

Secrets and Compromises: Betty Sue and Her Magic Toaster

**A very, very, very short play in one very short
scene**

October 20, 2011

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TO: Willamette Valley Inns of Court

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Introduction

The purpose of this memorandum is to provide a basic outline of the law regarding privileges, particularly attorney-client privilege, work-product privilege and testimony regarding settlement negotiations.

ATTORNEY-CLIENT PRIVILEGE

The attorney-client privilege is one of the oldest and well established of all evidentiary privileges. *Freaze v. Glazer*, 330 Or 364, 4 P3d 56 (2000). It is designed to encourage full and frank discussion between counsel and client. *Id.* It should be interpreted in light of this policy goal.

1. The basic evidentiary rule.

OEC 503 establishes Oregon's attorney-client privilege. Under that rule, a client has a privilege to refuse to disclose and may prevent anyone else from disclosing confidential communications made for the purpose of facilitating the rendition of professional legal services to the client. OEC 503(2). The privilege applies to communications between representatives of the lawyer and the client. OEC 503(2)(a). It covers communication between the client or the client's lawyer and another lawyer representing another person in a matter of common interest (joint defense privilege). OEC 503(2)(c). It even covers communications between the client and their own representatives and communications between representatives. OEC 503(2)(d). Obviously, communications between lawyers representing the same client are also privileged. OEC 503.

2. Probate exception.

The one major exception to the attorney-client privilege is a will contest. Ordinarily, the privilege survives the death of the client. It can be raised by the personal representative of the decedent's estate. OEC 503(3) However, the privilege does not apply to testimony relevant to an issue between parties who claim through the same deceased client. OEC 503(4)(b). It makes no difference whether the claims are based on testate, intestate or *inter vivos* transactions. *Id.*

The seminal Oregon case interpreting this exception is *Tanner v. Farmer*, 243 Or 431, 414 P2d 340 (1966). That case involved a dispute over a gift. The decedent gave \$10,000.00 to her nephew while she was in the hospital on her death bed. After she died, the personal representative of her estate sued the nephew to recover the money. At trial,

the nephew offered testimony from the decedent's attorney showing she was planning on redrafting her will and cutting out her husband, who would otherwise be the sole heir to her estate. The court ruled that the attorney could testify and that there was no attorney-client privilege. It explained:

“Not much authority has been cited nor found pertaining to the extent of the privilege, after death, to this kind of a situation. It is universally recognized that the privilege does not prohibit an attorney from testifying about the execution of a will. In *Bergsvik v. Bergsvik*, 205 Or 670, 685, 291 P2d 724 (1955) this Court approved the rule which says that the privilege does not apply to litigation after the death of the client between parties who claim under the client. *Bergsvik* involved the execution of a “community property agreement” between a husband and wife. After the death of both of the husband and wife, litigation developed over the will of the wife, who had been the last to die. We applied the stated rule to permit the attorney who had prepared the agreement to testify as to conversation with the husband about the purpose and intent of the agreement.

The uniform rules of evidence propose that the privilege shall not extend “to a communication relevant to an issue between parties all of whom claim through the client, regardless of whether the respective claims are by testate or intestate succession, or by *inter vivos* transaction.” Rule 26(2)(b) Uniform Rules of Evidence 1954. This is in keeping with the *Bergsvik* decision and with the rule followed by other courts.”

Id.; See *McCormick on Evidence*, 1954 § 98, pages 199, 200.

3. Special issues.

Unique issues continue to give rise with respect to attorney-client privilege. First, to be privileged, the confidential communication must be made for the purpose of facilitating legal services. Thus, communications related to a business venture are not privileged. *U.S. v. Huberts*, 637 F2d 630 (9th Cir. 1980).

Only the substance of the communication is protected. The identity of the client and the fact with you met with your clients is not protected. *U.S. v. Spenuk*, 864 F Supp 1002 (D. Ore. 1994); *State of Oregon v. Keenan*, 91 Or App 481, 456 P2d 51 (1988). Fee information is also excluded from the attorney-client privilege. *Richmark Corp v. Timber Falling Consultants*, 767 F Supp 213 (D. Ore. 1991).

It is important to note however that specific exceptions to these general rules exist. For example, if disclosure of the identity of the client would convey information which ordinarily would be conceded to be part of the usual privilege information between attorney and client or provide the “last link” in the existing chain of incriminating evidence likely to lead to a client's indictment, the identity of the client can remain privileged. See *U.S. v. Spenuk, supra*; *U.S. v. Blackman*, 72 F3d 1418 (9th Cir. 1995).

MARITAL PRIVILEGE

There are two marital privileges in Oregon: The marital communications privilege, which is governed by OEC 505(2); and the testimonial privilege, which is governed by OEC 505(3). *State of Oregon v. Serrano*, 346 Or 311, 210 P3d 892 (2009). Testimonial privilege is sometimes referred to as the “privilege against adverse spousal testimony.” *Id.*

These two marital privileges are distinct and serve different goals. For example, the marital communications privilege applies only to confidential communications between the spouses made during the marriage. However, the testimonial privilege applies to non-confidential communications and observations made during the marriage. *Id.* Both spouses hold the marital communications privilege and may assert that privilege during and after the marriage. *Id.* By contrast, only the spouse called to testify holds the testimonial privilege and they can only assert that privilege during the marriage. Most importantly, the marital communication privilege applies to both civil and criminal cases, whereas the testimonial privilege applies only in criminal cases. For the purposes of this discussion, we will focus on the civil application of the communication privilege.

The communication privilege found in OEC 505(2) provides that a spouse has a privilege to refuse to disclose and to prevent the other spouse from disclosing any confidential communications made by one spouse to the other during the marriage. *Id.* For the purposes of OEC 505(2), confidential communications and marriage are statutorily defined terms. A confidential communication is a communication by a spouse to the other spouse not intended to be disclosed to any other person. According to the Supreme Court, the legislature intended to define the term “confidential communications” very broadly. It applies to all confidential communications, including communications regarding potential dissolution of the marriage. *State of Oregon v. Serrano, supra* at 320. Communications between spouses are presumed confidential unless the circumstances indicate that “intent to disclose is apparent.” *Id.*, citing John W. Strong, *McCormick on Evidence* § 80, 330 5th Ed. 1999. In addition, the Supreme Court has made clear that it is the communicating spouse’s intent which governs confidentiality. *State of Oregon v. Serrano, supra.*

There are a number of exceptions to the marital communication privilege. Under OEC 505(4) there is no privilege: (1) in criminal actions in which one spouse is charged with an offense against the other; (2) as to matters occurring before the marriage; or (3) in civil actions where the spouses are adverse parties. *State of Oregon v. Serrano, supra.*

Marital privilege, like all other privileges can be waived by voluntary disclosure to a third party. However, under OEC 505(2) all confidential communications between spouses are privileged. Therefore, the Supreme Court has held that both spouses hold the privilege and therefore both spouses must waive the privilege before an otherwise privileged communication will be admissible. *State of Oregon v. Serrano, supra.*

Finally, the subject matter of a confidential communication is not determinative of whether not it was to remain confidential. In *State of Oregon v. Serrano, supra*, the Supreme Court rejected the state's argument that defendant's statements to his wife were not confidential communications because they pertained to "routine matters." The Court explained that nothing in OEC 505(2) suggests that conversations regarding routine matters automatically should be excluded from the scope of the marital communications privilege. The Court noted that the subject matter of the communication is but one aspect of the circumstances to be considered in determining the communicating party's intent.

WAIVER

Privileges can be waived. The general rule of waiver is found at OEC 511. Under that rule, a privilege is waived if the holder voluntarily discloses or consents to disclosure of any significant part of the matter or communication.

The scope of waiver depends upon the nature of the disclosure. If the holder voluntarily discloses or consents to disclosure of any significant part of a privilege communication, then the entire communication may be entered into evidence. *State ex rel Kelly v. Olson*, 271 Or 369, 532 P2d 230 (1975)(testimony of a treating physician constituted a waiver of the doctor-patient privilege).

One exception to this general rule concerns perpetuation depositions. Under OEC 511, privilege is not waived even if the contents of the conversation are disclosed at a perpetuation deposition until the deposition is offered as evidence. *Id.*

OFFERS OF COMPROMISE

A great deal of confusion reigns concerning the evidentiary limitations on offers of compromise. It is well known that evidence of furnishing an offer of compromise is inadmissible. However, the precise contours of this rule are often misjudged.

For example, OEC 408(a) and 408(1) prohibits evidence of an offer of compromise. It also prohibits evidence of conduct or statements made in compromise negotiations. OEC 408(b). In other words, both the fact that a settlement offer was made and factual statements made in support of that settlement offer are both excluded under the rule. As a practical matter, this means that factual matters contained within a settlement letter cannot be rendered admissible merely by redacting the portion of the letter containing the offer. It should also be noted that OEC 408 is not a blanket exclusion of all offers of compromise. Instead, the rule is limited to the use of an offer of compromise to prove or disprove liability or damages. *See* OEC 408(1)(a). The rule specifically provides that evidence of compromise may be offered for another purpose such as proving bias, prejudice of a witness, negating a contention of undue delay, or proving an effort to obstruct a criminal investigation or prosecution. *See* OEC 408(2)(b).

Most importantly, OEC 408 does not require exclusion of evidence which is otherwise discoverable merely because it is presented in the course of compromised negotiations.

OEC 408(2)(a). In other words, parties who receive factual information in the context of a settlement communication have every right to independently develop that factual evidence. The commentary to the rule specifically states that this section is designed to prevent abuse of the underlying policy favoring settlement of disputes by preventing parties from immunizing evidence by presenting it during negotiations. According to the commentary, the rule provides that parties may discover the evidence by other means and present it at trial, so long as no reference is made to the compromised negotiations.

PRIVILEGES

40.225 Rule 503. Lawyer-client privilege. (1) As used in this section, unless the context requires otherwise:

(a) "Client" means a person, public officer, corporation, association or other organization or entity, either public or private, who is rendered professional legal services by a lawyer, or who consults a lawyer with a view to obtaining professional legal services from the lawyer.

(b) "Confidential communication" means a communication not intended to be disclosed to third persons other than those to whom disclosure is in furtherance of the rendition of professional legal services to the client or those reasonably necessary for the transmission of the communication.

(c) "Lawyer" means a person authorized, or reasonably believed by the client to be authorized, to practice law in any state or nation.

(d) "Representative of the client" means:

(A) A principal, an officer or a director of the client; or

(B) A person who has authority to obtain professional legal services, or to act on legal advice

rendered, on behalf of the client, or a person who, for the purpose of effectuating legal representation for the client, makes or receives a confidential communication while acting in the person's scope of employment for the client.

(e) "Representative of the lawyer" means one employed to assist the lawyer in the rendition of professional legal services, but does not include a physician making a physical or mental examination under ORCP 44.

(2) A client has a privilege to refuse to disclose and to prevent any other person from disclosing confidential communications made for the purpose of facilitating the rendition of professional legal services to the client:

(a) Between the client or the client's representative and the client's lawyer or a representative of the lawyer;

(b) Between the client's lawyer and the lawyer's representative;

(c) By the client or the client's lawyer to a lawyer representing another in a matter of common interest;

(d) Between representatives of the client or between the client and a representative of the client; or

(e) Between lawyers representing the client.

(3) The privilege created by this section may be claimed by the client, a guardian or conservator of the client, the personal representative of a deceased client, or the successor, trustee, or similar representative of a corporation, association, or other organization, whether or not in existence. The person who was the lawyer or the lawyer's representative at the time of the communication is presumed to have authority to claim the privilege but only on behalf of the client.

(4) There is no privilege under this section:

(a) If the services of the lawyer were sought or obtained to enable or aid anyone to commit or plan to commit what the client knew or reasonably should have known to be a crime or fraud;

(b) As to a communication relevant to an issue between parties who claim through the same deceased client, regardless of whether the claims are by testate or intestate succession or by inter vivos transaction;

(c) As to a communication relevant to an issue of breach of duty by the lawyer to the client or by the client to the lawyer;

(d) As to a communication relevant to an issue concerning an attested document to which the lawyer is an attesting witness; or

(e) As to a communication relevant to a matter of common interest between two or more clients if the communication was made by any of them to a lawyer retained or consulted in common, when offered in an action between any of the clients.

(5) Notwithstanding ORS 40.280, a privilege is maintained under this section for a communication made to the office of public defense services established under ORS 151.216 for the purpose of seeking preauthorization for or payment of nonroutine fees or expenses under ORS 135.055.

(6) Notwithstanding subsection (4)(c) of this section and ORS 40.280, a privilege is maintained under this section for a communication that is made to the office of public defense services established under ORS 151.216 for the purpose of making, or providing information regarding, a complaint against a lawyer providing public defense services.

(7) Notwithstanding ORS 40.280, a privilege is maintained under this section for a communication ordered to be disclosed under ORS 192.410 to 192.505. [1981 c.892 §32; 1987 c.680 §1; 2005 c.356 §1; 2005 c.358 §1; 2007 c.513 §3; 2009 c.516 §1]

Note: The amendments to 40.225 by section 1, chapter 356, Oregon Laws 2005, and section 1, chapter 358, Oregon Laws 2005, apply to communications made on or after January 1, 2006. See section 2, chapter 356, Oregon Laws 2005, and section 2, chapter 358, Oregon Laws 2005.

Note: Section 6, chapter 513, Oregon Laws 2007, provides:

Sec. 6. Section 2 of this 2007 Act [192.423] and the amendments to ORS 40.225, 192.460 and 192.502 by sections 3 to 5 of this 2007 Act apply to public records created on or after the effective date of this 2007 Act [June 20, 2007]. [2007 c.513 §6]

40.255 Rule 505. Husband-wife privilege. (1) As used in this section, unless the context requires otherwise:

(a) "Confidential communication" means a communication by a spouse to the other spouse and not intended to be disclosed to any other person.

(b) "Marriage" means a marital relationship between husband and wife, legally recognized under the laws of this state.

(2) In any civil or criminal action, a spouse has a privilege to refuse to disclose and to prevent the other spouse from disclosing any confidential communication made by one spouse to the other during the marriage. The privilege created by this subsection may be claimed by either spouse. The authority of the spouse to claim the privilege and the claiming of the privilege is presumed in the absence of evidence to the contrary.

(3) In any criminal proceeding, neither spouse, during the marriage, shall be examined adversely against the other as to any other matter occurring during the marriage unless the spouse called as a witness consents to testify.

(4) There is no privilege under this section:

(a) In all criminal actions in which one spouse is charged with bigamy or with an offense or attempted offense against the person or property of the other spouse or of a child of either, or with an offense against the person or property of a third person committed in the course of committing or attempting to commit an offense against the other spouse;

(b) As to matters occurring prior to the marriage; or

(c) In any civil action where the spouses are adverse parties. [1981 c.892 §34; 1983 c.433 §1]

40.280 Rule 511. Waiver of privilege by voluntary disclosure. A person upon whom ORS 40.225 to 40.295 confer a privilege against disclosure of the confidential matter or communication waives the privilege if the person or the person's predecessor while holder of the privilege voluntarily discloses or consents to disclosure of any significant part of the matter or communication. This section does not apply if the disclosure is itself a privileged communication. Voluntary disclosure does not occur with the mere commencement of litigation or, in the case of a deposition taken for the purpose of perpetuating testimony, until the offering of the deposition as evidence. Voluntary disclosure does not occur when representatives of the news media are allowed to attend executive sessions of the governing body of a public body as provided in ORS 192.660 (4), or when representatives of the news media disclose information after the governing body has prohibited disclosure of the information under ORS 192.660 (4). Voluntary disclosure does occur, as to psychotherapists in the case of a mental or emotional condition and physicians in the case of a physical condition upon the holder's offering of any person as a witness who testifies as to the condition. [1981 c.892 §39; 2003 c.259 §1]

FILED: June 25, 2009

IN THE SUPREME COURT OF THE STATE OF OREGON

STATE OF OREGON,

Plaintiff-Appellant,

v.

RICARDO SERRANO,

Defendant-Respondent.

(CC C063227CR; SC S056399)

En Banc

On appeal from an order of the Washington County Circuit Court under ORS 138.060(2)(a).

Steven L. Price, Judge.

Argued and submitted January 14, 2009.

Paul L. Smith, Assistant Attorney-in-Charge Criminal Appeals, argued the cause for plaintiff-appellant. With him on the brief were Hardy Myers, Attorney General, and Mary H. Williams, Solicitor General, Salem.

Joshua B. Crowther, Senior Deputy Public Defender, argued the cause for defendant-respondent. With him on the brief was Peter Gartlan, Chief Defender, Appellate Division, Office of Public Defense Services, Salem.

DE MUNIZ, C. J.

The order of the circuit court is affirmed.

DE MUNIZ, C. J.

This case concerns the meaning of several sections of Oregon Evidence Code (OEC) 505, which governs marital privileges in Oregon. Defendant was charged with multiple counts of aggravated murder, involving three victims. Defendant's wife agreed to testify for the state regarding certain communications between defendant and wife that had occurred both before and after the murders. Although it is not entirely clear from the record, it appears that the state sought to offer wife's testimony regarding those communications as some evidence that defendant had had a motive to commit the murders and then had attempted to conceal his involvement in them. Before trial, defendant filed a motion *in limine*, in which he asserted the marital communications privilege as to those communications. The trial court granted defendant's motion and excluded the communications now at issue. The state filed this expedited appeal pursuant to ORS 138.060(2)(a).⁽¹⁾ For the reasons that follow, we affirm.

I. FACTS AND PROCEDURAL BACKGROUND

For purposes of this appeal, the undisputed facts are taken from the record and the parties' briefs. Defendant is charged with the aggravated murders of Melody Dang and her two young sons. At the time of the murders, defendant's wife (wife) was having an affair with Dang's long-time boyfriend, Nguyen, and was pregnant with Nguyen's child.

By late summer in 2006, wife decided that she wanted to leave defendant and dissolve their marriage. She shared her plans to leave defendant with a "few friends," her mother and two sisters, and three or four coworkers. Wife also discussed with at least one of her sisters how she should tell defendant. On September 1, 2006, wife moved out of the family home, took the couple's five children with her, and moved in with one of her sisters. Wife left defendant a page-long note, in which she told him that she was leaving him and moving out of the house.

On the night that wife moved out, defendant called wife on her cell phone. At that time, wife was in her sister's living room. Wife's sister was in the room while wife spoke with defendant; however, she heard only wife's side of the conversation. Wife reiterated that she wanted a divorce. Wife testified that, during the telephone call, defendant expressed a desire to reconcile with her.

Approximately one week later, wife left another note for defendant, informing him that she had had an affair. By the time that wife left the second note, she already had told her mother and sisters about the affair and had talked with them about how she should tell defendant.

Defendant called wife again after reading the second note. During that conversation, they discussed her affair. In another conversation that evening, she also told defendant, for the first time, that she was pregnant and that defendant probably was not the child's father. According to wife, defendant responded that her pregnancy did not matter, that she should not tell anyone, and that he would raise the child as his own. However, wife told defendant that she already had spoken to the baby's father about the baby. (2) Wife's sister also was present during that call, but again heard only wife's side of the conversation.

At some point after wife moved out of the family home, defendant called Brandi Preciado, with whom he had had an intermittent intimate relationship, and told her that wife had moved out. Preciado and defendant later met in person. Defendant told Preciado that he and wife had split up and that wife had taken the children and moved in with her sister.

After defendant's second telephone call with wife, but before November 2, 2006, wife moved back into the family home with defendant, because her sister did not have enough space for wife and the children. Wife told defendant that she did not want to reconcile with him and that the living arrangement would continue only until she could find her own place.

The state contends that the murders occurred on the evening of November 2, 2006. Nguyen, who worked the night shift, discovered the bodies of Dang and their two sons on the following morning when he returned home. Nguyen later reported to the police that the only property missing from the house was a laptop computer. That same morning, defendant called wife at 5:35 a.m. as she was coming home from work. Defendant worked a day shift and typically watched the children at home in the evening while wife worked a night shift. He routinely called her to make sure that she was on her way home from work before he left for work in the morning. Based on their conversation that morning, wife thought that defendant was "[o]n his way to work."

Wife arrived home approximately ten minutes after the telephone call and noticed that one of defendant's trucks was not in the driveway. She called him several times to ask him about the truck, but he did not answer his phone. Defendant called wife back approximately 30 minutes later and explained that he had not been able to answer his phone because it had been left in his jacket, which was in the back seat. She asked defendant about the missing truck, and defendant explained that it had broken down the night before when he went to the store and that it was parked a few blocks away from the house. Before ending the call, he told her that he was walking into work and had to hang up.

Approximately one week after the murders, defendant told wife that he had lost his cell phone while shopping. That conversation took place while they were at home with their children. Then, in mid-November 2006, defendant told wife that he knew someone who was selling a laptop computer and asked her if she wanted to buy it. Wife told him that she did not want the computer.

On November 28, 2006, Washington County Sheriff's Detective Hays interviewed defendant as a suspect in the murders. During the interview, defendant told Hays that he had lost his cell phone approximately two weeks earlier near the local WinCo store. Defendant also told Hays that his truck was parked a few blocks away from his house because it had broken down. Police arrested defendant on November 29, and he was later charged with ten counts of aggravated murder. Wife moved out of the family home on the same day.

Preciado remained in contact with defendant after he was arrested, and, at some point, defendant told her that wife was pregnant. Preciado testified that she initially thought that wife was pregnant with defendant's baby. However, she later discovered that defendant was not the father. When she confronted defendant about it, he eventually told Preciado that he did not believe that the baby was his.

Wife agreed to testify for the state about certain communications that she had had with defendant before and after the murders. Before defendant's scheduled trial, he filed a motion *in limine*, asserting the marital communications privilege set out in OEC 505(2) as to those communications. Specifically, defendant argued that the marital communications privilege required the court to exclude, among other things, the following evidence from defendant's trial: (1) the note that wife had left for defendant, telling him about her affair; (2) the conversation between defendant and wife in which they had discussed her affair and in which she had told him that she had become pregnant as a result of the affair; and (3) the November 3, 2006, conversation in which defendant had told wife that he was on his way to work.⁽³⁾ Defendant contended that OEC 505(2) applied because those communications had occurred between defendant and wife outside the presence of others and had involved intimate matters. Defendant also asserted that no evidence suggested that either spouse had intended those communications to be disclosed to others or that defendant had waived his privilege as to those communications.

The state opposed defendant's motion. The state contended that the communicating spouse's intent governed the confidentiality of a marital communication and that the communications at issue were not protected by the marital communications privilege because neither defendant nor wife had intended their statements to be "confidential communications" within the meaning of OEC 505. The state further asserted that, even if defendant and wife initially had intended their communications to be confidential, they later waived the privilege because the purpose of the privilege -- preserving marital harmony -- was no longer achieved, given that defendant and wife's marriage was in a state of disrepair. Relatedly, the state contended that communications regarding the dissolution of a marriage are not privileged. The state also argued that defendant would "get a windfall" by asserting the privilege based on a marriage that was barely intact.

The trial court held two hearings on defendant's motion. Wife, Detective Hays, and Preciado testified. In a July 2008 letter opinion, the court granted in part and denied in part defendant's motion. As an initial matter, the trial court rejected the state's argument that communications regarding the dissolution of a marriage were not confidential. The trial court concluded that the notes that wife had left for defendant and that defendant's side of the subsequent telephone conversations between defendant and wife were confidential communications falling within the scope of the marital communications privilege. The trial court further concluded, however, that wife's side of those conversations -- which her sister had overheard -- were not confidential. Finally, the trial court concluded that the November 3, 2006, telephone conversations between defendant and wife, in which defendant had stated that he was on his way to work and that his truck had broken down, were confidential and within the scope of the privilege. The trial court did not specifically address defendant's later conversations with wife concerning the loss of his cell phone or the purchase of a laptop computer. Rather, the trial court

concluded that "[a]ll other communications between the defendant and his wife * * * are privileged and not admissible[.]" The trial court did not address defendant's communications with Detective Hays. The court issued an omnibus order in August 2008, which reflected its earlier letter opinion. The state timely appealed pursuant to ORS 138.060(2)(a).

II. DISCUSSION

A. *Background - OEC 505 and OEC 511*

The state's appeal requires that we interpret several statutory provisions involving the marital privileges set out in OEC 505, specifically, OEC 505(1)(a) and (b), which define the terms "confidential communication" and "marriage;" OEC 505(2), which establishes the marital communications privilege; and OEC 505(4), which sets out exceptions to the marital privileges. We also must consider OEC 511, which governs waiver of privileges by voluntary disclosure. We first examine the statutory text and context when interpreting a statute. *See State v. Gaines*, 346 Or 160, 171, 206 P3d 1042 (2009) (the first step for interpreting a statute "remains an examination of text and context").

We begin with a brief overview of the marital privileges. Two marital privileges exist in Oregon: the marital communications privilege, which is governed by OEC 505(2), and the testimonial privilege, which is governed by OEC 505(3).⁽⁴⁾ OEC 505(2) provides:

"In any civil or criminal action, a spouse has a privilege to refuse to disclose and to prevent the other spouse from disclosing any confidential communication made by one spouse to the other during the marriage. The privilege created by this subsection may be claimed by either spouse. The authority of the spouse to claim the privilege and the claiming of the privilege is presumed in the absence of evidence to the contrary."

OEC 505(3) provides:

"In any criminal proceeding, neither spouse, during the marriage, shall be examined adversely against the other as to any other matter occurring during the marriage unless the spouse called as a witness consents to testify."

The marital privileges are distinguishable from each other in several ways. Laird C. Kirkpatrick, *Oregon Evidence* § 505.03[1], 366 (5th ed 2007). In particular, the marital communications privilege applies to only confidential communications between the spouses made during the marriage, while the testimonial privilege applies to nonconfidential communications *and* observations made during the marriage. *Id.* Both spouses hold the marital communications privilege, and both may assert that privilege during, and after, the marriage. *Id.* By contrast, only the spouse called to testify holds the testimonial privilege, and that privilege may be asserted only during the marriage. *Id.* Finally, the marital communications privilege may be asserted in civil and criminal cases, but the testimonial privilege may be asserted in criminal cases alone. *Id.*

Both the marital communications privilege and the testimonial privilege may be waived. OEC 511. OEC 511 governs waiver by voluntary disclosure of several kinds of privilege, including the marital privileges, and provides, in part:

"[a] person upon whom [OEC 503 to 514] confer a privilege against disclosure of the confidential matter or communication waives the privilege if the person * * * voluntarily discloses or consents to disclosure of any significant part of the matter or communication."

In this case, the testimonial privilege set out in OEC 505(3) is not at issue, because wife waived it when she voluntarily consented to testify for the state. The question is whether the trial court properly

excluded wife's testimony about the contested communications based on the marital communications privilege set out in OEC 505(2). Having set out the framework for the marital privileges, we turn now to the parties' arguments.

B. *Statements Directed at Marital Dissolution*

We begin by addressing the state's argument that communications regarding the dissolution of a marriage should not be privileged because they do not further the historical purpose of the marital privileges, which is to preserve marriages. *See State v. Luper*, 49 Or 605, 607-08, 91 P 444 (1907) (purpose of privilege is "to secure domestic happiness and tranquility"). In light of that purpose, the state urges this court to exclude categorically from the marital communications privilege purportedly confidential communications that are directed at the dissolution of the marriage. The state specifically contends that wife's communications to defendant before the murders should be admissible because their admission would not facilitate the historical function of the marital communications privilege, given that wife was intending to dissolve the marriage when she made the communications to defendant.

The issue is easily resolved by examining the text of OEC 505. As noted, OEC 505(2) provides that "a spouse has a privilege to refuse to disclose and to prevent the other spouse from disclosing *any confidential communication* made by one spouse to the other *during the marriage*." (Emphasis added.) For the purposes of OEC 505(2), "confidential communication" and "marriage" are statutorily defined terms. OEC 505(1)(a), discussed further below, defines "confidential communication" as "a communication by a spouse to the other spouse and not intended to be disclosed to any other person." OEC 505(1)(b) defines "marriage" as "a marital relationship between husband and wife, legally recognized under the laws of this state."

In OEC 505(2), which defines the scope of the marital communications privilege, the legislature used the adjective "any" to modify the phrase "confidential communication." Thus, the privilege applies to "any" -- not to some -- "confidential communications," as long as those communications were made "during the marriage." Read together, those provisions demonstrate that the legislature intended to include within the protection of OEC 505(2) *all* confidential communications between spouses made throughout the entire course of the marriage, not merely communications that would or could contribute to the "health" of the marriage, as the state contends.

Moreover, in OEC 505(4), the legislature set out three specific exceptions to the marital privileges, but did not provide for any "marital health" exception. Under OEC 505(4), there is no privilege: (1) in criminal actions in which one spouse is charged with an offense against the other; (2) as to matters occurring before the marriage; or (3) in civil actions where the spouses are adverse parties.⁽⁵⁾ In our view, the omission of a "marital health" exception in OEC 505(4) is decisive. *See* ORS 174.010 (when construing statutes, court may not insert what legislature omitted).

In sum, the plain wording of OEC 505 demonstrates that the legislature intended the existence of a legal marriage to establish the scope of the protection provided by the marital communications privilege. Assuming that the party asserting the privilege can establish that the other requirements of OEC 505 have been satisfied, the marital communications privilege in OEC 505(2) applies as long as the statements were made while the marriage was legally intact. Accordingly, we conclude that the trial court properly declined to admit wife's testimony on that basis.

C. *Confidentiality of Marital Communications*

1. *Spousal Intent Governing the Communications*

We next consider whether, as the state contends, the communicating spouse's intent governs the confidentiality of a marital communication. To do so, we must consider the meaning of the term

"confidential communication" as it is used in OEC 505(2). As noted, the legislature has defined "confidential communication" in OEC 505(1)(a), which provides that, as used in OEC 505,

"'[c]onfidential communication' means a communication by a spouse to the other spouse and not intended to be disclosed to any other person."

The state argues that the trial court erroneously excluded the contested communications because they were not "confidential communications" within the meaning of OEC 505(1)(a) and, therefore, were not subject to the marital communications privilege. Specifically, the state asserts that the communicating spouse's intent governs the confidentiality of communications made between spouses and that neither defendant nor wife intended the communications at issue to be confidential. The state alternatively argues that, even if the contested communications were confidential, both defendant and wife waived their privilege as to those communications by disclosing the substance of the communications to others.

Defendant responds that the text and context of OEC 505(1)(a) indicate that the legislature intended that the intent of the spouse claiming the privilege -- not the intent of the communicating spouse -- governs the privilege's application. To support that assertion, defendant points out that OEC 505(1)(a) is expressed in the passive voice and contains no wording that limits its application to the communicating spouse. Defendant relies on the context of Oregon's other evidentiary privileges and the policy underlying the marital privileges as further support. Defendant alternatively contends that, even if the intent of the communicating spouse governs confidentiality, the circumstances surrounding the communications now at issue demonstrate that both defendant and wife intended their communications to be confidential.

As a preliminary matter, there is no question that the notes and conversations at issue qualified as "communications" for purposes of OEC 505(2) and OEC 505(1)(a). Neither is there any question that the communications occurred between spouses. The question is whether the communications were "confidential," that is, "not intended to be disclosed to any other person," OEC 505(1)(a). Because that pertinent part of OEC 505(1)(a) is written in the passive voice and does not identify the actor, it is initially unclear whose intent governs confidentiality for purposes of OEC 505(2): that of the communicating spouse, the noncommunicating spouse, or both spouses.

On at least one other occasion, this court has concluded that the use of the passive voice in statutory text is indicative of legislative intent. *See State v. Pena*, 345 Or 198, 207, 191 P3d 659 (2008) (noting that use of passive voice indicated that either lawyer or defendant could move for removal of judge). Here, however, the relevant statutory provisions and definitions shed no light on the question, and we do not think that the use of the passive voice in OEC 505(1)(a) necessarily reflects which spouse's intent governs confidentiality.

For further guidance, we turn to Oregon's other privilege rules, which serve as pertinent context. The Oregon Evidence Code establishes multiple evidentiary privileges that also define and use the term "confidential communication," including the lawyer-client, psychotherapist-patient, physician-patient, and clergy-penitent privileges. Although the term is tailored in each instance to the context in which those privileges may be invoked, the definitions are similar, because each defines "confidential communication" in the passive voice as a communication "not intended to be disclosed." *Compare, e.g.*, OEC 503(1)(b) (lawyer-client privilege); OEC 504(1)(a) (psychotherapist-patient privilege); OEC 504-1(1)(a) (physician-patient privilege); OEC 506(1)(a) (clergy-penitent privilege). In the psychotherapist-patient privilege context, this court has looked to the speaker's intent to determine whether a communication was intended to be confidential. For example, this court previously has concluded that the confidentiality of a patient's communication to his psychotherapist is determined in light of the patient's intent. *State v. Miller*, 300 Or 203, 210, 709 P2d 225 (1985), *cert den*, 475 US 1141 (1986).

However, relying on this court's interpretations of other privilege statutes is of limited value, because the other privileges do not operate in the same manner as the marital confidential communications

privilege. Specifically, the client, the patient, or the penitent alone holds the privilege as to the attorney-client, psychotherapist-patient, physician-patient, and clergy-penitent privileges. *See, e.g.*, OEC 503(2), (3) (attorney-client privilege); OEC 504(2), (3) (psychotherapist-patient privilege); OEC 504-1(2), (3) (physician-patient privilege); OEC 506(2) (clergy-penitent privilege). Given the professional context in which those privileges exist, it makes sense that the client's intent controls whether a communication is confidential in those relationships. *See Kirkpatrick, Oregon Evidence* § 503.06[1] at 308 ("Whether the communication is confidential depends upon the intent of the client."). By contrast, OEC 505(2) expressly provides that *both* spouses hold the confidential communications privilege. Because the text and context of OEC 505(1)(a) do not illuminate the present inquiry, we turn to legislative history for additional guidance. *See Gaines*, 346 Or at 171-72 (stating that court will consult legislative history after examining text and context, "even if [it] does not perceive an ambiguity in the statute's text, where that legislative history appears useful to the court's analysis").

The principal source of legislative history for the 1981 Oregon Evidence Code is the 1981 Conference Committee Commentary. Although that Commentary is not an official part of the Oregon Evidence Code, it nonetheless "provides highly useful background regarding each rule and guidance to courts and attorneys in interpreting these rules." *State v. McClure*, 298 Or 336, 344, 692 P2d 579 (1984); *see also State ex rel OHSU v. Haas*, 325 Or 492, 506 n 10, 942 P2d 261 (1997) (examining Commentary as part of legislative history analysis). According to the 1981 Conference Committee Commentary to OEC 505(1)(a),

"'[c]onfidential communication' is defined in terms of intent. Intent may be inferred from the circumstances, *e.g.*, the taking or failing to take of precautions. A communication made in public or meant to be relayed to outsiders can scarcely be considered confidential. Unless intent to disclose is apparent, a communication between husband and wife is confidential."

The Commentary thus instructs that communications between spouses are presumed confidential unless the circumstances indicate that "intent to disclose is apparent." *See John W. Strong, McCormick on Evidence* § 80, 330 (5th ed 1999) (stating that "[c]ommunications in private between husband and wife are assumed to be confidential" and noting circumstances that may strengthen or rebut a claim of confidentiality).

In our view, the Commentary clarifies that the legislature intended the communicating spouse's intent to govern confidentiality. That is so because, in most situations, the communicating spouse is the person making the communication and -- at least, initially -- is the spouse in a position to assess the nature of the communication and to control the circumstances under which the communication is made. For example, the communicating spouse controls the subject, content, wording, language, and medium in which the communication is made, whether the communication is made in the presence of others, and the volume and intonation of his or her voice. And, it is the communicating spouse who is in a position to advise the noncommunicating spouse not to disclose the communication to others. Furthermore, such an approach balances the underlying purpose of the evidentiary privileges, which is to foster open communication, with the truth-seeking function embodied in the evidentiary rules.⁽⁶⁾ We thus conclude that the legislature intended that the communicating spouse's intent governs the confidentiality of communications between spouses because the communicating spouse has primary control over the circumstances in which the communication itself is made.

Generally, the burden is on the party asserting the privilege to establish that he or she is entitled to assert it and that the communications that he or she seeks to exclude fall within the scope of the privilege. *See Groff v. S. I. A. C.*, 246 Or 557, 565, 426 P2d 738 (1967) (regarding assertion of privilege as to disclosure and use of public assistance records under ORS 411.320). However, the Commentary indicates that the legislature intended that communications made during marriage be presumed confidential, unless intent to disclose is apparent from the circumstances.⁽⁷⁾ In light of that presumption, we conclude that defendant need only demonstrate that he was married to wife and that a

communication with wife had occurred during the marriage. The burden of persuasion then shifts to the proponent of the evidence -- the state, in this case -- to rebut the claim of privilege by demonstrating that the communicating spouse did not intend the communication to be confidential. *See State v. Clay*, 332 Or 327, 332, 29 P3d 1011 (2001) (describing effect of presumption).

Having concluded that the communicating spouse's intent governs confidentiality and that a presumption of confidentiality exists, we next consider the contested communications. The communications at issue here may be divided into two groups for purposes of our analysis: those that occurred before the murders, and those that occurred after the murders. Communications that occurred before the murders include wife's notes to defendant and the telephone conversations between defendant and wife regarding her desire for a divorce, her affair, and her pregnancy as a result of the affair. The latter group of communications includes defendant's statements to wife about heading into work, his truck breaking down, losing his cell phone, and purchasing a laptop computer. We address each group of communications separately.

2. *Communications That Occurred Before the Murders*

We review evidentiary rulings for errors of law. *State v. Rogers*, 330 Or 282, 312, 4 P3d 1261 (2000). However, we are bound by a trial court's factual findings, if the record contains evidence to support them. *Ball v. Gladden*, 250 Or 485, 487, 443 P2d 621 (1968). If the trial court failed to articulate a factual finding on a pertinent issue, we assume that the trial court decided the facts "in a manner consistent with the court's ultimate conclusions, as long as there is evidence in the record, and inferences that reasonably may be drawn from that evidence," that would support its conclusion. *State v. Juarez-Godinez*, 326 Or 1, 7, 942 P2d 772 (1997).

We begin with wife's notes to defendant. The trial court concluded that wife's notes were privileged because, although the trial court found that wife had discussed with others the subject matter of the notes, there was "no evidence that either party discussed these communications, as opposed to the subject matter of the communications, with outsiders."

The state asserts that the notes were not privileged because wife did not, at the time that she wrote them, intend either the fact of the communications or the subject matter of the communications to be confidential. The state argues that evidence that wife told others about the subject matter of the notes supports the conclusion that wife did not intend her communications with defendant to be confidential. It also argues that evidence that wife had discussed with others how she should tell defendant about her desire for a divorce and her affair demonstrates that she also did not intend the fact of the communications themselves to be confidential.

As discussed, we presume that wife intended her communications to defendant to be confidential. The record, rather than rebutting that presumption, reinforces it. In particular, wife testified at the suppression hearing that she intended both notes to be for defendant alone and that she did not consult anyone in writing them. Furthermore, wife's decision to leave notes for defendant in the family home, where the most likely outcome would be that only defendant would see them, permitted the trial court to infer an intention of confidentiality. And, although not dispositive in itself, the subject matter of the notes was of an intimate nature. Finally, the state offered no evidence to support a contrary inference sufficient to overcome the presumption of confidentiality that the rule creates.

As the state points out, wife told others about her plans to leave defendant. By the time that wife left defendant the first note, wife had told several people -- including her mother, sisters, friends, and coworkers -- that she intended to leave defendant. And, by the time that wife left defendant the second note, she had told her sisters and her mother that she had had an affair. Wife also testified that she had discussed with others how she should tell defendant about her desire for a divorce and her affair.

In determining confidentiality, a court looks to the communicating spouse's intent at the time that the

communication was made. *See* OEC 505(1)(a) Commentary (1981) (stating that intent may be inferred from the circumstances); Inwinkelried, *The New Wigmore: Privileges* § 6.8 at 671 (stating that confidentiality inquiry focuses on the time of the communication). The record supports the trial court's finding that there was no evidence that wife had discussed with others the existence of the notes themselves once she had left them. Accordingly, the trial court did not err when it concluded that wife's notes to defendant were confidential communications protected by the marital communication privilege set out in OEC 505(2).

We next consider whether defendant or wife waived the privilege as to wife's notes. The state asserts that only wife's waiver of the privilege was required because wife was the privilege-holder as to her communications to defendant. That argument contradicts the plain text of OEC 505(2), which expressly states that "[t]he privilege created by this subsection may be claimed by either spouse." Thus, the text of OEC 505(2) compels a conclusion that the legislature intended to permit either spouse to assert the marital communications privilege as to "any confidential communication made by one spouse to the other during the marriage." And, as we already have discussed, the legislature's use of the word "any" to modify the phrase "confidential communication" demonstrates that -- excluding the express exceptions listed in OEC 505(4) -- the legislature intended to include within the protection of OEC 505(2) *all* confidential communications between spouses. Under those provisions, both spouses hold the privilege, and, therefore, both spouses must waive the privilege for an otherwise privileged confidential communications to be admissible.

As noted, a privilege-holder may waive his or her privilege if he or she "voluntarily discloses or consents to disclosure of any significant part of the matter or communication." OEC 511. In *Oregon Evidence*, Kirkpatrick explains:

"Only the communication is privileged, not the holder's knowledge of the facts. Therefore, the holder may disclose the facts to third persons without waiving the privilege. For example, a client may speak freely to nonprivileged persons about the facts of an automobile accident without waiving the right to prevent the attorney from being questioned regarding specific communications from client about that accident."

Kirkpatrick, *Oregon Evidence* § 511.03[1] at 402-03.

However, even if one spouse has waived his or her privilege of confidentiality, that choice cannot bind the other spouse. Thus, the question whether wife waived her privilege as to the notes when she discussed her desire for a divorce, her affair, and her pregnancy with friends and family members is largely irrelevant, because wife unquestionably waived her privilege when she agreed to testify on the state's behalf. As for defendant, however, we cannot conclude that the trial court's findings are without basis in the record and that defendant waived the privilege as to wife's notes. Although defendant later spoke to Preciado about facts that were included in the notes -- for example, that wife wanted a divorce -- the record does not support an inference that defendant told Preciado that wife had told him about those things in two notes that she had left for him in the family home. Because defendant merely disclosed the subject matter of the notes, the record permitted the trial court to conclude that the notes were privileged.

We next address the state's argument that wife did not intend her side of the telephone conversations regarding the notes that she left for defendant to be confidential.

The trial court determined that wife's side of the telephone conversations, which wife's sister had overheard, were not privileged. On appeal, both parties discuss wife's intentions regarding her side of those telephone conversations. In sum, the state argues that wife's side of the telephone conversations regarding the notes was admissible because wife had discussed with others the subject matter of the notes. Defendant disagrees. However, because the trial court ruled in the state's favor on that issue, and defendant did not cross-appeal or otherwise challenge that ruling, we do not address it. We therefore

proceed to consider the communications that occurred after the murders.⁽⁸⁾

3. *Communications That Occurred After the Murders*

The state also argues that defendant's statements to wife after the murders -- about going into work, his truck breaking down, losing his cell phone, and purchasing a laptop computer -- were not protected by the marital communications privilege because the circumstances at the time that defendant made them do not demonstrate that he intended them to be confidential. The state further argues that those statements, by their nature, were not confidential because they were "routine communications," related to the "business of marriage." The trial court excluded those statements, because it found that it was not apparent from the circumstances that defendant had intended them to be disclosed to others. The trial court noted that defendant's intent was "a close question," explaining that,

"[i]n most innocent circumstances, one would not infer an intent to maintain confidentiality * * * from one spouse to another regarding mechanical trouble or a lost cell phone.

However, these are not innocent circumstances. The state's theory is that Mr. Serrano lied to his wife to cover up his criminal tracks. One reasonable inference would be that he intended that she repeat the statements to others to mislead others as well. However, it is more reasonable to infer that these communications were directed at misleading his wife at the time and were not intended to incur the additional scrutiny that would result from their being repeated to and questioned by others."

We again begin with the presumption that communications between spouses are confidential, unless the proponent of the evidence at issue establishes that the communicating spouse's intent to disclose is apparent from the circumstances. Although the record does not reflect that defendant expressly asked wife to keep his statements confidential, it nevertheless shows that defendant made those statements directly to wife and outside the presence of others. As the trial court found, these circumstances permit an inference that defendant did not intend his statement to be disclosed to others. Accordingly, the trial court did not err when it concluded that the state had not overcome the presumption of confidentiality.

We also reject the state's argument that defendant's statements were not confidential communications because they pertained to "routine matters." Nothing in OEC 505(2) suggests that conversations regarding "routine matters" automatically should be excluded from the scope of the marital communications privilege. Rather, as we already have discussed, the privilege extends to "any confidential communication" between spouses. OEC 505(2). Further, as we already have noted, the subject matter of the communication is but one aspect of the circumstances to be considered in determining the communicating party's intent. The record permits the trial court's conclusion that, when defendant made the statements to wife, he did not intend them to be disclosed to others.

We next consider whether defendant later waived the privilege as to his communications to wife after the murders. The trial court did not specifically address that issue in its letter opinion. Rather, it stated that, except for wife's side of the telephone conversations that had occurred before the murders and several other communications that are not at issue on appeal, "[a]ll the other communications are privileged and [defendant] has not waived the privilege." The state, for its part, contends that defendant waived the privilege as to at least two of the communications that he had with wife after the murders by discussing the subject matter of those communications with Detective Hays.

Although the trial court's letter opinion contains no findings about whether defendant waived the privilege as to the communications in question that occurred after the murders, we assume that the trial court decided the facts consistently with its ultimate conclusion, as long as the record contains evidence to support it. *Juarez-Godínez*, 326 Or at 7. During defendant's interview with Detective Hays on November 28, 2006, defendant told Detective Hays that he had parked his truck a few blocks from his house because it had broken down. He also told Detective Hays during that interview that he had lost his cell phone while shopping at WinCo. Although defendant clearly disclosed to Detective Hays the

subject matter of some of his earlier communications with wife, there is no evidence in the record that defendant later disclosed to Detective Hays that he had told wife about his truck breaking down and losing his cell phone. Thus, defendant did not disclose to Detective Hays or anyone else *any* part -- much less "a significant part" -- of his communications to wife. That evidence supports the trial court's ultimate conclusion under OEC 505 that defendant did not waive the marital communications privilege as to the communications that he made to wife after the murders.

III. CONCLUSION

In summary, wife's notes to defendant qualified as confidential communications within the meaning of OEC 505(1)(a). Because the state presented no evidence to demonstrate that defendant had waived the privilege as to those communications, the notes are privileged under OEC 505(2). Similarly, defendant's statements to wife about going into work, his truck breaking down, losing his cell phone, and purchasing a laptop computer also qualified as confidential communications under OEC 505(1)(a). Because the state presented no evidence to show that defendant had waived the privilege as to those communications, they too are privileged under OEC 505(2).

The order of the circuit court is affirmed.

1. Under ORS 138.060(2)(a), when the defendant is charged with murder or aggravated murder and a trial court enters a pretrial order suppressing evidence, the state may appeal that order directly to this court.

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2. It is unclear whether, in that communication, wife identified the baby's father as Nguyen.

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3. Defendant's motion initially identified the communications as we have described. However, the evidence at the hearing established that wife had written two notes on different occasions and established the full extent of the content of the various communications that we analyze below.

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4. The testimonial privilege is sometimes referred to as the privilege against adverse spousal testimony.

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5. OEC 505(4) provides:

"There is no privilege under this section:

"(a) In all criminal actions in which one spouse is charged with bigamy or with an offense or attempted offense against the person or property of the other spouse or of a child of either, or with an offense against the person or property of a third person committed in the course of committing or attempting to commit an offense against the other spouse;

"(b) As to matters occurring prior to the marriage; or

"(c) In any civil action where the spouses are adverse parties."

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6. We note that, in general, the evidentiary privileges -- including the marital privileges -- are distinguishable from most other evidentiary rules in that they are designed to limit the search for the truth, rather than facilitate its discovery. Strong, *McCormick on Evidence* § 72 at 298-99. The resulting loss of relevant evidence is tolerated to protect certain relationships that have been deemed sufficiently important, such as the relationship between married persons, doctor and patient, clergy and penitent, and attorney and client. *Id.* at 299. Generally speaking, the purpose of the evidentiary privileges is to encourage open communication between the persons in the protected relationship, which theoretically, in turn, strengthens that relationship and encourages participation in such relationships. *Id.* at 299-300.

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7. Other authorities support the same presumption. See, e.g., *Blau v. United States*, 340 US 332, 333, 71 S Ct 301, 95 L Ed 2d 306 (1951) ("[M]arital communications are presumptively confidential."); Edward J. Imwinkelried, *The New Wigmore: Privileges* § 6.8, 671-72 (2002) (citing authorities recognizing presumption of confidentiality for spousal communications); 8 Wigmore, *Evidence* § 2336, 652 (1961) ("[A]ll marital communications should be presumed to be confidential until the contrary appears.").

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8. The trial court excluded defendant's side of the telephone conversations regarding wife's notes, and neither party addresses that ruling on appeal. For that reason, we also need not address any issues regarding defendant's side of those conversations.

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Law Office of Frederick W. Fender
P. O. Box 0000
Somewhere, OR 97000

Mr. Andrew Jackson
P. O. Box 1111
Nowhere, OR 970001

Re: My Client: Betty Sue Smith
Your Client: Amos Smith et al.

Dear Mr. Jackson:

As you know, I represent Betty Sue Smith. She is the widow of LaMar Smith. There is a clear dispute between Mrs. Smith and her deceased husband's adult children. They are claiming that she improperly induced him to transfer stock to her a few days before he died. They are also complaining about the \$100,000.00 gift he gave her before he died. Your clients' claims are totally without merit. If we have to litigate this matter, we will obtain an award of attorney fees as sanctions.

Nevertheless, Ms. Smith has informed me that she does not want any acrimony between herself and Mr. Smith's children. Ms. Smith acknowledges the close personal relationship that LaMar Smith had with his children. She also informs me that Mr. Smith told her he wanted her to have the \$100,000.00 in cash as he wanted the children to get his stock in the company. She is willing to give back the stock she received if your clients drop their claim for attorney fees.

This letter is settlement communications and should not be used for any evidentiary purpose under OEC 408.

I Look forward to hearing from you.

Your friend and colleague,

Frederick Fender

FWF/xxx

c: Betty Sue Smith