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IN THIS ISSUE

In the April Issue of the Business Litigation Newsletter, Roy Cohen and Julius Redd of Porzio, Bromberg & Newman in Morristown, New Jersey write about the challenges and practice pointers associated with the defense of the attorney-client privilege and work product protections afforded to communications involving in house counsel. More and more, plaintiffs' lawyers attempt to obtain attorney-client communications by making various arguments. This article provides guidance on how to advise clients and defend against these claims.

Protecting The Corporate Counsel Communications Shield
- The Attorney-Client Privilege Is Alive and Well for Company Lawyers -

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ABOUT THE COMMITTEE

The Business Litigation Committee consists of members involved in business and commercial litigation including business torts, contract and other commercial disputes, e-commerce, antitrust issues, trade secrets and intellectual property, unfair competition and business defamation and disparagement. The Business Litigation Committee helps connect members involved in these areas around the world through networking and referral opportunities; developing and keeping current in the substantive, strategic and procedural aspects of business litigation; and affords members an international forum for sharing current developments and strategies with colleagues. In addition, the Business Litigation committee has formed an IP subcommittee to intently focus on issues important to IP litigators. Among the committee's and subcommittee's planned activities are newsletters, publications, sponsorship of internal CLEs, and Webinars.
Learn more about the Committee at www.iadclaw.org. To contribute a newsletter article, contact:

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In the current electronic era, one of the substantial challenges facing defense lawyers is protecting written communications involving corporate counsel. In many companies, corporate counsel are now often part of the business management team, no longer only relegated to providing legal advice when asked to do so. Frequently, legal department attorneys are located with the business unit and are actively engaged with company executives and product managers in both legal aspects of the business and day-to-day business decisions. In fact, company titles for in-house lawyers sound like those of executives rather than lawyers, including Executive Vice-President, Chief Compliance Officer, Senior Vice-President, Chief Privacy Officer or Corporate Secretary. These positions bring our company lawyers directly into the cross-hairs of business litigation involving company decisions ranging from intellectual property and contract disputes to product liability and environmental contamination matters.

The various scenarios raise interesting factual questions for the traditional protections afforded to clients in the attorney-client relationship, particularly when it comes to assertion of the attorney-client privilege or attorney work product protection. This sacrosanct principle is "the oldest of the privileges for confidential communications known to the common law."[1] As all are aware, with certain exceptions, the privilege protects against disclosure of confidential communications between attorney and client within the context of seeking legal advice from a lawyer. The privilege necessarily encourages candid and open conversations between clients and their attorneys, allowing attorneys to more effectively represent their clients' interests by understanding the inner-most workings of company operations, errors made in judgment, discussions surrounding correction of problems and the liabilities that might flow from those decisions, and issues relating to damage control. These kinds of lawyer-related communications likely would be deemed relevant to any litigation concerning such issues and these communications are often accomplished electronically and become central to discovery disputes when placed on a privilege log.

Discoverability of these written communications is challenged through motion practice with the communications initially described generally along with the names of those sending, receiving and copied. The object of the defense is to keep these communications from being produced, even for review by the trial judge or magistrate judge or discovery master. To do so, defense lawyers must have detailed substantive knowledge of the communications, the electronic history of the communications, the inter-relationship between those involved in the communications, particularly the lawyers, and the motivations for the communications. Since "[t]he burden of establishing the existence of the privilege is on the person asserting it,"[2] it will be necessary to prepare affidavits from those involved explaining the factual basis for assertion of the privilege, so that those making the legal decision understand how and whether the privilege or protection comes into play.

For the most part, since outside lawyers are invariably consulted for legal advice, they rarely will be asked to disclose information

[1] *Upjohn Co., v. United States*, 449 U.S. 383, 389 (1981)

[2] *Schenet*, 678 F. Supp. at 1282.

provided to them by clients, and since the communication is almost always protected, we will not address outside counsel in this article.[3] The greater challenge comes when in house counsel are involved because those seeking the communications argue that the privilege is inapplicable or waived and cannot shield them from disclosure. To be sure, courts acknowledge that "the need to apply [the attorney-client] privilege cautiously and narrowly is heightened in the case of corporate staff counsel, lest the mere participation of an attorney be used to seal off disclosure."[4]

The law is fairly well-settled that courts should "narrowly construe the attorney-client privilege in order to avoid trammeling upon the broad discovery policy,"[5] but courts generally adhere to the principle that "the attorney-client privilege did not apply without qualification where the attorney was merely acting as a negotiator for the client, or merely gave business advice"[6] but have recognized the privilege when in-house attorneys actually negotiate their company's contracts.[7] If an analysis is needed, then courts will analyze whether a legal opinion is the primary purpose of the communication and that the client has sought the legal opinion from the in house lawyer.

First, for the privilege to attach, the primary reason for the communication must be for a legal purpose, not a business one.[8] For example, in In re Vioxx Prods. Liab.Lit., 501 F.Supp.2d 789, 798 (E.D.La. 2007), the district court overseeing the Vioxx products liability cases required a showing that the attorney was acting in his professional legal capacity before it would cloak documents with the privilege's protection. In essence, the "lawyer's role as a lawyer must be primary to her participation." Further, in *In re Ford Motor Co.*, 110 F.3d 954 (3d Cir. 1997), Ford was having a safety issue with certain automobiles.[9] Its General Counsel examined the legal aspects of the issue and proposed a solution in writing to address those concerns, and opposing counsel moved to compel the production of the communication After examining the nature and substance of the communication, the court ruled that the minutes of the meeting Ford organized to discuss the general counsel's advice were not discoverable under the privilege as long as the content is legal advice and not simply an outline of the facts prepared purely to assist in making a business decision.

Second, the legal opinion must be sought by corporate employees who qualify to be considered the client. Of course, nothing is that simple and two tests have developed to address the definition. The "control group test" limits protection to legal opinions/conversations between in-house lawyers and controlling executives and managers without regard to the nature of the matter. *See In re Grand Jury Investigations*, 599 F.2d 1224, 1235 (3rd Cir 1979). The second test was articulated in *Upjohn Co. v. United States*, 449 U.S. 383 (1981), where the

[3] *Schenet v. Anderson*, 678 F. Supp. 1280, 1283 (E.D. Mich. 1988); *See Corp. Public Broad. v. Am. Auto. Centennial Comm'n*, 1999 U.S. Dist. LEXIS 1072 (D.D.C. February 2, 1999).
[4] *Rossi v. Blue Cross and Blue Shield of Greater New York*, 73 N.Y.2d 588, 593 (1989)
[5] *Archer Daniels Midland Co. v. Koppers Co.*, 138 Ill. App. 3d 276, 278-79 (Ill. App. Ct. 1985)
[6] *Aetna Cas. and Surety Co. v. San Francisco*, 153 Cal. App. 3d 467 (Ct. App. 1984).
[7] *SEPTA v. CaremarkPCS, L.P*, 254 F.R.D. 253 (E.D. Pa. 2008); *Muller v. Walt Disney Prods*., 871 F. Supp. 678 (S.D.N.Y. 1994);
[8] 1 Edna Selan Epstein, *The Attorney-Client Privilege and the Work Product Doctrine*, 347–49 (5th ed. 2007).
[9] *In re Ford Motor Co.*, 110 F.3d 954 (3d Cir. 1997).

control group was expanded to include the subject matter of the communication involved; under this subject matter rest, employees with relevant information regarding the subject matter are deemed to be the client regardless of their position within the company.

Some jurisdictions more definitively remove the ambiguity surrounding the attorney-client privilege afforded to in-house attorneys. These states have enacted laws that directly address the privilege with respect to in-house counsel. For example, under New Jersey law, the attorney-client privilege applies to confidential communications made within the context of the relationship between an attorney and her client, in professional confidence, and to aid the attorney in giving legal advice to her client or to prepare for litigation. *See generally Coyle v. Estate of Simon*, 588 A.2d 1293 (N.J. App. Div. 1991). New Jersey courts hold that the attorney-client "privilege unquestionably extends to corporations which must act through agents, including its officers and employees." *Macey v. Rollins Envtl. Serv.*, 432 A.2d 960, 963 (App. Div. 1981). The attorney-client privilege also unquestionably extends to in-house counsel when they provide legal advice to the corporation, as opposed to when they perform non-legal functions, such as investigator, accountant or corporate secretary. *See Arcuri v. Trump Taj Mahal Assocs.*, 154 F.R.D. 97, 102 (D.N.J. 1994) ("[t]he key is that communications must be primarily legal [although] the privilege is not necessarily lost when non-legal information is part of a communication seeking or giving legal advice."); *see also United States v. United Shoe Mach. Corp.*, 89 F.Supp. 357, 359 (D. Mass. 1950). Moreover, a communication is not subject to disclosure simply because there is incidental business value to the advice. *Hercules, Inc. v. Exxon Corp.*, 434 F.Supp. 136, 147 (D. Del. 1977) ("[o]nly if the attorney is 'acting as a lawyer' giving advice with respect to the legal implications of a proposed course of conduct may the privilege be properly invoked. In addition, if a communication is made primarily for the purpose of soliciting legal advice, an incidental request for business advice does not vitiate the attorney-client privilege."); *In re OM Sec. Litig.*, 226 F.R.D. 579, 587 (N.D. Ohio 2005) (attorney-client privilege applicable where legal and business concerns are inextricably intertwined); *United States v. Davis*, 131 F.R.D. 391, 401 (S.D.N.Y. 1990) ("The mere fact that business advice is given or solicited does not … automatically render the privilege lost: where the advice given is predominantly legal, as opposed to business, in nature the privilege will still attach.").

A document is protected under the work product doctrine if its preparation was in "anticipation of litigation." Fed. R. Civ. P. 26(b)(3). The Third Circuit considers the following two factors when determining if the document is protected by the work product doctrine: (1) whether a document at issue was created at a time when litigation was reasonably predictable or foreseeable,[10] and (2) whether it was created primarily for the purpose of litigation.[11] *In re Gabapentin Patent Litig.*, 214 F.R.D. 178, 183-84 (D.N.J. 2003); *United States v. Ernstoff*, 183 F.R.D. 148, 155 (D.N.J. 1998); *Leonen v. Johns-*

[10] To be reasonably foreseeable, the "litigation need not be imminent." *United States v. Rockwell Int'l.*, 897 F.2d 1255, 1266 (3d Cir. 1990) (quoting *United States v. El Paso Co.*, 682 F.2d 530, 542-43 (5th Cir. 1982)).

[11] However, an incidental business utility to a document that is prepared primarily for purposes of litigation does not automatically render that document unprotected. *Rockwell*, 897 F.2d at 1266 (documents protected if "primary motivating purpose behind creation of the document or report was to aid in possible future litigation") (citations omitted).

Manville, 135 F.R.D. 94, 96-97 (D.N.J. 1990). Rule 26(b)(3) protects "materials prepared for *any* litigation or trial as long as they were prepared by or for a party to the subsequent litigation." *FTC v. Grolier*, 462 U.S. 19, 25-26 (1983); *In re Grand Jury Proceedings*, 604 F.2d at 803 (finding that privilege from civil proceeding extended to grand jury proceeding where both matters dealt with discharge of chemical into a river); *see also Leonen*, 135 F.R.D. at 97 (upholding work product from one matter to another when there is "close connection in parties or subject matter"); *Hercules*, 434 F.Supp. at 153 ("documents prepared for one case have the same protection in a second case where the two cases are closely related in parties or subject matter").

Further, in Ohio, the privilege is recognized via both common law and statute; the attorney-client privilege is codified in Ohio Revised Code Section 2317.02 and explicitly defines a "client", *inter alia*, as one who "consults an attorney employee for legal service."[12] Thus, Ohio statute ensures that in-house attorneys can assert the privilege when providing confidential legal advice. In Vermont, Rule of Evidence 502 outlines the scope of the privilege, and the comments to the rule make clear that "lawyer employees of a corporation … are subject to the privilege if they provide legal services similar to those that would be rendered by outside counsel."[13] Many other states appropriately recognize the privilege when in-house counsel are involved through judicial opinions.[14]

Lessons learned dictate practice pointers. First and foremost, in-house counsel should be meticulous about separating legal advice from business counseling to preserve the privilege, as courts will look to the dominant purpose of the communication. A communication that is entirely legal in nature will have little trouble gaining privilege protection; whereas communications that straddle both will require more analysis. All written work that would qualify for the privilege should include some type of definitive and appropriate confidentiality label; conspicuously writing "Privileged and Confidential" will assist in arguing privilege protection, and disclaimers will assist in protecting against full waiver in the event of inadvertent disclosure. In *Hardy v. New York News, Inc., 114 F.R.D. 663, 644-45 (S.D.N.Y. 1987*, provided an instructive lesson, the court found that documents sent to and prepared by the newspaper's Vice-President and Director of Employee Relations/General Counsel were not privileged because there was no indication that he was rendering legal advice; the documents neither referred to him as "counsel," were the documents labeled as "privileged" or "confidential," and the legal documents claimed to be privileged were comingled with non-legal files.

Experience also dictates that it is helpful if corporate counsel is admitted to practice in the state in which they work, as at least one court determined that the privilege did not apply to an in-house lawyer whose law license was inactive.[15] Although this decision was later reversed,[16] keeping active bar status will avoid the argument and risk of disclosure. Employing these strategies in

[12] OHIO REV. CODE ANN. §2317.021 (LexisNexis 2011).
[13] V.R.E. *Rule* 502, Reporter's Note.
[14] See for example, the state law attorney-client privilege applicable to in-house counsel at http://www.lexmundi.com/lexmundi/default.asp

[15] *Gucci Am., Inc. v. Guess?, Inc.*, No. 09 Civ. 4373, 2010 U.S. Dist. LEXIS 65871 (S.D.N.Y. June 29, 2010).
[16] *Gucci Am., Inc. v. Guess?*, Inc., No. 09 Civ. 4373, 2011 U.S. Dist. LEXIS 15 (S.D.N.Y. January 3, 2011).

everyday practice and educating the business people on the extent of privilege protections will go a long way to preserving the company's communications.

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