasing volume of electronically stored information and ease of inadvertent disclosure by lawyers); *see also* Bill Piatt & Paula deWitte, *Loose Lips Sink Attorney-Client Ships: Unintended Technological Disclosure of Confidential Communications*, 39 ST. MARY'S L.J. 781, 789-91 (2008) (describing ease of maintaining client confidences before computers and modern challenges of protecting confidential information).

<sup>7</sup> In this article, I use the phrase "inadvertent disclosure" in its broadest sense to describe all disclosures that were not made intentionally. This definition does not turn on the care (or lack of care) taken by the disclosing lawyer. It is of note that courts define the term differently – some define it broadly and others narrowly. *See* *Sidney I. v. Focused Retail Prop. I, LLC*, 274 F.R.D. 212, 216 (N.D. Ill. 2011) (noting the two different approaches courts have taken to interpret the term "inadvertent" after the adoption of Federal Rule of Evidence 502(b) – one interpretation asks simply if the disclosure was intentional while the other balances factors to determine if a disclosure is "inadvertent"); *see also* Paul W. Grimm et al., *Federal Rule of Evidence 502: Has It Lived Up to Its Potential?*, 17 RICH. J.L. & TECH. 8, \*36-41 (2011) (describing two interpretations of "inadvertent" under Rule 502(b)). This definition issue existed before the enactment of Federal Rule of Evidence 502(b) – some courts used the multi-factor test to determine "inadvertence" which did not result in waiver, while other courts treated all unintentional disclosures as "inadvertent" and used a multi-factor test to determine waiver. *See* *Minatronics Corp. v. Buchanan Ingersoll, P.C.*, No. GD92-7496, 1995 WL 520686, at \*6-9 (Pa. Ct. Common Pleas Allegheny Cnty. Feb. 14, 1995) (discussing the two

recklessness), many inadvertent disclosures occur despite the lawyer's reasonable efforts.<sup>8</sup> There is a growing consensus that, given the technology today, even careful lawyers cannot eliminate the possibility of inadvertent disclosure.<sup>9</sup>

While inadvertent disclosure in discovery has received a great deal of attention, inadvertent disclosure happens outside of litigation, too. With a few mistaken keystrokes, an attorney can send a communication to opposing counsel that was intended for the client.<sup>10</sup> In exchanging a large number of documents with opposing counsel, such as in due diligence, a lawyer might unintentionally disclose confidential attorney-client communications.<sup>11</sup> Confidential information can also be disclosed in the embedded electronic information (commonly referred to as

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approaches courts have taken to define inadvertence). The definition becomes important when attorneys are asked to decide if an opponent's disclosure was "inadvertent."

<sup>8</sup> See, e.g., *Bank Brussels Lambert v. Credit Lyonnais (Suisse) S.A.*, 160 F.R.D. 437, 445 (S.D.N.Y. 1995) (describing the "reasonable" steps taken to remove privileged documents from the document production, although the process failed and resulted in inadvertent disclosure).

<sup>9</sup> See Andrew M. Perlman, *The Legal Ethics of Metadata Mining*, 43 AKRON L. REV. 785, 793 n.31 (2011) ("The large increase in commentary, case law, and ethics opinions regarding inadvertent disclosure since the advent of fax machines offers ample evidence of how technology increases the frequency of inadvertent disclosures."). The American Bar Association's Commission on Ethics 20/20 is currently considering revising the Model Rules of Professional Conduct to address technology's impact on client confidentiality. See *ABA Commission on Ethics 20/20 Initial Draft Proposals – Technology and Confidentiality* (May 2, 2011), available at [http://www.americanbar.org/content/dam/aba/administrative/professional\\_responsibility/20110502\\_technology.authcheckdam.pdf](http://www.americanbar.org/content/dam/aba/administrative/professional_responsibility/20110502_technology.authcheckdam.pdf).

<sup>10</sup> See, e.g., Peter J. Gallagher, *Reader Beware: The Evolving Ethics of Reviewing E-Mails Between Employees and Counsel*, 203 N.J. L.J. 1 (Mar. 7, 2011), available at <http://www.pbnlaw.com/data/articles/Gallagher%20NJLJ%20Article%203.7.11.pdf> (describing background of case *Terraphase Engineering, Inc. v. Arcadis, U.S., Inc.*, in which an e-mail intended for a client was mistakenly sent to an opposing party because of an e-mail "autofill" feature and then reviewed by in-house counsel); see also James M. Fischer, *Ethically Handling the Receipt of Possibly Privileged Information*, 1 ST. MARY'S J. LEGAL MALPRACTICE & ETHICS 200, 222 n.81 (2011) (describing how clicking "reply" rather than "forward" resulted in communication to unintended recipient).

<sup>11</sup> Transactional lawyers might also intentionally disclose confidential client information in due diligence, but the issues there are different than the issues of inadvertent disclosure. See generally Anne King, Comment, *The Common Interest Doctrine and Disclosures During Negotiations for Substantial Transactions*, 74 U. CHI. L. REV. 1411, 1411–13 (2007) (discussing the law governing whether intentional disclosure of privileged information during negotiation of business transactions results in a waiver).

“metadata”)<sup>12</sup> contained in electronic documents exchanged between lawyers, such as draft contracts in a negotiation.<sup>13</sup>

Even though the receiving attorney may be *legally* obligated to return and not use an opponent’s inadvertently disclosed information,<sup>14</sup> a vast majority of states do not impose these duties under professional conduct rules. Nine states appear to have no professional conduct rule addressing the issue.<sup>15</sup> Thirty-two states have

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<sup>12</sup> Metadata is “data about data,” such as the date a document was created or edited. User-created comments, tracked changes, and the like are embedded electronic information but are not technically “metadata.” See David Hricik, *I Can Tell When You’re Telling Lies: Ethics and Embedded Confidential Information*, 30 J. LEGAL PROF. 79, 81 (2006); see also THE SEDONA CONFERENCE GLOSSARY: E-DISCOVERY & DIGITAL INFORMATION MANAGEMENT 33 (2d ed. 2007) (defining metadata as describing “how, when and by whom [electronically stored information] was collected, created, accessed, modified and how it is formatted”). It is common to refer to all forms of embedded electronic data as metadata. See, e.g., Hans P. Sinha, *The Ethics of Metadata: A Critical Analysis and a Practical Solution*, 63 ME. L. REV. 175, 176 (2010) (describing metadata as coming in two forms: (1) non-visible data created by a computer program (including information like when and by whom the text was created and changed); and (2) author-created data like “track changes” and “insert comment”). In light of this common usage of the term, references to “metadata” in law review articles, ethics opinions, and case law should be read broadly to encompass all forms of embedded electronic information.

<sup>13</sup> Sinha, *supra* note 12, at 179-80 (explaining that, outside of litigation, on a daily basis attorneys exchange electronic documents potentially containing metadata); see also *infra* notes 36-38 and accompanying text (discussing inadvertent disclosure of confidential metadata in transactions).

<sup>14</sup> The legal basis for an order that a document cannot be used and must be returned to the disclosing attorney is that the privilege has not been waived by the disclosure. See *infra* note 58 and accompanying text.

<sup>15</sup> Those states are: California, Georgia, Hawaii, Maryland, Massachusetts, Michigan, Texas, Virginia, and West Virginia. The absence of a professional conduct rule addressing inadvertent disclosure is not necessarily dispositive of the state’s view on the issue. For example, Maryland Rule of Professional Conduct 4.4(b) appears to address unauthorized but not inadvertent disclosure, though it could be interpreted so broadly as to encompass inadvertent disclosure. See MD. LAWYER’S RULES PROF’L CONDUCT R. 4.4(b) (2011). Nonetheless, Maryland adopted an ethics opinion that is broadly protective of inadvertently disclosed documents. See Md. State Bar Ass’n Comm. on Ethics, Op. 00-04 (2000). California imposes obligations on the recipient of inadvertently disclosed information through case law. See, e.g., *Rico v. Mitsubishi Motors Corp.*, 171 P.3d 1092, 1099 (Cal. 2007) (explaining that a receiving lawyer should not review documents beyond what is necessary to determine that it is privileged or confidential and then must inform the sending attorney).

adopted Model Rule 4.4(b),<sup>16</sup> which only requires the recipient of an inadvertent disclosure to notify the sender.<sup>17</sup>

Comments to Rule 4.4(b) state that whether the receiving lawyer must return the document or take other steps is a legal matter,<sup>18</sup> and they proceed to explain that the notice provision of the rule permits the sending lawyer to “take protective measures.”<sup>19</sup> Undoubtedly, the “protective measures” contemplated to address the “legal issue” of the document’s disposition is filing a motion with the court.<sup>20</sup> Without pending litigation, however, there is no simple means for transactional lawyers to stop an opponent from misusing inadvertently disclosed information.

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<sup>16</sup> ALASKA RULES OF PROF’L CONDUCT R. 4.4(b) (2011); ARK. RULES OF PROF’L CONDUCT R. 4.4(b) (2010); CONN. RULES OF PROF’L CONDUCT R. 4.4(b) (2011); DEL. LAWYERS’ RULES OF PROF’L CONDUCT R. 4.4(b) (2010); FLA. RULES OF PROF’L CONDUCT R. 4–4.4(b) (2011); IDAHO RULES OF PROF’L CONDUCT R. 4.4(b) (2011); ILL. RULES OF PROF’L CONDUCT R. 4.4(b) (2011); IND. RULES OF PROF’L CONDUCT R. 4.4(b) (2011); IOWA RULES OF PROF’L CONDUCT R. 32:4.4(b) (2011); KAN. RULES OF PROF’L CONDUCT R. 4.4(b) (2010); MINN. RULES OF PROF’L CONDUCT R. 4.4(b) (2011); MISS. RULES OF PROF’L CONDUCT R. 4.4(b) (2011); MO. RULES OF PROF’L CONDUCT R. 4–4.4(b) (2011); MONT. RULES OF PROF’L CONDUCT R. 4.4(b) (2011); NEB. RULES OF PROF’L CONDUCT R. 3–504.4(b) (2011); NEV. RULES OF PROF’L CONDUCT R. 4.4(b) (2011); N.M. RULES OF PROF’L CONDUCT R. 16-404B. (2011); N.Y. RULES OF PROF’L CONDUCT R. 4.4(b) (2011); N.C. RULES OF PROF’L CONDUCT R. 4.4(b) (2011); N.D. RULES OF PROF’L CONDUCT R. 4.5(a) (2011); OHIO RULES OF PROF’L CONDUCT R. 4.4(b) (2011); OKLA. RULES OF PROF’L CONDUCT R. 4.4(b) (2010); OR. RULES OF PROF’L CONDUCT R. 4.4(b) (2011); PA. RULES OF PROF’L CONDUCT R. 4.4(b) (2011); R.I. RULES OF PROF’L CONDUCT R. 4.4(b) (2010); S.C. RULES OF PROF’L CONDUCT R. 4.4(b) (2010); S.D. RULES OF PROF’L CONDUCT R. 4.4(b) (2011); UTAH RULES OF PROF’L CONDUCT R. 4.4(b) (2011); VT. RULES OF PROF’L CONDUCT R. 4.4(b) (2011); WASH. RULES OF PROF’L CONDUCT R. 4.4(b) (2011); WIS. RULES OF PROF’L CONDUCT FOR ATTORNEYS 20:4.4(b) (2011); WYO. RULES OF PROF’L CONDUCT FOR ATTORNEYS AT LAW R. 4.4(b) (2011).

<sup>17</sup> The full text of Model Rule 4.4(b) provides, “A lawyer who receives a document relating to the representation of the lawyer’s client and knows or reasonably should know that the document was inadvertently sent shall promptly notify the sender.” MODEL RULES OF PROF’L CONDUCT R. 4.4(b) (2010).

<sup>18</sup> MODEL RULES OF PROF’L CONDUCT R. 4.4 cmt. 2 (2010) (“Whether the [receiving] lawyer is required to take additional steps, such as returning the original document, is a matter of law beyond the scope of these Rules, as is the question of whether the privileged status of a document has been waived.”).

<sup>19</sup> *Id.* (“[T]his Rule requires the lawyer to promptly notify the sender in order to permit that person to take protective measures.”).

<sup>20</sup> See *infra* note 57 and accompanying text (discussing how litigators take protective measures by filing a motion or responding to a motion seeking a ruling on privilege waiver).



Even if the transactional lawyer has a solid legal argument that the information should be returned,<sup>21</sup> the lawyer's only recourse would be to file suit. Research reveals no case in which a transactional lawyer filed litigation for the purpose of reclaiming disclosed information or seeking the disqualification of a transactional lawyer who misused inadvertently disclosed information.<sup>22</sup>

Without easy access to the courts for a legal ruling, the professional conduct rules are the only protection for transactional lawyers and their clients dealing with inadvertent disclosure. Rather than erring on the side of protecting confidentiality absent a legal ruling from a court, the rules allow one lawyer to take advantage of another lawyer's mistake. In the vast majority of states, the receiving lawyer's only obligation is to notify the sending lawyer of the mistaken disclosure.<sup>23</sup> With that notice, the sending lawyer can request the document's return.<sup>24</sup> But the receiving lawyer can refuse without recourse – and go on to use the information to the disclosing lawyer's disadvantage, in a negotiation, for example. This problem is especially troubling given what we know about the increasing frequency of inadvertent disclosure in the technology age<sup>25</sup> and the effort that lawmakers (but not professional conduct rule makers) have made to address the problem of inadvertent disclosure in litigation.<sup>26</sup>

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<sup>21</sup> The "solid legal argument" that the document should be returned would be based on the factors courts use to determine whether inadvertent disclosure results in privilege waiver. See *infra* note 64.

<sup>22</sup> There is a case in which a transactional lawyer inadvertently disclosed confidential information and the legal right to use the information became an issue in the subsequently filed litigation by the receiving lawyer. The litigation was not filed for the purpose of resolving the legal issue of the right to use the inadvertent disclosure; it was filed because the disclosure seemed to reveal conduct for which the opposing client would have liability to the receiving lawyer's client. *Jasmine Networks, Inc. v. Marvell Semiconductor, Inc.*, 12 Cal. Rptr. 3d 123, 125-26 (Cal. Ct. App. 2004), *rev. granted*, 94 P.3d 475 (Cal. 2004), and *rev. dismissed*, 182 P.3d 513 (Cal. 2008). While this case demonstrates that it is *possible* for transactional lawyers to seek a ruling on the proper disposition of an inadvertently disclosed document, the case also exemplifies the difficulty of seeking that ruling when litigation is not pending at the time of the disclosure.

<sup>23</sup> See *supra* notes 16-17 and accompanying text.

<sup>24</sup> See MODEL RULES OF PROF'L CONDUCT R. 4.4 cmt. 2 (2010).

<sup>25</sup> See *supra* note 9 and accompanying text.

<sup>26</sup> See, e.g., FED. R. CIV. P. 26 advisory committee notes (discussing 2006 amendment) (explaining clawback agreement's use as a means to minimize the risk of privilege waiver.); FED. R. EVID. 502

While it is often noted that one cannot “unring the bell” of an inadvertent disclosure,<sup>27</sup> this observation can be misleading. It is true that the lawyer who read the inadvertent disclosure cannot unlearn that information; however, professional conduct rules and other sources of law can prohibit receiving lawyers from doing additional damage.<sup>28</sup> For example, professional conduct rules could prohibit reading more information than necessary to determine that the document was confidential and not intended for the receiving lawyer. The rules could further prohibit the document being circulated to other people – such as other lawyers and client representatives. Further, rules could prohibit taking notes about and otherwise using the confidential information that was inadvertently disclosed. In other words, though the bell cannot be unringed, the professional conduct rules could prohibit the receiving lawyer from ringing the bell again and again and again.<sup>29</sup>

A minority of jurisdictions takes this approach.<sup>30</sup> Through a variety of provisions, these jurisdictions require the receiving attorney to return or otherwise

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advisory committee notes (rule seeks to provide parties with a “predictable, uniform set of standards” to determine the consequences of inadvertent disclosure). *See also infra* Part III.

<sup>27</sup> *See supra* note 3 and accompanying text.

<sup>28</sup> Edna Selan Epstein, *THE ATTORNEY-CLIENT PRIVILEGE AND THE WORK-PRODUCT DOCTRINE* 470 (American Bar Association, 5th ed. 2007) (“Clearly the bell of inadvertent disclosure cannot be unringed. . . . Nonetheless, certain steps can be taken to minimize the damage. Will courts allow the privileged matter to remain in the hands of the adversary and will they allow the privileged matter to be revealed to a lay fact-finder?”).

<sup>29</sup> *See, e.g.*, *Holland v. Gordy Co.*, Nos. 231183–85, 2003 WL 1985800, at \*1-2 (Mich. Ct. App. Apr. 29, 2003) (even though lawyer and co-counsel debated whether certain documents were disclosed inadvertently, lawyer took notes about the substance of the documents, had them copied, and provided copies to co-counsel without informing the producing lawyer of the possible mistake); *State Comp. Ins. Fund v. WPS, Inc.*, 82 Cal. Rptr. 2d 799, 801 (Cal. Ct. App. 1999) (receiving attorney provided inadvertently disclosed information to expert who then provided it to another adverse attorney).

<sup>30</sup> ALA. RULES OF PROF'L CONDUCT R. 4.4(b) (2011); ARIZ. RULES OF PROF'L CONDUCT R. 4.4(b) (2011); COLO. RULES OF PROF'L CONDUCT R. 4.4(b), (c) (2011) (only applies if document has not already been read by receiving lawyer at the time sender notifies the receiving lawyer that the document was inadvertently sent); D.C. RULES OF PROF'L CONDUCT R. 4.4(b) (2011) (protections apply if document has not been examined by receiving lawyer); KY. RULES OF PROF'L CONDUCT R. 3.130(4.4)(b) (2011); LA. RULES OF PROF'L CONDUCT R. 4.4(b) (2011); ME. RULES OF PROF'L CONDUCT R. 4.4(b) (2011); N.H. RULES OF PROF'L CONDUCT R. 4.4(b) (2011); N.J. DISCIPLINARY RULES OF PROF'L CONDUCT R. 4.4(b) (2011); TENN. RULES OF PROF'L CONDUCT R. 4.4(b) (2011).

protect the content of an inadvertently disclosed document.<sup>31</sup> One example of this approach is Maine's rule requiring that a lawyer who reasonably believes a document was inadvertently disclosed: "(1) shall not read the writing or, if he or she has begun to do so, shall stop reading the writing; (2) shall notify the sender of the receipt of the writing; and (3) shall promptly return, destroy or sequester the specified information and any copies."<sup>32</sup> The rule further provides that "[t]he recipient may not use or disclose the information in the writing until the claim is resolved, formally or informally," and either attorney may "present the writing to a tribunal under seal for a determination of the claim."<sup>33</sup> This minority approach provides a measure of protection for transactional lawyers practicing in such jurisdictions. Further, as discussed in Part IV of this article, these rules may also provide a template for transactional lawyers practicing in other jurisdictions and interested in fashioning their own contractual solutions to inadvertent disclosure.<sup>34</sup>

Another complicated inadvertent disclosure issue faced by transactional lawyers relates to embedded electronic data, or "metadata."<sup>35</sup> When client and lawyer jointly edit and communicate with one another in a draft document (such as by using comments and track changes), that document will contain confidential

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<sup>31</sup> See *supra* note 30.

<sup>32</sup> ME. RULES OF PROF'L CONDUCT R. 4.4(b) (2011).

<sup>33</sup> *Id.* A similar rule, imposing detailed duties on a recipient of an inadvertent disclosure, is Tennessee's Rule 4.4(b), which provides that

(b) A lawyer who receives information . . . that the lawyer knows or reasonably should know is protected by RPC 1.6 (including information protected by the attorney-client privilege or the work-product rule) and has been disclosed . . . inadvertently . . . shall:

- (1) immediately terminate review or use of the information;
- (2) notify the person . . . of the inadvertent . . . disclosure; and
- (3) abide by that person's . . . instructions with respect to disposition of written information or refrain from using the written information until obtaining a definitive ruling on the proper disposition from a court with appropriate jurisdiction.

TENN. RULES OF PROF'L CONDUCT R. 4.4(b) (2011).

<sup>34</sup> See *infra* Part IV.

<sup>35</sup> See *supra* note 12 and accompanying text (defining metadata).

embedded information (such as who deleted a provision and comments explaining why).<sup>36</sup> If the attorney does not remove that embedded data, an opposing attorney who receives the document may be able to learn confidential information by turning on “track changes” again, by viewing the document’s properties, or by taking other steps to view the data.<sup>37</sup> Professor David Hricik recounts the true story of a lawyer who used metadata in a contract negotiation to reveal “all of the internal comments that the sending lawyer had received from [the client] concerning the terms of the contract, negotiating positions, and bottom-lines.”<sup>38</sup>

Attorneys must be vigilant in preventing such disclosures<sup>39</sup> and mindful that opposing counsel may be looking at this embedded data – particularly in jurisdictions where an ethics opinion has explicitly stated that it is not an ethical violation to

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<sup>36</sup> See, e.g., Bennett & Cloud, *supra* note 3, at 474 (describing examples of transactional lawyers’ confidential information in metadata, such as lawyer and client comments on a draft proposal or deletions of standard contract terms); Hricik, *supra* note 12, at 82 (considering how embedded data may reveal confidential communications between transactional lawyers and their clients); Andrew M. Perlman, *Untangling Ethics Theory from Attorney Conduct Rules: The Case of Inadvertent Disclosures*, 13 GEO. MASON L. REV. 767, 773–74 (2005) (describing confidential information that may be contained in a draft contract’s metadata).

<sup>37</sup> Elizabeth W. King, *The Ethics of Mining for Metadata Outside of Formal Discovery*, 113 PENN ST. L. REV. 801, 806 (2009) (explaining that the sending attorney and client may use track changes as they draft a contract and turn off track changes before sending the document to opposing counsel; then opposing counsel may find the confidential metadata by “turning the track changes function on again or using some other technological means to reveal the metadata”); see also Hricik, *supra* note 12, at 83-84 (describing how metadata can be revealed by looking at a document’s “Properties,” such as author, creation dates, and time spent editing the document); Sinha, *supra* note 12, at 177-78 (explaining that metadata can be revealed by using track changes, employing “technologically advanced methods not readily available to a lay person,” and innocently finding a hidden comment after placing a cursor over the text where the comment had been inserted).

<sup>38</sup> Hricik, *supra* note 12, at 82.

<sup>39</sup> MODEL RULES OF PROF’L CONDUCT R. 1.6 cmt. 16, 17 (2010). The American Bar Association maintains a chart of state ethics opinions on metadata, including which states explicitly discuss an attorney’s obligation to prevent the disclosure of confidences in metadata. See Joshua Poje, *Metadata Ethics Opinions Around the U.S.*, AMERICAN BAR ASSOCIATION, [http://www.americanbar.org/groups/departments\\_offices/legal\\_technology\\_resources/resources/charts\\_fyis/metadachart.html](http://www.americanbar.org/groups/departments_offices/legal_technology_resources/resources/charts_fyis/metadachart.html) (last updated July 20, 2011) [hereinafter *Metadata Ethics Opinions*]; see also *infra* note 43 and accompanying text (discussing examples of ethics opinions addressing a sending attorney’s obligation to remove confidential metadata).

review an opponent's metadata.<sup>40</sup> Upon finding client confidences, a receiving attorney must determine whether the disclosure was "inadvertent."<sup>41</sup> If so, then the regular professional conduct obligations apply – meaning "notice only" in most jurisdictions.<sup>42</sup> This, of course, leads the sending attorney back to the problems discussed earlier.

Metadata solutions that make sense for litigators do not necessarily work for transactional lawyers. Many ethics authorities encourage attorneys to prevent inadvertent disclosure of metadata by using scrubbing programs or simply transmitting documents by PDF, fax, or in paper form.<sup>43</sup> Yet, lawyers negotiating a contract may want to edit a single document and use metadata for things like

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<sup>40</sup> See, e.g., Colo. Bar Ass'n Ethics Comm., Formal Op. 119 (2008) (allowing a receiving attorney to review metadata, but requiring the receiving attorney to presume that any confidential information was inadvertently sent); D.C. Bar Legal Ethics Comm., Op. 341 (2007) (permitting the review of metadata unless the recipient has "actual knowledge" that the metadata was inadvertently sent); Pa. Bar Ass'n Comm. on Legal Ethics and Prof'l Responsibility, Formal Op. 2009-100 (2009) (allowing review and use of an opponent's metadata, but noting that, if the receiving lawyer determines the disclosure was inadvertent, notice is required under the professional conduct rule). The American Bar Association maintains a chart describing state metadata ethics opinions, including whether metadata "mining" is permitted or prohibited. See *Metadata Ethics Opinions*, *supra* note 39.

<sup>41</sup> See *supra* notes 16, 30 and accompanying text; see also ME. RULES OF PROF'L CONDUCT R. 4.4 cmt. 4 (2011) (stating that confidential information found in metadata may have been inadvertently disclosed, which would trigger obligations under Rule 4.4(b)). Some state ethics opinions explicitly address the obligation to notify a sending attorney if confidential information was inadvertently disclosed in metadata. See *Metadata Ethics Opinions*, *supra* note 39.

<sup>42</sup> See *supra* notes 16-17 and accompanying text.

<sup>43</sup> See, e.g., Colo. Bar Ass'n Ethics Comm., Formal Op. 119 (2008) (suggesting that attorneys scrub metadata, print documents in circumstances where it is vital that no metadata be transmitted, and avoid redline or hidden comments); N.H. Bar Ass'n Ethics Comm., Op. 2008-2009/4 (2009) (asserting that lawyers do not have to purchase software to scrub metadata from documents, but may instead take steps to avoid creating metadata, delete metadata, or send a hard copy, faxed, or scanned version of a document); W. Va. Lawyer Disciplinary Bd., Legal Ethics Op. 2009-01 (2009) (explaining methods to protect confidences in metadata, including sending hard copies, sending only images through scanning or creating Portable Document Format ("PDF") files, faxing, and using software programs to scrub metadata).

tracking changes and inserting comments to one another.<sup>44</sup> Exchanging PDF files, facsimiles, or documents scrubbed of metadata may hinder their work. A related problem is that some states have issued ethics opinions prohibiting lawyers from mining the metadata of an opponent's document.<sup>45</sup> Thus, transactional lawyers practicing in these jurisdictions may run afoul of these authorities by viewing embedded data in an electronic document, even for an innocent purpose unrelated to uncovering an opponent's confidences.<sup>46</sup> Transactional lawyers, whether sending or receiving a document, should be able to use metadata consistent with their clients' legitimate interests. In the absence of authorities that address these issues, transactional lawyers and their clients should address these issues on a case-by-case basis.

Finally, transactional lawyers need to be aware that inadvertent disclosure can have an impact on future litigation. At some point in the future, a transactional lawyer's client might be a party to a lawsuit. This lawsuit could be filed by a party to the current transaction or by an uninvolved third party. An inadvertent disclosure of confidential information while putting together a deal could be the basis for a waiver argument during litigation.<sup>47</sup> That waiver argument will be easier to make if the disclosing attorney did not act reasonably to prevent the disclosure and did not act

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<sup>44</sup> Hricik, *supra* note 12, at 83-87 (describing metadata features in Microsoft Word and how they are useful to lawyers and their staff); King, *supra* note 37, at 807 (explaining that transactional lawyers intentionally share metadata in contract negotiations because it allows lawyers to easily view and accept or reject changes).

<sup>45</sup> See, e.g., Ala. State Bar Office of Gen. Counsel, Ethics Op. RO-2007-02 (2007) (opining that the unauthorized deliberate search for metadata by a receiving attorney is prohibited); Ariz. State Bar Ethics Comm., Op. 07-03 (2007) (prohibiting unauthorized search of metadata); Fla. Bar Ethics Dep't, Op. 06-2 (2006) (prohibiting recipient of an electronic document from reviewing document's metadata); Me. Prof'l Ethics Comm'n of the Bd. of Overseers of the Bar, Op. 196 (2008) (opining that a lawyer "may not ethically take steps to uncover metadata . . . sent by counsel for another party" in search of confidential information); N.H. Bar Ass'n Ethics Comm., Op. 2008-2009/4 (2009) (prohibiting lawyers from searching for, reviewing, or using metadata, reasoning that such information is inadvertently sent).

<sup>46</sup> See Perlman, *supra* note 9, at 791 (arguing that ethics opinions that ban metadata mining "incorrectly assume that metadata mining is intended to uncover protected information").

<sup>47</sup> See FED. R. EVID. 502 advisory committee notes (discussing Subdivision (d)) (explaining the risk that a prior inadvertent disclosure will result in waiver in subsequent litigation if clawback agreement is not enforceable in future litigation).

promptly to rectify it.<sup>48</sup> Transactional lawyers should be mindful of these issues and take steps to protect against waiver arguments in future litigation.<sup>49</sup> These issues are discussed more extensively in Part IV. First, Part III considers the protections available for litigators facing inadvertent disclosure and provides an explanation for why transactional lawyers should care about this body of law.

### III. SOLUTIONS FOR LITIGATORS: THE LAW AND TOOLS THAT PROTECT LITIGATORS AND THEIR CLIENTS FROM THE ADVERSE CONSEQUENCES OF INADVERTENT DISCLOSURE

In litigation, lawyers and their clients are better protected against the adverse consequences of inadvertent disclosure.<sup>50</sup> In the following discussion, I explain the law beyond professional conduct rules that apply in litigation. To the extent that the law itself does not provide protection, it provides tools that allow litigators to protect themselves. The purpose of this discussion is twofold. First, it demonstrates the disparity in the consequences of inadvertent disclosure for litigators and non-litigators. Second, the law discussed may be important for transactional attorneys if they are able to co-opt it and apply it in a transactional setting.

When an inadvertent disclosure happens in litigation in federal court<sup>51</sup> (and in a growing number of state courts),<sup>52</sup> the rules of civil procedure protect the content of the disclosed document pending a ruling by the court. Federal Rule of Civil Procedure 26(b)(5)(B) states that, if a receiving lawyer is notified of a claim of work product or privilege, the lawyer “must promptly return, sequester, or destroy the specified information and any copies it has,” is prohibited from “disclos[ing] the information until the claim is resolved,” and “must take reasonable steps to retrieve the information if the party disclosed it before being notified.”<sup>53</sup> The rule further provides that the receiving lawyer “may promptly present the information to the

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<sup>48</sup> See *infra* notes 64-68 and accompanying text (explaining the factors that have a bearing on waiver in balancing jurisdictions and under Federal Rule of Evidence 502(b)).

<sup>49</sup> See *infra* notes 127-28 and accompanying text (describing clawback provisions that may be relevant to a subsequent waiver determination).

<sup>50</sup> See *infra* notes 53, 57, 73 and accompanying text.

<sup>51</sup> See FED. R. CIV. P. 26(b)(5)(B).

<sup>52</sup> See, e.g., TENN. R. CIV. P. 26.02(5).

<sup>53</sup> FED. R. CIV. P. 26(b)(5)(B).

court under seal for a determination of the claim” and that the producing lawyer “must preserve the information until the claim is resolved.”<sup>54</sup> Significantly, Federal Rule of Civil Procedure 26(b)(5)(B) does not apply to disclosures that occur outside discovery.<sup>55</sup> This means that the rule applies to a document inadvertently produced in response to a request for production of documents, but not to an e-mail inadvertently sent to opposing counsel.

Regardless of whether an inadvertent disclosure occurs inside or outside discovery,<sup>56</sup> having a pending case means that counsel can file a motion seeking a ruling on whether privilege was waived by the disclosure.<sup>57</sup> A ruling on “privilege waiver” has broader implications than the document’s admissibility at trial. A finding of no waiver is the legal basis for the court granting various forms of relief, including that the document must be returned to the sending attorney or destroyed,<sup>58</sup> that the document’s contents must not be used or referenced further by the receiving

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<sup>54</sup> *Id.*

<sup>55</sup> *See id.*

<sup>56</sup> Just like transactional lawyers, litigators often disclose confidential information outside of discovery – such as the misdirected e-mail that was meant for the client but was instead sent to opposing counsel. But unlike their transactional counterparts, litigators are able to file a motion seeking the document’s return and other relief from the court. *See, e.g.,* Resolution Trust Corp. v. First of Am. Bank, 868 F. Supp. 217, 218 (W.D. Mich. 1994) (defense counsel sent privileged letter intended for his client to opposing counsel); Hydraflow, Inc. v. Enidine Inc., 145 F.R.D. 626, 638 (W.D.N.Y. 1993) (determining whether privilege was waived for documents that were to be delivered to court for an *in camera* review but that were mistakenly delivered to opposing counsel); Robertson v. Yamaha Motor Corp., 143 F.R.D. 194, 195–96 (S.D. Ill. 1992) (counsel mistakenly attached privileged documents to a letter sent to opposing counsel).

<sup>57</sup> *See supra* note 56 and *infra* notes 58-60; *see also* Fischer, *supra* note 10, at 241 (arguing that a professional conduct obligation to return an inadvertently disclosed document is “unlikely to generate much modern debate” because a court will ultimately determine whether privilege is waived, and, once that decision is made, the obligation to return the document will be clarified).

<sup>58</sup> *See, e.g.,* Kumar v. Hilton Hotels Corp., No. 08-2689, 2009 WL 1683479, at \*1 (W.D. Tenn. June 16, 2009) (granting Hilton’s “Emergency Motion for Return of Privileged Documents and Non-Waiver of Privilege”); *Resolution Trust*, 868 F. Supp. at 218, 221 (requiring plaintiff’s counsel to destroy a confidential letter that was accidentally mailed to plaintiff’s counsel); *In re Kent Cnty. Adequate Pub. Facilities Ordinances Litig.*, No. 2921–VCN, 2008 WL 1851790, at \*5–6 (Del. Ch. Apr. 18, 2008) (ruling during discovery phase of case that inadvertent disclosure did not result in waiver and that privileged documents must be returned to disclosing party).



attorney,<sup>59</sup> and that a receiving lawyer who has already made use of disclosed information should be disqualified from the case.<sup>60</sup>

Whether a party waives privilege because of an inadvertent disclosure is usually determined on a case-by-case basis.<sup>61</sup> Though there are other approaches,<sup>62</sup> historically, most courts have followed a “balancing” approach.<sup>63</sup> Whether an inadvertent disclosure results in waiver depends on the court’s determination of five factors: reasonableness of precautions taken to prevent inadvertent disclosure; the scope of discovery; the extent of the inadvertent production; the promptness of

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<sup>59</sup> See, e.g., *Edelen v. Campbell Soup Co.*, 265 F.R.D. 676, 698 (N.D. Ga. 2010) (finding that inadvertent disclosure did not waive privilege, the court ordered receiving counsel to destroy the copies of the documents, not to use any of the documents for any purpose, to destroy notes concerning the documents, and to certify compliance within seven days); *Figueras v. P.R. Elec. Power Auth.*, 250 F.R.D. 94, 95 (D.P.R. 2008) (describing case in which disclosing party sought protective order directing receiving party to “return the inadvertently disclosed document” and prohibiting receiving party from “inquiring into matters discussed in the document”); *Transp. Equip. Sales Corp. v. BMY Wheeled Vehicles*, 930 F. Supp. 1187, 1188–89 (N.D. Ohio 1996) (finding privilege was not waived and ordering the receiving party to not use the document, to provide a copy of the order to all recipients of the document, and to file with the court a description of efforts made to ensure no improper use of the document).

<sup>60</sup> See, e.g., *Richards v. Jain*, 168 F. Supp. 2d 1195, 1205 (W.D. Wash. 2001) (describing factors to be considered in determining disqualification for a lawyer who receives unauthorized disclosure of privileged documents); *Rico v. Mitsubishi Motors Corp.*, 171 P.3d 1092, 1100-01 (Cal. 2007) (affirming disqualification of receiving lawyer who read and used inadvertently disclosed information); *Atlas Air, Inc. v. Greenberg Traurig, P.A.*, 997 So. 2d 1117, 1118 (Fla. Dist. Ct. App. 2008) (per curiam) (disqualifying firm when attorney reviewed privileged documents that were inadvertently delivered to the firm by opposing counsel’s copy vendor); *Abamar Hous. & Dev., Inc. v. Lisa Daly Lady Décor, Inc.*, 724 So. 2d 572, 573-74 (Fla. Dist. Ct. App. 1998) (holding that tactical advantage resulting from receipt of inadvertently disclosed privileged documents is grounds for disqualification even without a showing of prejudice when receiving attorney does not comply with ethics opinion requiring notice and prompt return of inadvertently disclosed documents).

<sup>61</sup> See, e.g., *Apex Mun. Fund v. N-Group Sec.*, 841 F. Supp. 1423, 1433 (S.D. Tex. 1993).

<sup>62</sup> The lenient approach provides that waiver never results from inadvertent disclosure without evidence of client intent. See, e.g., *Conn. Mut. Life Ins. Co. v. Shields*, 18 F.R.D. 448, 451 (S.D.N.Y. 1955). In contrast, the strict approach directs that inadvertent disclosure always results in waiver. *In re Sealed Case*, 877 F.2d 976, 980 (D.C. Cir. 1989). While these black-and-white approaches may not always seem fair, the lenient and strict rules provide for a result that is certain.

<sup>63</sup> See *Figueras*, 250 F.R.D. at 96-97 (discussing the differences between the tests and opting for the “middle test”).

measures taken to remedy the disclosure; and fairness to the parties.<sup>64</sup> Since the rule's enactment in 2008, federal courts have determined privilege waiver by applying the test contained in Federal Rule of Evidence 502(b).<sup>65</sup> The rule provides that a disclosure of privileged information does not result in waiver if: (1) the disclosure was inadvertent; (2) the holder took reasonable steps to prevent disclosure; and (3) the holder promptly took reasonable steps to rectify the error, including following Federal Rule of Civil Procedure 26(b)(5)(B).<sup>66</sup> The 502(b) test has been described as flexible enough to encompass the balancing approach.<sup>67</sup> Accordingly, many federal courts continue to refer to the five-factor balancing test in their 502(b) analyses.<sup>68</sup> The balancing test and 502(b) standard for waiver are thought to be fairer than a rule that inadvertent disclosure *always* or *never* results in privilege waiver,<sup>69</sup> but with fairness comes uncertainty and inconsistent outcomes from case to case.<sup>70</sup>

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<sup>64</sup> See, e.g., *Hydraflow, Inc. v. Enidine Inc.*, 145 F.R.D. 626, 637 (W.D.N.Y. 1993).

<sup>65</sup> See FED. R. EVID. 502(b).

<sup>66</sup> *Id.*

<sup>67</sup> FED. R. EVID. 502 advisory committee notes (discussing Subdivision (b)) (explaining that 502(b) does not explicitly incorporate the five-factor balancing test, but describing 502(b) as “flexible enough to accommodate” any of the five factors from the balancing test).

<sup>68</sup> See, e.g., *Silverstein v. Fed. Bureau of Prisons*, No. 07-cv-02471-PAB-KMT, 2009 WL 4949959, at \*10 (D. Colo. 2009); *Heriot v. Byrne*, 257 F.R.D. 645, 659 (N.D. Ill. 2009).

<sup>69</sup> See, e.g., *Hydraflow*, 145 F.R.D. at 637 (describing the balancing test as the fair approach to privilege waiver); FED. R. EVID. 502 advisory committee notes (discussing Subdivision (b)) (describing the committee's choice to fashion a rule that “opts for the middle ground” in accordance with the majority view on inadvertent disclosure and waiver).

<sup>70</sup> See *Corey v. Norman, Hanson & Detroy*, 742 A.2d 933, 942 (Me. 1999) (describing the balancing approach as creating “an uncertain, unpredictable privilege, dependent on the proof of too many factors concerning the adequacy of the steps taken to prevent disclosure”); Memorandum and Order at 11, *Cocard Mktg. Grp., LLC v. Comvest Grp. Holdings, LLC*, No. 08-2677-III (Tenn. Ch. Ct. April 7, 2010) (reviewing Federal Rule of Evidence 502(b) and federal cases considering the appropriateness of waiver for inadvertent disclosure, and determining “[t]o the Court's disappointment, it was unable to determine a guiding principle from its review of . . . numerous cases. . . . [T]his Court concluded that the federal decisions appear to be *ad hoc* and turn on . . . a fact or several facts.”); see also Elizabeth King, *Waving Goodbye to Waiver? Not So Fast: Inadvertent Disclosure, Waiver of the Attorney-Client Privilege, and Federal Rule of Evidence 502*, 32 CAMPBELL L. REV. 467, 511 (2010) (arguing that despite Congressional intent, Rule 502(b) is susceptible to individual judges' interpretations, resulting in waiver and an unpredictable privilege).

Given this uncertainty about the prospect of privilege waiver and its increasing prevalence, many litigators began entering into “clawback agreements.”<sup>71</sup> The purpose of these agreements was to ensure that an inadvertent disclosure could be “clawed back” without waiver.<sup>72</sup> The Federal Rules of Civil Procedure and the Federal Rules of Evidence both acknowledge the use of clawback agreements<sup>73</sup> and their purpose of avoiding privilege waiver.<sup>74</sup> Furthermore, Federal Rule of Evidence 502(d) provides that, if a court orders that privilege is not waived by disclosure in that case, the disclosure is not a waiver in any subsequent federal or state case.<sup>75</sup>

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<sup>71</sup> See, e.g., *Hopson v. Mayor of Balt.*, 232 F.R.D. 228, 235 (D. Md. 2005) (discussing the use of clawback agreements); *Zubulake v. UBS Warburg LLC*, 216 F.R.D. 280, 290 (S.D.N.Y. 2003) (“[M]any parties to document-intensive litigation enter into so-called ‘claw-back’ agreements that allow the parties to forego privilege review altogether in favor of an agreement to return inadvertently produced privileged documents.”).

<sup>72</sup> See, e.g., Epstein, *supra* note 28, at 433 (describing a clawback agreement as one in which the parties agree that an inadvertent production of privileged documents will not result in waiver and that this contractual agreement will trump existing waiver case law).

<sup>73</sup> FED. R. CIV. P. 26 advisory committee notes (discussing 2006 amendment) (describing clawback and quick peek agreements); FED. R. EVID. 502 advisory committee notes (discussing Subdivision (d)) (discussing the use of “claw-back and quick peek arrangements”). In a quick peek agreement, parties agree to turn documents over to an opponent without any privilege review, and the opponent agrees that doing so does not waive privilege. See FED. R. CIV. P. 26 advisory committee notes (discussing 2006 amendment).

<sup>74</sup> FED. R. CIV. P. 26 advisory committee notes (discussing 2006 amendment) (explaining that clawback agreements “minimize the risk of [privilege] waiver.”); FED. R. EVID. 502 advisory committee notes (describing the rule as seeking to provide a “predictable, uniform set of standards” under which litigants can know the consequences of an inadvertent disclosure, such as under the terms of a “confidentiality order” (a term used in the comment to describe a clawback or quick peek agreement incorporated into a court order)).

<sup>75</sup> This provision was intended to address the concern that if parties had a clawback agreement and disclosed a document in “case one,” the disclosure could be considered a waiver in “case two” involving a new party who had not agreed to the clawback agreement. The thinking was that if the court ordered no waiver in case one and Rule 502(d) made that order binding in case two, then the parties could have greater security that they would be protected from waiver. See FED. R. EVID. 502, advisory committee notes (discussing Subdivision (d)) (describing concerns that, absent adoption of the Rule, a confidentiality order in one case may not be enforceable in other proceedings). The problem is that having a clawback agreement (even one incorporated into a court order) does not necessarily prevent waiver in case one, much less case two. See *supra* notes 73-74 and *infra* notes 76-77 and accompanying text (discussing how waiver can result despite a clawback agreement or order); see

Clawback agreements (including clawback agreements incorporated into court orders)<sup>76</sup> have been an imperfect solution to the uncertainties of privilege waiver following an inadvertent disclosure. Parties have frequently included terms in clawback agreements that are subject to debate, leading the parties back to court to seek a judge's ruling on the issue. For example, clawback agreements may require that the disclosure was "inadvertent," that the disclosing party took "reasonable precautions" to prevent disclosure, or that the disclosing party acted "promptly" to seek the return of the document.<sup>77</sup> While these provisions seem reasonable enough, they introduce the uncertainty that clawback agreements were intended to avoid.<sup>78</sup> The result is often a waiver fight no different than what the parties would have encountered under Rule 502(b) (or equivalent state law) in the absence of a clawback agreement.<sup>79</sup> Ultimately, if the court finds that parties did not satisfy the

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*also* Schaefer, *supra* note 6, at 220-24 (discussing the risks of waiver even with a clawback order in a federal court).

<sup>76</sup> Federal Rules of Civil Procedure and Evidence contemplate clawback agreements being incorporated into court orders. FED. R. CIV. P. 16(b)(3)(B)(iv); FED. R. EVID. 502(d).

<sup>77</sup> *See, e.g.,* Lefta Assocs. v. Hurley, No. 1:09-CV-2487, 2011 WL 2456616, at \*3 (M.D. Pa. 2011) (The parties agreed that the "inadvertent" disclosure of privileged documents shall not waive privilege if the producing party took "reasonable care" to prevent the disclosure and "promptly requests" their return.); Hoffmann-La Roche, Inc. v. Roxane Labs., Inc., No. 09-6335 (WJM), 2011 WL 1792791, at \*12 (D.N.J. 2011) (The court stated that, although it had allowed documents to be clawed back under the parties' clawback agreement, the court could revisit the issue of whether privilege was waived by inadvertent disclosure based on the balancing test.); Mt. Hawley Ins. Co. v. Felman Prod., Inc., 271 F.R.D. 125, 128-29 (S.D. W.Va. 2010) (The parties' lengthy and complex clawback agreement specifically provided that the reasonableness standard of 502(b)(3) would not apply even if challenged by receiving attorney but did not foreclose a challenge based on 502(b)(1) or (2).); Kandel v. Brother Int'l Corp., 683 F. Supp. 2d 1076, 1079-80 (C.D. Cal. 2010) (The clawback order stated that inadvertent disclosure does not result in waiver but further provided that the order does not alter the "legal definition of 'inadvertent,' to reduce or diminish the standard or showing required to establish that production . . . was truly inadvertent . . ."); Callan v. Christian Audigier, Inc., 263 F.R.D. 564, 565-66 (C.D. Cal. 2009) (The parties agreed that the "inadvertent production of any discovery material by any party shall be without prejudice to any subsequent claim by the producing party that such discovery material is privileged . . . and shall not be deemed a waiver of any such privilege or protection.").

<sup>78</sup> *See supra* note 70 and accompanying text.

<sup>79</sup> *See, e.g.,* Mt. Hawley, 271 F.R.D. at 133-36 (consistent with parties' agreed clawback, court did not consider compliance with 502(b)(3) but considered whether disclosure should result in waiver based on Rule 502(b)(1) and (2)); Kandel, 683 F. Supp. 2d at 1086 (analyzing the facts and citing inadvertent disclosure law – including Federal Rule of Evidence 502(b) – to determine whether the defendants'

requirements of the clawback, the court may rule that the disclosure resulted in privilege waiver.<sup>80</sup> And even if the court ultimately determines that the privilege was not waived, the parties have expended valuable resources fighting about the consequences of inadvertent disclosure that a better-crafted clawback could have resolved without court intervention.<sup>81</sup> If transactional lawyers solve their inadvertent disclosure problems with clawback agreements, they should learn from the mistakes lawyers have made with the agreements in litigation. This issue and others are discussed in the next Part.

#### IV. OBTAINING INADVERTENT DISCLOSURE PROTECTION THE BAR FAILED TO PROVIDE TRANSACTIONAL ATTORNEYS

In this Part, I now turn to what transactional lawyers can do to mitigate the harm of an inadvertent disclosure before or after it occurs. In the absence of professional conduct rule protection, transactional attorneys have two options. First, they can react to an inadvertent disclosure after it happens. A sending lawyer's skillful response to the mistake can mitigate the damage. In Subpart A, I discuss the tools at the sending lawyer's disposal, as well as the limits of this approach.

The transactional lawyer's second option is contractual and occurs before the disclosure. Opposing attorneys can enter into a clawback agreement in which they agree on the consequences of an inadvertent disclosure. In discussing this option in Subpart B, I consider the issues that may weigh in favor of a contractual approach and the provisions that attorneys can use to address these issues. I also discuss how

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production was "inadvertent" under the terms of the clawback); *Callan*, 263 F.R.D. at 565-66 (in analyzing whether the disclosure was "inadvertent" under the clawback order, the court applied the Federal Rule of Evidence 502(b) standard).

<sup>80</sup> See, e.g., *Callan*, 263 F.R.D. at 566 (determining that privilege was waived under clawback order because disclosing party did not carry its burden of proof that the disclosure was "inadvertent"); *Mt. Hawley*, 271 F.R.D. at 133-36 (determining that inadvertent disclosure waived privilege under clawback agreement because disclosing party did not take reasonable precautions to prevent waiver under Rule 502(b)(2)). Judge Paul W. Grimm discussed the *Mt. Hawley* case in a recent article and lamented that Rule 502 will not "reach its intended goal of reducing the cost of ESI discovery" if courts "demand near-perfection in preproduction precautions." Grimm, *supra* note 7, at \*50. I agree and add that Rule 502 can only reach its potential if parties do not draft clawback agreements that open the door for litigants and courts to make post-disclosure determinations of "inadvertence," "reasonableness," and similar issues.

<sup>81</sup> See, e.g., *Kandel*, 683 F. Supp. 2d at 1086.

transactional lawyers can avoid the drafting mistakes commonly made by litigators, and I consider the risks that non-litigators cannot fully address with a clawback agreement.

*A. Reactive Solutions: Skillfully Responding to a Mistake to Mitigate the Damage of an Inadvertent Disclosure*

Even though the contractual solution discussed in Subpart B may be preferable because it is a proactive approach, many transactional attorneys will not pursue that option. Despite the possibility of inadvertent disclosure, some lawyers may believe, “It won’t happen to me.” Other lawyers may recognize the risk but fear that the request for a clawback will cause them to appear paranoid or worse. Maybe opposing counsel will think the clawback is a “set up” for some strategic conduct in the negotiation. For these reasons, and despite the threat of inadvertent disclosure discussed in Part II of this article, many transactional lawyers will do their best to prevent inadvertent disclosure<sup>82</sup> and resign themselves to deal with it if and when it occurs.<sup>83</sup>

Against this backdrop, this subpart discusses what a transactional attorney can do to mitigate the harm of a disclosure after it occurs. The first hurdle is discovering an inadvertent disclosure.<sup>84</sup> Some lawyers will discover their own mistake immediately. Others will not know until the receiving lawyer alerts the sender of the disclosure. In most jurisdictions, professional conduct rules require a receiving attorney to provide notice if he or she determines that the disclosure was

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<sup>82</sup> A growing number of resources provide a wealth of practical information about the measures that lawyers can take to protect confidential client information. For example, the ABA’s Legal Technology Resource Center provides information about encryption, unsecured wi-fi, cloud computing, metadata, and other topics. See Legal Technology Resource Center, AMERICAN BAR ASSOCIATION, [http://www.americanbar.org/groups/departments\\_offices/legal\\_technology\\_resources.html](http://www.americanbar.org/groups/departments_offices/legal_technology_resources.html).

<sup>83</sup> These issues weigh in favor of a professional conduct solution to inadvertent disclosure. If lawyers know their clients face a risk but do not have an easy means to deal with that risk contractually, this is an appropriate place for the bar to step in with a solution. For a discussion of additional factors that weigh in favor of a professional conduct solution to inadvertent disclosure, see generally Schaefer, *supra* note 6, at 232-47.

<sup>84</sup> *Id.* at 225.

“inadvertent.”<sup>85</sup> The sending lawyer can only hope the receiving lawyer interprets the term “inadvertent” broadly, leading to notice.<sup>86</sup>

With knowledge of the mistake, the sending attorney must act immediately to protect the content of the disclosed information. Acting quickly is important, not only because it supports a legal argument of no waiver,<sup>87</sup> but also because it may prevent further dissemination and use of the information by the receiving lawyer. Sending counsel’s efforts should focus on educating the receiving attorney of professional conduct authority and legal authority that support returning and making no use of the information.<sup>88</sup>

First, I consider professional conduct authority that may be of assistance. While this Article has already discussed the gaps in professional conduct rules,<sup>89</sup> there are rules that, if applicable, will help the sending attorney.<sup>90</sup> Choice of law principles may be especially important in this regard. The choice of law rule, based on Model Rule of Professional Conduct 8.5 in many states, allows transactional lawyers engaged in multi-jurisdictional practice to make a reasonable choice of which jurisdiction’s professional conduct rule should apply to their conduct.<sup>91</sup> The rule could be the law of the jurisdiction where the conduct occurs or the jurisdiction where its predominant effect will occur.<sup>92</sup>

Where is the predominant effect of an inadvertent disclosure? It arguably could be in the jurisdiction of the sending attorney’s location, the receiving attorney’s

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<sup>85</sup> See *supra* notes 16, 30 and accompanying text (discussing inadvertent disclosure professional conduct rules).

<sup>86</sup> See *infra* notes 131-32 and accompanying text (discussing the interpretation of “inadvertent.”).

<sup>87</sup> FED. R. EVID. 502(b) (one factor considered in determining waiver is whether the sending attorney promptly took reasonable steps to rectify the disclosure).

<sup>88</sup> See *supra* note 30 (listing many rules that support requiring a receiving attorney to return and make no use of inadvertently disclosed confidential information).

<sup>89</sup> See *supra* Part II.

<sup>90</sup> See *supra* note 30.

<sup>91</sup> MODEL RULES OF PROF’L CONDUCT R. 8.5(b)(2) (2010). The rule includes a safe harbor, providing that a lawyer “shall not be subject to discipline if the lawyer’s conduct conforms to the rules of a jurisdiction in which the lawyer reasonably believes the predominant effect of the lawyer’s conduct will occur. *Id.*

<sup>92</sup> *Id.*

location, or either client's location. As long as the choice of law issue is resolved in a reasonable manner, the receiving attorney will not be subject to discipline under Rule 8.5.<sup>93</sup> This flexibility can present an opportunity for the sending attorney to make an argument about which jurisdiction's professional conduct authority should apply. Obviously, if it is an available option, the sending attorney will advocate for a jurisdiction with a professional conduct rule, ethics opinion, or case law that imposes an ethical obligation to return and cease use of the document.<sup>94</sup>

Even in the absence of professional conduct authority that provides for the document's return, the sending lawyer may still have hope. Professional conduct rules in most states give the receiving lawyer permission to return the document even if there is no legal or ethical obligation to do so.<sup>95</sup> Comment 3 to Model Rule 4.4 provides that even without a legal requirement, "the decision to voluntarily return such a document is a matter of professional judgment ordinarily reserved to the lawyer."<sup>96</sup> A sending lawyer, especially one with a good relationship with opposing counsel, could cite this authority in a request for the document's return.

Beyond citing professional conduct rules, the sending attorney should also try to persuade the receiving attorney that there is strong *legal* authority for the document's return. As previously discussed, the receiving lawyer's rights in the document largely turn on the issue of privilege waiver.<sup>97</sup> If the privilege was not waived by disclosure, the law generally provides that the document should be returned and not used or disseminated.<sup>98</sup> If the document has already been used, there may be authority for the proposition that the receiving lawyer should be disqualified.<sup>99</sup> To make this argument, the sending lawyer must research the inadvertent disclosure waiver law of the applicable jurisdiction. As previously discussed, federal courts and most state courts follow some version of a balancing test under which various factors are considered to determine the appropriateness of

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<sup>93</sup> *Id.*

<sup>94</sup> See, e.g., *supra* note 30 and accompanying text (citing professional conduct rules that provide for protection beyond that provided in Model Rule 4.4(b)).

<sup>95</sup> See *supra* note 16 and accompanying text (majority of jurisdictions follow Model Rule 4.4(b)).

<sup>96</sup> MODEL RULES OF PROF'L CONDUCT R. 4.4 cmt. 3 (2010).

<sup>97</sup> See *supra* note 57 and accompanying text.

<sup>98</sup> See *supra* notes 58-59 and accompanying text.

<sup>99</sup> See *supra* note 60 and accompanying text.



waiver.<sup>100</sup> Even though lawyers cannot know definitively how a court would rule on the issue, a sending lawyer can articulate the best case for a finding of no waiver under these factors.<sup>101</sup>

If a receiving lawyer refuses to return (or refuses to cease use and dissemination of) a client's inadvertently disclosed information, a declaratory judgment action could prevent further harm to the client.<sup>102</sup> The sending lawyer would ask the court to declare that the privilege was not waived and to require the document's return, without further use or dissemination, in addition to other relief.<sup>103</sup> When a disclosure may result in significant harm to the client if the information is not re-captured, transactional lawyers should consider the benefits of this option. Waiver law is flexible enough that a convincing argument against waiver is always possible.<sup>104</sup> Furthermore, if a federal court had jurisdiction over the matter, a federal court order stating that the privilege was not waived by the disclosure would be enforceable in subsequent federal and state courts.<sup>105</sup> So, if a party fears that a third party may use the information in subsequent litigation, a federal court order determining that privilege was not waived by the disclosure would prevent that use.<sup>106</sup>

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<sup>100</sup> See *supra* notes 63-68 and accompanying text.

<sup>101</sup> See *supra* note 63-68 and accompanying text.

<sup>102</sup> See, e.g., 28 U.S.C. § 2201 (2010) ("In a case of actual controversy within its jurisdiction . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought"); CONN. GEN. STAT. ANN. § 52-29 (West 2011) ("The superior court in any action or proceeding may declare rights and other legal relations on request for such a declaration, whether or not further relief is or could be claimed."); MO. ANN. STAT. § 527.010 (West 2010) ("The circuit courts of this state, within their respective jurisdictions shall have power to declare rights, status, and other legal relations whether or not further relief is or could be claimed.").

<sup>103</sup> See *supra* notes 56-60 and accompanying text (discussing relief available in litigation for inadvertent disclosure).

<sup>104</sup> See *supra* notes 61-68 and accompanying text (describing factors considered to determine waiver).

<sup>105</sup> FED. R. EVID. 502(d) (federal courts can order that privilege is not waived by disclosure and such order is binding in all other federal and state proceedings).

<sup>106</sup> See *id.*

*B. Proactive Solutions: Contracting for Protection Prior to an Inadvertent Disclosure*

Rather than merely reacting to an inadvertent disclosure when it happens, transactional lawyers can take the proactive approach of negotiating a clawback agreement.<sup>107</sup> A clawback agreement would be appropriate in any non-litigation matter, because there is always a risk of inadvertent disclosure.<sup>108</sup> Also, special issues arising in a transaction may encourage the contractual approach. For example, if attorneys anticipate exchanging and editing multiple drafts of a contract, they may want to enter into a clawback agreement that addresses the issue of metadata.<sup>109</sup> If the needs of a transaction dictate a large exchange of documents (particularly for a client who frequently consults with counsel), the heightened risk of inadvertent disclosure may encourage parties to consider a clawback.<sup>110</sup> There are two different times when an inadvertent disclosure could be used against the client: in the subject transaction or in the future, such as in subsequent litigation.<sup>111</sup> Both issues can be addressed – at least to an extent – in a clawback agreement. Of course, all clients face a risk of a lawsuit, but the risk is more pronounced for clients that are frequently involved in litigation. This may be another factor that weighs in favor of a negotiated clawback agreement.

After considering the applicability of the foregoing issues to a given client's situation, an attorney should draft a clawback agreement with two audiences in mind: the parties involved in the subject transaction and the universe of possible parties that could be involved in litigation with a party to the clawback. The parties to the current transaction will not have easy access to a court to resolve issues of interpretation, so it is essential that the clawback agreement provide simple, clear

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<sup>107</sup> This approach may gain momentum as state professional conduct rules follow the trend of civil procedure and evidence rules that include comments encouraging parties to enter clawback agreements. See, e.g., N.Y. RULES OF PROF'L CONDUCT R. 4.4 cmt. 2 (encouraging lawyers to resolve inadvertent disclosure before it happens by entering into "agreements containing explicit provisions as to how the parties will deal with inadvertently sent documents").

<sup>108</sup> See *supra* notes 10-13 and accompanying text (discussing risks of inadvertent disclosure for non-litigators).

<sup>109</sup> See *supra* notes 36 and accompanying text.

<sup>110</sup> King, *supra* note 70, at 468 (explaining that the chances of inadvertent disclosure are higher when parties exchange more documents).

<sup>111</sup> See FED. R. EVID. 502(d) (extending non-waiver of privilege to a recipient's use in subsequent litigation).

instructions for how the parties will address an inadvertent disclosure.<sup>112</sup> Even though the terms of a clawback agreement can only bind the parties to the agreement,<sup>113</sup> there are clawback terms that may be helpful in resolving future waiver disputes with non-parties to the agreement.<sup>114</sup> A well-developed clawback can address both audiences.

The simplest clawback agreement could be one that incorporates the terms of another jurisdiction's inadvertent disclosure professional conduct rule. For example, Tennessee's Rule of Professional Conduct 4.4(b) provides broad protection when a document is inadvertently disclosed.<sup>115</sup> Attorneys not practicing in Tennessee might agree to adopt this approach (or another state's approach) as their clawback agreement. They could simply agree in a letter (or an exchange of e-mail messages) that they are concerned about inadvertent disclosure<sup>116</sup> and that they agree to comply with the provisions of Tennessee Rule of Professional Conduct 4.4(b) (or their chosen rule) in addressing any inadvertent disclosure.

One advantage of this pick-another-jurisdiction's-rule approach is that it is not time consuming. If the lawyers choose wisely, their inadvertent disclosures will be governed by a better rule than the rule that would otherwise apply. One disadvantage is that most professional conduct rules include the undefined word "inadvertent," and competing interpretations of the term can be a contentious issue if a disclosure occurs.<sup>117</sup> Accordingly, if transactional attorneys select a rule that contains the term "inadvertent," they should broadly define the term in their

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<sup>112</sup> See *supra* notes 23-26 and accompanying text.

<sup>113</sup> See FED. R. EVID. 502, advisory committee notes (discussing Subsection (d)) (explaining that Subsection (d) was adopted so that a court order regarding privilege waiver would be binding on third parties who otherwise would not be bound by parties' clawback agreement). Without access to a court, transactional lawyers cannot seek an order that will make their clawback binding on third parties. FED. R. EVID. 502(d) (allowing federal court to order that privilege is not waived by disclosure in the litigation pending before it and that such an order is binding in subsequent federal and state proceedings).

<sup>114</sup> See *infra* notes 127-28 and accompanying text.

<sup>115</sup> See *supra* note 33 for text of Tennessee's Rule 4.4(b).

<sup>116</sup> They could also describe the steps they will take to prevent inadvertent disclosure. See *infra* notes 119-20 and accompanying text.

<sup>117</sup> See *supra* notes 7, 77-81 and accompanying text (describing problems that arise when clawback agreements include the term "inadvertent").

agreement to mean any unintentional disclosure of confidential information.<sup>118</sup> Of course, this phrase is also subject to interpretation, but it is preferable to leaving the term undefined. The approach of choosing another jurisdiction's rule also does not address specific issues that may be causes for concern, such as handling metadata, large exchanges of documents, or subsequent litigation. Lawyers dealing with such issues may benefit from spending time drafting their own clawback agreement.

For an individualized clawback agreement, attorneys should ideally address four issues in the document. First, the clawback agreement should begin with recitals of the inadvertent disclosure risks perceived by the parties and their plan for addressing those risks to prevent inadvertent disclosure. The section should conclude with a statement that the following clawback agreement is entered to provide an additional measure of protection if a disclosure occurs.<sup>119</sup> It is critical that the parties not make *proof* of compliance with these recitals a prerequisite to relief under the clawback agreement – doing so will introduce ambiguity that is emblematic of poorly-crafted litigation clawback agreements.<sup>120</sup> The goal here is a simple, self-executing agreement that provides a remedy without proof of anything.

So, if proving compliance with the recitals is not a prerequisite for relief, what is the goal? There are two different, and important, purposes of the recitals section of a clawback. First, including this provision encourages the parties to engage in planning that may prevent inadvertent disclosure.<sup>121</sup> For example, if a large volume of documents is being provided to one party, the producing party might state the approximate number of documents to be provided and articulate a reasonable plan to locate and withhold privileged documents prior to providing them to the opponent. If parties plan to exchange electronic documents (such as draft

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<sup>118</sup> See *supra* note 7 and accompanying text (explaining how some jurisdictions broadly define “inadvertent”).

<sup>119</sup> Because the client must consent to the disclosure of confidential information and the clawback agreement concerns the possible disclosure of confidential information, it is advisable to seek the client's informed consent to the agreement. See MODEL RULES OF PROF'L CONDUCT R. 1.6(a) (2010) (client must provide informed consent to the disclosure of confidential information unless the disclosure is impliedly authorized to carry out the representation or as otherwise provided in paragraph (b)).

<sup>120</sup> See *supra* notes 76-81 and accompanying text.

<sup>121</sup> See *infra* text accompanying notes 123-24.

contracts), they should address metadata.<sup>122</sup> Their agreement should state whether counsel and client can (or cannot) view an opponent's metadata<sup>123</sup> and explain how counsel will avoid transmitting confidential information in metadata.<sup>124</sup> This planning (embodied in the recitals section) may help avoid not only inadvertent disclosure, but also violation of professional conduct authorities – by a sending attorney who might otherwise violate the confidentiality rule<sup>125</sup> and by a receiving attorney who might otherwise be prohibited from mining metadata.<sup>126</sup>

The other purpose behind these recitals is that they may have a bearing on a waiver determination in subsequent litigation with a third party who is not otherwise bound by the agreement.<sup>127</sup> Statements in the clawback regarding the precautions taken to prevent inadvertent disclosure in the transaction or the volume of documents to be exchanged in the transaction are facts that could influence a later court's waiver analysis.<sup>128</sup> Thus, the recitals should be drafted with waiver in mind.

The second issue the clawback must address is what event will trigger an obligation by the receiving attorney. The receiving attorney's determination that a

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<sup>122</sup> See *infra* notes 123-24 and accompanying text.

<sup>123</sup> Recall that there may be a practical purpose for both attorneys wanting to view opponent metadata, such as using track changes to efficiently edit the document. See *supra* notes 12 and accompanying text.

<sup>124</sup> For information about how to avoid creating and how to remove confidential metadata, see Hricik, *supra* note 12, at 92-96 (also discussing entering into an agreement with opposing counsel regarding the consequences of disclosing confidential embedded data). Further, in a jurisdiction that has opined that it is unethical to view an opponent's metadata, the attorneys can state explicitly that they agree that doing so is appropriate in this transaction. See *supra* note 45 and accompanying text (discussing ethics opinions prohibiting metadata review).

<sup>125</sup> This is consistent with an attorney's duty of confidentiality. See *supra* notes 5, 39 and accompanying text.

<sup>126</sup> Professor Hans Sinha advocates attorneys entering agreements regarding how they will use metadata to avoid problems created by conflicting ethics authorities prohibiting and permitting metadata mining. Sinha, *supra* note 12, at 256-57.

<sup>127</sup> A waiver determination for a party to the agreement will be addressed by a later provision of the agreement.

<sup>128</sup> FED. R. EVID. 502(b). See also *supra* notes 63-68 and accompanying text (discussing issues considered in waiver analysis).

disclosure is “inadvertent” usually triggers professional conduct rule obligations<sup>129</sup> and clawback agreement obligations.<sup>130</sup> The problem is that some receiving attorneys will interpret the phrase narrowly – just as some courts interpret it – and do nothing to address the receipt of an opponent’s confidential information.<sup>131</sup> If pushed on the issue by a sending attorney who recognizes the mistake, the receiving attorney may argue that the disclosure was not “inadvertent.”<sup>132</sup>

Ironically, perhaps, one answer is to not include the term “inadvertent” as a trigger. The clawback agreement could provide that the receiving attorney must take certain defined steps when either: (1) the sending attorney alerts the receiving attorney that information was unintentionally disclosed; or (2) the receiving attorney receives an opponent’s information that appears to be attorney-client privileged, work product protected, or otherwise confidential under Rule 1.6.<sup>133</sup> The first part of the trigger allows the sending attorney to set the clawback in motion simply by notifying the receiving party (without proof of “inadvertence”), similar to Federal Rule of Civil Procedure 26(b)(5)(B).<sup>134</sup> The second part attempts a broad trigger for the clawback’s protections: if the receiving attorney recognizes information as privileged, work product protected, or confidential, the clawback is triggered.<sup>135</sup> While the confidential<sup>136</sup> (or privileged or work product protected)<sup>137</sup> status of a

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<sup>129</sup> Schaefer, *supra* note 6, at 206-07 (noting that of the forty-one jurisdictions with professional conduct rules addressing the issue in 2010, thirty-nine required a receiving attorney to determine if the disclosure was “inadvertent”).

<sup>130</sup> See *supra* note 77 and accompanying text.

<sup>131</sup> See *supra* note 7 and accompanying text.

<sup>132</sup> See, e.g., *supra* note 80 (discussing cases where receiving lawyers argued that opponent’s disclosure did not fit the definition of “inadvertent,” so courts had to analyze the issue to determine waiver).

<sup>133</sup> This language regarding a document’s status as privileged, work product protected, or confidential under Rule 1.6 is similar to the language included in Tennessee’s professional conduct rule, though that rule also includes the term inadvertent. See TENN. RULES OF PROF’L CONDUCT R. 4.4(b) (2011).

<sup>134</sup> FED. R. CIV. P. 26(b)(5)(B).

<sup>135</sup> Another alternative would be to provide that the agreement is triggered by the receiving attorney’s receipt of an inadvertent disclosure. The agreement could then define inadvertent to mean any disclosure that appears to be unintentional or a mistake. See *supra* note 118 and accompanying text.

<sup>136</sup> “Confidential” is so broadly defined under Model Rule 1.6 (and equivalent rules in most states) that virtually any document received from an attorney is one that “relates to the representation of the client” and is thus conceivably confidential absent the client’s actual or implied consent that it be disclosed. See MODEL RULES OF PROF’L CONDUCT R. 1.6 (2010). So, including the reference to

document is not always clear, this language is so broad that many documents that the sending attorney would like to protect should be encompassed within it.

Third, the agreement should address the parties' obligations if the clawback is triggered. Here, Federal Rule of Civil Procedure 26(b)(5)(B) provides a great template for comprehensive protection,<sup>138</sup> though some of its provisions should be modified to address the fact that there is no pending litigation.<sup>139</sup> If key provisions of the procedure rule were incorporated into a clawback agreement, the clawback might provide that either trigger event would obligate the receiving attorney to promptly return or destroy the information and any copies, to not use or disclose the information, and to take reasonable steps to retrieve the information if it has already been disseminated.<sup>140</sup> While Rule 26(b)(5)(B) allows the receiving attorney to sequester the information and promptly present it under seal to a court for a waiver determination,<sup>141</sup> these provisions are likely not appropriate or useful when litigation is not pending.

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“confidential” broadens the category of documents received that should trigger the receiving attorney’s obligation, which may result in better protection for disclosed documents.

<sup>137</sup> Transactional attorneys and their clients could address this problem by making a greater effort to designate notes, letters, correspondence and other documents “attorney-client privileged” anytime there is a confidential communication between attorney and client for the purpose of seeking or giving legal advice or “work product protected” when a document is prepared in anticipation of litigation. See RESTATEMENT (THIRD) OF THE LAW GOVERNING LAWYERS § 68 (2011) (characterizing the attorney client privilege); FED. R. CIV. P. 26(b)(3)(A) (describing work product protection). The approach of designating documents “privileged” does not work if attorneys and clients over-designate documents (marking everything privileged even when it is not), so the designations must be used thoughtfully and accurately. See Epstein, *supra* note 28, at 466 (noting that a receiving attorney’s ability to recognize “privileged” documents may hinge on correct designations by sending counsel). See generally Gregory C. Sisk & Pamela J. Abbate, *The Dynamic Attorney-Client Privilege*, 23 GEO. J. LEGAL ETHICS 201 (2010) (discussing why the attorney-client privilege must be broadly defined given the broad range of matters on which lawyers provide counseling in the modern practice of law); Michele DeStefano Beardslee, *Taking the Business Out of Work Product*, 79 FORDHAM L. REV. 1869 (2011) (considering the breadth of the work product protection for the work for corporate attorneys).

<sup>138</sup> FED. R. CIV. P. 26(b)(5)(B).

<sup>139</sup> See *supra* note 22 and accompanying text.

<sup>140</sup> See FED. R. CIV. P. 26(b)(5)(B).

<sup>141</sup> See *id.*

Finally, the clawback agreement should provide a standard for determining waiver if a party ever asks a court to rule that an inadvertent disclosure in the transaction resulted in privilege or work product waiver.<sup>142</sup> The provision that would be most protective is one that unambiguously states that any disclosure of attorney-client privileged or work product protected information between parties will not result in waiver.<sup>143</sup> The section could further provide that this provision does not prohibit a party from arguing that disclosed information does not otherwise qualify as privileged or work product protected.<sup>144</sup>

If for some reason a lawyer does not abide by the clawback agreement, the agreement has teeth. A sending party could sue for breach of contract if the receiving party does not comply with the agreement's terms.<sup>145</sup> In this litigation, the lawyer can seek the same forms of relief that litigators seek when they ask a court to rule on privilege waiver.<sup>146</sup> A non-compliant attorney could also be the subject of a bar complaint for violating a state-equivalent of Model Rule of Professional Conduct 8.4, which defines professional misconduct as including "dishonesty, fraud, deceit or misrepresentation."<sup>147</sup> More important than the ability to sue, though, the clawback has the benefit of ensuring that both parties understand and agree to the consequences of inadvertent disclosure. As a result of the discussion in a low-stress setting (before an inadvertent disclosure), both lawyers are more likely to understand and comply with their obligations when, and if, the issue arises.

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<sup>142</sup> This is the situation that occurred in *Jasmine Networks, Inc. v. Marvell Semiconductor*. See *supra* note 22 and accompanying text.

<sup>143</sup> This waiver standard does not contain the problematic terminology that is commonly the subject of debate with other clawback agreements. See *supra* notes 77-81 and accompanying text.

<sup>144</sup> Such a provision should have been sufficient to protect the receiving party's rights in *Jasmine Networks, Inc. v. Marvell Semiconductor*, where the receiving party argued that the disclosed information was not privileged. See *supra* note 22 and accompanying text. If the parties add such a provision, that provision should further provide that if a party contemplates making a waiver argument in litigation, the party still must comply with the terms of the clawback agreement but may direct the sending party to preserve the disclosed information so that such a ruling can be sought.

<sup>145</sup> Of course, this is not the usual way that such disputes are brought to a court's attention. When litigation is already pending, the parties would not file a breach of contract case but would seek the court's ruling on the issue of waiver (or no waiver) based on the parties' actions and the terms of the clawback.

<sup>146</sup> See *supra* notes 58-60 and accompanying text.

<sup>147</sup> MODEL RULES OF PROF'L CONDUCT R. 8.4(c) (2010).



## V. CONCLUSION

It is unfortunate that transactional attorneys and their clients have been largely ignored by inadvertent disclosure professional conduct rules. The lack of protection in professional conduct rules does not mean that inadvertent disclosure is not a problem for transactional lawyers and their clients. Inadvertent disclosure is common today, and clients of transactional lawyers face a real risk that a recipient of an inadvertent disclosure will keep it, use it, and perhaps provide access to someone who will use it in future litigation.

In the future, professional conduct rules should be amended to provide inadvertent disclosure protection to both litigators and transactional attorneys. Revised rules should protect the confidentiality of a disclosed document to the extent possible unless and until a court finds that privilege was waived by the disclosure. This approach recognizes the inescapable frequency of inadvertent disclosure in modern practice and the wisdom of erring on the side of protecting clients and their confidences.

But until such rule revisions are undertaken, transactional lawyers must work with the law as they find it and create their own solutions to inadvertent disclosure. Some will take a reactive approach: they will not agree in advance to the consequences of inadvertent disclosure, but they will endeavor to understand the web of ethical and legal authorities that may provide protection if a mistake happens. When a disclosure occurs, these attorneys will act promptly to articulate a persuasive and sound argument for the document's return and for counsel's agreement that no further use will be made of the document's contents. Other transactional lawyers will take a proactive approach and contract for the protection the bar has failed to provide. If they learn from the mistakes of litigator clawback agreements and address the issues that are of importance to their clients, transactional lawyers can better protect their clients from the adverse consequences of inadvertent disclosure.

