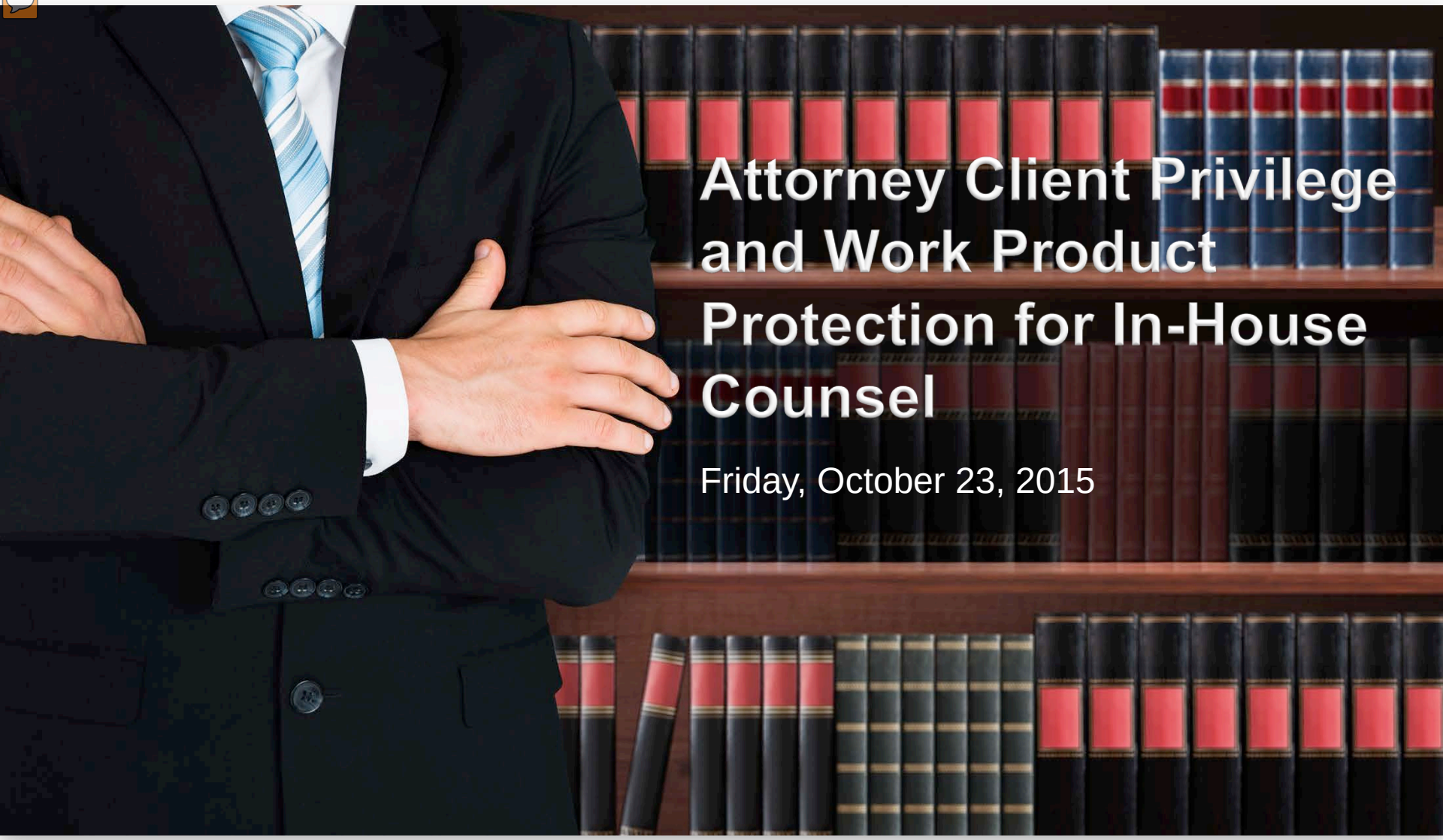

Attorney Client Privilege and Work Product Protection for In-House Counsel

Friday, October 23, 2015

Dinsmore

A joint seminar with

ACC America
Association of Corporate Counsel
Southwest Ohio Chapter

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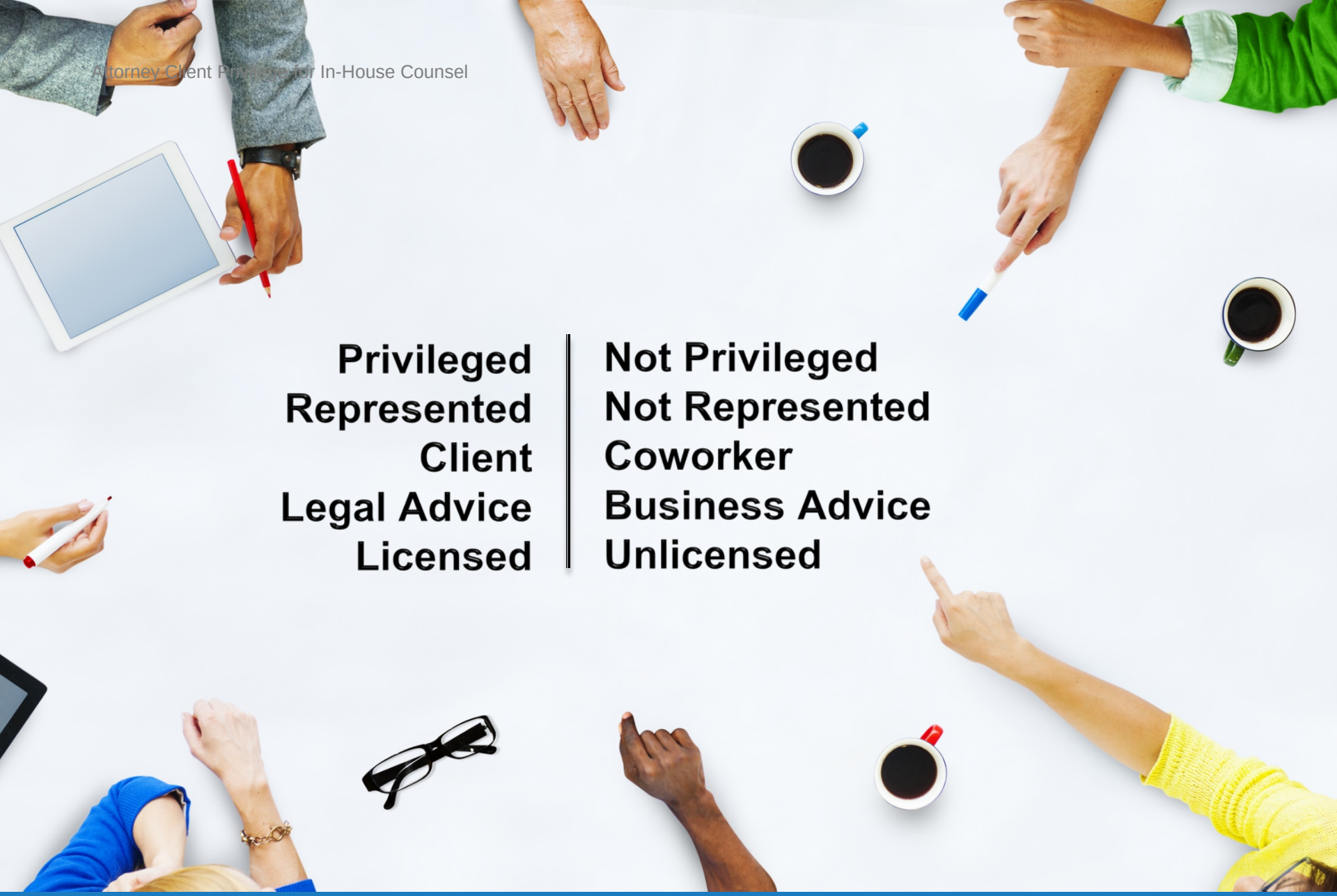
Program Overview

1. **Review of basic elements**
   - » Attorney Client Privilege
   - » Work Product
2. **Address the business roles of in-house counsel**
   - » How these interplay with privilege issues
3. **Compare privilege from global jurisdictions**
   - » Implications for your practice
4. **Test your knowledge of privilege scenarios**
5. **Explore e-discovery privilege issues**
6. **Best practices**


Privileged
Represented
Client
Legal Advice
Licensed
Not Privileged
Not Represented
Coworker
Business Advice
Unlicensed

Attorney Client Privilege

Confidentiality
ABA Model Rule 1.6
--a professional issue--

Lawyer shall not reveal information relating to representation of client unless:

- client gives informed consent,
- disclosure impliedly authorized to carry out representation; or
- disclosure permitted below.

May reveal information the lawyer reasonably believes necessary for 7 circumstances.

Shall make reasonable efforts to prevent the unauthorized disclosure of it

- Online access? Portable devices?
- Document productions in e-discovery?

Attorney-Client Privilege
--an evidentiary issue--

"Sound legal advice or advocacy …depends upon the lawyer[s] being fully informed."

Privilege exists to encourage full and frank communications between attorneys and clients

- Protects the giving of professional advice
- Protects the giving of information to the lawyers to enable them to give sound and informed advice.

Upjohn Co. v. United States, 449 U.S. 383, 389-90 (1981).

Work Product Protection
--an evidentiary issue--

Federal Rule Civil Procedure 26(b)(3)

- More later in this presentation
- Provides qualified protection to materials (including attorney's mental impressions) created "in anticipation of litigation"

Attorney-Client Privilege – elements / burden

The proponent of A/C privilege has the burden to prove:

- Communication
- Made in confidence
- Between an attorney
- And a client
- For purposes of seeking legal advice.

» See *U.S. v. United Shoe Machinery Corp.*, 89 F. Supp. 357 (D. Mass 1950).

For in-house counsel, it is important to:

- Define “legal advice / purpose,” “client,” and “confidential”

Privilege Does Not Protect Underlying Facts

"[P]rotection . . .extends only to communications and not to facts"

- "The client cannot be compelled to answer the question, `What did you say or write to the attorney?'"
- "[B]ut may not refuse to disclose any relevant fact within his knowledge merely because he [disclosed it] to his attorney … "
  - "[P]arty cannot conceal a fact merely by revealing it to his lawyer."

Upjohn Co. v. United States, 449 U.S. 383, 395, 396 (1981).

Work-product protection in the U.S.

History and policy of work-product protection

- *Hickman v. Taylor*, 329 U.S. 495 (1947)
- Fed.R.Civ.P. 26(b)(3)

History and policy of work-product protection

Fed.R.Civ.P. 26(b)(3) provides a *qualified* protection from discovery in a civil action when materials are:

- Documents and tangible things otherwise discoverable;
- Prepared in anticipation of litigation or for trial; and
- By or for another party or by or for that other party's representative

History and policy of work-product protection

To overcome the qualified protection, the party seeking discovery must make a showing of:

- Substantial need for the materials, and
- Inability to obtain the substantial equivalent of the information without undue hardship

Even if you can show substantial need and undue hardship, the court is required to protect the attorney's mental processes from disclosure to the adversary

Inadvertent Production and Waivers of A/C Privilege and WP

Waiver

- Privilege belongs to and can be waived by client
- When client is corporation, the power to waive rests with corporation's management and is normally exercised by its officers and directors

See also Fed.R.Evid 502 -- limiting the effect of waivers –

Orders per Rule 502(d)

Roles played by in-house counsel (Legal v. Business)

In-house counsel may play many roles (business and legal), with the primary advantages being:

- "breadth of their knowledge of the corporation" and
- "ability to begin advising senior management on important transactions at the earliest possible stage"

In re Teleglobe Communications Corp., 493 F. 3d. 345, 369 (3d Cir. 2007).

Privilege vis-à-vis in house counsel is helpful to:

- promote the free flow of information in an organization;
- aid in the protection of, and compliance by, the entity.

Business Purpose?

Are you acting as a lawyer or a business person? Or both?

- Courts evaluate the primary or significant purpose
- May consider job title of the in-house counsel

Courts are wary of efforts to "immunize" all internal discussion

- strategic “funneling” of all communications through counsel.
- *Teltron, Inc. v. Alexander*, 132 F.R.D. 394 (E.D. Pa. 1990)
  - rejected claim of privilege where counsel held roles as both “Vice President and in-house counsel”)

Case Study – Business / Legal Purpose?

- Lawsuit re failure to pay multi-million dollar earn out (stock purchase)
  - Local investors (plaintiffs) sued large multinational buyer (defendant)
  - Defendant claims fraud in pre-sale disclosures
  - Lists “VP and GC” as the lead individual in due diligence efforts
- Protective order provides for clawback of inadvertent disclosures
- Defendant produces 250,000 items in e-discovery
  - Plaintiffs’ counsel finds a damaging item (Ex. A) from “VP and GC,” commenting on a business, regulatory issue
  - 4 months later, Defendant seeks to clawback 972 items, including Ex. A
  - Plaintiffs’ counsel asks the Court for guidance
  - Defendant seeks sanctions against Plaintiffs’ counsel
- » Evidentiary hearing scheduled**.** Stipulated resolution.

Who is the client for in-house counsel? --maintaining confidentiality

Tests may vary by jurisdiction

ABA Model Rule 1.13

Control Group Test

- only members of senior management with decision making authority. *Consolidation Coal Co. v. Bucyrus-Erie Co.,* 89 Ill.2d 103 (Ill. 1982)

Subject Matter Test:

- Communication made to seek or receive legal advice to the organization; where the information was not available from the control group; where the employee was directed by his/her supervisor to seek or receive legal advice; and where the communication with the lawyer was within the scope of the employee's duties. *Upjohn Co. v. United States*, 449 U.S. 383, 392 (1981)

ABA Model Rule 1.13: Organization as Client

Client representatives

- In-house lawyers represent the organization through its "duly authorized constituents."

Internal wrongdoing adverse to the company

- If company representative is engaging in (or intending) wrongdoing likely to substantially injure the company:
  - Lawyer shall refer the matter to higher authority in the company.
  - Possibly to the highest authority legally authorized to act
- If highest authority fails to address what is "clearly a violation of law:"
  - May report outside the company
  - but only to the extent he reasonable believes the violation is "reasonably certain" to result in substantial injury to the corporation.

Who is the client for in-house counsel?
-Employees?

Broad distribution among employees may preclude privilege

- *Orion Corp. v. Sun Pharmaceuticals Indus.*, 2010 U.S. Dist. LEXIS 15975, *26 (D.N.J. 2010)
  - patent infringement case
  - Sun sought commercial info distributed to 112 non-attorney employees,
    - No identification of duties / roles on the privilege log
  - Result: “Waived” privilege due to “widespread dissemination” beyond needs

Who is the client for in-house counsel (cont'd)? --Consultants?

Communication with 3rd party may sometimes be protected

- If necessary for legal advice, privilege can includes experts or consultants
  - *United States v. Kovel,* 296 F.2d 918 (2d Cir. 1961) (accountant assistance)
- But proof of their necessity is required
  - *Church & Dwight Co., Inc. v. SPD Swiss Precision Diag.*, 2014 U.S. Dist. LEXIS 175552 (S.D.N.Y. 2014) (communications to third-party marketing consultant re FDA-regulated product were not privileged)
- Document the purpose of communication before sharing legal advice or privileged communications

Involving Non-Attorneys in Legal Advice
-- documenting the purpose (sample)

[ADD APPROPRIATE CONFIDENTIALITY LABELS TO SIGNAL PROTECTED COMMUNICATION'

[Internal Auditors or similar support function] --

This is to confirm that the [COMPANY] Legal Department [OR OUTSIDE COUNSEL], requests the support of the [INTERNAL FUNCTION] in conducting a privileged and confidential review of [DESCRIBE ISSUE OR TRANSACTIONS] in [LOCATION OR BU]. Your team's assistance is necessary in assisting [COMPANY] legal counsel to provide the Company with legal advice.

Any and all work performed by your team on this matter will be performed at the direction of and in consultation with legal counsel and is being conducted in anticipation of potential litigation. In order to preserve these protections, please label your work papers, emails, or other files related to this project with the ledger "Privileged and Confidential; Attorney Work Product; Prepared at the Direction of Counsel" or something similar, and please also segregate your privileged files from your non-privileged audit materials. Please let me know if you have any questions or concerns. We look forward to working with you on this matter.

Thanks very much.

[IN HOUSE LAWYER]

Who is the Client?
--former employees?

Can extend to former employees if:

- concern knowledge obtained or conduct which occurred during course of former employee's employment; or
- relate to communications that were privileged and occurred during the employment relationship.
- *Peralta v. Cendant Corp.*, 190 F.R.D. 38 (D. Conn. 1999); *Domingo v. Donahoe*, 2013 WL 4040091 *6 (N.D. Cal. 2013)

Case study: counsel's role and who is client?

- In re *Vioxx Prod. Liability Litig*. 501 F.Supp. 2d 789, 805-09 (E.D. La. 2007)
  - Product liability issues -- pharmaceutical industry – emails to many
  - "When e-mail messages were addressed to both lawyers and non-lawyers for review, comment, and approval, we concluded that the primary purpose of such communications was not to obtain legal assistance since the same was being sought from all.“
  - “Merck cannot be permitted to deprive adversaries of discovery by voluntarily choosing to electronically superimpose that legal advice on the non-privileged [items].”
- *In re Seroquel*, 2008 U.S. Dist. LEXIS 39467, *98 (M.D. Fla. 2008) (same).

Joint Defense or Common Interest Privilege

Widely recognized by courts

- *In re Bevill, Bresler & Schulman Asset Management Corp.,* 805 F.2d 120, 126 (3d Cir. 1986)
- *Waller v. Financial Corp. of America,* 828 F.2d 579, 583 (9th Cir. 1987).

Elements:

- Communication made in during joint efforts;
- Statements to further those efforts; and
- An underlying privilege must not be waived.

Purpose:

- Protects against an argument that sharing the otherwise protected information acts as a waiver.

Case study – common interest

- Dispute between medical-marketing consultant and doctor-inventor
  - Consultant assisted in lucrative licensing of 15 key patents for medical devices – 8+ figures in revenue
  - Disputed commissions (20%) on royalties from medical devices
  - After millions were paid, doctor-inventor claimed breach, stopped paying
  - Consultant sued for additional / ongoing commissions
- Doctor-inventor then sold 100 patents to a third party (Buyer) for millions, allocating only a small portion of the price to the initial 15 patents
  - Consultant sought discovery of patent valuation discussion between doctor-inventor and Buyer
- Buyer claimed work-product / privilege, amid common interest with doctor
- Court required production, cited common interest ***among all three parties***

Checklist to Help Prove Joint Def. Privilege

1. Identification of cooperating parties contemplated to trigger privilege.
2. **Statement that evidences proper motive in establishing joint agreement (*e.g.* intent to cooperate in aspects of defense and avoid duplication of effort for court / parties).**
3. A provision specifically allowing the sharing of confidential information regarding the development of defenses.
4. A provision that information and materials transmitted among the parties or counsel may contain confidential and privileged communications designated as attorney-client privileged, the attorney work-product doctrine or other applicable privilege or protections, and it is the intent and understanding of the parties that the exchange will not waive any privilege.

Other helpful aspects to include

1. An agreement that neither the parties nor their counsel will produce or disclose any joint privilege materials received, or the contents thereof, unless ordered by a court, and then only after providing co-defendants/parties and opportunity to challenge production orders.
2. Representation that each party has had full opportunity to consult with separate, private counsel and is fully informed of conflicts.

In-House Scenarios in which Privilege Issues May Arise

- Product defect or service issues
- IP development
- Contracts
- Employment, HR and Labor
- Training supervisors and managers on legal issues
- M&A and transactional work
- Insurance claims
- Internal investigations
- Agency investigations
- Criminal investigations
- Litigation
- Outside auditors
- Compliance
- Securities

Internal Investigations

In re Kellogg Brown Root, Inc., No. 14-5055 (D.C. Cir. June 27, 2014). The privilege protects internal investigations.

- *[A] lawyers status as in-house counsel does not dilute the privilege*
- *[C]ommunications made by and to non-attorneys serving as agents of attorneys in internal investigations are protected by the attorney-client privilege*
- *No magic words required to gain the benefit of the privilege in an internal investigation, however, it is prudent before interview commences advise interviewee in writing as to privilege and confidentiality.*

Internal Investigations (cont.)

D.C. Circuit reconfirmed the privilege's applicability to internal investigations in August 2015. (*In re Kellogg Brown Root, Inc.,* 796 F.3d 137 (D.C. Cir.)).

Routine Post-Accident Investigations

- Key: in-house counsel must direct the investigation
- "The purpose rather than the manner of preparation guides [a court's] analysis." (*Doehne v. Empres Healthcare Mgmt., LLC,* 2015 Wash. App. LEXIS 1909 (Aug. 11, 2015).

Consider whether to involve outside counsel to direct investigation prior to commencing investigation.

Checklist for Internal Investigation Interview

Advise interviewee that:

1. You represent the Company (Model Rule 1.13) and provide equivalent of *Upjohn* or corporate *Miranda* warning where there is potential for an adversity of interests between the organization and the individual;
2. the interview is being conducted as part of a privileged investigation so that legal counsel can properly advise the entity;
3. the privilege belongs to the Company and not to the interviewee;
4. the interviewee is not to disclose the substance of the interview with anyone other than the Company's lawyers;
5. the Company controls whether to disclose the information without the interviewee's consent; and
6. the interviewee may want to retain his/her own legal counsel to protect his/her interests. (Note Model Rule 4.3 – dealing with unrepresented persons)

Current Compliance Environment

"I sleep like a baby, meaning I wake up every night screaming and crying." - Larry Thompson | EVP, Government Affairs, GC and Corporate Secretary, PepsiCo

Increasing regulatory scrutiny across all industries

Increasing assertion of authority by regulators (all levels) across all industries

The Dual Role(s) of Chief Compliance Officer and General Counsel

Practical Issues

- When is the GC acting as a lawyer and when is the GC acting as a non-lawyer, CCO?
- Can the ethical requirements of the GC diverge from the management imperatives of the CCO?
- For a small company, the issue boils down to a risk/cost/benefit analysis:
  - Can you afford to have separate General Counsel and Chief Compliance Officer?
  - Can you afford **NOT** to have separate General Counsel and Chief Compliance Officer?
- Is it possible to do both jobs effectively?
  - How heavily regulated is the entity's industry/industries?
  - How big/complex is the entity and its business(es)?

CCO Reporting to the GC

The Dual Role(s) of Chief Compliance Officer and General Counsel

Practical Considerations

- When is the GC managing the CCO and when is s/he giving legal advice to the CCO?
- Regulators expect CCO to have regular, **direct** contact with Sr. Mgmt and the Board
  - Can CCO report to both GC and Board or Committee?
- CCO relies on legal department for advice
- CCO lack of autonomy/conflicts of interest with GC
- Board approval for termination of CCO?

Autonomous CCO reporting to CEO/Board

The Dual Role(s) of Chief Compliance Officer and General Counsel

- Consensus best solution … if you have the resources
- GC provides legal advice to CCO related to compliance matters on a peer to peer basis
- CCO has C-level authority and prestige
- Clear indication that Sr Mgmt and Board view compliance as a critical function
- GC response when CCO refuses legal advice from GC?

Common Litigation Issues

- Privilege review can be expensive and time consuming.
  - Evaluation of electronic tools to aid privilege review.
  - Quality control procedure to minimize inadvertent production.
  - Production under “non-waiver” agreements – practical considerations.
- Educate outside counsel on the identity of counsel and roles played.
- Train employees creating and handling files that may be subject to discovery on best practices.
- Discovery of litigation hold instructions.
- Is a privilege log required? Options?
- Depositions: will related conversations with witness be protected?
- Immediate appeal of privilege issues?
  - Possible but only if “no meaningful or effective remedy” in due course
  - *Burnham v. Cleveland Clinic*, 2015-Ohio-2044 (declining to hear the issue).

Danger: Deposition/Trial Preparation

Most depositions include an inquiry into what documents the witness has reviewed in preparation for her testimony.

Q: What documents did you review to prepare for your testimony today?

- The typical skirmish usually erupts… with much speech making…but rarely is resolved at that time….

Concerns:

1. This question can be difficult if the witness has reviewed privileged material.
2. The act of compiling documents for witness to review in preparation review can implicate the work product privilege.

Understanding what is protected, and how to avoid waiving any applicable privilege, is an essential part of deposition preparation.

Danger: Deposition/Trial Preparation

SOME courts have interpreted FRE 612/similar state rules as requiring the production of any document that was used during deposition preparation to refresh a deponent's recollection. . . .

…. Even if the document contains work-product!

"General" Test (FRE 612)

1. The witness must use the writing to refresh his/her recollection;
2. The witness must use the writing for the purpose of testifying; and
3. The court must determine that production is necessary in the "interests of justice"

Best Practices: Deposition/Trial Preparation

1. Know Your Jurisdiction

Interpretations vary by jurisdiction; state rules are different on this topic as well.

2. Don't Refresh Recollection During Preparation

If possible, establish your witness's independent memory of events BEFORE showing the documents to the witness during preparation; that way he/she can answer that recollection was not refreshed.

3. Produce In Advance

Have documents produced to the opposing party prior to the deposition. If all documents used to prepare have been produced in advance, it can avoid the need to make a supplemental production of unproduced material that was used to "refresh" recollection, or production of a compilation of materials.

4. Avoid "the binder"

Q: Did you review documents to prepare for your deposition?

A: Why yes, my attorney showed me a whole binder of documents!

Never write if you can speak, never speak if you can nod, never nod if you can wink."

- Attributed to the 19th century Boston political boss Martin Lomasney.

E-mail "Spread"
Don't Hit That "Forward" Button!!

We've all seen it: our legal advice, carefully crafted in excruciating detail with painstaking analysis is forwarded around broadly at a company…. Or worse, to a third party that does not need to see it….

General Rules

1. Forwarding e-mail to third parties will waive the attorney-client privilege.
2. Forwarding e-mail to a distribution group broader than necessary can also potentially waive the privilege.

Best Practices to Prevent E-mail “Spread”

Customary Header

- Privileged and Confidential/Attorney-Client Communication; Prepared for Purpose of Legal Advice
- Include “Attorney Work Product” (if prepared for litigation)

“DO NOT FORWARD OR OTHERWISE DISTRIBUTE”-

- In the RE: Line!
- In the body….!
- In your signature block!

EDUCATE, EDUCATE, EDUCATE

What about communications with Former Employees?

Upjohn did not address if communications with former employees are privileged.

Peralta v. Cendant Corp (D. Conn.) - communications will be protected if:

- The communication relate to former employee's conduct and knowledge during his employment;
- The communication relate to communications with counsel that transpired during employment

Many federal courts follow *Peralta*'s reasoning. A few courts, however, have rejected the extension of the privilege to former employees. For example: Il, MI, CA. **Know your jurisdiction!**

What about communications with Former Employees?

“Just the Facts, Ma’am…!”

Limit communications to those needed to learn facts

DO NOT:

- Do not discuss details regarding strategy or status of the ongoing litigation
- Do not show former employees work product

USE CAUTION

When showing case documents to former employees

In-house Attorney As Witness In Litigation

Rule 30(b)(6) (or state equivalent) – testimony from the corporation

When in-house counsel designated as witness, important to consider line between factual non-privileged testimony and privileged testimony

- Privilege may be waived: (1) where a client testifies concerning portions of the attorney-client communication; (2) when a client places the attorney-client relationship at issue; and (3) when a client asserts reliance on attorney advice as an element of the defense." *Adler v. Wallace Computer Services, Inc.*, 202 F.R.D. 666, 674 (N.D. Ga. 2001).

In-house Attorney As Witness In Litigation (cont.)

If deposition topics involve legal issues or mixed issues such as compliance, consider involving court in advance of deposition.

In-house counsel signing affidavits or sworn statements on behalf of company can also make you potential witness.

- Exercise care to avoid disclosing privileged information.
- Consider whether you have personal knowledge or whether facts can be attested to by non-attorneys.

Exceptions to/Waivers of Attorney-Client Privilege

Party may be foreclosed from reliance on attorney-client privilege due to either an exception or waiver

- Exceptions
  - Communication used to further crime or fraud
  - Party puts communication at issue (e.g., advice of counsel defense)
  - "Fiduciary exception" – of particular interest to in house attorneys
    - Based upon premise that both parties have mutuality of interest in fiduciary freely seeking legal advice for the benefit of others.
    - Court determines whether "good cause" exists to require production of otherwise protected materials. *See In re Stenovich*, 756 N.Y.S.2d 367, 380 (N.Y. Sup. Ct. 2003).
    - "Whether the legal advice was sought for the benefit of the party seeking disclosure as a result of a fiduciary relationship." *Id.* at 381.

ARE YOU PROTECTED IN YOUR PRACTICE JURISDICTION?

ABA Model Rule 5.5 (d)(1): A lawyer admitted in another United States jurisdiction, and not disbarred or suspended from practice in any jurisdiction, may provide legal services in this jurisdiction that: are provided for the lawyer's employer or its organizational affiliates and are not services for which the forum requires *pro hac vice* admission; …

Summary of US and global adoption of model rule

Questions to ask Corporate Counsel

1. Does your jurisdiction have an in-house counsel exception to the unauthorized practice of law prohibition? (see for example Supreme Court Rules For The Government Of The Bar Of Ohio, Rule VI, Section 3)
2. Do you qualify as in-house counsel under such an exception?
3. Is the scope of practice for in-house counsel limited under such an exception?
4. If the scope is limited, can in-house counsel qualify for *pro hac vice* admission for matters outside scope?
5. What requires *pro hac vice* admission in the applicable forum?
6. Does your jurisdiction have a registration requirement for in-house counsel?

Questions to Ask – Foreign Attorneys

1. Courts generally apply choice of law rules or comity principles from the jurisdiction where the communication took place
   - » "Touch-Base" Test: which country has the most direct and compelling interest in whether the communications remain confidential (See *Veleron Holding, B.V. v. BNP Paribas SA,* 2014 U.S. Dist. LEXIS 117509 (S.D.N.Y. Aug. 22, 2014). This will either be:
     - 1. The place where the allegedly privileged relationship was entered into; or
     - 2. The place in which that relationship was centered at the time the communication was sent.

2. Attorney-client privilege and "secrecy" or "confidentiality" obligations are not the same thing, and the later may not give rise to privilege in the United States

Questions to Ask – Foreign Attorneys (cont.)

3. Does your jurisdiction have an Foreign Legal Consultants exception to the unauthorized practice of law prohibition? (see, for example, Supreme Court Rules For The Government Of The Bar Of Ohio, Rule XI).
4. Do you qualify as a “Foreign Legal Consultant” under such an exception?
5. Is the scope of practice for Foreign Legal Consultant limited under such an exception? (see, for example, Supreme Court Rules For The Government Of The Bar Of Ohio, Rule XI, Section 5. Scope of Practice)
6. Does your jurisdiction have a registration requirement for Foreign Legal Consultant?

Licensing Issues Related to Attorney-Client Privilege

Key US recent opinion: *Gucci America, Inc. v. Guess?*, 2010 U.S.Dist. LEXIS 65871 (S.D.N.Y. June 29, 2010).

- Counsel had not maintained active bar membership. Court found attorney unauthorized to practice, so no attorney-client privilege protected communications.
- Court put some blame on company, finding that because company did not perform "minimal diligence" to ascertain whether attorney had active license, it was not reasonable belief that in-house attorney could provide legal advice.
- January 3, 2011, Judge Shira Scheindlin rejected Magistrate findings, instead holding that to "require businesses to continually check whether in-house attorneys have maintained active membership in bar associations before confiding in them simply does not make sense." 2011 U.S. District LEXIS 15 (S.D.N.Y. Jan 3, 2011).

If in-house counsel performs activities that a court would find constitute unauthorized practice of law, a court could also conclude that communications with that attorney are not for purposes of legal advice.

Work Product Protection

History and policy of work-product protection

Hickman v. Taylor arose out of the accidental sinking of a tugboat and the resulting death of 5 crew members. The tug owners hired an attorney to defend them against potential suits by the decedents' representatives. The attorney privately took written statements from the survivors. He also interviewed other fact witnesses and made memoranda of the interviews.

History and policy of work-product protection:
Hickman v. Taylor cont.

A decedent's representative sued the tug owners and served interrogatories on them seeking written statements made by survivors or witnesses concerning the accident; the exact provisions of any oral statements; and any records, reports, or other memoranda made concerning the incident. The owners, through their attorney, admitted that statements had been taken, but refused to summarize or set forth their contents.

History and policy of work-product protection

- District court held that the material was not protected from disclosure; that the attorney-client privilege extends neither to information obtained from third-parties outside the attorney-client relationship nor to all material prepared by counsel for his own use in prosecuting his client's case. 4 F.R.D. 479 (E.D. Pa. 1945) (en banc)
- Third Circuit reversed, holding that even though the material was not privileged under the rule of evidence, it should be treated as privileged from disclosure under the discovery rules as "work product of the lawyer." 153 F.2d 212 (3d Cir. 1945) (en banc)
- Supreme Court affirmed, holding the material "falls outside the arena of discovery and contravenes the public policy underlying the orderly prosecution and defense of legal claims. Not even the most liberal of discovery theories can justify unwarranted inquiries into the files and the mental impressions of an attorney." 329 U.S. 495, 510 (1947)

History and policy of work-product protection

Hickman v. Taylor established three propositions:

- Material collected by counsel in course of preparation for possible litigation is protected from disclosure in discovery
- That protection is qualified, in that adversary may obtain discovery on showing sufficient need for the material
- The attorney's thinking (theories, analysis, mental impressions) is at the heart of the adversary system; protection is greatest, if not absolute, for materials that would reveal that part of the work product

History and policy of work-product protection

Fed.R.Civ.P. 26(b)(3) codified and enlarged *Hickman:*

- "Documents and tangible things"
- Protects materials prepared by a party's representative in addition to the party's attorney

History and policy of work-product protection

Fed.R.Civ.P. 26(b)(3) provides in pertinent part:

- [A] party may obtain discovery of documents and tangible things otherwise discoverable…and prepared in anticipation of litigation for trial by or for another party or by or for that other party's representative (including the other party's attorney, consultant, surety, indemnitor, insurer, or agent) only upon a showing that the party seeking discovery has substantial need of the materials in the preparation of the party's case and that the party is unable without undue hardship to obtain the substantial equivalent of the materials by other means. In ordering discovery of such materials when the required showing has been made, the court shall protect against disclosure of the mental impressions, conclusions, opinions, or legal theories of an attorney or other representative of a party concerning the litigation.

Documents and tangible things otherwise discoverable

Rule 26 applies only to documents and tangible things "otherwise discoverable"

- If the material is privileged (*i.e.*, attorney-client), the material is **not** "otherwise discoverable" even if work product
- If the matter is not otherwise privileged from discovery, then the question of whether material is protected work product becomes relevant

Documents and tangible things otherwise discoverable

Fed.R.Civ.P. 26(b)(3) applies to all kinds of **tangible** things:

- Written memoranda
- Photographs
- Diagrams
- Drawings
- Computer-generated data

Hickman still controls the discovery of **intangible** materials that fall outside of Fed.R.Civ.P. 26(b)(3)

Documents and tangible things otherwise discoverable

Fed.R.Civ.P. 26(b)(3) is not an exhaustive codification of *Hickman.*

- *United States v. Deloitte LLP* (D.C. Cir. June 29, 2010), 610 F.3d 129, 136

The definition of work-product extends to intangible things (*i.e*., attorney's mental impressions)

"Intangibles" can be incorporated into work done on behalf of either the attorney or client by third parties, such as auditors and accountants

Documents and tangible things otherwise discoverable

United States v. Deloitte LLP (D.C. Cir. June 29, 2010), 610 F.3d 129, 136. "Under *Hickman*, however, the question is not who created the document or how they are related to the party asserting work-product protection, but whether the document contains work product – the thoughts and opinions of counsel developed in anticipation of litigation. The district court found that the memorandum records those thoughts even though Deloitte and not Dow or its attorney committed them to paper. The work-product privilege does not depend on whether the thoughts and opinions were communicated orally or in writing, but on whether they were prepared in anticipation of litigation. Thus, Deloitte's preparation of the document does not exclude the possibility that it contains Dow's work product."

Documents and tangible things otherwise discoverable

Work product protection does not shield information *contained in the work product* from disclosure

- Use interrogatories, depositions to get the bare facts in the work product

Just protects a party against having to turn over particular documents containing the information or requiring a witness to “recreate” the work product via testimony

Prepared in anticipation of litigation or for trial

Not everything in the lawyer's file is protected!!!

There must be threat of litigation ("causation") and

Document prepared because of that threat ("reasonableness")

Prepared in anticipation of litigation or for trial

Likelihood of litigation – the possibility or likely chance of litigation does not give rise to work product

Threat must be “real and imminent”

- *Martin v. Yellow Freight Sys.,* 1998 U.S. Dist. LEXIS 268, 1998 WL 13244, at *10 (D. Kan. Jan. 7, 1998)

Prepared in anticipation of litigation or for trial

What constitutes “anticipation”?

- Temporal – before or during the litigation
- For litigation – prepared because of fact litigation was anticipated

Prepared in anticipation of litigation or for trial

Resurrection Healthcare v. GE Health Care (N.D. Ill. Mar. 16, 2009), 2009 U.S. Dist. LEXIS 20562. At issue was an in-house investigation of a mercury spill. The court found the document not to be work-product protected. “The Court finds that the documents at issue are not protected work product because GEHC has failed to show that they were created in response to a substantial and significant threat of litigation.” The lawsuit at issue was filed fourteen months after the occurrence of the spill. The documents at issue were created six months to a year before the filing of the litigation. The Court also stated that the proponent of the privilege had not shown that the documents in question would not have been created in the ordinary course of business. In today’s environment, how could any accident like this ***not*** result in an investigation of the facts and causes of the event?

Prepared in anticipation of litigation or for trial

Distinguishing documents prepared in anticipation of litigation from those prepared for business purposes

Sometimes difficult to determine the primary motivation for the preparation of the work-product

- Was it prepared “because of” litigation?
- Would document have been prepared regardless of litigation?

Prepared in anticipation of litigation or for trial

Certain indicia have evolved as more likely than not to lead to finding that the primary motivation for the creation of the document was in anticipation of litigation.

- Designating document as work-product on its face
- Attorney involvement in preparing document
- Commentary on ongoing litigation by attorney
- Dual purpose documents

Prepared in anticipation of litigation or for trial

If document prepared in the ordinary course of business, then likely no work-product protection – ***even if some litigation results down the road***

The fact that an investigation is routinely conducted, even in cases that often give rise to litigation, suggests that the matter would be investigated even without work-product protection, so *Hickman* policies not implicated

Prepared in anticipation of litigation or for trial

What if document has multiple purposes?

Two question analysis:

- Was document prepared in the ordinary course?
- Was there an independent business purpose for which document would have been prepared even if no litigation anticipated?

If answer to <u>either</u> question "yes" – then likely no work product protection

By or for another party or that party's representative

Whether a document is protected as work product depends on the motivation behind its preparation, rather than on the person who prepared it

By or for another party or that party's representative

The work-product protection rarely extends to materials prepared by a non-party to the instant litigation (*i.e.*, responding to a subpoena)

Work product protection *qualified*

Not absolute – like attorney-client privilege

Work-product may be discovered if:

- Substantial need
  - If information can be obtained by interviews, depositions, subpoenas – then NO WAY
  - Greater chance of success if witness dead, incapacitated, etc.
  - Must be shown with specificity
- No substantial equivalent by other means without undue hardship

Waiver of work-product protection

Work product protection must be separately asserted

Waiver of work product protection must be analyzed separately

Was the material disclosed *to an adversary* (if not – probably ok)

Selective waiver

A particular subset of disclosure exists when a party submits work product to a governmental/regulatory agency, hoping by such cooperation to avoid adverse action and expecting the materials disclosed to remain work-product protected

Selective waiver

Disclosure of work product documents to third parties can result in complete loss of privilege as to entire subject matter of work product documents

- *United State v. MIT* (1st Cir. 1997), 129 F.3d 681, 684 (to government agency)

Selective waiver: Rule 502(a) of the Federal Rules of Evidence

Disclosure Made in a Federal Proceeding or to a Federal Office or Agency; Scope of a Waiver – When the disclosure is made in a federal proceeding or to a federal office or agency and waives the attorney-client privilege or work-product protection, the waiver extends to an undisclosed communication or information in a federal or state proceeding only if:

- The waiver is intentional;
- The disclosed and undisclosed communications or information concern the same subject matter; and
- They ought in fairness to be considered together

Selective waiver

When does “fairness” require disclosure?

- “[T]o prevent a selective and misleading presentation of evidence to the disadvantage of the adversary”
- Federal courts may issue binding orders limiting waiver
- Not intended to otherwise “alter” existing privilege rules

Application of Fed.R.Evid. 502

***Gruss v. Zwirn*,** 2013 WL 3481350 (S.D.N.Y. July 10, 2013) (waiver occurred where company "deliberately, voluntarily, and selectively" presented privileged information to SEC despite confidentiality agreement with SEC)

***U.S. v. Treacy*,** 2009 WL 812033 (S.D.N.Y. Mar. 24, 2009) (relies on FRE 502 to uphold partial waiver of certain interview memoranda

- Criminal defendant obtained all interview memoranda shared with DOJ
- Undisclosed memoranda did not concern the same subject
- No evidence of selective or misleading disclosure

Test your Knowledge

Privileged or Not?

Does cc an in-house attorney on an e-mail create or protect privilege?

Privileged or Not?

Does the inclusion of an in-house attorney in a business meeting render the meeting subject to the attorney-client privilege?

Privileged or Not?

Do partial or select disclosures to governmental agencies waive privilege?

Privileged or Not?

Internal Investigation – *CEO asks HR to conduct an investigation on a senior executive allegedly harassing a co-worker. HR interviews a number of co-workers and concludes that the harassment more than likely occurred. Is the investigation privileged? Would the results be different if HR informed in-house counsel who in-turn, directed and supervised the investigation?*

Privileged or Not?

In-house counsel represents Seller in a merger transaction. A year after the merger closed the Buyer sued the Seller alleging fraudulent inducement by the selling shareholders. Buyer's counsel seeks in-house counsel's files and notes regarding the transaction. The Merger Agreement was silent on the privilege issue.

Does the Seller retain the privilege or has it transferred to the Buyer?

Privileged or Not?

Insured seeks the coverage opinion letter from its insurer following receipt of a claim denial. Insurer refuses to produce claiming its privileged and contains legal advice. Insurer claims the privilege was waived since much of the coverage opinion was copied and pasted into the denial letter.

Is the Insurer's Coverage Opinion Letter privileged or not?

Privileged or Not?

Crises hit your organization. A laptop computer containing thousands of private and personal information was stolen from an employee's car. Company retains public relations firm to assist it in managing damage control. CEO and PR executives discuss strategies for damage control.

Privileged or Not?

Your Company's Chief Compliance Officer is conducting risk assessments with the objective to address and minimize risks within the organization. One of the investigations reveals facts that suggest the company has been producing a defective part that is incorporated into a consumer product. The assessment indicates the defect could cause personal injury.

Privileged or Not?

Former employee's deposition is noticed. During the course of his employment with his former employer, employee came into possession of privileged information, relating to an ongoing legal dispute. Can former employee reveal the communications in his deposition? Can he review the content of the communications to his counsel?

Can his former employer's counsel represent the former employee and maintain privilege?

Privileged or Not?

You get an anonymous tip from your employee tip line. It is pretty cryptic but it sounds like an allegation that one of your company's executives has given a number of extravagant gifts to a leader of a Chinese government regulatory agency in charge of granting a permit for your company's new facility site. Worse, the tipster indicated that the same executive may have fudged documentation to hide a shipment of goods to Iran, in violation of U.S. export controls.

What is the best way to maintain an attorney-client privilege over an investigation into the allegations?

Privileged or Not?

Doug is corporate counsel for a company owned by 500 shareholders. Doug learns that about 75 of those shareholders have filed a derivative action targeting several company executives, who the shareholders claim to have engaged in wrongdoing. The attorneys filing the derivative case notified Doug that they will be seeking access to his correspondence with the corporation's upper management as part of their expedited discovery. Will the shareholder's gain access to Doug's correspondence?

Privileged or Not?

During settlement negotiations with opposing counsel in a multimillion dollar product liability/mass tort suit, Doug's firm software accidentally reveals opposing counsel's notes on the latest draft exchanged (contained in the document's metadata). Does Doug have to disclose this accident to opposing counsel?

Privileged or Not?

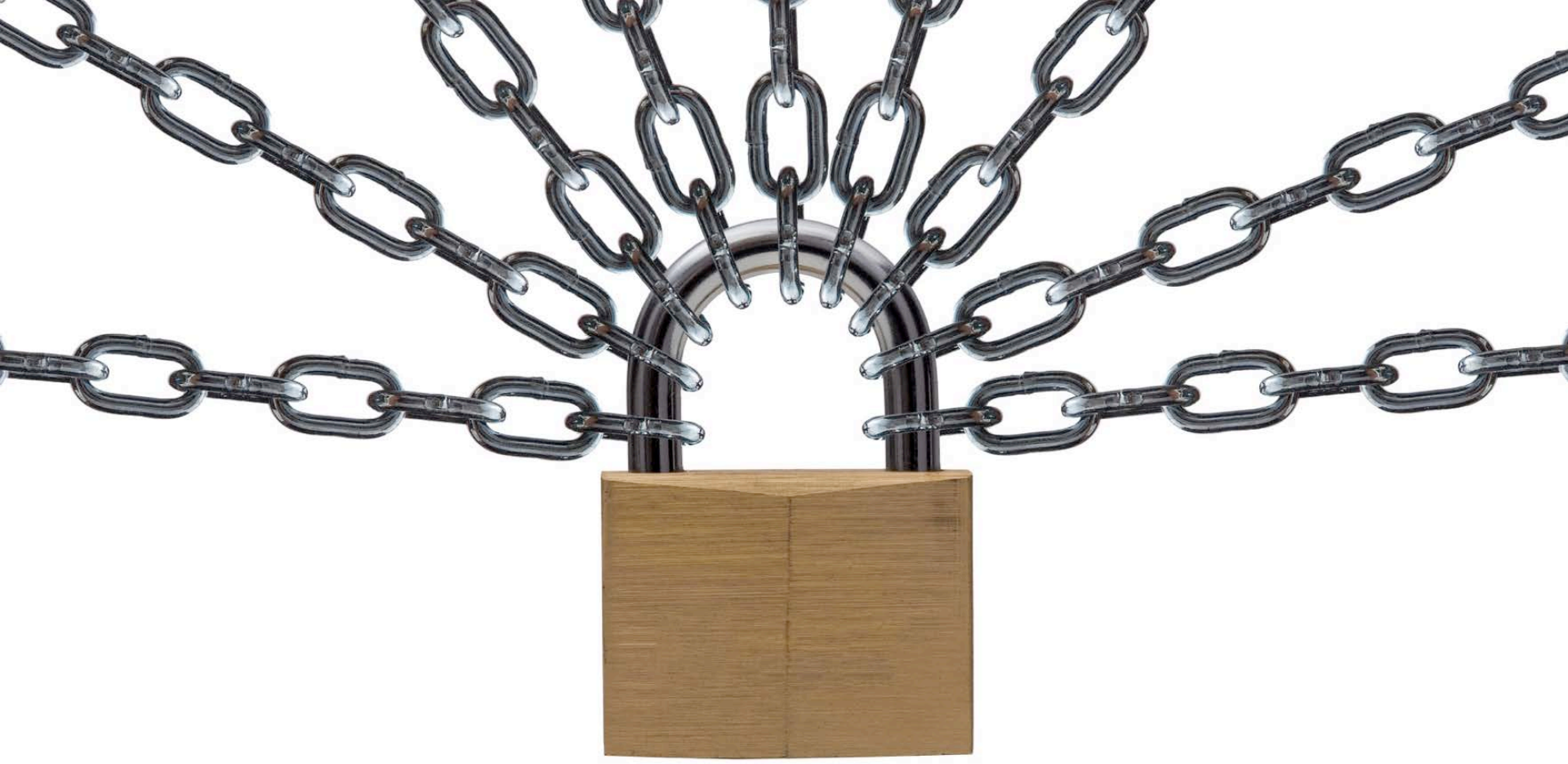
Rick, in-house counsel, is drafting a settlement proposal that has gone through numerous edits, with many corporate officers making changes at various points. A previous version contained a much lower settlement demand. Rick sends the proposal to opposing counsel, unaware that the metadate contained in the document shows each previous round of changes, including the previous lower offer. Is Rick's metadata privileged?

Privileged or Not?

John meets Attorney at a bar and the two of them commiserate over the miserable Reds season. Then, without saying a word, John hands Attorney a document containing sensitive business information regarding his company's acquisition of a new drug with hazardous side effects. The document is marked "work product" and "privileged and confidential." Eleven months later, John's company is sued in federal court for class action product liability involving injuries to 30 plaintiffs. Is this document privileged?

Privileged or Not?

Gas X filed a lawsuit against Coal Y for the costs incurred to protect its pipeline crossing over five underground coal mining panels. After the mining was completed, Gas X merely repaired the pipeline above the 1st panel, and replaced the pipeline above the next four panels. In the middle of the lawsuit, counsel for Gas X asked his client to prepare a written analysis comparing the costs incurred to repair and replace the pipeline above all five panels. Gas X had prepared a written estimate of the anticipated costs before the lawsuit was filed. Can Gas X withhold both written analyses from discovery on the basis of work product?



Don’t lose your privilege protection!

Steps to minimize risk of documents / meetings losing their privileged status

1. Understand the hat you are wearing. Where possible, separate legal and business communications.
2. Document the purpose of interviews or meetings (e.g. part of litigation or internal investigation) done at direction of counsel.
   - » Can be as simple as: “This information is being requested for the purpose of providing legal advice.”
4. Minimize internal distribution of legal advice.
5. Train / educate employees – on email creation -- reduce emails to you or members of legal team (other lay folks on the email dilutes the privilege claim)
6. When producing documents in litigation, avoid over-claiming privilege which can impact the credibility of legitimate claims.

Attorney Client Privilege For In-House Counsel

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Let's *Accomplish* more.℠ Together.