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The Trusted Advisor's Dilemma: Maintaining the Attorney Client Privilege as In-House Counsel

Labor & Employment Law Seminar
June 9, 2011

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The Attorney-Client Privilege

- The privilege protects from disclosure certain communications between lawyer and client.
- The purpose of the privilege is "to encourage full and frank communication between attorneys and their clients and thereby promote broader public interests in the observance of law and administration of justice." *Upjohn Co. v. United States*, 499 U.S. 383, 389 (1981).

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Elements Necessary to Establish the Privilege

The 8-Part Test:

1. where legal advice of any kind is sought,
2. from a professional legal adviser in his capacity as such,
3. the communications relating to that purpose,
4. made in confidence,
5. by the client,
6. are at his instance permanently protected,
7. from disclosure by himself or by the legal adviser,
8. unless the protection be waived.

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Corporate Officers Asserting a Personal Claim of Privilege

The 5-Part Test:

1. Officer approached counsel for the purpose of seeking legal advice.
2. When corporate officer approached counsel she made it clear that she was seeking legal advice in her individual rather than in her representative capacity.
3. Counsel saw fit to communicate with corporate officer in her individual capacity, knowing that a possible conflict could arise.
4. Corporate officer's conversations with counsel were confidential.
5. The substance of the corporate officer's conversations with [counsel] did not concern matters within the company or the general affairs of the company.

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RPC 1.6(a) Protects Secrets

- The rules of professional conduct protect client "secrets" as well as client "confidences."

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A "Confidence"

- "Information protected by the attorney-client privilege under applicable law." See RPC 1.6, cmt. 19.
- Co-extensive with the attorney-client privilege.

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A "Secret"

- Refers to "other information gained in the professional relationship that the client has requested be held inviolate or the disclosure of which would be embarrassing or would be likely to be detrimental to the client." *See* RPC 1.6, cmt. 19.
- It may be unethical for a lawyer to reveal a client's secret even where the attorney-client privilege does not protect the information.

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Ineffective Method of Invoking the Privilege

Attorney Merely Relaying Legal Information

- Monitoring other litigation that merely relates status without conveying any legal strategy does not constitute "giving legal advice" and is not protected.

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Ineffective Method of Invoking the Privilege

Attorney as a Conduit of Information

- The fact that an attorney may serve as a conduit of information between various parties does not make the communication between the two parties privileged.

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Ineffective Method of Invoking the Privilege

Attorney as a Document Depository

- Documents that have been through the hands of an attorney are not automatically privileged merely because the attorney has touched the document. Merely copying an attorney on emails and memorandum will not make the document privileged.

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Application of the Privilege to In-House Counsel

Multiple Roles

- The role of in-house counsel has increasingly expanded to encompass participation in decisions about:
  - Business,
  - Technical,
  - Scientific,
  - Public relations, and
  - Advertising issues,
- In addition to purely legal issues.

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Legal Advice vs. Business Advice

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Legal Advice vs. Business Advice

- For the communication to be privileged, it must have been made primarily for the purpose of giving or obtaining legal advice.

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Legal Advice vs. Business Advice

The "But For" Test:

- "Would the communication have been made 'but for' the fact that legal advice was sought?"
  - "But For" – If the communication would not have been made, the communication will be privileged. If the communication would have been made in all events, the communication will generally be unprotected.
  - "Sought" – Advice or a legal opinion need not be expressly requested. It is generally sufficient if a request for legal assistance is implicit in the communication.

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Attorney as a Committee Member

- If an entity desires legal advice to be given to a particular committee or as part of the committee's deliberative process, the attorney giving the advice should not serve as a member of the committee, as the lawyer may be deemed to be acting in a business, rather than legal capacity.

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Attorney as a Negotiator

- For purposes of determining privilege, the question is whether the negotiation is primarily one dealing with the client's business affairs or whether the legal component of the negotiation predominates.

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Attorney as a Business Advisor

- Documents between attorney and vice president of a cigarette company regarding the VP's belief that cigarettes caused cancer were not protected by attorney-client privilege.

  Nothing in the documents "concerning the legal implications" of the VP's beliefs, "rather, the thrust of the documents [were] that it would simply look bad if the head of . . . [the] research and development team believed smoking caused cancer."

- Attorney advice given regarding the disadvantages of purchasing certain securities is unprotected business advice.

  Burton v. R.J. Reynolds Tobacco Co., 200 F.R.D. 661 (D. Kan. 2001).

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Attorney as a Business Agent

- When a lawyer acts as a business agent for a client, the lawyer's actions are not protected.
- No attorney-client privilege in criminal tax fraud case when the testimony of the defendant's attorney was limited to tracing the transfer of funds to and from the defendant and various corporations.

  "The mere fact that a person is an attorney does not render privileged everything he does for a client. Ministerial or clerical services such as those testified to here are not within the privilege." *United States v. Bartone,* 400 F.2d 459, 461 (6th Cir. 1968).

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Attorney as an Investigator

- Having an investigation conducted by an attorney does not automatically protect the report from disclosure.

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Attorney as an Investigator

- General rules used when determining whether the privilege applies to attorney investigations:

1. If the investigation was of a nature that the business would ordinarily have conducted in all events, then the privilege does not apply. For the communications to be privileged it must be clear that the investigation was conducted to provide legal advice. The information gathered in an investigation will not be protected unless it can be shown that the information gathered is "part and parcel" of the legal advice given by the lawyer.
2. Information will not be protected if the party seeking the privilege relies on the information gathered as a defense to the action.

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Attorney as a Lobbyist

- Matters conveyed to the attorney for the purpose of having the attorney fulfill the lobbyist role do not become privileged by virtue of the fact that the lobbyist has a law degree.

- Although these 'lobbying' efforts seem to have been coordinated by the legal department, the resultant communications do not refer to legal problems but instead are summaries of various town meetings or reports on the progress of the . . . project. Such communications from counsel to management are not legal advice." *North Carolina Elec. Membership Corp. v. Carolina Power & Light Co.*, 110 F.R.D. 511, 517 (M.D.N.C. 1986).

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Attorney as Political Advisor

- Attorney's "advice on political, strategic, or policy issues, valuable as it may have been, would not be shielded from disclosure by the attorney-client privilege." *In re Lindsey*, 148 F.3d 110, 1106 (D.C. Cir.) *cert. denied*, 525 U.S. 996 (1998).

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Examples of Documents Held to be Business Advice

- Position paper written by outside counsel regarding carbon monoxide and cigarette smoking was not protected.

Written to rebut public criticism of cigarette smoking and was "intended for public relations purposes rather than legal purposes."

- Draft response to anticipated questions stemming from a series of paid editorial statements issued by the cigarette company in the mid-1980s concerning smoking and health, written by Director of Public Issues and forwarded to in-house attorney for "an opinion about the approach and the content," was not privileged.

Burton v. R.J. Reynolds Tobacco Co., 200 F.R.D. 661 (D. Kan. 2001).

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Examples of Documents Held to be Business Advice

- Technical drawings, sketches, tables, test results produced from inventors and sent to legal department in response to attorney's request for information are not privileged because they contain no request for legal advice, nor is any given.
- Patent portfolio summarizing patents, patent applications and invention reports in the aerospace industry was not privileged because it did not contain legal analysis or conclusions. *McCook Metal LLC v. Alcoa, Inc.*, 192 F.R.D. 242 (N.D. Ill. 2000).

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Examples of Documents Held to be Business Advice

- Interoffice Memorandum between attorney and corporate client containing only information about sales, royalty payments, deliveries, purchasing, competitors, shipping, and various other business data is not protected because memo did not contain legal advice.

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Tips to Protect the Attorney-Client Privilege

In Written Communications:
- Separate the legal from the business information
- Be clear when you are transmitting legal advice
- Be thoughtful about recipients

On Committees: Clarify if voting member of committee or committee advisor

In Negotiations: Consider whether attorney's direct involvement in a business negotiation may constitute a waiver of the privilege

As Investigator: Ensure retention letter explicitly requests legal advice based on the results of the investigation

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The Work Product Doctrine

- The work product doctrine protects from discovery materials that are prepared by a party or its counsel in anticipation of possible litigation.
- "At its core, the work-product doctrine shelters the mental processes of the attorney, providing a privileged area within which he can analyze and prepare his client's case." *United States v. Nobles*, 422 U.S. 225, 238 (1975).

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Elements Necessary to Establish the Work Product Protection

- Prepared by a party, its attorney, or one of their agents paralegals, consultants, experts, accountants, etc.
- Prepared "in anticipation of litigation"
- Any litigation with any party in any court
- Any government investigation in any country

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Distinguishing Documents

- The work product doctrine does not apply to documents prepared in the "ordinary course of business."
- Rather, it applies only to material that would not have been generated but for the pendency or imminence of litigation.

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“Prepared in Anticipation of Litigation”

- Internal audits done at the request of counsel in direct response to an outside agency investigation are work product, even if company normally conducts routine internal audits for business purposes (such as to ensure business is running properly).
- Information about the evolution of an affidavit such as: communications with the counsel relating to the affidavit, prior drafts of the affidavit, and any notes made by counsel while engaging in the process of drafting the affidavit is protected work product.

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“Prepared in Anticipation of Litigation”

- Attorney handwritten notes referencing legal strategies pursuant to litigation are protected work product.
- Attorney handwritten notes referencing breach of a license agreement that gave rise to the litigation was considered work product.

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“Prepared in Anticipation of Litigation”

- Documents related to the settlement of previous litigation between the same parties are considered work product in a subsequent litigation even if the two cases are unrelated, as long as the documents were created by the same parties.
- Validation studies conducted before corporation was sued was considered work product because corporation suspected it would be sued under Title VII and "given the crucial role played by such studies in Title VII disparate impact cases . . . it is wholly appropriate to characterize preparation of such a study as in anticipation of litigation or for trial."

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“Prepared in the Ordinary Course of Business”

- Documents created from work product are not automatically considered work product.
- In *Southern Bell*, employees gave statements to the company's security personnel at the direction of counsel (in anticipation of litigation). The written statements obtained were work product. But the "panel recommendations" subsequently drafted by managers, from information obtained in the interview statements, were not protected work product as they were drafted for the business purpose of recommending which employees the company should discipline (rather than in anticipation of litigation). *Southern Bell Tel. & Tel. Co. v. Deason*, 632 So.2d 1377 (Fla. 1994).

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"Prepared in the Ordinary Course of Business”

- Documents created almost 12 years in advance of litigation were "too distant in time from the present litigation" to be considered work product.
- Technical information, sketches, drawings, graphs, and test results gathered for patent application are not work product because they would have been created with or without the litigation. *McCook Metal LLC v. Alcoa, Inc.*, 192 F.R.D. 242 (N.D. Ill. 2000).

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“Prepared in the Ordinary Course of Business”

- Personnel practice studies done by outside legal firm for corporate client were not protected work product because the studies were done for business purposes, as they were broad studies of employer's personnel practices and not in "anticipation of litigation." *Resnick v. American Dental Association*, 95 F.R.D. 372 (N.D. Ill. 1982).

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“Prepared in the Ordinary Course of Business”

- Meeting minutes and memorandum from corporations "employee relations committee" was not work product because the committee was initiated for overall business purposes rather than in preparation for litigation. Further the committee work involved personnel matters of all sorts rather than being "litigation-oriented." *Id.*

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