UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION

In the Matter of SCHERING-PLOUGH CORPORATION, a corporation, UPSHER-SMITH LABORATORIES, INC., a corporation, and AMERICAN HOME PRODUCTS CORPORATION, a corporation.	Docket No. 9297 **PUBLIC VERSION**

COMPLAINT COUNSEL'S OPPOSITION TO AHP'S MOTION FOR PROTECTIVE ORDER

Complaint Counsel

KAREN G. BOKAT
ELIZABETH HILDER
BRADLEY S. ALBERT
DAVID NARROW
ANDREW S. GINSBURG
KARAN SINGH

601 Pennsylvania Avenue, NW
Washington, DC 20580
Telephone: 202-326-2756
Facsimile: 202-3263384

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To: The Honorable D. Michael Chappell
Administrative Law Judge

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The motion of American Home Products Corporation ("AHP") for a protective order raises two basic issues: (1) are the nine documents it claims to have inadvertently produced in fact privileged? and (2) if they are, has AHP by its conduct impliedly waived any privilege? Various facts relevant to those questions are clear and beyond dispute:

- AHP produced all of these documents to FTC staff in February and March 2000.
- Several of these documents were used without objection at an October 2000 FTC investigational hearing of AHP/ESI Division President Michael S. Dey.
- AHP made no claim of privilege as to any of these documents until July 20, 2001, by which time complaint counsel had already relied on the documents and provided most of them to our economic expert, Professor Timothy Bresnahan.
- Most of these documents were considered by Professor Bresnahan in forming his opinion

regarding the economic effects of AHP's agreement with Schering-Plough Corporation ("Schering-Plough"), and are specifically cited in his report in support of his conclusions.

As these few facts reveal, AHP's claim of inadvertent disclosure is not the typical one addressed by the cases, where one or more stray privileged documents are accidentally included in a large document production, and the fact that they were produced is only discovered later on. Here, AHP was well aware since at least October 2000 that FTC staff had the documents in question. The error that AHP confesses is failing to realize until quite recently that these documents were (it claims) privileged.

AHP's motion fails because it has through its conduct waived any possible claim of privilege.[1] And, in any event, AHP has not shown that the documents are privileged, either under the attorney-client privilege or the work product privilege. The nine documents (which include five used at the investigational hearing of Dr. Dey) are market analyses, forecasts, and other matters of the sort that pharmaceutical companies prepare in the ordinary course of business:

- Document 1 (Dey Exhibit 1; AHP 13 00025) is a market analysis of potassium chloride supplement sales broken down among five companies.

- Document 2 (Dey Exhibit 4; AHP 13 00115), Document 3 (Dey Exhibit 5; AHP 13 00117), Document 4 (Dey Exhibit 6; AHP 13 00118), Document 5 (Dey Exhibit 8; AHP 13 00158-184), and Document 8 (AHP 00130-131) are market forecasts relating to branded and generic K-Dur 20.

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[1]Disclosure to any third party can cause waiver of the attorney-client privilege, while work-product privilege is only waived through disclosure to an adversary. In this case, because the disclosure was to FTC staff, an adversary, the disclosure serves to waive both claims of privilege. *See TCC v. IBM*, 573 F.2d 646, 647 n. 1 (9th Cir. 1978); *Chub Integrated Systems Ltd. v. National Bank of Washington*, 103 F.R.D. 52, 63 (D.D.C. 1984) (reasoning that disclosure to adversary waives work-product privilege because it is "inconsistent with the adversary system.")

- Document 6 (AHP 13 00089–93) is a memorandum and two tables that relate to the cost of "detailing" (a type of marketing used for prescription drugs) K-Dur 20.

- Document 7 (AHP 13 00097-99) is three pages of handwritten notes, the first page of which carries the heading " ."

- Document 9 (AHP 1300121-125) contains market data relating to 20 mEq potassium chloride.

AHP has failed to carry its burden on many of the elements necessary to prevail on its claim that these documents are protected by attorney-client and work product privilege.[2]

I. Factual Background

A. February/March 2000 – AHP Submits the Documents to FTC Staff

The nine documents that AHP seeks to have returned were provided to FTC staff in response to a November 5, 1999 subpoena issued in connection with the investigation that led to the issuance of the FTC's complaint in this matter. AHP began making submissions in response to the subpoena approximately three months after it issued, in February 2000. One of the nine documents was included in a February 2000 submission, under a cover letter from Mr. Randal Shaheen of Arnold & Porter, outside counsel to AHP. The other eight documents were part of a submission produced to the FTC on March 7, 2000.[3]

The documents were reviewed by FTC staff, who had certain documents copied and put in

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[2]AHP's entry into a proposed consent agreement in this matter does not eliminate complaint counsel's need for the disputed documents. The legality of AHP's agreement with Schering remains an issue to be decided in this proceeding, and, as is discussed below, the documents are important to establishing essential elements of the violation.

[3]*See* Bokat Decl. ¶ 4 (Tab 1).

binders for review by senior attorneys on the investigation.[4]

B. October 2000 – Five of the Documents Are Used Without Objection at an FTC Investigational Hearing of ESI President Michael S. Dey.

Approximately seven months after Commission staff received AHP's forecast documents, on October 5, 2000, FTC attorney Karen G. Bokat conducted an investigational hearing to question Michael S. Dey, who was President of AHP's ESI-Lederle Division from 1995 until early 2001. AHP in-house lawyer Elliot Feinberg accompanied Dr. Dey, as did two lawyers from AHP counsel Arnold & Porter: Kenneth A. Letzler and Randal M. Shaheen. Mr. Shaheen supervised AHP's production of documents in response to the November 1999 subpoena.

During the course of the hearing, Ms. Bokat questioned Dr. Dey regarding five of the nine market forecast documents that AHP now asserts are privileged:

> Dey Exhibit 1 (AHP 13 00025);
> Dey Exhibit 4 (AHP 13 00115);
> Dey Exhibit 5 (AHP 13 00117);
> Dey Exhibit 6 (AHP 13 00118); and
> Dey Exhibit 8 (AHP 13 00158-184).

These items were five of only 13 exhibits that Ms. Bokat used at the hearing. Testimony regarding these five documents accounts for approximately 35 pages of the hearing transcript.[5]

Neither Dr. Dey nor any of the attorneys attending the hearing objected to Ms. Bokat's use of these market forecast documents or in any way suggested that they might be subject to a claim of

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[4] *See id.* at ¶ 5-7.

[5] *See* Dey IH at 32-35, 78-81, 84-95, 104-120 (Tab 1, Exhibit A).

privilege.[6]

Thus, by October 5, 2000, AHP and its in-house and outside counsel were aware that five of the market forecast documents had been produced and were potentially important to the FTC's antitrust investigation of AHP's agreement with Schering-Plough.

C. February 2001 -- FTC Staff Gives Five of the Documents to Its Economic Expert, Professor Bresnahan

On February 9, 2001, FTC staff sent various documents to Stanford University Professor of Economics Timothy Bresnahan, including the transcript of the Dey investigational hearing and five of the documents at issue here, Dey Exhibits 1, 4-6, and 8.[7] Professor Bresnahan is complaint counsel's economic expert witness in this case.

As is stated in Professor Bresnahan's August 2001 expert report, he considered these six forecast documents in forming his opinion as to the economic effect of AHP's agreement with Schering-Plough, and specifically cited five of these document in support of his conclusions.[8]

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[6]*See* Bokat Decl. ¶¶ 13-24. Mr. Shaheen was not present during questioning regarding Dey Exhibit 1.

[7]*See* Apori Decl. ¶ 5 (Tab 2). One of the other documents (AHP 13 00130-131) covered by AHP's motion was sent to Professor Bresnahan in August 2001. *Id*. at ¶ 6.

[8]*See* Bresnahan Expert Report at 42, Appendices A11-A14 (Tab 1, Exhibit B).

D. July 2001 – AHP Claims for the First Time that Six of the Documents Are Privileged

Nearly a year and a half after their production, and over nine months after they were used at Dr. Dey's investigational hearing, AHP asserted for the first time that the Dey Exhibits were protected by attorney client and work product privilege. According to AHP's motion and accompanying declarations, in July 2001 its attorneys began to investigate the circumstances surrounding the creation of these documents, and concluded that they should have been withheld.

AHP's investigation into these documents was prompted by complaint counsel's insistence that AHP produce a witness to testify concerning the creation of Dey Exhibits 1 and 4-8. On June 25, 2001, complaint counsel noticed a Rule 3.33(c) deposition to take testimony regarding these exhibits. On July 3, and again on July 13, AHP counsel Cathy Hoffman told complaint counsel that she had been unable to find individuals who were able to testify as to the documents as requested in the Notice of Deposition.[9] Finally, by letter dated July 20, 2001, Ms. Hoffman informed complaint counsel that she had recently learned that Dey Exhibits 4-6 and 8 were privileged, that the other two items subject to the June 25 Notice of Deposition were likely privileged, and that two other documents might also be privileged.[10] After complaint counsel asked for additional information concerning the privilege claims, Ms. Hoffman, by letter dated July 25, 2001, claimed privilege for Dey Exhibits 4-6 and 8, and also an additional two documents not mentioned in the June 20 letter. She did not claim privilege for any of the four documents referred to in the July 20 letter as likely or possibly privileged, but noted that she was

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[9] *See* Ginsburg Decl. ¶¶ 3-5 (Tab 3).

[10] *See id*. at ¶¶ 8-9.

continuing to investigate whether two others were privileged.[11]

Complaint counsel responded two days later, writing that Ms. Hoffman's letter did not demonstrate that the documents in question were privileged, and that even if the documents were at one time properly subject to a claim of privilege, under the circumstances AHP had waived any privilege. Complaint counsel also noted that it was awaiting AHP's decision on whether to claim privilege for the four documents previously identified as possibly privileged (Dey Exhibits 1 and 7, AHP 1300121-125, and AHP 13 00130-131).[12]

E. September 2001 – AHP Seeks a Protective Order for Nine Documents

Two months after asserting privilege for six of the forecast documents, AHP filed the instant motion for protective order, claiming privilege for the six documents previously claimed as privileged in July, as well as three others, and arguing that all nine documents were "inadvertently" produced. Along with its motion, it submitted several declarations, including one from Dr. Dey (who was asked about five of the documents at his investigational hearing) and one from Mr. Shaheen (who supervised AHP's document production, reviewed documents for privilege claims, and was present during Dr. Dey's investigational hearing).

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[11] *See* Hoffman Decl., Ex. B.

[12] *See* Hoffman Decl., Ex. C.

Mr Shaheen's declaration does not address the apparent inconsistency in his treatment of the forecasting documents. In particular, it does not discuss why he was willing to withhold forecasting documents for which he apparently had no definitive information to determine their privileged status during the production phase in early 2000, but failed to take any action regarding the market forecast documents used at Dr. Dey's investigational hearing, either during preparation for Dr. Dey's investigational hearing, at the hearing, or thereafter. Mr. Shaheen also does not explain why, once he became aware that some forecasting documents had been produced (apparently similar to others he had withheld as privileged), this knowledge did not prompt him to inquire further as to their origins.

II. AHP Has Not Demonstrated That the Documents Are Privileged

A. AHP Has Failed to Carry Its Burden of Proof To Establish that Attorney-Client Privilege Applies to the Documents

The elements of the attorney-client privilege are well established. Wigmore, whose widely-

accepted delineation of the privilege has been relied upon by numerous courts,[13] describes the privilege as containing the following elements: "(1) [w]here legal advice of any kind is sought (2) from a professional legal advisor in his capacity as such, (3) the communications relating to that purpose (4) are made in confidence (5) by the client, (6) are at this instance permanently protected (7) from disclosure by himself or by the legal advisor, (8) except the protection be waived." 8 J. WIGMORE, EVIDENCE § 2292 at 554 (McNaughton rev. ed. 1961).

The attorney-client privilege, like all privileges, should be "narrowly construed." *Hawkins v. Stables*, 148 F.3d 379, 383 (4th Cir. 1998); *Coastal States Gas Corp. v. DOE*, 617 F.2d 854, 862 (D.C. Cir. 1980); *In re Walsh*, 623 F.2d 489, 493 (7th Cir. 1980). Narrow construction is necessary because the privilege withholds relevant information from the fact finder, *see United States v. Zolin*, 491 U.S. 554, 562 (1989), and is in derogation of the search for truth, *see In re Sealed Case*, 121 F.3d 729, 749 (D.C. Cir. 1997).

The burden of establishing that the challenged documents are privileged and thus exempt from disclosure falls on AHP, the party seeking to invoke the privilege. *See United States v. White*, 950 F.2d 426, 430 (7th Cir. 1991) ("[t]he burden falls on the party seeking to invoke the privilege to establish all the essential elements"); *Weil v. Investment/Indicators*, 647 F.2d 18, 25 (9th Cir. 1981); 6 Moore's Federal Practice (3d ed.) § 26.47[1]. This burden must be met on a document-by-document basis. *See In re Grand Jury Subpoena*, 831 F.2d 225, 227 (11th Cir. 1987).

As the party seeking to assert the attorney-client privilege, AHP "must offer more than just

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[13]*See, e.g., United States v. International Brotherhood of Teamsters*, 119 F.3d 210, 214 (2d Cir. 1997); *Fausek v. White*, 965 F.2d 126, 129 (6th Cir. 1992).

conclusory statements," *Alexander v. FBI,* 192 F.R.D. 42, 45 (D.D.C. 2000), and "broadly stated affidavits" that simply parrot the legal elements of the privilege. *In re Pepco Employment Litig.*, 1992 WL 310781, at *2, *5 (D.D.C. 1992). AHP must come forward with specific facts that provide information sufficient to allow the court to make an independent judgement as to the privileged nature of the documents.[14] As discussed below, AHP has failed to meet its burden of establishing that the challenged documents are protected by the attorney-client privilege.

1. The Attorney-Client Privilege is Inapplicable Unless There is A "Communication" Between the Attorney and Client

One of the central requirements of the attorney-client privilege is that there is a "communication" from the client to the attorney.[15] This requirement flows directly from the purpose of the privilege, which is to encourage full disclosure of information by clients to their attorneys. *See United States v. Fisher*, 425 U.S. 391, 403 (1976); *In re Richard Roe, Inc.*, 68 F.3d 38, 39 (2d Cir. 1995) (attorney-client privilege "designed to promote unfettered communication between attorneys and

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[14]*See Conagra, Inc. v. Arkwright Mutual Ins. Co.*, 32 F. Supp.2d 1015, 1017 (N.D. Ill. 2000) (finding "conclusory assertions" insufficient to permit court to sustain attorney-client privilege claims); *AMP, Inc. v. Fujitsu Microelectronics, Inc.*, 853 F. Supp. 828, 830 (M.D. Pa. 1994) ("conclusory statement" in affidavit by attorney that the challenged document was "responsive to his request and that his request involved the rendering of legal advice" insufficient to sustain attorney-client privilege claims); *Rattner v. Netburn*, 1989 WL 223059, at *5 (S.D.N.Y. June 20, 1989) ("conclusory assertions" that document was "part and parcel" of legal advice insufficient to satisfy burden of proof "since they offer no facts from which it can be inferred that the content of the document actually amounted to legal advice"); *Copalcor Manufacturing v. Meteor Indus., Inc.*, 1988 WL 52194, at *2 (E.D.N.Y. May 16, 1988) (Assertion that a document was asked for and provided for the purpose of providing legal advice was considered by the court to be a "mere conclusory assertion . . . that [did] not suffice to satisfy his burden.")

[15]The privilege may be extended in limited circumstances to protect communications from attorneys to clients "if those communications reveal confidential client communications." *United States v. (Under Seal)*, 748 F.2d 871, 874 (4th Cir. 1984).

their clients so that attorneys may give fully informed legal advice"). Thus, a document is not privileged simply because it is related in some way to the seeking or providing of legal advice. That document must be "communicated" from the client to counsel to be protected from disclosure.[16] And where the document itself is not even given to counsel, but merely serves as the basis for a discussion, the document will not be privileged unless it would "clearly reveal those facts. . . specifically discussed with counsel."[17]

AHP has failed to meet its burden on this threshold legal element of the attorney-client privilege for two reasons. First, on their face, nothing about the documents indicates or even suggests that they are anything other than business documents prepared by and for the use of AHP's business operations. Second, AHP has not demonstrated that the documents or their contents were communicated to AHP counsel.

a. AHP has not shown the documents in question are attorney-client communications rather than business documents

AHP relies primarily on the conclusory declarations of Dr. Dey, Mr. Alaburda, and Mr. Shaughnessy to establish that the challenged documents are the privileged attorney-client communications they claim, rather than the business forecasting documents they appear, on their face,

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[16]Of course, not all documents sent to counsel are protected. "Mere delivery of the documents to the attorney would not create privilege where it previously did not exist." *In re Grand Jury Proceedings*, 655 F.2d 882, 888 (8th Cir. 1981); *see also Upjohn Co. v. United States*, 449 U.S. 383, 395 (1981) ("The privilege only protects disclosure of communications; it does not protect disclosure of the underlying facts by those who communicated with the attorney.")

[17]*See Alexander v. FBI*, 192 F.R.D. 42, 46 n.3 (D.D.C. 2000) (finding that proponent failed to meet his burden of establishing attorney-client privilege, in part, because he "fail[ed] to demonstrate that these documents were ever entrusted to counsel" or that the communications regarding these documents would "clearly reveal those facts. . . specifically discussed with counsel").

to be. Each of AHP's declarations ignore a fundamental question: if these documents were created for the purpose of providing legal advice in the patent infringement suit, why is there nothing on the face of the documents to designate them as privileged or confidential. For this reason, as well as those discussed below, these declarations fail to carry AHP's burden.

Dr. Dey:

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Mr. Alaburda

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Mr. Shaughnessy

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The woeful inadequacy of AHP's efforts to meet its burden is highlighted by Document 7 - AHP 00130-131. That document consists of a typed-chart of numbers dated 10/9/94, and a handwritten chart and memorandum dated 4/10/96. AHP offers no explanation as to why a chart created in October 1994 is a privileged communication, when the alleged request from counsel for information was made in April 1996, a year and a half after the document's creation. *See* Shaughnessy Decl. ¶ 6.

b. AHP has not shown that the documents or their contents were communicated to AHP counsel.

Nowhere on the documents themselves or in AHP's motion is there any evidence or even assertion that the documents or the specific information that they contain were in fact actually communicated to AHP's counsel.

[18] From this conclusory statement, it is not even clear whether or to what degree the conversation revealed information from the document, rather than the "work."

While there may have been conversations between AHP representatives and counsel concerning the same subjects covered by the documents at issue, such possibly privileged communications would not create a privilege for the uncommunicated documents, unless disclosure of the document would "clearly reveal those facts. . . specifically discussed with counsel." *Alexander*, 192 F.R.D. at 46. AHP has failed to make any showing that disclosure of the contested documents would reveal directly or indirectly client confidences. AHP has failed to carry its burden of establishing a "communication" protected by the attorney-client privilege, and thus its motion for a protective order should be denied.

2. The Attorney-Client Privilege is Inapplicable Unless the Communication Relates to the Seeking, or Providing of, Legal Advice

Not every communication between an attorney and his or her client is privileged. Rather, the attorney-client privilege is limited to situations in which the attorney is acting as legal advisor. Thus, "[w]hen a client's ultimate goal is not legal advice, but rather business advice, the attorney-client privilege is inapplicable." *Cooper Hospital/University Medical Center v. Sullivan*, 1998 WL 1297329, at *8 (D.N.J. May 7, 1998).[19]

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[18] *See* Dey Decl. ¶ 8 (concerning Document 1 - AHP 13 00025).

[19] *See also Softview Computer Products Corp. v. Haworth, Inc.*, 2000 WL 351411, at *18 (S.D.N.Y March 31, 2000) ("[t]he attorney-client privilege attaches to communications seeking legal

AHP claims blanket privilege for the challenged documents because they supposedly relate to "litigation strategy and settlement-related theories." AHP Mot. at 12. But nowhere does AHP explain what legal advice was requested or how these documents, which on their face appear like ordinary business forecasting materials, are related to "litigation strategy and settlement-related theories." Settlements, including the one at issue here, involve substantial financial and business considerations regarding the terms and conditions of settlement. Where the attorney-client communication during litigation settlement relates to these business issues, the communication will not be afforded any privilege. *See Softview*, 2000 WL 351411 at *19 (finding that a document which contains "counsel's notes of the financial terms of a proposed settlement. . . reflects business, not legal advice").

Given the nature of the information contained in the documents, which nowhere mentions or even hints at legal issues, it appears likely that the information primarily was of importance for AHP's business considerations regarding settlement. At the least, AHP has failed to show that the information was solely or even primarily for legal, rather than business, advice purposes. AHP's general and conclusory assertions are insufficient to carry its burden. *See Alexander v. FBI*, 192 F.R.D. at 45.

3. The Attorney-Client Privilege is Inapplicable When the Communication Has Not Been Maintained As Confidential

The proponent of the attorney-client privilege has the burden to establish that the communication has been "maintained as confidential between attorney and client." *Brinton v. Dept. of State*, 636 F.2d 600, 603 (D.C. Cir. 1980); *see also United States v. Zolin*, 809 F.2d 1411, 1415

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advice, not business advice"); *United States v. IBM*, 66 F.R.D. 206, 212 (S.D.N.Y. 1974) (holding that "in the case where a lawyer responds to a request not made primarily for the purpose of securing legal advice, no privilege attaches to any part of the document.").

(9th Cir. 1987) (the party asserting attorney-client privilege has the burden of proving that no waiver has occurred); *Coastal States Gas Corp. v. DOE*, 617 F.2d 854, 863 (D.C. Cir. 1980) (privilege requires "confidentiality both at the time of the communication and maintained since"). As applied to a corporation, only a limited set of employees can be considered to constitute "the client" for any particular issue. *See generally Upjohn Co. v. United States*, 449 U.S. 383 (1981). Therefore, if a document is circulated widely throughout a corporation, it is doubtful that all of the recipients would qualify as clients, as would be necessary to maintain the privilege. Applying the *Costal States* standard, AHP has the burden of identifying each and every recipient of the challenged documents and proving that each of these recipients was "authorized to speak or act" for AHP on the particular subject at issue, or stated somewhat differently, had a "need to know" with respect to that particular subject matter. *Coastal States*, 617 F.2d at 863.[20] Clearly, this is a burden which AHP has failed to carry.

Nowhere in its Motion, supporting memorandum, or attached declarations does AHP provide any evidence (or even make the conclusory assertion) that the documents at issue were properly limited in their distribution to persons within AHP with a "need to know" both at the time of their creation and since. AHP simply does not address the extent to which the documents were distributed, whether prohibitions on reproduction were imposed, whether all copies of the documents were collected and held by counsel after the patent infringement lawsuit was settled, or whether AHP undertook any of the myriad other actions that could, and likely would, have been taken to maintain the documents'

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[20] Other courts also have adopted or used this "need to know" standard. *See, e.g., Smithkline Beecham Corp. v. Apotex Corp.*, 194 F.R.D. 624, 626 n.1 (N.D.Ill. 2000); *Verschoth v. Time Warner, Inc.*, 2000 WL 286763, at *2 (S.D.N.Y. Mar. 22, 2001).

confidentiality if they in fact were privileged communications involving legal advice.

Moreover, none of the documents at issue include any warning about limiting their distribution because of their relation to the provision of confidential legal advice.

AHP's failure to offer such evidence is not surprising, given its lengthy delay in identifying these documents as ones for which it might even raise a claim of privilege. If nobody at AHP considered the documents privileged during the several years from their creation until AHP recently announced its privilege claim, it is highly unlikely that the documents in fact were maintained as confidential throughout that period, especially given that nothing in the documents themselves indicates or even suggests any relationship to arguably confidential legal advice. Unless AHP had proved what it has not even asserted – that the documents were held and continuously maintained in confidentiality -- then any privilege that might have existed at one time can no longer be sustained.

B. The Work-Product Privilege Does Not Protect the Documents from Disclosure

The work product doctrine protects written materials prepared in anticipation of litigation or for trial. *See United States v. Adlman*, 134 F.3d 1194, 1202 (2d Cir. 1998).[21] However, the privilege

[21] This doctrine has been incorporated into the Commission's Rules of Practice. *See* 16 C.F.R. § 3.31(c)(3).

does not apply unless the document can fairly be said to have been prepared "because" of the litigation. *See, e.g., Linde Thomson Langworthy Kohn & Van Dyke, P.C. v. RTC*, 5 F.3d 1508, 1515 (D.C. Cir. 1993). Documents prepared in the ordinary course of business or which would have been created in basically the same manner regardless of the litigation fall outside the protection of the work-product doctrine. *See Adlman*, 134 F.3d at 1202.

As with attorney-client privilege, the proponent of work product privilege must establish all of the "essential elements" of work product, *see Johnson v. Gmeinder*, 2000 WL 133434 (D.Kan. Jan. 20, 2000), and must do so on a "document by document basis." *Household Commercial Financial Services, Inc. v. M. Schottenstein*, 1991 WL 222069, at *1 (N.D.Ill. Oct. 24, 1991) (*quoting United States v. Lawless*, 709 F.2d 485, 487 (7th Cir. 1983). To carry this burden, the proponent must come forward with facts that are sufficiently detailed to support a judicial determination that the elements of work-product privilege have been met for each document[22]; conclusory assertions are insufficient to establish the privilege. *SmithKline Beecham Corp. v. Apotex Corp.*, 2000 WL 1310669, at *5 (N.D.Ill. Sept. 13, 2000) (requiring party to come forward with "objective facts" to establish work-product protection for documents in a privilege log).[23]

The documents at issue include AHP market forecasts that show how AHP was a threat to

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[22]*See Household Commercial Financial Services, Inc. v. M. Schottenstein*, 1991 WL 222069 (N.D. Ill. Oct. 24, 1991) (*quoting Federal Deposit Insurance Corp. v. W.R. Grace & Co.*, 1987 WL 7810 (N.D. Ill. Mar. 11, 1987).

[23]*See also Conoco, Inc. v. Dept. of Justice*, 687 F.2d 724, 728 (3d Cir. 1982) ("self-serving conclusory statements in an affidavit do not satisfy the government's statutory burden" under Exemption 5 of FOIA, essentially a work-product question) (quoting *Ferri v. Bell*, 645 F.2d 1213, 1224 (3d Cir. 1981).

Schering's K-Dur 20 profits. AHP claims that these market forecasts were created for purposes of developing settlement strategy and evaluating settlement proposals. Knowing that there is nothing on the face of these purely business documents which would support this claim, AHP submits the conclusory declarations of Dr. Dey, Mr. Alaburda, and Mr. Shaughnessy in an effort to establish its work-product claim. Once again, AHP's efforts fall far short of satisfying its burden.

Five of the contested documents were shown to Dr. Dey during his October 2000 investigational hearing.

This investigational hearing testimony clearly undermines any assertion that the contested market forecast documents are protected by the work-product privilege.

Nor are the declarations of Mr. Alaburda or Mr. Shaughnessy sufficient to satisfy AHP's burden.

These conclusory declarations fail to provide the concrete facts necessary for the Court to determine whether the documents are covered by the work-product doctrine.

AHP also claims that five of the disputed documents (Documents 2-5 and 7) constitute "opinion work-product," and therefore should be entitled to greater protection from discovery.

To establish "opinion work-product," AHP must show that the documents contain the mental impressions, conclusions, opinions, or legal theories of an attorney. *See Williamson v, Moore*, 221 F.3d 1177, 1182 (11th Cir. 2000). A document does not constitute "opinion work-product" merely because it may "reveal some inkling of a lawyer's mental impressions." *In re San Juan Dupont Plaza Hotel Fire Litigation*, 859 F.2d 1007, 1015 (1st Cir. 1988).[24] Instead, the heightened opinion work-product protection should be triggered only when "disclosure creates a real, nonspeculative danger of revealing a lawyer's thoughts." *Id.* AHP fails to carry its burden that these documents are entitled to opinion work product protection.

[24]*See also Simon v. G.D. Searle & Co.*, 816 F.2d 397, 402 (8th Cir. 1987) (the work-product doctrine is "not violated by allowing discovery of documents that incorporate a lawyer's thoughts in. . . an indirect and diluted manner").

C. Even if Work Product Applies, Complaint Counsel's Showing is Sufficient to Overcome the Qualified Nature of the Privilege for Six of the Documents At Issue

Even assuming AHP has carried its burden of establishing that the documents at issue were prepared as part of the Schering/AHP patent litigation and fall within the work-product doctrine, disclosure of certain of these documents is nonetheless appropriate. The work product privilege is not an absolute protection against disclosure, but rather a qualified one. *United States v. American Tel. and Tel. Co.*, 642 F.2d 1285, 1302 (D.C. Cir. 1980). According to the Commission's Rules, the privilege can be overcome by a showing that (1) "the party seeking discovery has substantial need of the materials in the preparation of its case" and (2) "the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means." 16 C.F.R. §3.31(c)(3). As stated below, complaint counsel has met our burden to overcome the work-product privilege for six of the nine documents at issue, including Documents 1-5 and 8.

"Substantial need" for material otherwise protected by the work product doctrine "is demonstrated by establishing that the facts contained in the requested documents are essential elements of the requesting party's prima facie case." 6 Moore's Federal Practice (3d ed.) § 26.70(5)(c) at 26-221; *See Fletcher v. Union Pacific Railroad Co.*, 194 F.R.D. 666, 672 (S.D.Ca. 2000) (relying on

standard from Moore's Federal Practice). As shown below, complaint counsel readily demonstrates "substantial need" for six of the nine documents at issue – Documents 1-5 and 8.

- **Evidence of Schering's Motivation for Entering into Challenged Agreement**: The Commission's complaint charges that AHP was a competitive threat to Schering's profitable K-Dur 20 franchise and that to eliminate this threat, Schering paid AHP millions of dollars to delay AHP's entry of a low-cost generic alternative. The disputed documents are market forecasts that show how AHP was a threat to Schering's K-Dur 20 profits. The documents provide forecasts of the They demonstrate how the entry of a potential generic competitor will have a substantial adverse economic impact on Schering's profits, and therefore demonstrates how Schering-Plough benefit by delaying entry.

- **Evidence of Competitive Effects of Schering/AHP Agreement:** The disputed market forecast documents also demonstrate the importance of and the substantial harm to consumers of delaying entry by a potential generic competitor, even if that party is not the . Specifically the documents show that upon entry of an additional generic manufacturer of K-Dur 20, the generic price of K-Dur is driven lower, directly benefitting consumers. The documents reflect AHP's views of the effects on market participants and consumers of just prior to its entry into the agreement with Schering. Such contemporaneous business documents are uniquely valuable in understanding the competitive effects of that agreement.

- **Evidence of AHP's Motivation in Entering into the Challenged Agreement**: The documents reflect AHP's views of just prior to entering into its agreement with Schering. They demonstrate that AHP believed it could have been, under one of these scenarios, the first generic entrant, and thus provide significant evidence of why AHP would demand, and Schering would pay, at least $15 million to delay AHP's potential entry. This evidence is important, among other things, to complaint counsel's proof on the conspiracy to monopolize count of the complaint, which requires evidence of specific intent to monopolize from at least one of the co-conspirators.[25]

The second "prong" of complaint counsel's required showing is to establish that it cannot, "without undue hardship. . . obtain the substantial equivalent of the materials by other means." 16

[25]*See Syufy Enters. v. American Multicinema, Inc.*, 793 F.2d 990 (9th Cir. 1987).

C.F.R. §3.31(c)(3). There is no "substantial equivalent" of these documents. These documents reflect the only contemporaneous evidence of AHP's market forecasting for its generic version of K-Dur 20. Such contemporaneous business documents are far more valuable and reliable than any other potential evidence (such as depositions taken after-the-fact) that could be available to the complaint counsel. Moreover, these documents already have been reviewed and relied upon by our economic expert in this case, Professor Bresnahan, in developing his economic theory about the competitive implications of the Schering/AHP agreement. For this reason as well, complaint counsel is unable to obtain the "substantial equivalent" of these materials through any other mode of discovery.

AHP claims that Documents 2-5 constitute "opinion work-product." As discussed in Section 2B, AHP has failed to satisfy its burden in establishing this privilege claim. Nonetheless, even opinion work-product is discoverable upon demonstrating "extraordinary circumstances." *Moore's Federal Practice* §26.705(e) at 26-224. As one court has explained: "[T]here may be rare situations. . . where weighty considerations of public policy and a proper administration of justice would militate against the non-discovery of an attorney's mental impressions." *Murphy v. United States*, 560 F.2d 326, 336 (8th Cir. 1973); *see also P. & B. Marina v. Logrande*, 136 F.R.D. 50, 57 (E.D.N.Y. 1991) (citing *Murphy* and stating that "[p]ublic policy may require the disclosure of information that is clearly protected"). This is one of those situations. The documents AHP seeks to withhold are unique contemporaneous evidence of AHP's views of the relevant market just prior to entering into the challenged agreement and they already have been reviewed and relied upon by our economic expert in formulating his opinions on the competitive effects of the Schering-Plough/AHP agreement. Requiring Professor Bresnahan to "unlearn" these documents or "unrely" on them as part of the basis for his

expert opinions would be inconsistent with public policy and impede the proper administration of justice.

Accordingly, even if this court were to determine that the challenged documents fall within the ambit of the work-product doctrine (whether as "fact" or "opinion work-product"), disclosure of Documents 1-5 and 8 is still appropriate because complaint counsel has made the requisite showing to overcome the privilege.

III. AHP Has Waived Any Privilege

Even if AHP could demonstrate that the documents are privileged, AHP must also demonstrate that their disclosure did not waive privilege. To do so it must show both (1) that the disclosure was truly inadvertent and (2) that in light of the circumstances the disclosure did not effect a waiver.[26] AHP cannot show inadvertence, because the disclosure here was not accidental, but instead was the result of an allegedly erroneous judgment about whether the documents were privileged. Moreover, even if AHP's initial disclosure to the FTC in early 2000 were considered an inadvertent disclosure, its failure to take any action in October 2000 after the disclosure of these documents was brought to its attention in the investigational hearing of Dr. Dey represents a level of disregard that waives any possible claim to inadvertence that it might once have had.

A. The Disclosure Was Not Inadvertent

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[26] *See* Order Denying Complaint Counsel's Motion Regarding Hoechst's Waiver of Attorney-Client Privilege, *In re Hoechst*, D. 9293 (October 17, 2000), citing *Golden Valley Microwave Foods, Inc. v. Weaver Popcorn Co., Inc.*, 132 F.R.D. 204, 207 (N.D. Ind. 1990); *Parkway Gallery Furniture, Inc. v. Kittinger/Pennsylvania House Group, Inc.*, 116 F.R.D. 46, 50 (M.D.N.C. 1987), aff'd, 878 F.2d 801 (4th Cir. 1989).

1. A deliberate but erroneous decision that material is not privileged is not an inadvertent disclosure

Claims of inadvertent disclosure are often made when documents known to be privileged are accidentally produced, typically where there has been an extensive document production. A few cases, however, address the type of situation presented here, in which allegedly privileged material has been deliberately produced because it is erroneously judged to be non-privileged, or a party fails to claim privilege because of a failure to recall the circumstances of the creation of the document. Courts have found that such disclosures were not "inadvertent."

For example, in *In re Brand Name Prescription Drugs Antitrust Litigation,* 1995 WL 683777, *2 (N.D. Ill. 1995), the court observed that to be "inadvertent" a disclosure must be accidental, and not merely the result of a conscious but erroneous judgment. Thus, where disclosures occurred because different lawyers reached different conclusions as to the privileged nature of certain materials, the disclosures were not deemed "inadvertent."

Transonic Sys., Inc. v. Non-Invasive Med. Tech., 192 F.R.D. 710, 715 (D.Utah 2000), also involved a case of erroneous judgment regarding the privileged nature of a document. There, the production of a document asserted to be privileged was intentional and not "inadvertent" because counsel at the time of the production was aware of its contents. The court concluded that "disclosure of the document in question was not inadvertent, but mistaken, if at all, only as to whether it was privileged." *Id.* at 716.

Similarly, in *Baxter Travenol Laboratories, Inc., v. Abbott Laboratories*, 117 F.R.D. 119, 121 (N.D. Ill. 1987), the court explained that "inadvertent" means accidental. In that case one of the

plaintiffs belatedly remembered after some time had passed that a document that had been produced and used by the opposing party consisted of privileged attorney-client material. The court held that the plaintiff's failure to claim privilege for months after he knew the document had been produced meant that its disclosure could no longer be deemed inadvertent;

> It seems clear that if the document was ever privileged, plaintiffs waived their privilege at some point in time after its production. Inadvertent means accidental. Once Popovich knew the document had been produced it was incumbent on him to say something. When he failed to do anything over a period of months, its continued production can no longer be deemed inadvertent.[27]

As these cases show, there are two reasons to conclude that AHP's disclosure of the nine documents is not an inadvertent production. First, the production was intentional, not accidental. The materials were reviewed by attorneys who apparently concluded that the documents were not potentially privileged. Second, even if the original production was deemed inadvertent, the disclosure of these documents could no longer be deemed inadvertent subsequent to the October 2000 investigational hearing of Dr. Dey, after which time AHP officials specifically knew that the forecast documents had been produced to the FTC, but took no action to investigate their origins and assert any possible privilege claims.

2. AHP's arguments do not demonstrate inadvertence

AHP does not contend that the nine documents in question were believed to be privileged but mistakenly included in with other documents that it intended to produce. Rather, its claim is that: (1) the

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[27] *Baxter Travenol*, 117 F.R.D. at 120. The court went on to note that the privilege proponent's failure to raise any claim of privilege at his deposition after he had determined its privileged status provided an additional reason to find the disclosure was not inadvertent. *See id*.

documents were produced because document reviewers did not recognize their privileged nature (and thus erroneously judged them to be non-privileged); and that (2) AHP forgot -- until recently -- that these documents were prepared at the request of counsel. As the cases discussed above demonstrate, however, these circumstances do not show inadvertence. And the cases AHP relies on in its motion do not involve intentional but erroneously judged disclosures. Instead, they address cases in which materials labeled privileged, included on privilege logs, or otherwise identified as privileged were accidently produced.[28]

In contending that the disclosure was inadvertent, AHP emphasizes that it did not intend to waive privilege. But what is important here is that AHP intended that the documents be produced and remain produced (until its belated claim of privilege). It is well-established that a subjective intent to waive privilege is not necessary for a waiver to occur when privileged documents are disclosed.[29] What is key is the conduct of the privilege holder. As one court has explained, waiver would almost never occur if intent to waive were required:

> [a] privileged person would seldom be found to waive, if his intention not to abandon could alone control the situation. There is always also the objective consideration that when his conduct touches a certain point of disclosure, fairness requires that his privilege shall cease

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[28]*See, e.g., Kansas City Power & Light Co. v. Pittsburgh & Midway Coal Mining Co.,* 133 F.R.D. 171, 172 (D. Kan. 1989) (documents listed on privilege log mistakenly produced); *Bank Brussels Lambert v. Credit Lyonnais,* 160 F.R.D. 437, 444 (S.D.N.Y. 1995) (paralegals had properly inserted privilege designations but neglected to remove the documents from the production); *Zapata v. IBP, Inc.,* 175 F.R.D. 574, 575-76 (D. Kan.1997) (secretary mistakenly sent out wrong copy of expert report, thereby disclosing attorney notations).

[29]*See, e.g.,* Paul R. Rice, *Attorney-Client Privilege in the United States* § 9:19 at 43-44.

whether he intended that result or not.[30]

AHP also argues that its production of the disputed documents to the FTC could not possibly be construed as intentional, because "AHP did not know the documents at issue were privileged." AHP Mot. at 16. Indeed, it repeatedly argues that AHP did not know the documents were privileged until July 2001. But AHP at various points in time "knew" the operative facts upon which it now bases its privilege claim.

But a client need not know he or she is waiving privilege to do so. The client can intend to make a disclosure (which has the legal effect of waiver) without knowing that such a legal effect will result.[31] What is important here is the intent to disclose the allegedly privileged material.

Finally, AHP makes two additional arguments in support of its claim of inadvertence that warrant a brief reply. First, it attempts to excuse its conduct by citing the death of Mr. Heller. But Mr. Alaburda, AHP's in-house counsel on the Schering-ESI patent litigation, *was* available to AHP, and in fact as AHP's in-house lawyer he would be expected to be more available to AHP and more involved with its protection of privileged documents than Mr. Heller, who was outside counsel on the case. Perhaps anticipating this point, AHP also laments that FTC staff did not use the documents in question at Mr. Alaburda's August 2000 investigational hearing, suggesting that he "may" have been able to bring the privileged nature of the documents to light. In fact, however, FTC attorneys had no reason to

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[30]*F.C. Cycles Int'l, Inc. v. Fila Sport S.p.A.*, 184 F.R.D. 64, 73 (D.Md. 1998), *quoting Duplan Corp. v. Deering Milliken Research Corp.*, 397 F. Supp. 1146, 1162 (D.S.C. 1974).

[31]*See Tennebaum v. Deloitte & Touche*, 77 F.3d 337, 341 (9th Cir. 1996).

believe these documents had anything to do with Mr. Alaburda. As AHP concedes, the documents on their face appear to be nothing more than purely business materials, with no connection to the patent litigation. Thus, AHP's invocation of Mr. Heller and Mr. Alaburda do not support its claim that disclosure of the documents was inadvertent.

B. Even If AHP's Disclosure of the Documents Was Deemed Inadvertent, Under the Five-Factor Balancing Test AHP Has Waived Any Privilege

Your Honor's ruling on an inadvertent disclosure issue in the *Hoechst* case emphasized the need to consider the circumstances as a whole to determine if the privilege has been waived, considering five factors: (1) the reasonableness of the precautions taken to prevent the disclosure of confidential information; (2) the time taken to rectify the error; (3) the scope of discovery; (4) the extent of the disclosure; and (5) overriding issues of fairness and justice.

Here, the facts demonstrate a disclosure that was ignored, long after the information in its possession should have prompted AHP to discover the circumstances that it belatedly asserts warrant an assertion of attorney-client and work-product privilege. The facts also show that complaint counsel have reasonably relied on the documents at issue here, in both the pre-complaint investigation and in post-complaint trial preparation. To grant AHP's motion would unfairly prejudice complaint counsel's case and would reward AHP's carelessness.

1. AHP has not shown that it took reasonable precautions to protect privileged material

AHP's protection of allegedly privileged documents failed at three distinct steps: First, when they were created without any label of privilege; second, when document reviewers erroneously judged

them to be non-privileged; and third, when AHP and its attorneys failed to inquire about the origins of these documents once they were specifically confronted with them at Dr. Dey's investigational hearing. AHP's declarations do not show that it took reasonable precautions at any of these three points in time.

First, AHP offers no information regarding its practice of designation of confidential documents at the time of creation. Although it repeatedly argues in its defense that nothing on the face of the documents reveals their privileged nature, it never explains why documents that it asserts are highly sensitive and important were not labeled. AHP's motion makes clear that its failure to label the disputed documents as privileged when they were created plainly played a significant role in the claimed inadvertent disclosures, yet it offers no evidence upon which to judge the reasonableness of this failure to label. In some instances, the failure to label privileged documents may be reasonable and by itself will not automatically preclude a court from finding -- in light of other factors -- that the disclosure was excusable inadvertence.[32] But the absence of such designation (or any explanation for that absence) undermines AHP's claims that it took all reasonable steps to protect confidential attorney-client communication. And, as discussed below, the other factors in this case weigh strongly in favor of finding waiver.

Second, as to the review process during the production phase, Mr. Shaheen's declaration

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[32]In *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.,* 104 F.R.D. 103, 105 (S.D.N.Y. 1985), the court "by a narrow margin" upheld a privilege claim for certain documents that carried no designation of confidentiality and had mistakenly been produced for inspection by opposing counsel, noting that the proponent of the privilege had "only just adequately protected its privilege." In this case, the balance tips the other way.

provides only a very general description of the procedures employed to screen AHP's submission for privileged documents. It offers no information on what instructions were given to those responsible for identifying potentially privileged material, and, in particular, what steps were taken, if any, to ensure that document reviewers would be able to identify privileged documents that were not labeled as such. Instead, AHP asserts that the reviewers were Arnold & Porter attorneys "with significant prior experience and training in the review of documents." AHP Mot. at 18. The logical conclusion from what is said and not said is that these attorneys received no specific instructions on how to identify privileged material in light of the particularities of AHP's document practices and the particular conduct under investigation. Thus, AHP has failed to demonstrate that it took reasonable precautions at the production stage.

Third, although AHP attempts to explain away its failure to take any action regarding the documents once the Dey investigational hearing revealed their existence and potential importance, this explanation also fails to show that AHP acted reasonably to prevent disclosure of privileged materials. Even if Dr. Dey's failure to recollect the documents at the hearing was understandable, AHP has not offered any statement explaining the failure of Dr. Dey and Messrs. Feinberg and Shaheen to investigate their origin promptly after the hearing, particularly given Mr. Shaheen's knowledge that he had withheld similar documents on grounds of privilege.

2. The size of the document production did not influence the allegedly erroneous disclosure

While courts often consider the scope of discovery in assessing claims of inadvertent disclosure, it is important to recognize that "the volume of documents involved in the production process is

important only if it can be shown to have influenced the mistaken disclosures that were made."[33] In this case, while neither the volume of documents produced nor time pressures were overwhelming, the important fact is that these factors had little or nothing to do with the mistaken disclosures. This is plain from AHP's failure to take any action after the Dey investigational hearing to correct what it claims are mistaken disclosures. Three attorneys for AHP, along with Dr. Dey, considered a mere 13 exhibits during a deposition that extended over several hours. Even under these circumstances, however, there was no determination -- or even apparently any suspicion -- that these documents were privileged. Thus, it seems clear that the size of the overall production did not influence the allegedly mistaken disclosure.

3. AHP's action to correct its errors was not timely, because the time for correcting errors in disclosure begins when AHP reasonably should have discovered its error

Cases relied on by AHP make it clear that in assessing the timeliness of action to correct an inadvertent disclosure, courts should consider not merely when the privilege holder discovered the error, but also when it reasonably should have discovered it. For example, in *Zapata v. IBP, Inc.*, 175 F.R.D. 574 (D. Kan.1997), the court explained that:

> The relevant time for rectifying any error begins when a party discovered *or with reasonable diligence should have discovere*d the inadvertent disclosure.

Id. at 577 (emphasis supplied). *Kansas City Power & Light Co. v. Pittsburgh & Midway Coal Mining Co.*, 133 F.R.D. 171 (D. Kan. 1989), likewise held that in assessing the time taken to rectify an inadvertent disclosure, the court should look to when a privilege proponent discovered or "with

[33]Rice, *Attorney-Client Privilege in the United States*, § 9:72 at 331.

reasonable diligence should have discovered" the inadvertent disclosure. *Id.* at 172.

The rationale behind this rule is plain. To hold otherwise would reward a party who chooses, either deliberately or carelessly, to remain ignorant of its errors, and would be inconsistent with the concepts of fairness and justice that are critical in the balancing test applied to inadvertent disclosure cases. Courts should not excuse pleas of ignorance when the circumstances would prompt a reasonable person to investigate a disclosure.

In this case, AHP, if acting with reasonable diligence, should have discovered its error long before July 2001, the time at which it was essentially forced to investigate as a result of complaint counsel's Notice of Deposition seeking testimony regarding the Dey Exhibits. Instead, at various point along the way, AHP officers and attorneys failed to make inquires that would likely have lead them to discover the circumstances that AHP now claims make the documents privileged:

- *During the production phase*: Mr. Shaheen, the Arnold & Porter attorney supervising AHP's document production,

  he apparently made no effort to investigate whether the document reviewers under his supervision had seen any similar market forecast documents.

- *During preparation for Dr. Dey's October 2000 investigation hearing*:

- *During and immediately after the October 2000 investigational hearing*: At the hearing, Dr. Dey and Messrs. Feinberg, Shaheen, and Letzler were all confronted with the fact that the various market forecast documents embodied in Exhibits 1, 4-6, and 8 had been produced to

FTC staff and were the subject of significant interest and inquiry. Nonetheless, it appears that none of them made any effort to investigate to determine whether these documents might be privileged, despite some reasons for them to think such an inquiry was warranted.

For example, at his investigational hearing,

Had AHP made reasonable inquiries even following the October 2000 investigational hearing, it could have sought return of the documents before they were disclosed to complaint counsel's expert witness, Professor Bresnahan, and prior to the FTC's issuance of the complaint.

AHP's claim that it first "discovered" that the documents were prepared at the request of counsel in July and August of 2001 (AHP Mot. at 20) is plainly a misstatement. At the very least, AHP knew of such requests when the documents were created. But, it was not until July and August 2001, that, according to AHP – and in particular Dr. Dey – it "recalled" what had for so long been forgotten.

In sum, consideration of the time taken to rectify the error weighs strongly in favor of waiver.

4. The extent of disclosure is complete and includes disclosure to complaint counsel's economic expert

Under this factor, courts consider whether the disclosure has been partial -- such as where documents have merely been designated for copying – or complete, where the opposing party has fully read and analyzed the document.[34] Here, complaint counsel have read, analyzed, and made full use of the documents in their pre-complaint investigation and post-complaint trial preparation, so the disclosure of the documents has been "complete" as courts use the term in this context.

Moreover, in this case most of the disputed documents were used in the Dey hearing and were provided to complaint counsel's economic expert, long before AHP claimed privilege for the documents.[35] Thus, this factor supports a finding of waiver.

Although AHP tries in various ways to call this extensive disclosure "minimal," most extraordinary is its effort to downplay the significance of Professor Bresnahan's use of several of documents. In an effort to avoid this compelling fact, AHP relegates to a footnote its acknowledgment of the disclosure to Professor Bresnahan, and then asserts that it is "clear" from his report that his reliance was "minimal." AHP Mot. at 23 n.14. One cannot determine the full extent of an expert's reliance on particular documents merely by looking at his report, but it is apparent from Professor Bresnahan's report that many of the disputed documents are cited as the basis for conclusions he draws

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[34]*See, e.g.*, *Parkway Gallery*, 116 F.R.D. at 51-52.

[35]The five Dey exhibits were provided to Professor Bresnahan in February 2001, long before AHP claimed they were privileged in July 2001. *See* Apori Decl. ¶ 5. The sixth document used by Professor Bresnahan (AHP 13 00130-131) was given to him in August 2001, see *id.* at ¶ 7, just prior to submission of his August 15, 2001 expert report. AHP did not assert its privilege claim for this document until its September 25, 2001 Motion for Protective Order. Prior to that time it had advised that it was investigating the origin of this document and would advise complaint counsel once that inquiry was completed. *See* Ginsburg Decl. ¶9.

concerning the anticompetitive nature of AHP's agreement with Schering-Plough.[36] AHP's effort to minimize his reliance is entirely without merit.

5. Considerations of fairness strongly support finding waiver in this case

Fairness issues dictate that waiver be found here, because: complaint counsel reasonably relied on the disputed documents; complaint counsel's case would be unfairly prejudiced if AHP's motion were granted; waiver would not be unfair to AHP in light of its conduct; and the disclosure cannot be cured by the proposed protective order.

a. Complaint counsel reasonably relied on the documents

FTC attorneys have relied on the documents in question in the pre-complaint investigation and in trial preparations, including preparations with complaint counsel's economic expert. This reliance was clearly justifiable, because -- as AHP concedes -- nothing on the face of the documents suggests that these document might be privileged. This situation is thus wholly unlike those cases where parties assert reliance on documents clearly marked as privileged or otherwise plainly subject to a claim of privilege.

Further, as AHP is well aware, what is involved here is not merely an "intensive review" of the documents by complaint counsel. We have used the documents in various ways for over a year. In particular, our economic expert has relied on most of these documents in forming his opinion about the effects of AHP's agreement with Schering. As discussed above, AHP's transparent effort to dismiss the significance of Professor Bresnahan's reliance on those documents cannot overcome the

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[36] *See* Bresnahan Expert Report at 24, 42, Appendices A11-A14.

straightforward facts here. His reliance stands in stark contrast to the circumstances in *Zapata v. IBP, Inc.*, 175 F.R.D. 574, (D. Kan.1997), cited by AHP, where privileged information was disclosed to an expert *after* he filed his report. *See id.* at 578.

b. Complaint counsel's case would be unfairly prejudiced

The prejudice to the party opposing the privilege claim is a significant consideration in an inadvertent disclosure case.[37] Here the prejudice from AHP's proposed protective order would be substantial. The FTC's challenge to the Schering-Plough/AHP agreement continues even after AHP's agreement to a proposed consent order. As we discuss in connection with AHP's work product claims, the disputed documents are largely market forecasts showing how AHP was a threat to Schering-Plough's K-Dur 20 profits. They demonstrate the importance of the and the economic benefit to Schering-Plough – and the substantial harm to consumers -- of delaying entry by a potential generic competitor, even if that party is not the . In particular, the documents show that upon entry of an additional generic manufacturer of K-Dur 20, the generic price of K-Dur is driven lower, directly benefitting consumers. The documents reflect AHP's views of the effects on market participants and consumers of just prior to its entry into the agreement with Schering-Plough. Such contemporaneous business documents are uniquely valuable in understanding the competitive effects of that agreement. They also are significant evidence of AHP's intent in entering into the agreement with Schering-Plough, which is important to complaint counsel's

[37] *See, e.g., Fleet National Bank v. Tonneson & Co.*, 150 F.R.D. 10, 14 (D. Mass. 1993) ("[i]f a party to whom work product is inadvertently disclosed can demonstrate that it was misled by, or that it relied to its detriment on, such inadvertent disclosure, it would surely be appropriate for a court to bar the assertion of the privilege.").

proof on the conspiracy to monopolize count of the complaint.

AHP's suggestion that it is never prejudicial to retrieve a privileged document that has been inadvertently disclosed (AHP Mot. at 24) is plainly wrong. Such a rule would effectively mean that inadvertent disclosure of a privileged document would never result in waiver.[38]

c. Waiver would not be unfair to AHP

Given the circumstances here, it would be unfair to reward AHP's behavior by granting the requested protective order. As one court has observed, "it would not be fair to reward [a party's] carelessness with a protective order."[39] Here, even if the production itself could be excused, AHP's failure to investigate the origins of the documents promptly after the Dey investigational hearing should not be. Moreover, this is not merely a case of failures by an outside attorney (*i.e.*, Mr. Shaheen, who knew he had personally withheld other forecast documents). AHP officials themselves -- Dr. Dey and Mr. Feinberg – also bear responsibility for the failure to make a timely discovery of the origins of the documents in question.

d. The disclosure cannot be effectively cured

This is truly a situation in which the genie cannot be put back in the bottle. For example, Professor Bresnahan based his expert opinion in part on several of the disputed documents. There is

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[38]AHP's attempts (AHP Mot. at 24-25) to find significance in (1) the absence of a discussion of prejudice in Mr. Albert's brief July 25, 2001 letter to Ms. Hoffman, or (2) complaint counsel's acceptance of paragraph 17 of the Protective Order, are likewise without merit. Mr. Albert's letter did not purport to do an analysis of the five-factor balancing test that we address here. We acceeded to paragraph 17 because it represents the approach adopted in the *Hoechst* case, over the objections of complaint counsel in that matter.

[39]*New Bank of new England v. Marine Midland Realty Corp.*, 138 F.R.D. 479, 483 (E.D. Va. 1991).

simply no effective way to deal with this fact. If he is barred from discussing these documents, and then at trial he is asked about the bases of his opinions, he cannot answer truthfully. Recognition of AHP's claim of privilege would be both futile and unjust.

IV. Conclusion

AHP's motion for a protective order should be denied because (1) AHP fails to carry its burden in establishing that the documents in question are protected by either the attorney-client privilege or under the work-product doctrine and (2) AHP has waived any privilege that might have attached to said documents at one time.

Respectfully submitted,

_____

Karen G. Bokat
Bradley S. Albert
Elizabeth Hilder
David Narrow
Andrew S. Ginsburg
Karan Singh

CERTIFICATE OF SERVICE

I, Andrew S. Ginsburg, hereby certify that on October 26, 2001, I caused a copy of the public version of Complaint Counsel's Opposition To AHP's Motion For Protective Order to be served upon the following persons by hand delivery or by Federal Express and electronic mail.

Hon. D. Michael Chappell
Administrative Law Judge
Federal Trade Commission
Room 104
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Office of the Secretary
Federal Trade Commission
Room H-159
600 Pennsylvania Avenue, N.W.
Washington, D.C. 20580

Cathy Hoffman, Esq.
Arnold & Porter
555 Twelfth Street, N.W.
Washington, D.C. 20004-1206

Laura S. Shores, Esq.
Howrey Simon Arnold & White
1299 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2402

Christopher M. Curran, Esq.
White & Case LLP
601 13th Street, N.W.
Washington, D.C. 20005

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Andrew S. Ginsburg