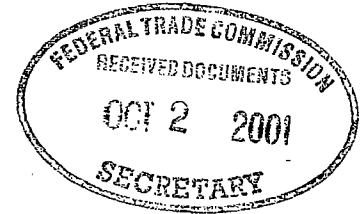

ARNOLD & PORTER

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October 2, 2001

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



Re: *In the Matter of Schering-Plough Corporation, Upsher-Smith Laboratories, Inc., and American Home Products Corporation, Docket No. 9297*

Dear Secretary:

On behalf of American Home Products Corporation, we are filing a public version of our *Motion for Protective Order and To Compel Return of Privileged and Work Product Materials*. As you know, we filed a non-public, confidential version of this motion on September 27, 2001.

Sincerely,

A handwritten signature in cursive script that reads "Emily M. Pasquinelli".

Emily M. Pasquinelli
**Admitted to the New York Bar only.
Practice supervised directly by active
members of the D.C. Bar.

Enclosures

cc: Judge D. Michael Chappell
Karen G. Bokat, Esq.
Laura S. Shores, Esq.
Christopher Curran, Esq.

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

In the Matter of)	
)	
Schering-Plough Corporation,)	
a corporation,)	
)	Docket No. 9297
Upsher-Smith Laboratories, Inc.,)	
a corporation,)	
)	
and)	PUBLIC RECORD
)	
American Home Products Corporation,)	
a corporation)	

**MOTION OF AMERICAN HOME PRODUCTS CORPORATION FOR
PROTECTIVE ORDER AND TO COMPEL RETURN OF
PRIVILEGED AND WORK PRODUCT MATERIALS**

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**UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION**

In the Matter of)	
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Schering-Plough Corporation,)	
a corporation,)	
)	Docket No. 9297
Upsher-Smith Laboratories, Inc.,)	
a corporation,)	
)	PUBLIC RECORD¹
and)	
)	
American Home Products Corporation,)	
a corporation)	

**MOTION OF AMERICAN HOME PRODUCTS CORPORATION FOR
PROTECTIVE ORDER AND TO COMPEL RETURN OF
PRIVILEGED AND WORK PRODUCT MATERIALS**

Respondent American Home Products Corporation (“AHP”) respectfully moves for a protective order (i) compelling complaint counsel to return to AHP or destroy all copies of nine privileged and work product documents that AHP inadvertently produced during the pre-Complaint investigation; (ii) compelling complaint counsel to return all copies of the deposition transcript of so that testimony about these privileged documents inadvertently given during that deposition may be redacted; (iii) prohibiting complaint counsel from using the inadvertently produced privileged documents and testimony in

¹ Respondent American Home Products Corporation files its confidential, non-public version of its Motion for Protective Order and To Compel Return of Privileged and Work Product Materials pursuant to the Protective Order, entered by Judge D. Michael Chappell, on May 10, 2001, in case captioned *In the Matter of Schering-Plough Corporation, Upsher-Smith Laboratories, Inc., and American Home Products Corporation*, attached hereto as Exhibit 1. In his Order Denying AHP’s Motion Seeking Leave To Require That All Briefing Regarding Its Motion For Protective Order Be Filed Under Seal, Judge Chappell explicitly granted American Home Products the authority to file a non-public, confidential version of its motion for protective order, which is attached hereto as Exhibit 2.

any manner in this case; and (iv) barring complaint counsel from asking any questions at depositions or at trial related to these inadvertently produced documents. Respondents Schering-Plough and Upsher-Smith have agreed to return the inadvertently produced privileged documents and to redact those portions of deposition transcript that discuss the inadvertently produced privileged documents.

The attorney-client privilege and work product doctrine readily apply to, and protect, the documents at issue.

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. Respondent

AHP's production of these documents during the pre-Complaint investigation was entirely inadvertent; AHP did not produce these privileged documents knowing that they were privileged. Upon learning that these documents were privileged, AHP immediately demanded their return. Applying the five-factor privilege waiver test utilized by this Court in Hoechst/Andrx, there has been no waiver of either the attorney-client privilege or the work product protection. Therefore, this Court should compel complaint counsel to return the privileged documents and testimony and bar complaint counsel from eliciting further testimony relating to these documents or using them as evidence in any manner during the course of this proceeding.

BACKGROUND

I. The Nature of the Inadvertently Produced Documents

A. The Underlying Patent Infringement Litigation

This case challenges an agreement that AHP entered into with Schering-Plough Corporation (“Schering”) in settlement of a patent infringement lawsuit that Schering brought against AHP.² The lawsuit was filed on February 16, 1996. At the behest of the federal judge to whom the case was assigned, the parties engaged in settlement and mediation negotiations and discussions, including many with a magistrate judge, in late 1996, at certain periods during 1997, and in the first half of 1998.

. These settlement discussions led to a tentative agreement to settle the case in January 1998 and a final settlement agreement in June 1998. Outside counsel for AHP in that lawsuit was Paul Heller, who formerly was a member of the law firm of Kenyon & Kenyon but is now deceased. The principal in-house counsel responsible for coordination of the litigation with outside counsel was Lawrence Alaburda, whose title at AHP was (and still is) “Litigation Counsel – Patents.” See The principal AHP business person responsible for the litigation was Dr. Michael Dey, who at the time was the President of ESI Lederle (“ESI”), the AHP unit that manufactured and sold generic drugs. See

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B. The Privileged Documents

During the course of the patent infringement litigation, AHP’s counsel and AHP representatives communicated with each other

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² Key Pharmaceuticals, Inc. v. ESI-Lederle, Inc., Civ. Action No. 96-1219 (E.D. Pa.).

written documents. This motion relates to nine such documents.³

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..... See,
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As described in those, each of the nine documents at issue here reflects communications to the client from counsel and from the client to counsel for the purpose of giving and receiving legal advice and services. See
..... Each of the documents at issue was prepared solely at the request of counsel and for the purpose of assisting counsel in the patent case and was not created for any business purpose. See ESI would have created these types of financial documents in the normal course of its business only for products for which it was budgeting, and during the patent litigation it was not budgeting for the 20 mEq potassium chloride product. See Moreover, five of the nine privileged documents also contain the mental impressions and thought processes of AHP's counsel. See

Document 1 This document

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⁴ Mr. Heller of Kenyon & Kenyon passed away after the conclusion of the patent litigation between AHP and Schering, but before the FTC commenced its investigation of the settlement agreement.

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..... The document is

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..... This document was created solely in relation to the ongoing patent litigation, and solely at the request of counsel to assist counsel in advising AHP/ESI, and not for any business purpose.

Documents 2, 3, and 4: These documents are

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..... These documents were prepared solely at the request of counsel to assist counsel in connection with the patent litigation and not for any business purpose.

Document 5: This document

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..... These documents were not created for any business purpose, but were generated solely at the request of counsel to assist counsel in connection with the patent suit.

Document 6: This document is

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..... This document relates solely to the patent infringement lawsuit between ESI and Schering, was created solely at the request of the attorneys for AHP/ESI to assist them in rendering legal advice about the patent litigation to AHP/ESI, and was not prepared for any business purpose.

Document 7: This document

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⁵ Wyeth-Ayerst Laboratories, Inc. is a business unit of AHP.

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Document 8: This document is

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..... This document was not
created for any business purpose, but rather was generated solely to assist counsel in providing
advice to AHP/ESI regarding the patent infringement suit between ESI and Schering.

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Document 9: This document

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..... This document was prepared at the request of counsel, solely to assist counsel in connection with the patent litigation and not for any business purpose.
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II. Inadvertent Production of and Testimony About the Documents

A. The Circumstances Surrounding Inadvertent Production

In response to a subpoena duces tecum that the FTC issued to AHP on November 5, 1999, counsel for AHP undertook an extensive search for documents, examining the files of several persons at the company and its divisions, as well as many of the documents produced in the underlying patent litigation. See

..... Counsel for AHP reviewed more than 100,000 pages of documents looking for responsive material, and produced more than 27,000 pages to the FTC during the pre-Complaint investigation. See

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.....⁶. However, when documents were produced to the FTC in and around February and March of 2000, counsel for AHP in charge of the production,, did not realize that some of the market forecasts and related documents that were being produced – namely, the nine documents described above – had been prepared at the request of counsel during the patent infringement lawsuit and were privileged from disclosure. See, At the time the privileged documents were produced to the FTC, was not aware that had requested that these documents be prepared to facilitate their provision of legal advice and services to AHP. See, As set forth below, AHP and its counsel did not learn that these documents were privileged, and therefore inadvertently produced, until July 2001. See
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B. Testimony About the Privileged Documents

On, during the investigative phase of this FTC proceeding, the FTC took the testimony of, Prior to the deposition, Arnold & Porter lawyers met with regarding his upcoming investigational hearing.
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..... During the investigational hearing of, counsel for the FTC inquired into the origins of many of

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the documents at issue in this Motion, specifically, those marked as . . . Exhibits 1, 4 - 6 and 8.⁷ During his testimony, was unable to recall why these documents were created, who at the company had prepared them or to whom they had been distributed. See . . . Deposition at pp. 33, 77-79, 104-07, attached hereto as Exhibit 8. Because was unable to remember the origins of the documents marked as Exhibits 1, 4 - 6 and 8 during his deposition,
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. See Accordingly, counsel for AHP and did not object to questioning about the documents, and testified about them.

III. Discovery of Privileged Nature of Documents and Attempts to Retrieve

On June 25, 2001, complaint counsel served on counsel for AHP a Rule 3.33(c) Notice of Deposition, which required AHP to produce a witness to testify about the documents marked as Exhibits 1 and 4 - 8 to deposition. See Notice of Deposition, attached hereto as Exhibit 9. During the month of July, Arnold & Porter undertook an investigation to identify the company representative most knowledgeable about these documents and to determine answers to the questions posed in the deposition notice. See
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After confirming the privileged nature of the documents at issue, AHP's counsel immediately notified complaint counsel of the inadvertent production and requested the prompt return of the documents, as well as deposition transcript. See Exhibit A to, Letter from Cathy Hoffman to Andrew Ginsburg, dated July 20, 2001. On July 24, complaint counsel Bradley Albert called Ms. Hoffman to request more information about the grounds for the assertion of the privilege with respect to these documents. The next day, AHP counsel supplied a more detailed explanation of why the documents are protected by the attorney-client privilege and work product doctrine. See Exhibit B to, Letter from Cathy Hoffman to Bradley Albert, dated July 25, 2001.⁸ On July 27, complaint counsel refused to return any of the documents, claiming that there "is no credible argument that the documents were disclosed inadvertently," that they "are under no obligation to return materials which on their face appear to be non-privileged business documents," and that AHP had waived any privilege. See Exhibit C to, Letter from Bradley Albert to Cathy Hoffman dated July 27, 2001. Complaint counsel indicated that they expected AHP to either produce a deposition witness or petition the court for a protective order. See id.

ARGUMENT

I. The Inadvertently Produced Documents are Protected by the Attorney-Client Privilege and Work Product Doctrine

A. The Attorney-Client Privilege Applies to Each Document

The documents at issue are protected by the attorney-client privilege. As the United States Supreme Court noted in Upjohn Co. v. United States, 449 U.S. 383, 389 (1981), the

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purpose of the attorney-client privilege is to encourage full and frank discourse between attorneys and clients, which thereby promotes adherence to the law and administration of justice.

The attorney-client privilege protects confidential communications that are made by a client to his lawyer “where legal advice of any kind is sought.” See Rehling v. City of Chicago, 207 F.3d 1009, 1019 (7th Cir. 2000). Communications made from an attorney to a client for the purposes of providing legal advice are also shielded by the privilege. See Upjohn Co., 449 U.S. at 390; Andritz Sprout-Bauer, Inc. v. Beazer East, Inc., 174 F.R.D. 609, 632 (M.D. Pa. 1997). The privilege “exists to protect not only the giving of professional advice to those who can act on it, but also the giving of information to the lawyer to enable him to give sound and informed advice.” See Upjohn Co., 449 U.S. at 390; In re Spalding Sports Worldwide, Inc., 203 F.3d 800, 805 (Fed. Cir. 2000). Furthermore, the privilege applies in the context of communications between in-house counsel and their corporate clients. See Upjohn Co., 449 U.S. at 389-90.

It is well-recognized that communications made between lawyer and client to develop litigation strategy and settlement-related theories— —are protected by the attorney-client privilege. See, e.g., Gould Inc. v. Mitsui Mining & Smelting Co., 825 F.2d 676, 679 (2d Cir. 1987); Coltec Indus. v. American Motorists Ins. Co., 197 F.R.D. 368, 374-75 (N.D. Ill. 2000) (concluding that documents containing settlement strategy and analysis were protected from disclosure by the attorney-client privilege); United States v. Mobil Corp., 149 F.R.D. 533, 538-39 (N.D. Tex. 1993) (finding various letters sent from counsel to client pertaining to settlement strategy protected by the attorney-client privilege and work product doctrine); Carey-Canada, Inc. v. Aetna Cas. & Surety Co., 118 F.R.D. 250, 250-51 (D.D.C. 1987) (holding that documents generated in course of settlement negotiations were protected by attorney-client privilege and work product doctrine). In addition, the attorney-client privilege

applies to materials prepared by a client that reflect its communications with counsel regarding settlement and litigation strategy. See Alexander v. Federal Bureau of Investigation, 186 F.R.D. 154, 161 (D.D.C. 1990).

Because of the sacrosanct nature of the attorney-client privilege, the privilege is “worthy of maximum legal protection.” See Haines v. Liggett Group, Inc., 975 F.2d 81, 90 (3d Cir. 1992) (emphasis added). “The privilege rests on the belief that in an adversary system, a client’s full disclosure to an attorney is a necessary predicate to skillful advocacy and fully informed legal advice. The existence of the privilege thus allows attorneys to assure clients that any information given to their attorneys will remain confidential.” Chase Manhattan Bank, N.A. v. Turner & Newall, 964 F.2d 159, 165 (2d Cir. 1992).

Applying these principles, the documents at issue are protected under the attorney-client privilege. Each of the elements needed to trigger the privilege is present.

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. . . These documents were created solely at the specific request of counsel for the purposes of assisting counsel in providing legal advice and services and not for any business purpose. See There can be no legitimate question that each of these documents is protected by the attorney-client privilege.

B. Each Document Is Protected By the Work Product Doctrine

The work product doctrine, first recognized in Hickman v. Taylor, 329 U.S. 495, 510-11 (1947), is codified at Rule 3.31(c)(3) of the FTC's Rules for Adjudicative Proceedings. This doctrine provides a qualified protection from discovery to fact work product and a bar from disclosure for opinion work product that contains the "mental impressions, conclusions, opinions, or legal theories" of counsel. See 16 C.F.R. § 3.31(c)(3).⁹ Our adversary system requires that an attorney be free "to prepare his legal theories and plan his strategy without undue and needless interference." Hickman, 329 U.S. at 511. An adversary may obtain access to fact work product – but not opinion work product – if and only if it can demonstrate "substantial need" for the documents and an inability to obtain the information contained in the protected document from other sources.

It is well settled that materials prepared by an attorney and his client in order to assess settlement proposals or to develop settlement strategy constitute work product. See, e.g., In re Subpoena Duces Tecum Served on Roseman & Colin, No. M8-85 (RLE), 1996 WL 527331, at *5 (S.D.N.Y. Sept. 16, 1996) (observing that an attorney's notes and research concerning settlement are protected by the work product privilege, and if involving the client, may also be protected by the attorney-client privilege); Georgine v. Amchem Products, Inc., Civ. A. No. 93-0215, 1994 WL 502475, at *2-3 (E.D. Pa. 1994); Mobil Corp., 149 F.R.D. at 539; Carey-Canada, 118 F.R.D. at 250-51. Courts recognize that "[a]n attorney's evaluation of a proposed settlement is at the core of the legal services an attorney provides to a client in the course of litigation." See

⁹ See also Upjohn Co. v. United States, 449 U.S. 383, 400 (observing that "the courts have steadfastly safeguarded against disclosure of lawyers' mental impressions and legal theories"); Andritz Sprout-Bauer, Inc. v. Beazer East, Inc., 174 F.R.D. 609, 632 (M.D. Pa. 1997) (noting that the mental impressions and trial strategy of counsel "enjoy nearly absolute protection from disclosure").

Georgine v. Amchem Products, Inc., Civ. A. No. 93-0215, 1994 WL 502475, *3 (E.D. Pa. Sept. 2, 1994). The work product doctrine shields analysis regarding the viability and reasonableness of potential settlement arrangements from disclosure. See id.¹⁰ The work product privilege applies to such settlement-related analysis, whether undertaken by the attorney himself or by the client at its attorney's request. See Caremark, Inc. v. Affiliated Computer Servs., Inc., 195 F.R.D. 610, 615 (N.D. Ill. 2000) (noting that application of work product doctrine "depends on the motivation behind [the document's] preparation, rather than on the person who prepares it"); see also 16 C.F.R. § 3.31 (c) (3) (stating that work product doctrine applies to materials prepared by the party, party's attorney, agent or representative). And when the analysis contains the mental impressions and theories of counsel, the document "receives the highest protection available" under the work product doctrine. See Jacobs v. American Motors Corp., No. 89-0518-CV-W-5, 1989 WL 200920, at *5 (W.D. Mo. Feb. 20, 1989).

Each document at issue here is protected from disclosure by the work product doctrine. Each was prepared at the initial request of counsel in order to assist counsel in providing legal advice and services to AHP/ESI concerning Key's patent infringement lawsuit. See The documents,, were not generated for any business reason, but were prepared solely to assist counsel in the litigation between ESI and Key. See ...

¹⁰ In Georgine, the plaintiff class employed a special counsel to analyze historical average settlement data in order to calculate a share recommendation for each defendant's participation in the funding of the class settlement. The court noted that the share recommendations were not mere "mathematical calculations," but included other non-quantitative factors, including the views of counsel and others involved in the underlying litigation. The court rejected the plaintiffs' attempt to compel production of the special counsel's analysis on settlement, noting that "not even the most liberal of discovery theories can justify unwarranted inquiries into the files and the mental impressions of an attorney." The court observed that the plaintiffs had possession of the raw data on historical averages and were equally capable of conducting their own analyses. See Georgine v. Amchem Products, Inc., Civ. A. No. 93-0215, 1994 WL 502475, at * 1-3 (E.D. Pa. Sept. 2, 1994).

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II. The Production of the Documents Was Inadvertent

AHP did not intend to waive either the attorney-client privilege or the work product of its attorneys when it accidentally and unintentionally disclosed the privileged documents at issue. In the process of trying to meet the requirements and time constraints imposed by the Commission’s subpoena duces tecum, counsel for AHP produced each of the privileged documents at issue amongst numerous other documents, not knowing that had prepared the documents in response to requests by outside and in-house counsel during the patent litigation or that these documents were communications between counsel and AHP. See Upon discovering that the documents were indeed privileged, AHP immediately demanded return of these documents from complaint counsel and co-Respondents. See These facts demonstrate that AHP plainly did not intend, either explicitly or impliedly, to disclose or produce the privileged documents at issue, and that their production was purely accidental.

Because AHP did not know the documents at issue were privileged, its production of them during the Commission’s investigation could not possibly be construed as an intentional production or disclosure of privileged information. Further supporting this conclusion is the fact that Moreover,

• • • discussion of these documents at his investigational hearing cannot be said to fairly constitute a voluntary disclosure of privileged information. AHP’s counsel had no good faith basis upon which to object to the use of certain of these documents at • • • • • deposition because • • • • • could not at that time remember the circumstances surrounding the creation of the documents. See • • • • • . AHP counsel was also handicapped by the fact that Paul Heller, lead counsel for ESI during the patent litigation, had passed away before the Commission’s investigation and was therefore not available to assist AHP in identifying the privileged nature of the documents. Significantly, none of the documents at issue was used as exhibits in the investigational hearing of • • • • • ; if they had been, • • • • • may have been able to bring the privileged nature of the documents to the attention of AHP counsel. Simply put, AHP’s production of the documents at issue, and • • • • • discussion of them during his investigational hearing, was wholly inadvertent.

III. The Inadvertent Disclosure Did Not Waive the Privilege

The inadvertent disclosure of the nine privileged documents did not waive the attorney-client privilege or work product doctrine. In ruling on AHP’s motion for a protective order, this Court should look to prior Commission precedent regarding waiver. See 16 C.F.R. § 3.31(c)(2).¹¹ In Hoechst/Andrx, this Court adopted the majority approach to privilege waiver, and thereby applied a flexible, case-by-case, five-factor balancing test to determine whether waiver resulted from the inadvertent production of privileged documents. See Order Denying

¹¹ Pursuant to Commission Rule 3.31(c)(2), “[t]he Administrative Law Judge may enter a protective order denying or limiting discovery to preserve the privilege of a witness, person, or governmental agency as governed by the Constitution, any applicable act of Congress, or the principles of the common law as they may be interpreted by the Commission in the light of reason and experience.” 16 C.F.R. § 3.31(c)(2).

Complaint Counsel's Motion Regarding Hoechst's Waiver of Attorney-Client Privilege and Motion to Compel Answers to Deposition Questions at 4, attached hereto as Exhibit 10.¹² This Court recently stated that it would apply this test in deciding the waiver issue here. See Order Denying AHP's Motion Seeking Leave To Require That All Briefing Regarding Its Motion For Protective Order Be Filed Under Seal at 2, Ex. 2. In performing this test, this Court balanced the following factors: (1) the reasonableness of precautions taken to prevent inadvertent disclosure; (2) the time taken to rectify the error; (3) the scope of discovery; (4) the extent of the disclosure; and (5) the overreaching issue of fairness and the protection of an appropriate privilege. See Order in Hoechst/Andrx at 3. Because no factor is determinative, the Court must consider all relevant circumstances surrounding the inadvertent production.

Applying this five-factor balancing test, AHP's inadvertent production did not waive the attorney-client privilege or the work product doctrine.

1. The Precautions Taken By AHP Were Reasonable

"Disclosure by itself does not lead to the conclusion that the precautions undertaken to protect the privilege evidence indifference Inadvertent production will not waive the privilege unless the conduct of the producing party or its counsel evinced such extreme carelessness as to suggest that it was not concerned with the protection of the privilege." United States Fidelity & Guaranty Co. v. Braspetro Oil Servs. Co., No. 97 Civ. 6124, 2000 WL 744369, at *5 (S.D.N.Y. June 8, 2000).

The procedures counsel for AHP had in place to protect privileged documents from disclosure were reasonable. Trained and experienced paralegals in the legal department of AHP

¹² This Court noted that "adopting a balancing test results in flexibility, permitting consideration of the totality of the circumstances surrounding a particular inadvertent production on a case-by-case basis and a determination that is fair and just under the particular circumstances." Order at 4.

worked with outside counsel, including, to gather responsive documents from the numerous files of ESI personnel that were searched. See After this initial pull of documents, attorneys for AHP's outside counsel, who had significant prior experience and training in the review of documents, reviewed the documents for responsiveness and segregated out those documents potentially protected by the attorney-client and work product privileges. See As an added layer of caution, re-reviewed the segregated documents, and based on the information available to him at the time, made a decision as to which documents had a colorable claim of privilege. See

The documents at issue were not pulled as potentially privileged and, therefore, were not reviewed by prior to being produced. See
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. Accordingly, the failure to pull them as privileged did not result from any lack of precaution in the review process. In fact, it would have been unlikely for any attorney or paralegal reviewing these documents to determine that they were protected by the attorney-client or work product privileges without first understanding the specific circumstances that led to the documents being created.

Courts faced with precautions much less stringent than these have found the precautions taken to be reasonable. See, e.g., Aramony v. United Way of America, 969 F. Supp. 226, 236 (S.D.N.Y. 1997) (finding reasonable procedure to protect the privilege where paralegals and junior associates in large document production reviewed all documents and identified potentially privileged ones, which were then reviewed by a senior associate for a final determination of privilege); Bank Brussels Lambert v. Credit Lyonnais (Suisse) S.A., 160 F.R.D. 437, 445 (S.D.N.Y. 1995) (concluding that where paralegal mistakenly produced an entire box of

privileged documents, disclosure was nonetheless inadvertent and precautions taken by counsel were reasonable).

2. AHP Attempted To Retrieve the Privileged Documents Immediately Upon Discovering Its Inadvertent Production

Upon discovering that the documents at issue were privileged and had been inadvertently produced, AHP took immediate action to rectify the error. Although the documents were produced to the FTC more than a year ago, the issue is whether AHP acted promptly to retrieve the documents after discovering the inadvertent disclosure. See, e.g., In re Southeast Banking Corp. Secs. & Loan Loss Reserves Litig., 212 B.R. 386, 393 (S.D. Fla. 1997) (finding prompt action to rectify where, “after it learned of the inadvertent disclosure, [the producing party] immediately and persistently took steps to recover the documents”); Kansas City Power & Light Co. v. Pittsburgh Midway Coal Mining Co., 133 F.R.D. 171, 172 (D. Kan. 1989) (noting that the relevant time should begin when the producing party discovered the inadvertent disclosure, and finding that although party produced the privileged documents fourteen months earlier, party acted “within a reasonable amount of time” because it attempted to rectify the error within two weeks of discovery of the inadvertence).

Here, AHP discovered that the documents at issue were prepared at the request of counsel in July and August 2001 and promptly demanded that Complaint Counsel, as well as the co-Respondents, return all copies of the documents at issue, including the . . . deposition transcript. See Exhibit A to, Letter from Cathy Hoffman to Andrew Ginsburg, dated July 20, 2001. AHP made a subsequent demand on Complaint Counsel to return the privileged documents, this time explaining in detail the bases for the privilege as to each specific document. See Exhibit B to, Letter from Cathy Hoffman to Bradley Albert, dated

July 25, 2001. After AHP's attempts to retrieve the documents at issue proved unsuccessful, AHP filed this motion for a protective order. There can be no question that AHP acted reasonably and promptly to rectify the inadvertent disclosure once it learned it had occurred.

3. The Production of These Few Privileged Documents Among the Tens of Thousands That Were Searched and Produced Weighs In Favor of a Finding of Non-Waiver

"Courts have routinely found that where a large number of documents are involved, there is more likely to be an inadvertent disclosure rather than a knowing waiver." United States Fidelity & Guaranty Co., 2000 WL 744369, at *6 (citing Baker's Aid v. Hussmann Food Serv. Co., No. 87 Civ. 0937, 1988 WL 138254, at *5 (E.D.N.Y. Dec. 19, 1988)).

The Commission issued a very broad subpoena to AHP on November 5, 1999, which required that AHP complete its document production within thirty days. In order to ensure that AHP's production complied with the strictures of the Commission's subpoena, AHP negotiated with FTC Staff to allow production on a rolling basis during the end of 1999 and beginning of 2000. See AHP collected and reviewed the files of numerous persons employed at AHP and ESI Lederle. See AHP also had to gather and search through the numerous pleadings, depositions, expert reports and other documents relating to the underlying patent suit between ESI and Schering-Plough. See

The documents collected and reviewed filled over forty banker's boxes and consisted of over 100,000 pages of documents. See The documents actually produced to the FTC amounted to nine full banker boxes, totaling more than 27,000 pages of documents. The documents were produced under time pressure, during a busy holiday season. Of the 27,000 documents produced to the FTC, this motion applies to only nine documents. In Hoechst,

Aventis produced 20,000 pages of documents to the FTC on a rolling basis. This Court found that Aventis had not waived the attorney-client privilege as to an inadvertently produced privileged document. See Order at 4, attached hereto as Exhibit 10. Accord In re Copper Market Antitrust Litig., 200 F.R.D. 213, 222 (S.D.N.Y. 2001) (finding of non-waiver where party inadvertently turned over 17 privileged documents out of a total of 15,000 pages that were produced). These facts also dictate against waiver.

4. The Extent of Disclosure Has Been Minimal

Another factor that weighs into the balancing test is the extent of the disclosure. Here, only nine documents were inadvertently produced in a production totaling 27,000 pages of documents. There has been no examination or testimony relating to four of the inadvertently produced privileged documents at issue. Although five of the documents at issue were marked as exhibits to pre-Complaint investigational hearing, stated during his testimony that he did not know who had created them, why they had been created, or to whom they were distributed. Because had almost no recollection as to the origins or purposes behind the privileged documents marked as exhibits during his investigational hearing, and only testified about his speculations concerning these documents, he did not disclose any communications between himself and counsel. See . . . deposition at pp. 33, 77-79, 104-07, Ex. 8; see also Zapata v. IBP, Inc., 175 F.R.D. 574, 576 (D. Kan. 1997) (finding of non-waiver of work product privilege where inadvertently produced document was introduced at deposition and witness gave limited testimony concerning such document).¹³

¹³ In Zapata, Defendant's attorney mistakenly sent to defendant's expert a copy of plaintiff's expert's report, which contained defendant attorney's handwritten notations. Plaintiff's counsel deposed defendant's expert, who produced his file, which included the report with defendant's attorney's handwritten notations. Plaintiff's counsel introduced the report containing the attorney's notations during the course of the deposition. Defendant's local counsel was defending the deposition and did not object because she did not know who had made the notations on the report. Defendant's expert testified that he had not relied upon the handwritten notations when he reviewed

The Court should also be aware that the broad scope of the testimony that Complaint Counsel now seeks with respect to the five inadvertently produced documents further underscores the minimal nature of the disclosures made by . . . regarding these documents during his investigational hearing. See Complaint Counsel's Notice of Deposition, dated June 25, 2001, attached hereto as Exhibit 9. For example, the Notice of Deposition seeks testimony as to who created the documents, why they were created, how they were created, when they were created, what assumptions underlay the figures, to whom they were distributed, who used them and in what capacity and any other "relevant information" pertaining to the documents. See Notice of Deposition, Ex. 9. The broad and extensive scope of the testimony the Notice seeks concerning these documents reinforces AHP's position that testimony as to . . . exhibits 1, 4 - 6 and 8 during his investigational hearing was minimal.

Furthermore, even if Complaint Counsel has reviewed closely and/or relied on the privileged market forecasts, such actions do not constitute extensive disclosure. See Kansas City Power & Light Co., 133 F.R.D. at 173 (finding that although defendant may have "intensively reviewed" the privileged documents over the fourteen month period, such intensive review is not the same as extensive disclosure).¹⁴

plaintiff's expert's report. In applying the five factor test to determine whether there had been a waiver of the attorney work product privilege, the court found that the brief questioning by plaintiff's counsel concerning the handwritten notes on the report constituted only "minimal extent of disclosure," weighing in favor of preserving the party's work product protection. See Zapata v. IBP, Inc., 175 F.R.D. 574, 578 (D. Kan. 1997).

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5. Considerations of Fairness and Justice Require a Determination of Non-Waiver

Finally, courts consider “the overreaching issues of fairness and the protection of an appropriate privilege.” Gray v. Gene Bicknell, 86 F.3d 1472, 1484 (8th Cir. 1996). Here, a waiver of privilege as to the privileged documents at issue would greatly prejudice Respondent AHP, while prejudice to complaint counsel would be minimal at best. The documents reflect highly privileged and sensitive communications made between AHP’s counsel and AHP to assist counsel in providing legal advice and services to its client. The documents also constitute work product. They were prepared for purposes of litigation, and of these documents contain the very thought processes and mental impressions of both in-house and outside counsel.

The very purpose of the attorney-client privilege is to encourage full and frank discussion between lawyer and client so that clients may obtain proper legal advice. The documents at issue here epitomize the underlying rationale for the existence of the privilege; counsel requested the client to provide information and analysis so that counsel could better serve the client’s legal need and the client then provided such analysis in an effort to attain legal guidance.

The justifications underlying the attorney work product doctrine likewise support a finding of non-waiver. Lawyers need a zone of privacy so that they can properly prepare the client’s case without undue intrusion and interference from an opposing counsel or party. See Hickman, 329 U.S. at 510-11. Allowing the documents at issue to be used as evidence at deposition or trial would obliterate any pretense of privacy due to AHP’s counsel.

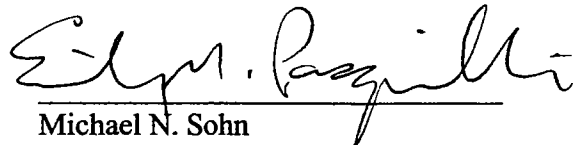
Furthermore, compelling the return of the documents at issue will not work any undue hardship or prejudice to Complaint Counsel. See In re Copper Market Antitrust Litig., 200 F.R.D. at 223 (noting that [d]epriving a party of information in an otherwise privileged document

..... deposition transcript of so that testimony about these privileged documents given during that deposition may be redacted; (iii) prohibiting complaint counsel from using the inadvertently produced privileged documents in any manner in this case; and (iv) barring complaint counsel from asking any questions at depositions or at trial related to these documents.

Dated October 2, 2001

Respectfully Submitted,

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Attorneys for American Home Products
Corporation

**UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION**

In the Matter of)	
)	
Schering-Plough Corporation,)	
a corporation,)	
)	Docket No. 9297
Upsher-Smith Laboratories, Inc.,)	
a corporation,)	
)	PUBLIC RECORD
and)	
)	
American Home Products Corporation,)	
a corporation)	
)	

CERTIFICATE OF SERVICE

I, Emily M. Pasquinelli, hereby certify that on October 2, 2001, I caused a true and correct copy of the *American Home Products Corporation's Motion for Protective Order and To Compel Return of Privileged and Work Product Materials* to be served upon the following as follows:

Two paper copies by hand delivery to:
Hon. D. Michael Chappell
Administrative Law Judge
Federal Trade Commission
Room 104
600 Pennsylvania Ave., N.W.
Washington, D.C. 20580 (2 copies)

The paper original and one paper copy by hand delivery and one electronic copy to:
Office of the Secretary
Federal Trade Commission
Room H-159
600 Pennsylvania Ave., N.W.
Washington, D.C. 20580 (original and 1 copy)

One paper copy by hand delivery to:

Karen G. Bokat
Federal Trade Commission
601 Pennsylvania Ave., N.W.
Room 3115
Washington, D.C. 20580
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Emily M. Pasquinelli

**Admitted to the New York
Bar only. Practice supervised directly
by active members of the DC Bar.
Arnold & Porter

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION



_____)
In the Matter of)
)
Schering-Plough Corporation,)
a corporation,)
)
Upsher-Smith Laboratories,)
a corporation,)
)
and)
)
American Home Products Corporation,)
a corporation.)
_____)

Docket No. 9297

PROTECTIVE ORDER GOVERNING DISCOVERY MATERIAL

For the purpose of protecting the interests of the parties and third parties in the above captioned matter against improper use and disclosure of confidential information submitted or produced in connection with this matter:

IT IS HEREBY ORDERED THAT this Protective Order Governing Confidential Material ("Protective Order") shall govern the handling of all Discovery Material, as hereafter defined.

DEFINITIONS

1. "Matter" means the matter captioned *In the Matter of Schering-Plough Corporation, Upsher-Smith Laboratories, and American Home Products Corporation*, Docket Number 9297, pending before the Federal Trade Commission, and all subsequent appellate or other review

proceedings related thereto.

2. “Commission” or “FTC” means the Federal Trade Commission, or any of its employees, agents, attorneys, and all other persons acting on its behalf, excluding persons retained as consultants or experts for the purposes of this Matter.

3. “Schering-Plough” means Schering-Plough Corporation, a corporation organized, existing, and doing business under and by virtue of the laws of the State of New Jersey, with its office and principal place of business located at Kenilworth, New Jersey.

4. “Upsher-Smith” means Upsher-Smith Laboratories, Inc., a corporation organized, existing, and doing business under and by virtue of the laws of the state of Minnesota, with its office and principal place of business located at Plymouth, Minnesota.

5. “AHP” means American Home Products, a corporation organized, existing, and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at Madison, New Jersey.

6. “Party” means either the FTC, Schering-Plough, Upsher-Smith, or AHP.

7. “Respondents” means Schering-Plough, Upsher-Smith, and AHP.

8. “Outside Counsel” means the law firms that are counsel of record for Respondents in this Matter and their associated attorneys; or other persons regularly employed by such law firms, including legal assistants, clerical staff, and information management personnel and temporary personnel retained by such law firm(s) to perform legal or clerical duties, or to provide logistical litigation support with regard to this Matter; provided that any attorney associated with Outside Counsel shall not be a director, officer or employee of Respondents. The term Outside Counsel does not include persons retained as consultants or experts for the purposes of this Matter.

9. "Producing Party" means a Party or Third Party that produced or intends to produce Confidential Discovery Material to any of the Parties. For purposes of Confidential Discovery Material of a Third Party that either is in the possession, custody or control of the FTC or has been produced by the FTC in this Matter, the Producing Party shall mean the Third Party that originally provided the Confidential Discovery Material to the FTC. The Producing Party shall also mean the FTC for purposes of any document or material prepared by, or on behalf of the FTC.

10. "Third Party" means any natural person, partnership, corporation, association, or other legal entity not named as a party to this Matter and their employees, directors, officers, attorneys and agents.

11. "Expert/Consultant" means experts or other persons who are retained to assist Complaint Counsel or Respondents' counsel in preparation for trial or to give testimony at trial.

12. "Document" means the complete original or a true, correct and complete copy and any non-identical copies of any written or graphic matter, no matter how produced, recorded, stored or reproduced, including, but not limited to, any writing, letter, envelope, telegraph meeting minute, memorandum statement, affidavit, declaration, book, record, survey, map, study, handwritten note, working paper, chart, index, tabulation, graph, tape, data sheet, data processing card, printout, microfilm, index, computer readable media or other electronically stored data, appointment book, diary, diary entry, calendar, desk pad, telephone message slip, note of interview or communication or any other data compilation, including all drafts of all such documents. "Document" also includes every writing, drawing, graph, chart, photograph, phono record, tape, compact disk, video tape, and other data compilations from which information can

be obtained, and includes all drafts and all copies of every such writing or record that contain any commentary, notes, or marking whatsoever not appearing on the original.

13. “Discovery Material” includes without limitation deposition testimony, deposition exhibits, interrogatory responses, admissions, affidavits, declarations, documents produced pursuant to compulsory process or voluntarily in lieu thereof, and any other documents or information produced or given to one Party by another Party or by a Third Party in connection with discovery in this Matter.

14. “Confidential Discovery Material” means all Discovery Material that is designated by a Producing Party as confidential and that is covered by Section 6(f) of the Federal Trade Commission Act, 15 U.S.C. § 46(f), and Commission Rule of Practice § 4.10(a)(2), 16 C.F.R. § 4.10(a)(2); or Section 26(c)(7) of the Federal Rules of Civil Procedure and precedents thereunder. Confidential Discovery Material shall include non-public commercial information, the disclosure of which to Respondents or Third Parties would cause substantial commercial harm or personal embarrassment to the disclosing party. The following is a nonexhaustive list of examples of information that likely will qualify for treatment as Confidential Discovery Material: strategic plans (involving pricing, marketing, research and development, product roadmaps, corporate alliances, or mergers and acquisitions) that have not been fully implemented or revealed to the public; trade secrets; customer-specific evaluations or data (e.g., prices, volumes, or revenues); personnel files and evaluations; information subject to confidentiality or non-disclosure agreements; proprietary technical or engineering information; proprietary financial data or projections; and proprietary consumer, customer or market research or analyses applicable to current or future market conditions, the disclosure of which could reveal

Confidential Discovery Material.

TERMS AND CONDITIONS OF PROTECTIVE ORDER

1. Discovery Material, or information derived therefrom, shall be used solely by the Parties for purposes of this Matter, and shall not be used for any other purpose, including without limitation any business or commercial purpose, except that with notice to the Producing Party, a Party may apply to the Administrative Law Judge for approval of the use or disclosure of any Discovery Material, or information derived therefrom, for any other proceeding. Provided, however, that in the event that the Party seeking to use Discovery Material in any other proceeding is granted leave to do so by the Administrative Law Judge, it will be required to take appropriate steps to preserve the confidentiality of such material. Additionally, in such event, the Commission may only use or disclose Discovery Material as provided by (1) its Rules of Practice, Sections 6(f) and 21 of the Federal Trade Commission Act and any cases so construing them; and (2) any other legal obligation imposed upon the Commission. The Parties, in conducting discovery from Third Parties, shall attach to such discovery requests a copy of this Protective Order and a cover letter that will apprise such Third Parties of their rights hereunder.

2. This paragraph concerns the designation of material as “Confidential” and “Restricted Confidential, Attorney Eyes Only.”

(a) Designation of Documents as CONFIDENTIAL - FTC Docket No. 9297.

Discovery Material may be designated as Confidential Discovery Material by Producing Parties by placing on or affixing, in such manner as will not interfere with the legibility thereof, the notation “CONFIDENTIAL - FTC Docket No. 9297” (or other similar notation containing a

reference to this Matter) to the first page of a document containing such Confidential Discovery Material, or, by Parties by instructing the court reporter to denote each page of a transcript containing such Confidential Discovery Material as “Confidential.” Such designations shall be made within fourteen days from the initial production or deposition and constitute a good-faith representation by counsel for the Party or Third Party making the designations that the document constitutes or contains “Confidential Discovery Material.”

(b) Designation of Documents as “RESTRICTED CONFIDENTIAL, ATTORNEY EYES ONLY – FTC Docket No. 9297.”

In order to permit Producing Parties to provide additional protection for a limited number of documents that contain highly sensitive commercial information, Producing Parties may designate documents as “Restricted Confidential, Attorney Eyes Only, FTC Docket No. 9297” by placing on or affixing such legend on each page of the document. It is anticipated that documents to be designated Restricted Confidential, Attorney Eyes Only may include certain marketing plans, sales forecasts, business plans, the financial terms of contracts, operating plans, pricing and cost data, price terms, analyses of pricing or competition information, and limited proprietary personnel information; and that this particularly restrictive designation is to be utilized for a limited number of documents. Documents designated Restricted Confidential, Attorney Eyes Only may be disclosed to Outside Counsel, Complaint Counsel, in-house counsel (designated pursuant to paragraph 5, hereof), and to Experts/Consultants (paragraph 4(c), hereof) that are not current officers, directors or employees of pharmaceutical companies (other than in-house counsel designated pursuant to paragraph 5 hereto). Such materials may not be disclosed to Experts/Consultants or to witnesses or deponents at trial or deposition (paragraph 4(d) hereof),

where the Experts/Consultants, deponents or witnesses are current officers, directors, or employees of pharmaceutical companies (other than in-house counsel designated pursuant to paragraph 5 hereto), except in accordance with subsection (c) of this paragraph 2. In all other respects, Restricted Confidential, Attorney Eyes Only material shall be treated as Confidential Discovery Material and all references in this Protective Order and in the exhibit hereto to Confidential Discovery Material shall include documents designated Restricted Confidential, Attorney Eyes Only.

(c) Disclosure of Restricted Confidential, Attorney Eyes Only Material to Experts/Consultants, Deponents or Witnesses Who Are Current Officers, Directors, or Employees of Pharmaceutical Companies (other than in-house counsel designated pursuant to paragraph 5 hereto).

If any Party desires to disclose Restricted Confidential, Attorney Eyes Only material to any Expert/Consultant, deponent or witness that is a current officer, director, or employee of a pharmaceutical company, other than in-house counsel designated pursuant to paragraph 5 hereto, the disclosing Party shall notify the Producing Party of its desire to disclose such material. Such notice shall identify the specific individual to whom the Restricted Confidential, Attorney Eyes Only material is to be disclosed. Such identification shall include, but not be limited to, the full name and professional address and/or affiliation of the identified individual. The Producing Party may object to the disclosure of the Restricted Confidential, Attorney Eyes Only material within five business days of receiving notice of an intent to disclose the Restricted Confidential, Attorney Eyes Only material to an individual by providing the disclosing Party with a written statement of the reasons for objection. If the Producing Party timely objects, the disclosing Party

shall not disclose the Restricted Confidential, Attorney Eyes Only material to the identified individual, absent a written agreement with the Producing Party, order of the Administrative Law Judge or ruling on appeal. The Producing Party lodging an objection and the disclosing Party shall meet and confer in good faith in an attempt to determine the terms of disclosure to the identified individual. If at the end of five business days of negotiating the parties have not resolved their differences or if counsel determine in good faith that negotiations have failed, the disclosing Party may make written application to the Administrative Law Judge as provided by paragraph 7(c) of this Protective Order. If the Producing Party does not object to the disclosure of Restricted Confidential, Attorney Eyes Only material to the identified individual within five business days, the disclosing Party may disclose the Restricted Confidential, Attorney Eyes Only material to the identified individual.

(d) Disputes Concerning Designation or Disclosure of Restricted Confidential, Attorney Eyes Only Material

Disputes concerning the designation or disclosure of Restricted Confidential, Attorney Eyes Only material shall be resolved in accordance with the provisions of paragraph 7.

(e) No Presumption or Inference

No presumption or other inference shall be drawn that material designated Restricted Confidential, Attorney Eyes Only is entitled to the protections of this paragraph.

(f) Due Process Savings Clause

Nothing herein shall be used to argue that a Party's right to attend the trial of, or other proceedings in, this Matter is affected in any way by the designation of material as Restricted Confidential, Attorneys Eyes Only.

3. All documents heretofore obtained by the Commission through compulsory process or voluntarily from any Party or Third Party, regardless of whether designated confidential by the Party or Third Party, and transcripts of any investigational hearings, interviews and depositions, that were obtained during the pre-complaint stage of this Matter shall be treated as “Confidential,” in accordance with paragraph 2(a) on page five of this Order. Furthermore, Complaint Counsel shall, within five business days of the effective date of this Protective Order, provide a copy of this Order to all Parties or Third Parties from whom the Commission obtained documents during the pre-Complaint investigation and shall notify those Parties and Third Parties that they shall have thirty days from the effective date of this Protective Order to determine whether their materials qualify for the higher protection of Restricted Confidential, Attorney Eyes Only and to so designate such documents.

4. Confidential Discovery Material shall not, directly or indirectly, be disclosed or otherwise provided to anyone except to:

- (a) Complaint Counsel and the Commission, as permitted by the Commission’s Rules of Practice;
- (b) Outside Counsel;
- (c) Experts/Consultants (in accordance with paragraph 6 hereto);
- (d) witnesses or deponents at trial or deposition;
- (e) the Administrative Law Judge and personnel assisting him;
- (f) court reporters and deposition transcript reporters;
- (g) judges and other court personnel of any court having jurisdiction over any appeal proceedings involving this Matter; and

(h) any author or recipient of the Confidential Discovery Material (as indicated on the face of the document, record or material), and any individual who was in the direct chain of supervision of the author at the time the Confidential Discovery Material was created or received.

5. In addition to the above-described persons, certain named designated individuals and in-house counsel, not to exceed two attorneys per corporate party, who do not have day to day business responsibilities, shall be provided with access to Confidential Discovery Material, including material designated as “Confidential” and “Restricted Confidential, Attorney Eyes Only” on the condition that each such in-house counsel or designated executive signs a declaration in the form attached hereto as Exhibit “A,” which is incorporated herein by reference. For Respondent Schering-Plough the designated individuals are John Hoffman, Staff Vice President and Associate General Counsel; and Jonathon Wasserman, Senior Antitrust Counsel. For Respondent Upsher-Smith, the designated individual is Mark Robbins, Director of Scientific Affairs. For Respondent AHP, the designated individuals are Louis L. Hoynes, Jr., Executive Vice President and General Counsel; and Elliot Feinberg, Assistant General Counsel, Antitrust.

6. Confidential Discovery Material, including material designated as “Confidential” and “Restricted Confidential, Attorney Eyes Only,” shall not, directly or indirectly, be disclosed or otherwise provided to an Expert/Consultant, whether or not that Expert/Consultant is currently an officer, director, or employee of a pharmaceutical company, unless such Expert/Consultant agrees in writing:

(a) to maintain such Confidential Discovery Material in separate locked rooms or locked cabinet(s) when such Confidential Discovery Material is not being reviewed;

(b) to return such Confidential Discovery Material to Complaint Counsel or

Respondents' Outside Counsel, as appropriate, upon the conclusion of the Expert/Consultant's assignment or retention or the conclusion of this Matter;

(c) to not disclose such Confidential Discovery Material to anyone, except as permitted by the Protective Order; and

(d) to use such Confidential Discovery Material and the information contained therein solely for the purpose of rendering consulting services to a Party to this Matter, including providing testimony in judicial or administrative proceedings arising out of this Matter.

7. This paragraph governs the procedures for the following specified disclosures and challenges to designations of confidentiality.

(a) Disclosure of Confidential Discovery Material to Experts Who Are Current Officers, Directors or Employees of Pharmaceutical Companies (other than in-house counsel designated pursuant to paragraph 5 hereto).

If any Party desires to disclose Confidential Discovery Material to any Expert who may testify and who is a current officer, director or employee of a pharmaceutical company (other than in-house counsel designated pursuant to paragraph 5 hereto), the disclosing Party shall notify the Producing Party of its desire to disclose such material. Such notice shall identify the specific expert who may testify to whom the Confidential Discovery Material is to be disclosed. Such identification shall include, but not be limited to, the full name and professional address and/or affiliation of the proposed expert who may testify, and a current curriculum vitae of such expert identifying all other present and prior employees and/or firms in the pharmaceutical industry for which or on behalf of which the identified expert has been employed or done consulting work in the preceding four years. The Producing Party may object to the disclosure of

the Confidential Discovery Material within five business days of receiving notice of an intent to disclose the Confidential Discovery Material to the identified expert by providing the disclosing Party with a written statement of the reasons for the objection. If the Producing Party timely objects, the disclosing Party shall not disclose the Confidential Discovery Material to the identified expert, absent a written agreement with the Producing Party or order of the Administrative Law Judge. The Producing Party lodging an objection and the disclosing Party shall meet and confer in good faith in an attempt to determine the terms of disclosure to the identified expert. If at the end of five business days of negotiating the parties have not resolved their differences or if counsel determine in good faith that negotiations have failed, the disclosing Party may make written application to the Administrative Law Judge as provided by paragraph 7(c) of this Protective Order. If the Producing Party does not object to the disclosure of Confidential Discovery Material to the identified expert within five business days; the disclosing Party may disclose the Confidential Discovery Material to the identified expert.

(b) Challenges to Confidentiality Designations

If any Party seeks to challenge a Producing Party's designation of material as Confidential Discovery Material or any other restriction contained within this Protective Order, the challenging Party shall notify the Producing Party and all Parties to this action of the challenge to such designation. Such notice shall identify with specificity (i.e., by document control numbers, deposition transcript page and line reference, or other means sufficient to locate easily such materials) the designation being challenged. The Producing Party may preserve its designation within five business days of receiving notice of the confidentiality challenge by providing the challenging Party and all Parties to this action with a written statement of the reasons for the

designation. If the Producing Party timely preserves its rights, the Parties shall continue to treat the challenged material as Confidential Discovery Material, absent a written agreement with the Producing Party or order of the Administrative Law Judge. The Producing Party, preserving its rights, and the challenging Party shall meet and confer in good faith in an attempt to negotiate changes to any challenged designation. If at the end of five business days of negotiating the parties have not resolved their differences or if counsel determine in good faith that negotiations have failed, the challenging Party may make written application to the Administrative Law Judge as provided by paragraph 7(c) of this Protective Order. If the Producing Party does not preserve its rights within five business days, the challenging Party may alter the designation as contained in the notice. The challenging Party shall notify the Producing Party and the other Parties to this action of any changes in confidentiality designations.

Regardless of confidential designation, copies of published magazine or newspaper articles, and excerpts from published books and public documents filed with the Securities and Exchange Commission may be used by any Party without reference to the procedures of this subparagraph.

(c) Resolution of Disclosure or Confidentiality Disputes

If negotiations under subparagraphs 7(a)-(b) of this Protective Order have failed to resolve the issues, a Party seeking to disclose Confidential Discovery Material or challenging a confidentiality designation or any other restriction contained within this Protective Order may make written application to the Administrative Law Judge for relief. Such application shall be served on the Producing Party and the other Party, and be accompanied by a certification that the meet and confer obligations of this paragraph have been met, but that good faith negotiations

have failed to resolve outstanding issues. The Producing Party and any other Parties shall have five business days to respond to the application. While an application is pending, the Parties shall maintain the pre-application status of the Confidential Discovery Material. Nothing in this Protective Order shall create a presumption or alter the burden of persuading the Administrative Law Judge of the propriety of a requested disclosure or change in designation.

8. Confidential Discovery Material shall not be disclosed to any person described in subparagraphs 4(c) and 4(d) and paragraph 5 of this Protective Order until such person has executed and transmitted to Respondent's counsel or Complaint Counsel, as the case may be, a declaration or declarations, as applicable, in the form attached hereto as Exhibit "A," which is incorporated herein by reference. Respondents' counsel and Complaint Counsel shall maintain a file of all such declarations for the duration of the litigation. Confidential Discovery Material shall not be copied or reproduced for use in this Matter except to the extent such copying or reproduction is reasonably necessary to the conduct of this Matter, and all such copies or reproductions shall be subject to the terms of this Protective Order. If the duplication process by which copies or reproductions of Confidential Discovery Material are made does not preserve the confidentiality designations that appear on the original documents, all such copies or reproductions shall be stamped "CONFIDENTIAL – FTC Docket No. 9297."

9. The Parties shall not be obligated to challenge the propriety of any designation or treatment of information as confidential and the failure to do so promptly shall not preclude any subsequent objection to such designation or treatment, or any motion seeking permission to disclose such material to persons not referred to in paragraphs 4 and 5 above. If Confidential Discovery Material is produced without the legend attached, such document shall be treated as

Confidential from the time the Producing Party advises Complaint Counsel and Respondents' counsel in writing that such material should be so designated and provides all the Parties with an appropriately labeled replacement. The Parties shall return promptly or destroy the unmarked documents.

10. If the FTC: (a) receives a discovery request that may require the disclosure by it of a Third Party's Confidential Discovery Material; or (b) intends to or is required to disclose, voluntarily or involuntarily, a Third Party's Confidential Discovery Material (whether or not such disclosure is in response to a discovery request), the FTC promptly shall notify the Third Party of either receipt of such request or its intention to disclose such material. Such notification shall be in writing and, if not otherwise done, sent for receipt by the Third Party at least five business days before production, and shall include a copy of this Protective Order and a cover letter that will apprise the Third Party of its rights hereunder.

11. If any person receives a discovery request in another proceeding that may require the disclosure of a Producing Party's Confidential Discovery Material, the subpoena recipient promptly shall notify the Producing Party of receipt of such request. Such notification shall be in writing and, if not otherwise done, sent for receipt by the Producing Part at least five business days before production, and shall include a copy of this Protective Order and a cover letter that will apprise the Producing Party of its rights hereunder. The Producing Party shall be solely responsible for asserting any objection to the requested production. Nothing herein shall be construed as requiring the subpoena recipient or anyone else covered by this Order to challenge or appeal any such order requiring production of Confidential Discovery Material, or to subject itself to any penalties for noncompliance with any such order, or to seek any relief from the

Administrative Law Judge or the Commission.

12. This Order governs the disclosure of information during the course of discovery and does not constitute an *in camera* order as provided in Section 3.45 of the Commission's Rules of Practice, 16 C.F.R. § 3.45.

13. Nothing in this Protective Order shall be construed to conflict with the provisions of Sections 6, 10, and 21 of the Federal Trade Commission Act, 15 U.S.C. §§ 46, 50, 57b-2, or with Rules 3.22, 3.45 or 4.11(b)-(e), 16 C.F.R. §§ 3.22, 3.45 and 4.11(b)-(e).¹

Any Party or Producing Party may move at any time for *in camera* treatment of any Confidential Discovery Material or any portion of the proceedings in this Matter to the extent necessary for proper disposition of the Matter. An application for *in camera* treatment must meet the standards set forth in 16 C.F.R. § 3.45 and explained in *In re Dura Lube Corp.*, 1999 FTC LEXIS 255 (Dec. 23, 1999).

14. At the conclusion of this Matter, Respondents' counsel shall return to the Producing Party, or destroy, all originals and copies of documents and all notes, memoranda, or other papers containing Confidential Discovery Material which have not been made part of the public record in this Matter. Complaint Counsel shall dispose of all documents in accordance with Rule 4.12, 16 C.F.R. § 4.12.

15. The provisions of this Protective Order, insofar as they restrict the communication and use of Confidential Discovery Material shall, without written permission of the Producing Party

¹ The right of the Administrative Law Judge, the Commission, and reviewing courts to disclose information afforded *in camera* treatment or Confidential Discovery Material, to the extent necessary for proper disposition of the proceeding, is specifically reserved pursuant to Rule 3.45, 16 C.F.R. § 3.45.

or further order of the Administrative Law Judge hearing this Matter, continue to be binding after the conclusion of this Matter.

16. This Protective Order shall not apply to the disclosure by a Producing Party or its Counsel of such Producing Party's Confidential Discovery Material to such Producing Party's employees, agents, former employees, board members, directors, and officers.

17. The production or disclosure of any Discovery Material made after entry of this Protective Order which a Producing Party claims was inadvertent and should not have been produced or disclosed because of a privilege will not automatically be deemed to be a waiver of any privilege to which the Producing Party would have been entitled had the privileged Discovery Material not inadvertently been produced or disclosed. In the event of such claimed inadvertent production or disclosure, the following procedures shall be followed:

(a) The Producing Party may request the return of any such Discovery Material within twenty days of discovering that it was inadvertently produced or disclosed (or inadvertently produced or disclosed without redacting the privileged content). A request for the return of any Discovery Material shall identify the specific Discovery Material and the basis for asserting that the specific Discovery Material (or portions thereof) is subject to the attorney-client privilege or the work product doctrine and the date of discovery that there had been an inadvertent production or disclosure.

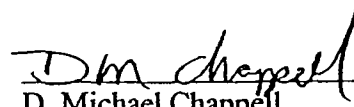
(b) If a Producing Party requests the return, pursuant to this paragraph, of any such Discovery Material from another Party, the Party to whom the request is made shall return immediately to the Producing Party all copies of the Discovery Material within its possession, custody, or control—including all copies in the possession of experts, consultants, or others to

whom the Discovery Material was provided—unless the Party asked to return the Discovery Material in good faith reasonably believes that the Discovery Material is not privileged. Such good faith belief shall be based on either (i) a facial review of the Discovery Material, or (ii) the inadequacy of any explanations provided by the Producing Party, and shall not be based on an argument that production or disclosure of the Discovery Material waived any privilege. In the event that only portions of the Discovery Material contain privileged subject matter, the Producing Party shall substitute a redacted version of the Discovery Material at the time of making the request for the return of the requested Discovery Material.

(c) Should the Party contesting the request to return the Discovery Material pursuant to this paragraph decline to return the Discovery Material, the Producing Party seeking return of the Discovery Material may thereafter move for an order compelling the return of the Discovery Material. In any such motion, the Producing Party shall have the burden of showing that the Discovery Material is privileged and that the production was inadvertent.

18. Entry of the foregoing Protective Order is without prejudice to the right of the Parties or Third Parties to apply for further protective orders or for modification of any provisions of this Protective Order.

ORDERED:


D. Michael Chappell
Administrative Law Judge

Date: May 10, 2001

**UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION**

In the Matter of)	
)	
Schering-Plough Corporation, a corporation,)	
)	
Upsher-Smith Laboratories, a corporation,)	Docket No. 9297
)	
and)	
)	
American Home Products Corporation, a corporation.)	
)	

**DECLARATION CONCERNING PROTECTIVE
ORDER GOVERNING DISCOVERY MATERIAL**

I, [NAME], hereby declare and certify the following to be true:

1. [Statement of employment]
2. I have read the "Protective Order Governing Discovery Material" (Protective Order") issued by Administrative Law Judge D. Michael Chappell on May 10, 2001, in connection with the above captioned matter. I understand the restrictions on my use of any Confidential Discovery Material (as this term is used in the Protective Order) in this action and I agree to abide by the Protective Order.
3. I understand that the restrictions on my use of such Confidential Discovery Material include:
 - a. that I will use such Confidential Discovery Material only for the purposes of preparing for this proceedings, and hearing(s) and any appeal of this proceeding and for no other purpose;
 - b. that I will not disclose such Confidential Discovery Material to anyone, except as permitted by the Protective Order; and
 - c. that upon the termination of my participation in this proceeding I will

promptly return all Confidential Discovery Material, and all notes, memoranda, or other papers containing Confidential Discovery Material, to Complaint Counsel or Respondent's counsel, as appropriate.

4. I understand that if I am receiving Confidential Discovery Material as an Expert/Consultant, as that term is defined in this Protective Order, the restrictions on my use of Confidential Discovery Material also include the duty and obligation:

- a. to maintain such Confidential Discovery Material in separate locked room(s) or locked cabinet(s) when such Confidential Discovery Material is not being reviewed;
- b. to return such Confidential Discovery Material to Complaint Counsel or Respondent's Outside Counsel, as appropriate, upon the conclusion of my assignment or retention; and
- c. to use such Confidential Discovery Material and the information contained therein solely for the purpose of rendering consulting services to a Party to this matter, including providing testimony in judicial or administrative proceedings arising out of this matter.

5. I am fully aware that, pursuant to Section 3.42(h) of the Commission's Rules of Practice, 16 C.F.R. § 3.42(h), my failure to comply with the terms of the Protective Order may constitute contempt of the Commission and may subject me to sanctions imposed by the Commission.

Full Name [Typed or Printed]

Date: _____

Signature

Exhibit 2

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION

In the Matter of)
)
Schering-Plough Corporation,)
a corporation,)
)
Upsher-Smith Laboratories,)
a corporation,)
)
and)
)
American Home Products Corporation,)
a corporation.)

Docket No. 9297

**ORDER DENYING AHP'S MOTION SEEKING LEAVE
TO REQUIRE THAT ALL BRIEFING REGARDING ITS
MOTION FOR PROTECTIVE ORDER BE FILED UNDER SEAL**

I.

On September 17, 2001, Respondent American Home Products Corporation ("AHP") filed its Motion Seeking Leave to Require That All Briefing Regarding Its Motion for Protective Order Be Filed Under Seal. Complaint Counsel and other Respondents do not oppose the motion.

II.

AHP states that it recently discovered it had inadvertently produced to the staff of the Bureau of Competition during the Federal Trade Commission's pre-Complaint investigation of this matter several documents which it asserts are protected by the attorney client or work product privileges. AHP intends to file a motion for a protective order requiring Complaint Counsel to return these documents to AHP. In the instant motion, AHP seeks relief from the requirement in Rule 3.22(a) that it file such subsequent motion with the Office of the Secretary. For the reasons set forth below, that request is DENIED. However, pursuant to Rule 3.45(b), AHP may file two versions of its motion for a protective order: a public, redacted version; and a non-public, confidential version.

III.


Rule 3.22(a) of the Commission's Rules of Practice requires that all written motions shall be filed with the Secretary of the Commission. 16 C.F.R. § 3.22(a). If a party includes in a motion information that is subject to confidentiality protections pursuant to a protective order, the party shall file two versions of the motion, a confidential, non-public version and a redacted, public version. 16 C.F.R. §§ 3.22(b); 3.45(b). Both the public and the non-public versions are filed with the Office of the Secretary. 16 C.F.R. §3.45(b). Only the redacted, public version is made available for inspection to the public.

To rule on a motion for a protective order seeking the return of documents for which inadvertent disclosure of privilege is claimed, two determinations must be made. First, whether the documents are privileged. Second, whether the privilege was waived through disclosure. Whether or not the privilege was waived can be determined not by looking at the documents, but by assessing the circumstances under which they were produced. *See In re Hoechst Marion Roussel, Inc.*, 2000 FTC LEXIS 155, *6-7 (Oct. 17, 2000) (*citing United States v. De Lajara*, 973 F.2d 746, 749 (9th Cir. 1992) ("In determining whether the privilege should be deemed to be waived, the circumstances surrounding the disclosure are to be considered.")).

In *Hoechst Marion Roussel*, a balancing test which permits consideration of the totality of the circumstances surrounding disclosure was adopted for determining whether disclosure waives any privileges. 2000 FTC LEXIS 155, at *7. Five factors will be considered: (1) the reasonableness of the precautions taken to prevent inadvertent disclosure; (2) the time taken to rectify the error; (3) the scope of discovery; (4) the extent of the disclosure; and (5) the overreaching issue of fairness and the protection of an appropriate privilege. *Id.* at 6 (*citing Gray v. Gene Bicknell*, 86 F.3d 1472, 1484 (8th Cir. 1996); *Allbread v. Grenada*, 988 F.2d 1425, 1434-35 (5th Cir. 1993)).

AHP should be able to describe the circumstances under which the documents were produced without revealing any privileged information. To the extent Complaint Counsel or other Respondents dispute whether the documents are privileged, AHP should be able to describe sufficiently the context of the documents without revealing the privileged information. However, in the event that AHP feels it is necessary to attach documents which are subject to confidentiality protections pursuant to a protective order or to describe the documents in such detail that may reveal the contents, it may file two versions of its motion for a protective order with the Secretary: a non-public, confidential version and a public, redacted version. In addition, all subsequent briefing, i.e., responses and reply, if any, shall comport with Rule 3.45(b).

ORDERED:


D. Michael Chappell
Administrative Law Judge

Date: September 25, 2001

Exhibit 3

UNITED STATES OF AMERICA
BEFORE THE 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 RECORD

DECLARATION OF IN SUPPORT OF RESPONDENT AMERICAN HOME
PRODUCTS CORPORATION'S MOTION FOR A PROTECTIVE ORDER

I,, declare as follows:

1. I am
. I

have personal knowledge of the facts set forth herein.

2. I represented AHP and ESI Lederle, Inc. ("ESI") during the patent infringement lawsuit involving ESI and Key Pharmaceuticals, Inc. ("Key"), case caption Key Pharmaceuticals, Inc. v. ESI-Lederle, Inc., Civil Action No. 96-1219.

3. The law firm of Kenyon & Kenyon acted as outside counsel for AHP and ESI during the patent infringement lawsuit involving ESI and Key. Paul Heller was a partner at the law firm of Kenyon & Kenyon and represented AHP and ESI in this patent infringement lawsuit.

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I declare under penalty of perjury that the foregoing is true and correct.

Executed on September __, 2001

Respectfully submitted,

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UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

_____)	
In the Matter of)	
)	
Schering-Plough Corporation,)	
a corporation,)	
)	Docket No. 9297
Upsher-Smith Laboratories, Inc.,)	
a corporation,)	
)	PUBLIC RECORD
and)	
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)	
American Home Products Corporation,)	
a corporation)	
_____)	

DECLARATION OF IN SUPPORT OF RESPONDENT AMERICAN HOME
PRODUCTS CORPORATION'S MOTION FOR A PROTECTIVE ORDER

I,, declare as follows:

1.
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. I have personal knowledge of the facts

set forth herein.

2.
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3. Lawrence Alaburda, Litigation Counsel, Patents, for American Home Products
("AHP"), acted as in-house legal counsel for AHP and ESI during the patent infringement
lawsuit brought by Key Pharmaceuticals, Inc. against ESI, case caption Key
Pharmaceuticals, Inc. v. ESI-Lederle, Inc., Civil Action No. 96-1219. Paul Heller, of

Kenyon & Kenyon, acted as outside counsel for AHP and ESI during this same patent infringement lawsuit.

4. During the course of the patent litigation,

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6. I have reviewed

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document was created solely at the request of counsel in the patent litigation between ESI and Key and was not created for any business purpose.

7. I also have reviewed the document containing Bates Numbers

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solely at the request of counsel in the patent litigation and not for any business purpose.

8. It is my best recollection that
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and not for any business purpose.

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for any business purpose, but solely in relation to a request from counsel in the patent suit
between AHP/ESI and Key.

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I declare under penalty of perjury that the foregoing is true and correct.

Executed on September ____, 2001

Respectfully submitted,

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Exhibit 5

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

_____)
In the Matter of)
)
Schering-Plough Corporation,)
a corporation,)
) Docket No. 9297
Upsher-Smith Laboratories, Inc.,)
a corporation,)
)
and)
) PUBLIC RECORD
)
American Home Products Corporation,)
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a corporation)
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DECLARATION OF IN SUPPORT OF RESPONDENT
AMERICAN HOME PRODUCTS CORPORATION'S MOTION FOR A
PROTECTIVE ORDER

I,, declare as follows:

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the facts set forth herein.

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I declare under penalty of perjury that the foregoing is true and correct.

Executed on September ____, 2001

Respectfully submitted,

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UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

_____)	
In the Matter of)	
)	
Schering-Plough Corporation,)	
a corporation,)	
)	Docket No. 9297
Upsher-Smith Laboratories, Inc.,)	
a corporation,)	
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and)	PUBLIC RECORD
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American Home Products Corporation,)	
a corporation)	
_____)	

DECLARATION OF IN SUPPORT OF RESPONDENT
AMERICAN HOME PRODUCTS CORPORATION'S MOTION FOR A
PROTECTIVE ORDER

I,, declare as follows:

1. I am
.....
..... I have personal knowledge of the
facts set forth herein.
2. In response to a subpoena duces tecum issued to AHP by the Federal Trade
Commission ("FTC") on November 5, 1999, counsel for AHP undertook an expansive
document collection and production. I personally supervised the document collection,
document review, and document production process on AHP's behalf. In order to ensure
compliance with the subpoena, I negotiated with FTC Staff to allow for production on a
rolling basis.
3. Counsel for AHP reviewed more than 100,000 pages of documents looking for
responsive material, and produced more than 27,000 pages to the FTC during the pre-
Complaint investigation. I, along with legal assistants at AHP, conducted a search for

documents responsive to the broad subpoena, which entailed examining the files of various employees of AHP and its divisions. In responding to the subpoena, the attorneys also reviewed pleadings, depositions, expert reports and other materials produced in the underlying patent litigation between ESI and Schering.

4. After gathering potentially responsive materials, the documents were then reviewed by trained and experienced attorneys, who reviewed the documents for responsiveness and segregated out those documents that were potentially protected by the attorney-client and attorney work product privileges. The materials that were segregated as being potentially privileged were then given to me to review. I reviewed these documents and, based on the information available to me at the time, made a decision as to which documents had a colorable claim of privilege. Those documents initially were withheld from production to the FTC. Documents that did not appear to be privileged were then integrated back into the document production. I did not review all of the documents that were produced and which were not segregated as being potentially privileged.

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7. When the documents referenced in paragraph 6 of this Affidavit were produced to the FTC in and around February and March of 2000, I did not know that these documents had been prepared at the request of
 Esq. in connection with the patent litigation between ESI and Schering, or that they were not created in the ordinary course of ESI's business. I also did not know at that time that some of these documents reflected the mental impressions of counsel or that they reflected privileged communications between AHP and its counsel.

8. During deposition on, which I attended, counsel for the FTC inquired into the origins of certain market forecasts, including . . . Exhibits 1, 4 through 6 and 8. During the deposition, was unable to recall why the had been created, who at the company had prepared them, or to whom they had been distributed. At the time of deposition, I did not know that 1, 4 through 6 and 8 had been prepared at the request of AHP's counsel during the patent infringement lawsuit or that many of these documents contained the mental impressions of counsel. Because could not remember the origins of those documents during his deposition, I believed there was no definitive basis upon which to claim privilege, and accordingly, did not object to questioning about these documents. I likewise did not advise

..... who was defending deposition, that there was a basis upon which to claim privilege and object to questioning about the documents.

9. I did not learn all of the facts supporting the claim of attorney-client privilege and attorney work product protection regarding the AHP documents referenced herein until July and August of 2001.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on September ____, 2001

Respectfully submitted,

UNITED STATES OF AMERICA
BEFORE FEDERAL TRADE COMMISSION

_____)
In the Matter of)
)
Schering-Plough Corporation,)
a corporation,)
) Docket No. 9297
Upsher-Smith Laboratories, Inc.,)
a corporation,)
)
and) **PUBLIC RECORD**
)
)
American Home Products Corporation,)
a corporation)
_____)

DECLARATION OF IN SUPPORT OF RESPONDENT
AMERICAN HOME PRODUCTS CORPORATION'S MOTION FOR A
PROTECTIVE ORDER

I,, declare as follows:

1. I am
.....
..... I have personal knowledge of the facts set forth
herein.
2. On June 25, 2001, complaint counsel served on AHP a Rule 3.33(c) Notice of
Deposition, which requested AHP to produce a witness to testify about the documents
marked as Exhibits 1 and 4 - 8 to deposition,
.....
.....
3. During July 2001, Arnold & Porter undertook an investigation to identify the
company representative at AHP most knowledgeable about these documents and to
answer the questions posed in the deposition notice.

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4. In July and August 2001, counsel for AHP learned for the first time that the following documents were not prepared for any business purpose, but rather were prepared at the request of, Esq., and/or, Esq.
..... – outside counsel who represented ESI Lederle, Inc. during the patent infringement case filed by Schering’s division, Key Pharmaceuticals, Inc., against ESI – and reflect their mental impressions and/or reflect privileged communications between AHP and its counsel during the patent infringement litigation with Schering regarding K-Dur 20:

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5. Upon concluding that these documents were privileged, and therefore protected from disclosure, I, along with other attorneys at Arnold & Porter, began investigating the circumstances surrounding the production of these documents to the FTC. As a result of that investigation, I learned that each of these documents referenced above had been inadvertently produced to the FTC during its pre-Complaint investigation of this matter.

6. I, along with other attorneys at Arnold & Porter, also reviewed the documents that were withheld from production during the pre-Complaint investigation on grounds of privilege. I confirmed that the documents withheld during the investigation,,
....., were prepared at the request of counsel for purposes of assisting counsel in the

underlying patent litigation and not for any business purpose, and they therefore, were properly withheld from production.

7. After confirming that these documents were privileged and that they were inadvertently produced to the FTC, I sent a letter to Complaint Counsel Andrew Ginsburg on July 20, 2001, notifying complaint counsel of the inadvertent production and requesting the prompt return of the documents, as well as deposition transcript. See Ex. A attached hereto. Complaint Counsel Bradley Albert telephoned me on July 24, requesting additional information to assess AHP's claim of privilege. On July 25, 2001, I provided complaint counsel with a letter describing the facts that support the privileged nature of each of the documents at issue. See Ex. B attached hereto. On July 27, complaint counsel advised me that they would not return the privileged documents. See Ex. C attached hereto. To date, complaint counsel have refused to return the privileged documents.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on September ____, 2001

Respectfully submitted,

.....

ARNOLD & PORTER

Cathy Hoffman
Cathy_Hoffman@aporter.com
202.942.5123
202.942.5939 Fax
555 Twelfth Street, NW
Washington, DC 20004-1206

July 20, 2001

BY TELECOPY & U.S. MAIL

Andrew S. Ginsburg, Esq.
Bureau of Competition
Federal Trade Commission
601 Pennsylvania Avenue, NW
Washington, D. C. 20580
Telecopy: (202) 326-3384

Re: *In the Matter of Schering-Plough Corp., Upsher-Smith
Laboratories, and American Home Products, Docket No. 9297*

Dear Andrew:

I am writing in response to your letter dated July 13, 2001 and to complaint counsel's rule 3.33(c) Notice of Deposition, dated June 25, 2001. As you know from our prior discussions, we have been working diligently to locate responsive information and a company witness to testify about those documents and matters set forth in the Notice of Deposition. While conducting that investigation, we recently have learned that most and likely all of the documents referenced in the Notice of Deposition are protected from discovery by the attorney-client privilege and by the attorney work product doctrine. Specifically, during the course of our investigation to respond to the Notice of Deposition, we have learned that those documents to the were prepared at the request of counsel and contain the mental impressions of counsel. Based upon what we have learned, it also is likely that to were prepared at the request of counsel, and therefore also are privileged. However, we still are finalizing our investigation of that question.

Similarly, during our Rule 3.33(c) investigation, we also learned that two additional documents, bearing bates numbers were prepared at the request of counsel and contain the mental impressions of counsel.¹ Those documents therefore also are protected from discovery by the attorney-

¹ Two other documents, bearing bates numbers , also may have been prepared at the request of counsel, and therefore may also be privileged, but we still are finalizing our investigation of that question.

ARNOLD & PORTER

202.942.5000
202.942.5999 Fax
555 Twelfth Street, NW
Washington, DC 20004-1206

Andrew S. Ginsburg, Esq.
July 20, 2001
Page 2

client privilege and the attorney work product doctrine. Each of these documents was inadvertently produced to the staff at the Bureau of Competition during the FTC's pre-Complaint investigation.

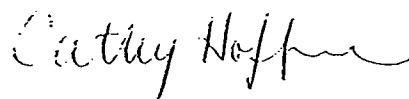
We hereby request that you immediately return the six documents that we have confirmed are privileged and were inadvertently produced, as well as any copies you may have made thereof, to me by no later than Friday, July 27, 2001. We also hereby request that you immediately retrieve and return any copies of these documents which complaint counsel has distributed to others, including experts, by that date. If you have any copies of these documents that contain the mental impressions of counsel and/or other work product notations, we ask that you immediately destroy those copies. Lastly, we ask that you return to me all copies of so that we may redact all testimony relating to the privileged documents. We will return the redacted copies of the transcripts to you once we have done so. The return of these privileged documents is mandated by the law applicable to this case, Judge Chappell's prior rulings on similar issues in the Hoechst/Andrx matter and by the language and spirit of the Protective Order in this case, specifically paragraph 17 thereof.

By copy of this letter, we are requesting counsel for respondents Schering-Plough and Upsher-Smith to follow the same procedures.

Because most and likely all of the documents identified in Complaint Counsel's June 25th Notice of Deposition are privileged, AHP will not be producing a Rule 3.33(c) witness in response to the Notice at this time. As soon as we determine whether
. . . are privileged, we will notify you. Should it turn out that those documents are not privileged, then we will contact you to determine whether complaint counsel would like a Rule 3.33 (c) witness as to those documents.

If you have any questions about any of the issues set forth in this letter, then please call me.

Sincerely,



Cathy Hoffman

cc: Karen Bokar, Esq.

ARNOLD & PORTER

202.942.5000
202.942.5999 Fax

555 Twelfth Street, NW
Washington, DC 20004-1206

Andrew S. Ginsburg, Esq.
July 20, 2001
Page 3

Laura Shores, Esq.
Christopher Curran, Esq.

ARNOLD & PORTER

Cathy Hoffman
Cathy_Hoffman@aporter.com
202.942.5123
202.942.5999 Fax
555 Twelfth Street, NW
Washington, DC 20004-1206

July 25, 2001

CONFIDENTIAL

BY TELECOPY

Bradley S. Albert, Esq.
Federal Trade Commission
601 Pennsylvania Ave., NW
Washington, DC 20580

*Re: In the Matter of Schering Plough Corp., Upsher-Smith Laboratories,
American Home Products, Docket No. 9297*

Dear Brad:

This is to respond to your request yesterday for more information about the six privileged documents identified in my letter of July 20, 2001 to Andrew Ginsburg. You indicated that complaint counsel are trying to evaluate their response to my July 20 letter, and requested that I provide you with more information to assist your assessment of our claim that these documents are subject to the attorney-client and work product privileges. You specifically requested that I provide you with the information that would be contained in a privileged log about each document. The following provides additional information about each document.

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ARNOLD & PORTER

202.942.5000
202.942.5999 Fax
555 Twelfth Street, NW
Washington, DC 20004-1206

Bradley S. Albert, Esq.
July 25, 2001
Page 2

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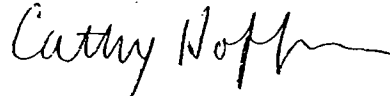
Bradley S. Albert, Esq.
July 25, 2001
Page 3

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We believe the information you have about these documents should enable you to concur in our belief that these documents are protected by the attorney-client and work product privileges. As I noted in my letter of July 20, we are continuing to investigate whether two other documents that were produced during the pre-complaint investigation are similarly protected, and will contact you once we have made that determination.

Please call me if you have any additional questions.

Sincerely,



Cathy Hoffman

cc: Laura Shores, Esq.
Chris Curran, Esq.



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Bureau of Competition

Bradley S. Albert, Esq.
Direct Dial: 202-326-3670

July 27, 2001

VIA FACSIMILE AND U.S. MAIL

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

Re: *In the Matter of Schering-Plough Corp., Upsher-Smith Laboratories, and
American Home Products Corp., FTC Docket No. 9297*

Dear Cathy:

I am writing in response to your letters dated July 20, 2001 and July 25, 2001. You have asked complaint counsel to return of the
. , as well as claiming that all were inadvertently produced. For the reasons described below, we have decided not to return any of these documents at this time.

First, you claim that returning these documents is mandated by the “language and spirit” of Paragraph 17 of the Protective Order. We disagree. Paragraph 17 applies only to “[t]he production or disclosure of any Discovery Material made *after* entry of this Protective Order” (emphasis added). The documents at issue were produced on February 22, 2000 and March 7, 2000, well *before* the filing of the Complaint, let alone the entry of the Protective Order.

In addition, as the title of Paragraph 17 makes clear, that provision covers only the “inadvertent” production of documents. AHP’s production of the disputed documents can in no way be described as inadvertent. Inadvertent or involuntary disclosures occur, for example, when in the midst of a voluminous production, a privileged document is mistakenly included.

Here, by contrast, AHP turned the materials over to the FTC more than one year ago, among a very limited number of documents. Then, complaint counsel used most of the documents asked to be returned in the
. AHP’s outside counsel, Kenneth A. Letzler and Randal M. Shaheen, as well as its inside counsel, Elliot Feinberg, were present. During a hearing which lasted an entire day in which the disputed documents were specifically reviewed by the witness and counsel, no one

Cathy Hoffman, Esq.
July 27, 2001
Page 2

raised any privilege issue concerning or relating to any of these Exhibits. Since that hearing, more than seven months ago, the documents have remained in the Commission's possession and still there was no assertion of any so-called "privilege" until last week. Under these facts, there is no credible argument that the documents were disclosed inadvertently.

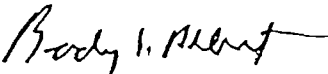
Second, even under the procedures laid out in the Protective Order for inadvertently produced documents, we are under no obligation to return materials which on their face appear to be non-privileged business documents. There is no evidence whatsoever that these documents, which include data, sales forecasts, and financial scenarios, reflect any communication between client and counsel needed for a claim of attorney-client privilege. Nor is there evidence of the thoughts or mental impressions of counsel, which could form the basis for a claim of work-product privilege. In addition, the explanation provided in your letter of July 25, 2001 as to why you believe the materials are privileged has not altered our analysis based on a facial review of the documents.

Finally, under the circumstances, AHP clearly has waived any privilege that may have attached at some point to the disputed documents.

We await the results of your investigation as to in the
. as well as

We expect that AHP promptly will either produce a witness, pursuant to Rule 3.33(c), in response to the Notice of Deposition dated June 25, 2001, or petition the court for a protective order. If you have any questions about our response, please contact me at 202-326-3670.

Sincerely,


Bradley S. Albert, Esq.

cc: Laura S. Shores, Esq.
Christopher M. Curran, Esq.

In The Matter Of:

*SCHERING-PLOUGH & UPSHER-SMITH
MATTER NO. 9910256*

.....
.....

*For The Record, Inc.
Court Reporting and Litigation Support
603 Post Office Road
Suite 309
Waldorf, MD USA 20602
(301) 870-8025 FAX: (301) 870-8333*

*Original File 01005DEY.ASC, 179 Pages
Min-U-Script® File ID: 1738939488*

Word Index included with this Min-U-Script®

[1] now

[2] A: I believe so.

[3] Q: Do you know who prepared it?

[4] A: No, I don't.

[5] Q: Do you know why it was prepared?

[6] A: I really don't know.

[7] Q: Did ESI at some point track sales of
[8] potassium chloride products?

[9] A: Yes.

[10] Q: For what purpose?

[11] A: To see if there was a business opportunity
[12] there for us.

[13] Q: What do you mean by a business opportunity?

[14] A: I referred to the NBSC committee. We would
[15] routinely scan products that are on the market and
[16] evaluate them to see whether there was an
[17] opportunity for us to launch a generic of somebody
[18] else's brand.

[19] Q: Did that committee also look at whether ESI
[20] should launch a generic of an AHP brand?

[21] A: At that — at that time, that committee
[22] existed — was a — was not nearly as developed as
[23] it was, we were a much smaller division, and so
[24] there would have been one or two of us that looked
[25] at the opportunity in terms of that — the Micro K

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[23] Q: All right, I think that's all the questions

[24] on that exhibit, but maybe we can just sort of leave

[25] it here in the middle in case we need to go back.

[1] market and made a decision whether we wanted to
[2] launch a generic or a rollover, we would call it a
[3] rollover of one of Wyeth's brands, yeah.

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[1] Could we go off the record for just a
[2] second.

[3] (Discussion off the record.)

[4] (Mr. Shaheen now present.)

[5] BY MS. BOKAT:

[6] Q: I just note for the record that Randy
[7] Shaheen has entered the room.

[8] I would like to turn now to the ESI ANDA for
[9] the generic version of K-Dur 20.

[10] A: Okay.

[11] Q: After the ANDA was submitted, did the Food &
[12] Drug Administration accept it for filing?

[13] A: Yes.

[14] Q: Did the FDA accept it right away, or —

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[1] business if we just lose money every year.
 [2] Because of that, when they realized the
 [3] problem that was created, we then budgeted products
 [4] that we, in fact, thought we would get second, third
 [5] and fourth quarter, which showed an actual increase
 [6] in the overall forecast going forward. I don't
 [7] remember the time frame that we made the decision to
 [8] change the way we budgeted vis-a-vis K-Dur.

[9] So, I don't know — back to your original
 [10] question, I don't know whether K-Dur was actually
 [11] budgeted in outgoing years.

[12] Q: For a product that is budgeted, is there an
 [13] annual budget prepared for that particular product?

[14] A: Yes. Yes.

[15] Q: Did retail, or does retail marketing use a
 [16] computer model to run the forecasts and budgets?

[17] A: Sometimes we do and sometimes we do it on a
 [18] sort of just a basic assumptions based on what the
 [19] overall market trend is.

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 [3] Q: Can you tell from the documents when they
 [4] were prepared?

[5] A: No, I can't.

[6] Q: From your own experience, do you have a
 [7] sense of when they were prepared?

[8] A: I really don't, no. If I were to look at
 [9] the brand sales, it was probably pretty early in the
 [10] process.

[11] Q: Early in which process?

[12] A: In the development process. Meaning this
 [13] was not at the end of the litigation with Schering.

[14] Q: Was it probably before ESI's ANDA was even
 [15] filed?

[16]
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 [18] Q: Do you know why these were prepared?

[19] A: No, I don't.

[20] Q: Do you know to whom they were distributed?

[21] A: No, I don't.

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 [4] MR. LETZLER: We understand that this what
 [5] you handed us stapled is two exhibits the way it's
 [6] been marked.

[7] MS. BOKAT: Right. Off the record for just
 [8] a second.

[9] (Discussion off the record.)

[10] BY MS. BOKAT:

[11] Q: Have you seen previously
 [12]

[13] A: I don't recall.

[14] Q: Looking at them today, do you know what they
 [15] are?

[16] A: I believe so.

[17] Q: What are they?

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(1) assuming that another company would launch its
(2) generic in January of '98?

(3) A: That's what it looks like.

(4) Q: Would you look at page 108, please, still
(5) within

(6) A: (Witness complied.)

(7) Q: In the second column there, it says, "Year
(8) 1." Was that a total for 1998?

(9) A: Yes, I believe so.

(10) Q: And then on page 110, the second column is
(11) headed Year 2. Was that 1999?

(12) A: Yes, I would believe so.

(13)

(14)

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(18)

(19) MR. LETZLER: Karen, we've been going for a
(20) while, could we take a break either before or after
(21) this exhibit?

(22) MS. BOKAT: Sure, we could take a break
(23) before.

(24) (A brief recess was taken.)

(25) BY MS. BOKAT:

(1) Q: Looking at the first page of
(2) which is numbered 158, do you know who prepared this
(3) forecast? Or what group prepared it?

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UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Bureau of Competition

Andrew S. Ginsburg, Esq.
Direct Dial: 202-326-3108

June 25, 2001

Via Federal Express and Electronic Mail


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

Re: *Federal Trade Commission v. Schering-Plough Corporation, et al.*
Docket No. 9297

Dear Cathy:

On behalf of Complaint Counsel, I have enclosed a copy of the Notice of Deposition. If you have any questions or concerns, do not hesitate to call me at 202-326-3108.

Sincerely,


Andrew S. Ginsburg, Esq.

Enclosure

cc: Laura S. Shores, Esq.
Christopher M. Curran, Esq.

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION

In the Matter of

SCHERING-PLOUGH CORPORATION,
a corporation,

UPSHER-SMITH LABORATORIES, INC.,
a corporation,

and

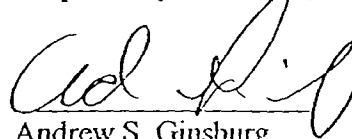
AMERICAN HOME PRODUCTS
CORPORATION,
a corporation.

Docket No. 9297

NOTICE OF DEPOSITION

PLEASE TAKE NOTICE, that pursuant to Rule 3.33(c) of the Federal Trade Commission's Rules of Practice for Adjudicative Proceedings, complaint counsel will take the deposition of respondent American Home Products Corporation, as represented by one or more designated officers, directors, or other employees most knowledgeable regarding the matters set forth in Exhibit A to this notice. This deposition will be conducted before some person authorized by law to administer oaths, and will continue from day to day until completed. The testimony will be recorded by stenographic means. The deposition will be taken at the offices of the Federal Trade Commission, 601 Pennsylvania Avenue, N.W., beginning on July 9, 2001 at 9:00 AM.

Respectfully Submitted,



Andrew S. Ginsburg
Complaint Counsel

Dated: June 25, 2001

EXHIBIT A

TOPICS OF INQUIRY

1. Explanation of the document labeled in the Investigational Hearing for which took place on This explanation would include, but is not limited to, testimony as to who created the document, why it was created, how it was created, when it was created, what are the assumptions which underlay the figures, analysis, or other facts presented, the meaning of any terms, assumptions, or other words listed, to whom it was distributed, who used it and in what capacity, and any other relevant information pertaining to the document.

.
.

2. Explanation of the document labeled in the Investigational Hearing for which took place on This explanation would include, but is not limited to, testimony as to who created the document, why it was created, how it was created, when it was created, what are the assumptions which underlay the figures, analysis, or other facts presented, the meaning of any terms, assumptions, or other words listed, to whom it was distributed, who used it and in what capacity, and any other relevant information pertaining to the document.

.
.
.

3. Explanation of the document labeled in the Investigational Hearing for which took place on This explanation would include, but is not limited to, testimony as to who created the document, why it was created, how it was created, when it was created, what are the assumptions which underlay the figures, analysis, or other facts presented, the meaning of any terms, assumptions, or other words listed, to whom it was distributed, who used it and in what capacity, and any other relevant information pertaining to the document.

.

4. Explanation of the document labeled the Investigational Hearing for which took place on This explanation would include, but is not limited to, testimony as to who created the document, why it was created, how it was created, when it was created, what are the assumptions which underlay the figures, analysis, or other facts presented, the meaning of

any terms, assumptions, or other words listed, to whom it was distributed, who used it and in what capacity, and any other relevant information pertaining to the document.

.....

5. Explanation of the document labeled

..... in the Investigational Hearing for which took place on

..... This explanation would include, but is not limited to, testimony as to who created each and every page of the document, why they were created, how they were created, when they were created, what are the assumptions which underlay the figures, analysis, or other facts presented, the meaning of any terms, assumptions, or other words listed, to whom they were distributed, who used them and in what capacity, and any other relevant information pertaining to Exhibit Seven.

.....

.....

6. Explanation of the document labeled in

the Investigational Hearing for which took place on

This explanation would include, but is not limited to, testimony as to who created each and every page of the document, why they were created, how they were created, when they were created, what are the assumptions which underlay the figures, analysis, or other facts presented, the meaning of any terms, assumptions, or other words listed, to whom they were distributed, who used them and in what capacity, and any other relevant information pertaining to Exhibit Eight.

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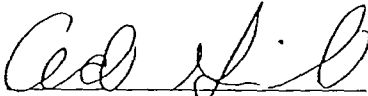
CERTIFICATE OF SERVICE

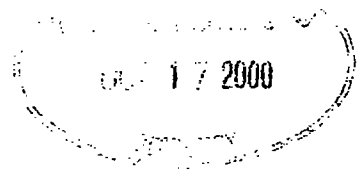
I, Andrew S. Ginsburg, hereby certify that on June 25, 2001, I caused a copy of the Notice of Deposition to be served upon the following persons by Federal Express and electronic mail.

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


Andrew S. Ginsburg
Complaint Counsel



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION

_____)
In the Matter of)
)
HOECHST MARION ROUSSEL, INC.,)
a corporation,)
)
CARDERM CAPITAL L.P.,)
a limited partnership,)
)
and)
)
ANDRX CORPORATION,)
a corporation.)
_____)

Docket No. 9293

**ORDER DENYING COMPLAINT COUNSEL'S MOTION REGARDING
HOECHST'S WAIVER OF ATTORNEY-CLIENT PRIVILEGE AND
MOTION TO COMPEL ANSWERS TO DEPOSITION QUESTIONS**

I.

On September 27, 2000, Complaint Counsel filed its Motion Regarding Hoechst's Waiver of Attorney-Client Privilege and Motion to Compel Answers to Deposition Questions. On October 11, 2000, Respondent Aventis Pharmaceuticals, Inc. ("Aventis"), formerly known as Hoechst Marion Roussel, Inc. ("Hoechst") filed its opposition thereto ("Aventis Opposition"). For the reasons set forth below, Complaint Counsel's motion is DENIED.

II.

Complaint Counsel seeks a ruling that it may use, in deposition and in trial, a document that Aventis produced to the Commission staff in the Mergers I Division of the Bureau of Competition in November 1997 in connection with a Commission review of the proposed acquisition of a subsidiary of Hoechst. The document at issue is a nine-page letter, written on September 25, 1997, from Aventis' outside counsel to Aventis' General Counsel concerning the

September 24, 1997 Stipulation and Agreement alleged in the instant Complaint to be anticompetitive. Both Complaint Counsel and Aventis agree that the document at issue is both relevant and privileged. The parties dispute whether Aventis' disclosure to the Commission waives the privilege.

Complaint Counsel asserts that Aventis' production to the Commission waives the privilege because voluntary disclosure of a confidential attorney client communication works as a forfeiture of the privilege and there need not be an intention to waive for a waiver of privilege to occur. What is key, Complaint Counsel asserts, is the conduct of the privilege holder in failing to maintain the confidentiality of privileged communications. Complaint Counsel seeks an order (1) declaring that Aventis' disclosure of this document to the Commission waived Aventis' claim of privilege and that the document may be used in litigation; and (2) requiring the author and the recipient of the document to submit to questioning concerning the contents of the document. Complaint Counsel does not assert that disclosure of this document operates as a broad subject matter waiver.

Aventis asserts that, analyzing Aventis' disclosure of the document under a "totality of the circumstances" test, the inadvertent production of the letter did not operate to waive the attorney-client or attorney work product privileges. Aventis seeks a protective order compelling Complaint Counsel to return or destroy the original and all copies of the privileged document and prohibiting Complaint Counsel from using the document in any manner in this case.

III.

Pursuant to Commission Rule 3.31(c)(2), the Administrative Law Judge may enter a protective order to preserve the privilege of a person "as governed by the Constitution, any applicable act of Congress, or the principles of the common law as they may be interpreted by the Commission in the light of reason and experience." 16 C.F.R. § 3.31(c)(2). There is a dearth of Commission precedent addressing the circumstances under which privileges are waived. In *In re Atlantic Richfield Co.*, 1978 FTC LEXIS 560, *1-2 (Sept. 12, 1978), where respondents sought the return of 25 privileged documents which they claimed had been inadvertently produced in response to an investigative subpoena, the Administrative Law Judge held that given the scope of production, the time constraints respondents were under, and the fact that respondents did have reasonable screening procedures in place, respondent had not waived its privileges. Complaint counsel was ordered to return the documents. *Id.* at *2-3. See also *In re National Tea Co.*, 1979 FTC LEXIS 100, *18 (Nov. 14, 1979) ("The work product privilege should not be deemed waived unless the disclosure is inconsistent with maintaining secrecy from possible adversaries.").

Judicial decisions and precedents under the Federal Rules of Civil Procedure concerning discovery motions, though not controlling, provide helpful guidance for resolving discovery disputes in Commission proceedings. *L.G. Balfour Co.*, 61 F.T.C. 1491, 1492, 1962 FTC LEXIS

367, *4 (Oct. 5, 1962); *In re Int'l Ass'n of Conference Interpreters*, 1995 FTC LEXIS 21, *17 (Jan. 24, 1995). Case law regarding waiver of privileges is widely divergent. “[C]ourts have generally followed one of three distinct approaches to attorney-client privilege waiver based on inadvertent disclosures: (1) the lenient approach, (2) the ‘middle of the road’ approach, . . . and (3) the strict approach.” *Gray v. Gene Bicknell*, 86 F.3d 1472, 1483 (8th Cir. 1996).

“Under the lenient approach, attorney-client privilege must be knowingly waived.” *Gray*, 86 F.3d at 1483. Mere inadvertent production by the attorney does not waive the client’s privilege. *Georgetown Manor, Inc. v. Ethan Allen, Inc.*, 753 F. Supp. 936, 939 (S.D. Fla. 1991); *Mendenhall v. Barber-Green Co.*, 531 F. Supp. 951, 954-55 (N.D. Ill. 1982); *Dunn Chemical Co. v. Sybron Corp.*, 1975 U.S. Dist. LEXIS 15801, *14-15 (S.D.N.Y. Oct. 9, 1975). Under the strict approach, “the privilege is lost even if the disclosure is inadvertent.” *In re Sealed Case*, 877 F.2d 976, 980 (D.C. Cir. 1989). If a client wishes to preserve the privilege, it must guard confidential attorney-client communications zealously. *Id.*

Between these divergent views is a middle course – cases holding that one looks to the totality of the circumstances of disclosure to see if the privilege has been waived. “The majority of courts, . . . while recognizing that inadvertent disclosure *may* result in a waiver of the privilege, have declined to apply this ‘strict responsibility’ rule of waiver and have opted instead for an approach which takes into account the facts surrounding a particular disclosure.” *Alldread v. Grenada*, 988 F.2d 1425, 1434 (5th Cir. 1993). “In determining whether the privilege should be deemed to be waived, the circumstances surrounding the disclosure are to be considered.” *United States v. De Lajara*, 973 F.2d 746, 749 (9th Cir. 1992). *See also Genentech, Inc. v. International Trade Commission*, 122 F.3d 1409 (Fed. Cir. 1997) (privilege may not be waived if disclosure was inadvertent and the party used reasonable effort to protect a confidence.)

Under this “middle of the road,” balancing test, courts consider the following factors: (1) the reasonableness of the precautions taken to prevent inadvertent disclosure; (2) the time taken to rectify the error; (3) the scope of discovery; (4) the extent of the disclosure; and (5) the overreaching issue of fairness and the protection of an appropriate privilege. *Gray*, 86 F.3d at 1484; *Alldread*, 988 F.2d at 1434-35. The reviewing court must weigh all relevant circumstances on a case-by-case basis. *Id.*

“When the producing party claims inadvertent disclosure it has the burden of proving that the disclosure was truly inadvertent, and that the privilege has not been waived.” *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).

IV.

In Commission proceedings, it is appropriate to utilize the approach taken by the majority of courts and to consider the circumstances under which disclosure of a privileged document has been made to determine whether the disclosure waives the privilege. Adopting a balancing test results in flexibility, permitting consideration of the totality of the circumstances surrounding a particular inadvertent production on a case-by-case basis and a determination that is fair and just under the particular circumstances. As the Eighth Circuit noted:

This test strikes the appropriate balance between protecting attorney-client privilege and allowing, in certain situations, the unintended release of privileged documents to waive that privilege. The [balancing] test is best suited to achieving a fair result. It accounts for the errors that inevitably occur in modern, document-intensive litigation, but treats carelessness with privileged material as an indication of waiver. The [balancing] test provides the most thoughtful approach, leaving the trial court broad discretion as to whether waiver occurred and, if so, the scope of that waiver.

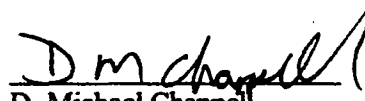
Gray, 86 F.3d at 1484. See also *Alldread*, 988 F.2d at 1434.

Applying the balancing test and the above stated five factors to the disclosure made in the instant case, Aventis did not waive its privilege through the inadvertent disclosure of the September 25, 1997 letter. First, counsel for Aventis adopted reasonable procedures for reviewing, tabbing, and pulling from production privileged documents. Declaration of James R. Eiszner ("Eiszner Decl.") at ¶ 11-12. Second, three weeks after production of the September 25, 1997 letter, counsel for Aventis discovered its production and immediately thereafter called counsel for the Commission, requesting the return of the document. Eiszner Decl. at ¶ 15-16. Counsel for Aventis repeated its request that Commission counsel return the September 25, 1997 letter in several letters and in depositions. Eiszner Decl. at ¶ 17, 19, 20. Third, the document inadvertently disclosed was one document among over 4500 pages of documents from Aventis that were responsive to the Commission's production request and among 20,000 pages of documents that Aventis ultimately produced on a rolling basis. Eiszner Decl. at ¶ 11, Aventis Opposition at 25. Fourth, the extent of disclosure is minimal as the letter has not been referred to in any pleading in this proceeding and has not been identified as a document upon which any party's expert has relied. Aventis Opposition at 27. Fifth, considerations of fairness and the policy behind the privilege weigh in favor of finding that the privilege was not waived. Aventis has met its burden of showing that, under the totality of these circumstances, Aventis did not waive its privilege.

V.

Complaint Counsel's Motion Regarding Hoechst's Waiver of Attorney-Client Privilege and Motion to Compel Answers to Deposition Questions is DENIED. Complaint Counsel is hereby ORDERED to return or destroy the original and all copies of the privileged document and any notes taken therefrom. Complaint Counsel is prohibited from using the document in any manner in this case.

ORDERED:


D. Michael Chappell
Administrative Law Judge

Date: October 17, 2000