

Attorneys' Eyes Only? Confidential? Really?

Reducing Logistical Headaches in Confidentiality Agreements

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I. Introduction

Business litigation these days frequently involves the production of voluminous documents in discovery. At the same time, clients may want their documents to be held confidential and to limit the persons who can examine them. The solution is usually for the parties to make the document production and related discovery subject to a Confidentiality Agreement.

Given the time pressures inherent in meeting discovery deadlines, and the prodigious number of documents to be reviewed and produced, counsel may adopt a Confidentiality Agreement that has been used before and a "let's worry about that later" approach when it comes to identifying specific documents that will be subject to the agreement.

However, kicking the can down the road in this fashion can lead to trouble later on. Two items that are problematic are "attorneys' eyes only" provisions and attempts to require that documents filed in court be sealed.

II. What About the Client?

"Attorneys' eyes only" provisions generally prohibit documents so designated from being disclosed to anyone other than the attorneys litigating the matter, including prohibiting disclosure to the client. Yet, many attorneys are not aware that such provisions may run afoul of two important and related principles:

1. A client is entitled to participate meaningfully in litigation in which it is involved;¹ and;
2. Outside counsel has an ethical obligation to inform the client of information obtained in the litigation so that the client can make informed decisions.

For these reasons, case law, both state and federal, and the New York Rules of Professional Conduct effectively counsel that "attorneys' eyes only" provisions must be strictly limited to trade secrets or information that is akin to a trade secret in that it would provide competitors with an advantage.

A. New York Law

In *Gryphon Domestic VI, LLC v. APP Int'l Fin Co., B.V.*, the New York Appellate Division held that documents should not be designated "attorneys' eyes only" when such a designation "prevents counsel from fully discussing with their clients all of the relevant information in the case so as to properly formulate a defense to the action against them."¹ In so holding, the First Department also

pointed out that the defendants in the *Gryphon* case were not business competitors of the plaintiffs; instead, the parties were simply adversaries in litigation. Claims of "prejudice" in litigation, not involving trade secrets, do not justify marking documents "attorneys' eyes only."²

Similarly, the New York Rules of Professional Conduct compel lawyers to keep their clients informed to an extent that would violate most "attorneys' eyes only" provisions. Specifically, Rule 1.4(b) requires counsel to "explain a matter to the extent reasonably necessary to permit the client to make informed decisions regarding the representation."³ The rules also require a lawyer to "reasonably consult with the client about the means by which the client's objectives are to be accomplished," to "keep the client reasonably informed about the status of the matter," and "promptly comply with a client's reasonable requests for information."⁴ If an "attorneys' eyes only" provision prohibits counsel from consulting with in-house counsel or business principals concerning certain documents or information obtained in discovery, complying with that provision could result in a violation of the New York Rules of Professional Conduct.⁵

B. Federal Law

Courts within the Second Circuit have also held that "attorneys' eyes only" designations should be used "as sparingly as possible."⁶ The information must be of a type, the disclosure of which would "work a clearly defined and very serious injury" to the party seeking to protect such information, for example, the revelation of trade secrets.⁷ As do the New York cases, federal cases stress that "attorneys' eyes only" designations are meant to shield information from parties that are competitors within an industry.

III. What About the Public?

Provisions that require the sealing of "confidential" documents that are submitted in court are also problematic.

A. New York Law

The Appellate Division has held that there is a strong public interest, grounded in both constitutional and common law, in providing the public with access to documents and information that a court may use to render a decision.⁸ In light of the "broad constitutional presumption" arising from the First and Sixth Amendments, "any order denying access must be narrowly tailored to serve compelling objectives, such as a need for secrecy that outweighs the public's right to access."⁹ The right of the public to access is also recognized in common law prin-

principles, which have “long recognized that civil actions and proceedings should be open to the public in order to ensure that they are conducted efficiently, honestly, and fairly.”¹⁰

Accordingly, rules in New York prohibit sealing of court records “except upon a written finding of good cause” that must specify the grounds for the sealing and must “consider the interests of the public as well as of the parties.”¹¹ Even where the litigants agree to sealing, the strong public interest in the transparency of judicial proceedings may override their agreement.

B. Federal Law

Federal cases have also stated a strong common-law interest of the public in access to court proceedings. In *United States v. Amodeo*, the Second Circuit held that this public interest in access to information produced in litigation should be analyzed on a sliding scale.¹²

In determining the weight to be given to public access, the Court in *Amodeo* suggested ranking the documents along a continuum ranging from those at the heart of the judicial process to those with little or no relationship to that process. Thus, it noted that the public has an “especially strong” interest in access to materials received in evidence at trial [citations omitted] and that any materials that informed the basis for a court’s adjudication—even if on motion—should also be accessible absent “exceptional circumstances.”¹³

At the other end of the *Amodeo* continuum are documents that have been produced in litigation but have not been submitted to the court on motions or presented as evidence at trial. The public interest in access to these documents produced privately in litigation is limited, “although most courts have held that the producing party still has the burden of demonstrating good cause for preventing public access to discovery materials.”¹⁴ In the middle of the continuum are documents filed with the court but that did not form the basis of the court’s adjudication. As to these documents, the weight to be afforded the public’s right to access is “determined by the exercise of judgment,” taking into consideration whether such documents have generally been subject to public access.¹⁵

The classic situation in which there might be “good cause” for sealing would be a document containing a true trade secret, perhaps a patented manufacturing formula. In contrast, a claim of “prejudice” in the litigation is not sufficient, especially where the opposing party is not a business competitor but is only a garden-variety adverse party.¹⁶

IV. The Commercial Division and the New York City Bar Association Model Confidentiality Agreements

As mentioned above, both the Commercial Division of the New York State Supreme Court and the New York City Bar Association (“NYCBA”) websites provide model Confidentiality Agreements.

Where a Confidentiality Agreement is warranted, the Commercial Division rules require the parties to use the model form that is contained in Exhibit B to the rules.¹⁷ If the parties wish to deviate from the form in Exhibit B, they must submit a “red-line” of the proposed changes and a written explanation of why the deviations are warranted.

The model agreement appearing on the website of the NYCBA is endorsed by the NYCBA Committee on State Courts of Superior Jurisdiction (“Committee”). The introduction to the NYCBA model agreement states that the Committee specifically decided not to include an “attorneys’ eyes only” provision out of concern that it would be invoked far more than necessary and would lead to inevitable disputes. The Committee encouraged counsel to use its model agreement, to modify the model agreement to accommodate the needs of each case, and to inform the Court that the parties are using the NYCBA model.

The Commercial Division’s model Confidentiality Agreement and that of the NYCBA are very similar.¹⁸ Among the differences are that the Commercial Division model agreement recognizes that: (1) non-parties may produce documents or information that they wish to designate confidential; and (2) non-parties may subpoena confidential information that is in the possession of a party. In each case, the model agreement includes provisions addressing these situations.¹⁹ The Commercial Division model agreement also explicitly recognizes the prevailing law that the burden of establishing the propriety of a “confidential” designation remains with the Producing Party.

The basic structure of each model Confidentiality Agreement is the same, and, for simplicity, this article refers to the Commercial Division model agreement (“Agreement”). The Agreement defines “Confidential Information,” the “Producing Party,” and the “Receiving Party.” Either party (or a non-party) may designate documents to be produced as “confidential”—for example, by stamping that legend on the document. Information subject to the Agreement may only be used in the litigation in which it is produced. The Receiving Party has the right to challenge the “confidential” designation at any time. If the Producing Party does not agree to declassify, the Receiving Party may move before the Court for an order declassifying the documents. The burden is always on the Producing Party to establish the propriety of its designations. The documents remain “confidential” unless and until the Court rules otherwise. The model

Agreement also contains provisions as to who may have access to the “confidential” information and how deposition transcripts or portions of deposition transcripts may be marked “confidential.” Documents marked “confidential” may be used at depositions, subject to the other provisions of the Agreement designed to limit access.

A party that wishes to file with the court documents or transcripts that have been designated “confidential” must follow the procedures stated in the Agreement. Where there is electronic filing, a redacted version of the submission is electronically filed. A complete and unredacted version is provided to the other parties and the court. If the Producing Party does not move to seal within seven days of the electronic filing, the party that filed must replace the redacted version previously filed with an unredacted version. If a motion to seal is made, the information remains “confidential” until the court renders a decision. If a motion to seal is granted, there are detailed procedures for filing in court the unredacted versions of the submissions.

document to determine whether it truly is confidential, it is much less time consuming, and also less expensive, to stamp all, or nearly all, of the documents produced “confidential.” At this stage of the litigation, document production, this over-designation is not likely to cause significant problems.

However, as the litigation progresses and documents are identified for use in depositions and in motions, the prior overuse of the “confidential” stamp becomes troublesome. If the “confidential” designation remains, papers that contain confidential information and are submitted in support of a motion will have to be redacted or filed under seal, and pages of deposition transcripts where confidential documents are discussed would have to be marked “confidential” as well. The resulting logistical headaches will prompt counsel to consider taking steps to de-designate those documents that do not fit the criteria in the Confidentiality Agreement or do not match the criteria set out by the courts for the filing of documents under seal.

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Where there is no electronic filing, the party filing serves upon the other parties, and transmits to chambers, both a redacted and unredacted version of the submission. A redacted version is filed with the court. The Producing Party then has three days to move to seal the documents or information designated “confidential.”²⁰ As with electronic filings, if no motion is made, the filing party must file an unredacted submission, and if a motion is made, the information remains “confidential” until the court renders a decision. If a motion to seal is granted, the detailed procedures for filing submissions under seal must be followed.

Memoranda of law or other filings that contain references to confidential information are also subject to the redaction and sealing requirements.

V. Confidentiality and the Stages of Litigation

The need to enter into a Confidentiality Agreement usually arises initially in connection with document production. Especially where voluminous documents are being produced by category, it is possible that neither counsel nor the client is entirely sure of the extent of the information contained in the documents at the time they are being produced. They therefore welcome a Confidentiality Agreement that would limit the access to the documents—and the course of least resistance at this stage will likely result in an overuse of the “confidential” designation. Rather than examining the content of each

Agreements such as the models offered by the Commercial Division and the NYCBA generally place the burden of moving for a de-designation of documents upon the party that seeks the de-designation.²¹ The documents retain their “confidential” status pending the court’s ruling on the motion to de-designate. So, if the Producing Party decides not to do a document-by-document review and instead stamps nearly all of the documents it produces “confidential,” it is the Receiving Party that must go to the trouble of preparing a motion to correct the over-designation. This arrangement would seem to reward and encourage the initial over-designation. There is little to lose in over-designating—the opposing party may not go to the trouble of making a motion, and even if the motion succeeds, the Producing Party is merely back where it started from—it has simply produced a document that is not confidential.

Of course, if the party that initially stamped the documents “confidential” would agree to the de-designation, it would save the time all counsel would otherwise devote to the motion, as well as saving the court’s time in examining the documents and rendering a determination.

VI. Possible Modifications to Standard Confidentiality Agreements²²

The various incentives and disincentives present in this situation suggest that it might be useful to consider at the outset placing in the Confidentiality Agreement a

provision that would award attorneys' fees to the party prevailing on a motion to de-designate documents or on a motion for an order to seal documents. This would presumably compel a party that originally over-designated to take a hard look at its use of the "confidential" stamp on the documents at issue. It would also suggest that the moving party proceed with caution. In short, a provision for an award of attorneys' fees to the prevailing party on motion to de-designate would require both counsel and the client to give individualized and careful attention to each document that is challenged—which would provide a counterweight to the earlier tendency to take the expedient route and over-designate.²³

While over-designation may not cause significant practical problems at the early, document-production stage, the same is not true at the deposition and motion stage. It may be that confidential documents that are used at depositions should be automatically de-designated within a specified time after the deposition unless the Producing Party affirmatively confirms the "confidential" designation. Documents that have been identified for use at deposition presumably are more likely to have a greater relevance to the issues in the litigation and it does not seem unreasonable to require the Producing party to make an individualized determination with respect to these documents.

VII. Court-Imposed Attorneys' Fees

Courts have sometimes imposed sanctions and awarded attorneys' fees following discovery disputes on issues related to the over-designation of documents under a Confidentiality Agreement. For example, in *Broadspring, Inc. v. Congoo*, the Confidentiality Agreement provided that "designations that are shown to be clearly unjustified" may "expose the Designating Party to sanctions." Relying on both Federal Rule of Civil Procedure 37 and a provision in the parties' Confidentiality Agreement, the Southern District imposed sanctions due to the defendants' "abuse of the AEO [attorney's eyes only] designation throughout the discovery process" because disclosure of the information at issue would not create a "substantial risk of serious injury that could not be avoided by less restrictive means."²⁴

VIII. Conclusion

Model Confidentiality Agreements are available and on the website of the New York City Bar Association and in the rules of the Commercial Division of the New York Supreme Court. Neither model agreement includes an "attorneys' eyes only" provision and in most commercial cases such designations are probably unwarranted. The New York Rules of Professional Conduct militate against the use of such provisions in that the rules require counsel to keep clients informed of information obtained in litigation so that the client can exercise its right to make informed litigation decisions.

While it may seem convenient in the midst of document production to sign off on a Confidentiality Agreement and worry about the ramifications later, some provisions may warrant more immediate scrutiny and analysis so as to avoid significant problems down the road when documents designated "confidential" are used at depositions and in support of motions.

To address the problem of over-designation of documents as "confidential," counsel may wish to consider modifying the model agreements to provide: (1) that attorneys' fees will be awarded to the prevailing party on any motion involving a court determination as to whether documents have been properly designated; and (2) that confidential documents used at a deposition will automatically lose their "confidential" designation unless that designation is confirmed by the Producing Party within a specified time.

In commercial cases, designating as "confidential" a document that will be filed or presented in court should be limited to those situations, such as trade secrets, in which sealed filings are actually warranted. In other situations, the public interest in access to the workings of the judicial system will likely trump a party's interest in sealing court records in order to keep information private.

Endnotes

1. 28 A.D.3d 322, 326, 814 N.Y.S.2d 110, 114 (1st Dept. 2006); see *TC Ravenswood, LLC v. National Union Ins. Co.*, No. 400759-2011, 2015 N.Y. Misc. LEXIS 4940, at *10 (Sup. Ct., N.Y. Co. June 10, 2015) (parties were not competitors; alleged harm in other litigation insufficient).
2. *Gryphon*, 28 A.D.3d at 326, 814 N.Y.S.2d at 114.
3. N.Y. Comp. Codes R. & Regs. tit. 22, §1200 (N.Y.C.R.R.) rule 1.4(b).
4. *Id.* at rule 1.4(a)(2-4).
5. Both the Rules of the Commercial Division of the New York State Supreme Court and the website of the New York City Bar Association provide model Confidentiality Agreements. Neither model agreement contains an "attorneys' eyes only" provision. However, as discussed below, both contain "sealing" provisions that can create both logistical and legal complications down the road. The model Confidentiality Agreement contained in the Commercial Division Rules is available at [http://www.nycourts.gov/rules/trialcourts/202.70\(g\)%20-%20Rule%2011-g%20\(attachment\).pdf](http://www.nycourts.gov/rules/trialcourts/202.70(g)%20-%20Rule%2011-g%20(attachment).pdf). The NYCBA model agreement is available at <http://www.nycbar.org/pdf/report/ModelConfidentiality.pdf>.
6. *Fendi Adele S.R.L. v. Burlington Coat Factory Warehouse Corp.*, No. 06 CIV 0085, 2006 U.S. Dist. LEXIS 89546, at *6 (S.D.N.Y. Dec. 5, 2006).
7. *HSqd, LLC v. Morinville*, No. 3:11CV1225, 2013 U.S. Dist. LEXIS 37356, at *6 (D. Conn. Mar. 18, 2013); *Renaissance Nutrition, Inc. v. Jarrett*, 747 F. Supp. 2d 374, 380 (W.D.N.Y. 2010).
8. *Danco Lab., Ltd. v. Chemical Works of Gedeon Richter, Ltd.*, 711 N.Y.S.2d 419, 423 (1st Dept. 2000).
9. *Gryphon Domestic VI, LLC v. APP Int'l Fin. Co., B.V.*, 28 A.D.3d 322, 324, 814 N.Y.S.2d 110, 112-113 (1st Dept. 2006).
10. *In re Conservatorship of Brownstone*, 594 N.Y.S.2d 31, 32 (1st Dept. 1993).
11. 22 N.Y.C.R.R. § 216.1.
12. 71 F.3d 1044 (2d Cir. 1995).

13. *Byrnes v. Empire Blue Cross Blue Shield*, No. 98 Civ. 8520, 2000 U.S. Dist. LEXIS 702, at *8 (S.D.N.Y. Jan. 24, 2000). The *Byrnes* decision by Magistrate Michael Dolinger contains a clear and succinct summary of the federal law in the Second Circuit.
14. *Id.* at *4.
15. *Amodeo*, 71 F. 3d at 1050; *Byrnes*, 2000 U.S. Dist. LEXIS 702 at *9.
16. See Fed. R. Civ. P. 26(c)(G); *United States v. International Business Machines Corp.*, 67 F.R.D. 40 (S.D.N.Y. 1975); *Gryphon Domestic VI, LLC v. APP Int'l Fin. Co., B.V.*, 814 N.Y.S.2d 110 (1st Dept. 2006); *TC Ravenswood, LLC v. National Union Ins. Co.*, No. 400759- 2011, 2015 N.Y. Misc. LEXIS 4940, at *8 (Sup. Ct., N.Y. Co. June 10, 2015); *Mosalleem v. Berenson*, 905 N.Y.S.2d 575 (1st Dept. 2010); *Mancheski v. Gabelli Group Capital Partners*, 835 N.Y.S.2d 595 (2d Dept. 2007).
17. See 22 N.Y.C.R.R. § 202.70 at rule 11(g).
18. It appears that the Commercial Division's model agreement is based upon an editing of the NYCBA model agreement, or perhaps they both are based upon the same source document.
19. The Commercial Division's model agreement also separately addresses procedures in counties with electronic filing and in counties without electronic filing and includes additional clarifying language as well as details of procedures.
20. No explanation is given as to why the Producing Party has seven days to move to seal in counties that have electronic filing, but only has three days in counties that do not have electronic filing. Both the seven and three day periods would appear to be unrealistic and to prompt requests for additional time.
21. Where documents are filed in unredacted form, the burden of moving for a sealing order is upon the Producing Party, the party seeking to retain the "Confidential" designation.
22. 22 N.Y.C.R.R. § 202.70 at rule 11(g) (the parties must submit a "red-line" of any changes proposed to the model Agreement that is contained in the Rules and a written explanation as to why the change is warranted).
23. It might be that each side prevails as to certain documents and that the Court would decide if there is an overall prevailing party.
24. *Broadspring, Inc. v. Congoo, LLC*, No. 13-CV-1866, 2014 U.S. Dist. LEXIS 116070, at *54, *56 (S.D.N.Y. Aug. 20, 2014). In *ULLICO Inc. Litig.*, 237 F.R.D. 314, 317-19 (D.D.C. 2006), the United States District Court for the District of Columbia awarded expenses and fees in connection with a successful motion challenging the over-designation of documents as "Confidential."

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