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MOERAE MATRIX, INC., Plaintiff, vs. McCARTER & ENGLISH, LLP, BEVERLY W. LUBIT, ESQ., JOHN DOES 1-10 and PROFESSIONAL CORPORATIONS 1-5, Defendants.	SUPERIOR COURT OF NEW JERSEY LAW DIVISION : MORRIS COUNTY DOCKET NO. MRS-L-371-22 CIVIL ACTION – CBLP **OPINION**

Argued: November 4, 2022

Decided: November 14, 2022

G. Martin Myers, Esq., and Susan Singer, Esq. of Law Offices of G. Martin Meyers, P.C., attorneys for the plaintiff.

Michael K. Furey, Esq. of Day Pitney LLP, attorneys for defendants.

I. BACKGROUND INFORMATION

This matter comes before the Court by application of Michael K. Furey, Esq., on behalf of Defendants McCarter & English, LLP ("McCarter") and Beverly Lubit, Esq. ("Lubit") (together, "Defendants") on a motion to compel discovery. A separate matter comes before the Court by application of G. Martin Meyers, Esq., on behalf of Plaintiff Moerae Matrix, Inc. ("Plaintiff" or "Moerae") on a motion to compel discovery. Both Parties filed oppositions and replies to the respective motions.

McCarter represented Moerae from April 2017 when Lubit joined McCarter and brought Moerae as a client with her. When McCarter insisted on payment for unpaid legal services,

McCarter was replaced by Cooley LLP ("Cooley"). McCarter then sued Moerae in March 2019 ("Collection Action") to collect unpaid fees and costs. Moerae alleged that McCarter's conduct during its representation destroyed Moerae's ability to obtain FDA approval of its pharmaceutical drug, which ultimately ruined the business and made Moerae worthless. McCarter then placed a charging lien on Moerae's pending patents and related intellectual property interests (the "McCarter Lien") for the unpaid services. Moerae contended that McCarter's lien was inappropriate.

After McCarter filed for summary judgment in the Collection Action, Moerae sought leave to file a counterclaim against McCarter and Lubit for filing the McCarter Lien, which allegedly gave rise claims for (i) legal malpractice, (ii) breach of fiduciary duty, (iii) slander of title, and (iv) tortious interference with prospective economic advantage. The court barred Moerae from asserting these claims in the Collection Action for being untimely. A Judgment was entered in favor of McCarter and against Moerae in the amount of $837,524.19 on June 5, 2020 (the "Judgment") and was affirmed on appeal in July 2021. There is no dispute that the Judgment remains unpaid.

Moerae subsequently filed a complaint against McCarter and Lubit on March 1, 2022, asserting the claims that the prior court barred. Defendants allege that discovery revealed communications between Plaintiff and Cooley beginning in the months before McCarter was replaced. In response to a Notice to Produce, Moerae produced a privilege log, which included 40 documents to which Defendants believe they are entitled. McCarter demanded the production of the documents on the privilege log based on the grounds that the privilege had been waived as to those documents, an assertion grounded in the description of the documents. Plaintiff subsequently produced a second privilege log, with a new description of the documents. Defendants assert that

the documents relate to the McCarter Lien, that Moerae waived its attorney-client privilege regarding the McCarter Lien, and that communications prior to the date Moerae retained Cooley are not privileged.

In its application, Plaintiff asserts that Defendants have partially disclosed legal advice received relating to McCarter's decision to file the Liens at issue in the instant matter. Plaintiff submits that the partial disclosure waives the privilege, and that New Jersey statutory law precludes the extension of the attorney-client privilege to communications of legal advice where the advice is relevant to an issue of breach of duty by a lawyer to his client. Plaintiff also contends that the legal research performed by Lubit regarding the filing of the Liens is discoverable.

The Parties move to compel discovery from each other. Defendants seek to compel production of, or alternatively obtain judicial review of, communications between Moerae and Cooley. Plaintiff seeks to compel production of documents related to legal research performed in connection with the decision to file liens.

I. STANDARD OF REVIEW

R. 4:23-5(c) Motion to Compel states:

> Prior to moving to dismiss pursuant to subparagraph (a)(1) of this rule, a party may move for an order compelling discovery demanded pursuant to R. 4:14, R. 4:18-1 or R. 4:19. An order granting a motion to compel shall specify the date by which compliance is required. If the delinquent party fails to comply by said date, the aggrieved party may apply for dismissal or suppression pursuant to subparagraph (a)(1) of this rule by promptly filing a motion to which the order to compel shall be annexed, supported by a certification asserting the delinquent party's failure to comply therewith.

Generally, a party is entitled to discover information that is reasonably calculated to lead to admissible evidence. R. 4:10-2. Rules of discovery are to be liberally construed and accorded the broadest possible latitude. Blumberg v. Dornbusch, 139 N.J. Super. 433 (App. Div. 1976).

The discovery rules were designed to eliminate, as far as possible, concealment and surprise in the trial of lawsuits to the end that judgments rest upon real merits of the causes and not upon the skill and maneuvering of counsel. Abtrax Pharms. v. Elkins-Sinn, 139 N.J. 499, 512 (1995).

II. ANALYSIS

a. Defendants' Motion to Compel Discovery

Defendants move to compel all documents identified on Plaintiff's privilege logs as relating to the McCarter Lien, particularly those documents initially described as "advice re: McCarter lien." See Defendant Brief in Support of Motion, pg. 17. Defendants assert that the documents sought are (a) relevant to this matter, (b) subject to a privilege waiver, (c) do not appear to be privileged communications, or some combination thereof.

First, Defendants contend that Plaintiff acknowledged the relevance of the documents on Plaintiff's privilege log by identifying the documents in response to Defendants' Notice to Produce and by identifying the documents as being related to the McCarter Lien. Defendants submit that the communications on Plaintiff's privilege log appear to indicate that Plaintiff was seeking Cooley's advice regarding Defendants, which is relevant to the instant matter.

Second, Defendants contend that Plaintiff expressly waived the attorney-client privilege with respect to "communications between Plaintiff and the Cooley firm relating to the lien at issue in this case." Certification of Musmanno, Exhibit V, Letter sent to Michael fury from G. Martin Meyers, July 12, 2022. Defendant asserts that Plaintiff may not now pick and choose which communications relating to the lien it plans to produce. Defendant also contends that simply changing the descriptions of the documents on the privilege log does not create a renege the waiver of the attorney-client privilege. See Defs. Moving Br. at p. 17.

Third, Defendants assert that if the communications on the privilege log are not privileged, Plaintiff should be compelled to produce them. Defendants insist that the terms used to describe the documents on the privilege log, including "terms of engagement," "fundraising assistance," "IP portfolio," and "transfer of the file to Cooley," fall outside of the scope of attorney-client privilege. Additionally, if Plaintiff did not retain Cooley until after firing Defendants, Defendants maintain that the privilege would not apply to the communications, but if Cooley was retained before Defendants were fired, then such information would be directly relevant to Defendants' case. In either case, Defendants insist that the documents on the privilege log are discoverable.

Defendants maintain that the Court should compel Plaintiff to produce the documents from the privilege log, because the documents are relevant, are waived of the attorney-client privilege, or appear non-privileged based on the description. Alternatively, Defendants request that the Court review *in camera* the 40 documents identified in Plaintiff's privilege logs to determine whether the documents relate to the McCarter Lien, whether they are privileged communications, and whether they should be produced.

Plaintiff responds by arguing that Defendants' implicit waiver argument is legally baseless. Plaintiff asserts that, because Plaintiff has not partially disclosed communications that favor Moerae, while hiding portions of the same communication that disfavor Moerae, Defendant cannot claim that Plaintiff is picking and choosing what to disclose. As Defendant has not pointed to a specific instance of such conduct, Plaintiff maintains that the implicit waiver argument is without merit.

Plaintiff also argues that Defendants' argument is misleading that Plaintiff changed the descriptions of items on the privilege log in order to make those items appear privileged. Plaintiff asserts that Defendants are wrong in this contention, because fully describing items in a privilege

log without violating or waiving the attorney-client privilege is virtually impossible. Plaintiff insists that the descriptors must remain vague in order to protect the privileged information. Plaintiff does not have any objection, on the other hand, in allowing the Court to review any and all documents on the privilege log *in camera* should the Court find that the descriptors warrant such a review.

Defendants reply that Plaintiff has failed to sustain its burden of proving that the communications at issue were privileged or that Moerae did not waive the attorney-client privilege. Defendants submit that this burden rests with Plaintiff, as the party asserting the privilege. See Hedden v. Kean Univ., 434 N.J. Super. 1, 12 (App. Div. 2013). Defendants next reassert that Plaintiff's voluntary waiver of "communications between Plaintiff and the Cooley firm relating to the lien at issue in this case" should be applied, not only to the communications that Plaintiff chooses to produce, but to all communications regarding the subject lien, including privileged communications. See Cert. of Musmanno, Exh. V. Defendants again request that the Court order the production of the 40 documents on the privilege log, or alternatively, review the documents *in camera* and order the production of the appropriate documents following its review.

The Court agrees that the documents on the privilege log are relevant to the instant matter, by virtue of being identified on the privilege log. The Court finds that Plaintiff holds the burden of proving that the communications are privileged. See Hedden, 434 N.J. Super. at 12. As the descriptions of the privileged log are, arguably, broad, the Court directs Plaintiff to produce the disputed documents by November 30, 2022 for an *in camera* review.

b. Plaintiff's Motion to Compel Discovery

Plaintiff first argues that the communications at issue are not shielded from discovery by the attorney-client privilege, pursuant to N.J.S.A. 2A:84A-20(2). N.J.S.A. 2A:84A-20 establishes and governs attorney-client privilege in New Jersey. The statute provides:

> (1) General rule. Subject to Rule 37 and except as otherwise provided by paragraph 2 of this rule communications between a lawyer and his client in the course of that relationship and in professional confidence, are privileged, and a client has a privilege (a) to refuse to disclose any such communication, and (b) to prevent his lawyer from disclosing it …
> (2) Exceptions. Such privilege shall not extend (a) to a communication in the course of legal service sought or obtained in aid of the commission of a crime or a fraud, or…(c) to a communication relevant to an issue of breach of duty by the lawyer to his client, or by the client to his lawyer…

N.J.S.A. 2A:84A-20(1)-(2). Plaintiff contends that Defendants' decision to place the McCarter Lien against Moerae's patents and intellectual property interests could be characterized as the commission of crime or fraud or as a breach of duty by the lawyer against the client. Id. at § (2)(a) and (c). Plaintiff submits that N.J.S.A. 2A:84A-20 clearly demonstrates that the attorney-client privilege would not extend to any communication of the legal advice sought or obtained by Defendants in their decision to fraudulently or criminally impose the McCarter Lien, as that decision breached the duty of Defendants in their capacity as legal representatives to Moerae.

Plaintiff asserts that because Defendants knew that they did not have a security interest in Moerae's patents or intellectual property, but filed the McCarter Lien nonetheless, the requested documents are not shielded by the attorney-client privilege. Id. at § (2)(a). Plaintiff states that Defendants cannot claim that McCarter had a security interest on the patents solely by way of a charging lien existing, because to claim as such is circular logic. A charging lien could not have existed, because Defendants had not yet filed a petition in a New Jersey court seeking such a lien, as required by N.J.S.A. § 2A:13-5. See H&H Ranch Homes, Inc. v. Smith, 54 N.J. Super. 347,

353 (App. Div. 1959) (describing that an attorney must petition the Court to establish a charging lien). Plaintiff notes that caselaw supports rejecting attempts to create charging liens where the procedural requirements are not followed. See In re Estate of Balgar, 399 N.J. Super. 426, 441-43 (Ch. Div. 2007) (following the guidance of H&H Ranch Homes, holding that to uphold a charging lien prior to court approval would be the equivalent of a pre-judgment attachment). Plaintiff asserts that Defendants' disregard of New Jersey statutory and caselaw governing charging liens negates any attempt to uphold the attorney-client privilege regarding the research and advice pertaining to asserting the McCarter Lien, and accordingly, the requested communications should be disclosed.

Defendants respond to Plaintiff's contention that the requested communications fall within the crime fraud exception by contending that Plaintiff has not been able to meet the burden of showing that Defendants actually committed crime or fraud. Defendants assert that the moving party must be able to demonstrate a *prima facie* case of crime or fraud, supported by evidence beyond the communication at issue. Ocean Spray Cranberries, Inc. v. Holt Cargo Sys., Inc., 345 N.J. Super., 515, 523 (Law Div. 2000); National Utility Service, Inc. v. Sunshine Biscuits, Inc., 30 N.J. Super., 610, 618 (App. Div. 1997). Defendants point out that Plaintiff has not sued McCarter or Lubit for claims of fraud or crime, but instead for (i) legal malpractice, (ii) breach of fiduciary duty, (iii) slander of title, and (iv) tortious interference with prospective economic advantage. Defendants further submit that neither McCarter nor Lubit committed any crime or fraudulent act against Moerae.

Plaintiff responds to Defendants by asserting that public policy permits the broadest interpretation of crime or fraud when asserting the crime fraud exception to attorney-client privilege. See N.J.S.A. 2A:84A. Because Defendants represented in statements filed with the Delaware Secretary of State that McCarter and Lubit had security interests with Moerae's patents

and intellectual property, Plaintiff submits that the burden of showing crime or fraud has been satisfied.

The Court finds that Plaintiff has not met the burden to satisfy the crime fraud exception to the attorney-client privilege. Plaintiff filed a Complaint in response to the imposition of the McCarter Lien. Plaintiff has not alleged, however, that the placement of the McCarter Lien was the result of fraud or crime until now. Plaintiff's only contention is that the filing in itself is the proof of the fraud or crime. Even adhering to the broadest interpretation of crime or fraud, Plaintiff has not met the burden to lift the veil on the attorney-client privilege using the crime fraud exception.

Plaintiff next claims that the McCarter Lien is evidence of breaches of professional duty owed to Moerae. N.J.S.A. 2A:84A-20(2)(c). Plaintiff insists that, at best, Defendants negligently overlooked an entire body of law concerning charging liens. Plaintiff asserts that Defendants are guilty of breaching the duty of competence, to maintain communication with their clients, to avoid conflicts of interest, and to avoid using information obtained while representing a client to that client's disadvantage. See RPC 1.1, 1.4, 1.8, and 1.9(c).

Defendants respond to Plaintiff's assertion of a breach of duty by contending that the argument fails for two reasons. First, Defendants contend that Plaintiff terminated Defendants' services, and therefore all communications following December 7, 2018 were not made in connection with services rendered for Plaintiff, negating this exception. Defendants predict that Plaintiff will assert that McCarter did not cease representation until January 22, 2019, when the last invoice was forwarded to Moerae. However, Defendants contend that the final invoice contained only billings for work completed before the date of termination and for work already started but in need of completion to protect Plaintiff's short-term interests.

Second, Defendants assert that McCarter acted properly in filing the McCarter Lien, thus protecting itself as a creditor of Plaintiff. While McCarter and Lubit concede that certain procedural steps must be taken to obtain a charging lien, Defendants also contend that obtaining a charging lien and enforcing a charging lien are distinct. Here, the charging lien existed by way of the unpaid services, as reinforced by the Judgment, before Defendants ever sought to establish the McCarter Lien, which gave notice to Plaintiff that it existed, and permitted Defendants to avoid certain procedural steps. Because the requested communications are from after the termination of the attorney-client relationship between Plaintiff and Defendants, meaning that the communications do not concern Moerae's attorney-client privilege, and because Defendants proceeded properly in enforcing the charging lien, Defendants assert that the Plaintiff is not permitted behind the shield of the privilege.

Plaintiff responds to Defendants' denial of breach of duty by asserting that Defendants' representation of Plaintiff lasted at least through January 22, 2019. Plaintiff turns to McCarter's retainer agreement in support of this assertion, which states:

> Conclusion of Representation. Our representation of you will terminate when we send you our final statement for services rendered in this matter. We may also terminate our representation for any reason consistent with ethical rules, including conflicts of interest or your failure to pay our fees and expenses…

Reply Brief Exhibit A, Terms of Engagement. The retainer agreement also provides:

> …Any amendment or modification of this engagement letter or these Terms of Engagement, including our agreement on the amount of fees and expenses and the timing of their payment, shall be effective only if agreed by us in writing and only upon written approval of the Managing Partners of McCarter & English, LLP.

Id. Because no writing was ever provided to Plaintiff to suggest amendment or modification to the retainer agreement, Plaintiff asserts that the plain language of McCarter's own retainer provides that representation lasted at least until January 22, 2019.

Plaintiff asserts that even without the retainer agreement, McCarter's representation of Moerae would have continued past December 7, 2018, because the Rules of Professional Conduct dictate that "upon termination of representation, a lawyer shall take steps to the extent reasonably practicable to protect a client's interests" (RPC 1.6), a duty which is imposed "[e]ven if the lawyer has been unfairly discharged by the client." See Michels, NEW JERSEY ATTORNEY ETHICS, Comment 16:5-1. As such, Plaintiff maintains that McCarter and Lubit's representation lasted longer that Defendants' state to the Court.

The Court agrees with Defendants that the distinction between obtaining a charging lien and enforcing a charging lien are crucial to the determination of whether the McCarter Lien is valid. Plaintiff was on notice that a lien could be placed, because of the ongoing litigation in the Collection Suit. Additionally, Plaintiff terminated McCarter, which definitively terminates McCarter's representation. Although Plaintiff is not wrong in its contention that the Defendants had a duty to continue to protect Moerae's interests despite the termination, Defendants cannot be considered to have actively represented Plaintiff after Plaintiff fired Defendants. See RPC 1.6. Defendants' activities in winding up the work that had already been started for Moerae can only be construed as the conduct that is required of a lawyer in maintaining the duty owed to a client following the conclusion of the attorney-client relationship. Accordingly, Defendants' representation of Plaintiff ended on December 7, 2018.

Finally, Plaintiff asserts that Defendants have waived the attorney-client privilege, with respect to legal advice received in connection with the McCarter Lien by acknowledging in Defendants' Answers to Interrogatories the relevance of the communications. The Answer to which Plaintiff alludes states as follows:

> Beverly Lubit consulted with others at McCarter, reviewed case law, contacted the Office of the Secretary of State of Delaware and the USPTO to determine if

> McCarter had a charging lien and how notice of the lien should be given. The Delaware Secretary of State's office advised her that McCarter could protect its lien by filing a UCC-1 identifying how much Plaintiff owed for unpaid legal services and expenses. The Office of the Secretary of State also advised that if McCarter filed the UCC-1, it would have a security interest. After filing the UCC-1, McCarter filed the Notice with the USPTO. Lubit also reviewed case law indicating that a law firm would have a charging lien if a client did not pay its attorneys' fees and expenses and that a charging lien could attach to a client's patents when the attorneys' services related to patent work. Others within McCarter advised that they had filed notices to protect an attorney's charging lien against a client's patents and sent her forms that could be used.

Certification of G. Martin Meyers, Esq., Exhibit J, Defendants' July 19, 2022 Answers to Plaintiff's Interrogatories, ¶ 6. Plaintiff contends that the partial disclosure of the contents within the allegedly privileged communication violates the principle that parties may not selectively disclose privileged communications to support claims and defenses while simultaneously withholding those communications which would be detrimental to their claims and defenses. Plaintiff contends that this discovery response is "game-playing."

Defendants refute the accusation that the Answers to Interrogatories waived the privilege. Defendants contend that the Answer merely provides non-privileged information to answer the question. Disclosing non-privileged portions of information in a communication, such as the identification of the subject matter of a conversation, or Lubit's conversations with the Delaware Secretary of State, does not waive the privilege of the entire communication. As such, Defendants maintain that the requested communications of legal research and advice remain privileged.

The Court finds that Defendants' answer to Question 6 of Plaintiff's Interrogatories waives the attorney-client privilege and any work product claims. Pursuant to In Re PSE&G S'holder Litigation, 320 N.J. Super. 112 (Ch. Div. 1998), when the opinion of counsel or advice of counsel is used as a justification and basis for a defense, the attorney-client and work product privileges are deemed waived. Id. at 115-16 (citing U.S. v. Bilzerian, 926 F.2d 1285, 1292 (2d Cir.1991);

Haymes v. Smith, 73 F.R.D. 572 (W.D.N.Y.1976); Garfinkle v. Arcata Nat'l Corp., 64 F.R.D. 688, 689 (E.D.N.Y.1974); Moskowitz v. Lopp, 128 F.R.D. 624, 638 (E.D.Pa.1989); In Re Kidder Peabody Sec. Litig., 168 F.R.D. 459, 468 (S.D.N.Y.1996); In Re Bairnco Corp. Sec. Litig., 148 F.R.D. 91, 100 (E.D.N.Y.1993)).

Defendants' interrogatory answer indicates that Defendants intend to assert that the decision to place the charging lien was based on the opinion of or advice of counsel within the firm. Defendants cannot assert that they acted appropriately because attorneys at McCarter agreed that the decision to file a charging lien was appropriate and then refuse to disclose those communications to Plaintiff. Preventing the disclosure of this information would prohibit Plaintiff from challenging Defendants' position with respect to the appropriateness of the charging lien. Accordingly, any communications from counsel regarding the decision to assert a charging lien are not protected by the attorney-client or work product privilege.

III. CONCLUSION

By way of summation, Defendants' motion to compel discovery is granted. Plaintiff shall produce the documents on the privilege log to the Court to review *in camera* by November 30, 2022.

Plaintiff's motion to compel discovery is granted in part. Plaintiff did not establish the crime fraud exception or a breach of duty for the production of certain documents. The Court also finds that Defendants' representation lasted up through December 7, 2018, the date that Plaintiff discharged Defendants. However, the Court finds that Defendants have waived the attorney-client and work product privilege with respect to communications and documents with counsel regarding the appropriateness of the filing of the charging lien. Defendants shall produce the non-privileged communications within twenty days.