



# Managing Litigation Like a Business Problem

September 26, 2023

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# Roadmap

What questions need to be asked of outside counsel and the business at the start?

What information should outside counsel provide along the way?

What role can and should outside counsel's budgeting play in developing and guiding litigation strategy at the start and throughout?



## Threshold Questions to Outside Counsel

- Are you licensed in the jurisdiction where the case is filed or will be filed?
- Or do you have or can you identify good local counsel?
  - If need local counsel, what would their role be?
    - Substantive involvement or simply formality?
- Seems obvious, but also easy to overlook, with real consequences.



## Unauthorized Practice of Law

- **Model Rule 5.5:** Unauthorized Practice of Law; Multijurisdictional Practice of Law; Remote Practice of Law
- Virginia Rule of Professional Conduct 5.5
- MD Rules Attorneys, Rule 19-305.5
- DC Rule of Professional Conduct 5.5; DC App. R. 49

# More Initial Questions to Outside Counsel

- What is your familiarity with this type of litigation?
  - For specialized claims or litigation, do you or someone in your firm have experience or expertise in this area of law?
- What is your familiarity with the particular Court or jurisdiction?
  - More than just being admitted in the jurisdiction.
- Are you familiar with the judge?
  - Ever had a case before them? Aware of others' experience with the judge?
- Do you have familiarity with opposing counsel?  
Do you have a relationship with them?



# More Initial Questions to Outside Counsel



- What are your fees/rates?
  - Who is negotiating the rate?
    - Counsel to counsel?
    - Legal ops with counsel?
  - How are fees for additional attorneys being added to the matter handled?
    - Pre-clear each attorney with in-house?
    - Or agree in advance to fee structure to avoid delay or issues later?
  - Want to avoid future surprises or complications as much as possible.



# Can the Company Go on the Offensive?

If pre-suit, is there a basis to file suit first as the plaintiff?

- What are the advantages/risks?
  - First to file and select forum and venue.
  - Public relations and more control of the story and message.

If already a defendant, is a counterclaim, cross-claim, or third-party claim an option?

- Is a counterclaim permissive or compulsory?
- Indemnification or contribution from a non-party?



# Can the Company Go on the Offensive?

- Even if a defendant in litigation, can you use motions practice to go on the offensive?
- Is there a basis for a motion to dismiss?
  - **If so:**
    - Does it dispose of the entire case? Or just delay it?
    - Have a realistic chance at success?
  - **If not, then why file it?**
    - Does it fit with the company's goals for the litigation?
    - Is it worth the cost?
      - Money, time, other resources?

# Questions Outside Counsel Should Be Asking

- What are the company's goals for the litigation?
- Everyone wants to “win,” but what does “winning” actually look like?
  - Is it an outright win in the litigation?
  - Is it an early settlement?
  - Is it reducing the cost or mitigating the damages?
  - Is it delaying the outcome as long as possible?
- Perhaps more importantly, what is the company willing to spend to achieve those goals?





# Questions Outside Counsel Should Be Asking

Does the Company, or the key people to be involved, understand the potential impact and consequences of the litigation?

- Outside counsel can, and should, help educate the relevant people in the Company on the potential ramifications of pursuing a particular legal strategy.
- For example, Company's decisionmakers may initially think filing suit will improve positioning without realizing it could cause the parties to dig in on their positions and hurt settlement.

What are the Company's communication or update expectations?

Answering these questions requires consulting internally to find out how the litigation fits the Company's overall goals and strategy.



# Who Needs to be in the Loop Internally?

- So how can in-house and outside counsel work together to identify who is relevant in the Company and who needs to be part of the internal “litigation team”?
  - **Who is/are the decisionmakers? Is it split, with different people or groups having say on particular points or issues?**
    - Is it senior in-house counsel?
    - Is it the C-Suite?
    - Is it a particular business unit/group?
  - **Who are the key people and/or groups in the business for purposes of handling the case?**
    - Who has or is going to have the most relevant information or documents to the case?
  - **Who truly needs to know?**
    - Want to protect attorney-client privilege and attorney work-product.



## Who Needs to Be in the Loop Internally?

- Important to remember that not all communication with in-house is protected by attorney-client privilege.
- To fall within the attorney-client privilege, the communication must be:
  - Made between a client and a lawyer,
  - In confidence,
  - During the course of the attorney-client relationship, and
  - The communication must be made with the attorney in their professional (legal) capacity.
- **ABA Model Rule 1.13:** When the client is a corporation, the client is the legal corporate entity, not the company's individual directors, officers, or employees.

# Attorney-Client Privilege Tests for Corporate Employees

## SUBJECT MATTER (*UPJOHN*) Test (Federal and most states)

- Whether privilege extends to communications with employees depends on the circumstances in which the communications were made.

## CONTROL GROUP TEST (IL, ME, NH, SD, OK, AK, HI)

- Privilege only extends to small 'control group' of top management necessary advisors.

## *CHADBOURNE* TEST (California)

- Focuses on the dominant purpose of the communication and the circumstances in which communications were made.

# Attorney-Client Privilege Complications for In-House Counsel

- The privilege does not attach when corporate counsel is engaged in nonlegal work.
  - So does not apply if corporate counsel is providing business advice.
- Generally for the privilege to apply:
  - In-house counsel must be acting in the role of an attorney; and
  - The advice or communication must be for legal, not business purposes.
- But what about dual-purpose communications?

# Dual-Purpose Communications



- A communication that is a mix of legal and business advice is not automatically non-privileged.
- Test for whether the privilege applies varies by jurisdiction.
  - 2nd, 5th, 6th, and 9th Circuits, (and District Courts in 4th Circuit): Attorney-client privilege attaches if the primary purpose of the communication is to obtain or provide legal advice.
  - DC Circuit: Attorney-client privilege applies if one of the significant purposes is to obtain or provide legal advice.
  - 7th Circuit: Attorney-client privilege per se never applies to dual-purpose communications, at least in tax advice context.
- Courts generally look at:
  - Substance of the communication.
  - Purpose of the communication.
  - Title of in-house counsel.
  - Who was included in the communication.

# So, How Can In-House Counsel Help Protect Privilege?

- Separate legal advice as much as possible from business advice.
  - For written communication, easier to separate and mark as privileged or for purposes of legal advice.
- Make clear to employees and others when acting in legal role, and when communications or meetings relate to legal advice or matters.
- Limit who is on the “litigation team.”





# Budget & Work Plan Guide Litigation Strategy

- Initial discussions between in-house and outside counsel can help shape the budget, which in turn can guide the overall long-term strategy for the litigation.
  - What is the purpose or preferred goal of the litigation?
  - What is the business willing to commit to the litigation?
    - Time?
    - Financial Resources?
  - What is the worst case outcome the business can accept?
  - How should the matter be staffed?
    - What is the additional cost? And is it worth it?



# Budget & Work Plan Guide Litigation Strategy

- **Early budgeting can help identify the realistic goals of the litigation.**
  - Easy to say “Take it all the way to trial” when cost is undefined.
- **Are the resources available to properly litigate the matter?**
  - Time? Money?
  - Do resources need to be reallocated from other matters?
- **Is the litigation worth the cost?**
  - Is this a matter to settle or resolve earlier?
- **If not at the start, are there leverage points when settlement should be pursued?**
  - A budget running from inception to trial can help decide if it makes sense to settle or seek to otherwise resolve the case at or before certain points.
    - For example, it may help decide that settlement makes sense before written discovery starts, or before depositions start.
    - Or it may make sense before expert reports are due or before dispositive motions.

# Budget & Work Plan Guide Litigation Strategy



- But a budget is only as good as the data that it is built on. So, it is important to ask for and understand the process used to develop the budget.
- Most experienced litigators can create a budget based on their personal experience.
  - But what if it is an unfamiliar area of law?
  - Or in a different jurisdiction?
  - Or a larger or smaller case than they have previously budgeted for?



# Thompson Hine's Budget & Work Planning

Use actual data derived from similar matters to pre-populate budgets.

Tag prior results to allow for search and identification of similar matters based on flagged characteristics, e.g., court, judge, cause of action.

Automated notices to enhance budget monitoring.

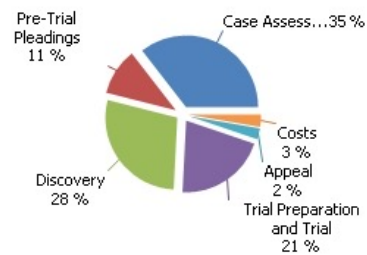
# Work Plan and Budget



## CyberToasters Corp. v. BeltBuckles United, Inc Executive Summary

| Phase | Activity                                      | Total       |             |             |                  |                  |                  |
|-------|---|-------------|-------------|-------------|------------------|------------------|------------------|
|       |   | Hours       |             |             | Fee Estimates    |                  |                  |
|       |   | Low         | Mid         | High        | Low              | Mid              | High             |
| L100  | Case Assessment, Development & Administration | 622         | 775         | 928         | \$174,095        | \$216,400        | \$258,705        |
| L200  | Pre-Trial Pleadings                           | 157         | 192         | 227         | \$52,805         | \$64,375         | \$75,945         |
| L600  | E-Discovery                                   | 0           | 0           | 0           | \$0              | \$0              | \$0              |
| L300  | Discovery                                     | 401         | 485         | 569         | \$140,660        | \$171,600        | \$202,540        |
| L400  | Trial Preparation and Trial                   | 300         | 360         | 420         | \$103,720        | \$125,750        | \$147,780        |
| L500  | Appeal  | 43          | 47          | 51          | \$13,440         | \$15,070         | \$16,700         |
|       | Costs   |             |             |             | \$16,100         | \$16,600         | \$17,100         |
|       | <b>Total</b>                                  | <b>1523</b> | <b>1859</b> | <b>2195</b> | <b>\$500,820</b> | <b>\$609,795</b> | <b>\$718,770</b> |

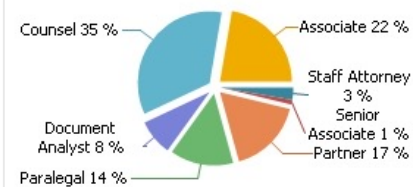
Distribution of Spend by Phase  
(Mid-Point)



Distribution of Spend by Time  
Period (Mid-Point)



Distribution of Hours by  
Timekeeper (Mid-Point)

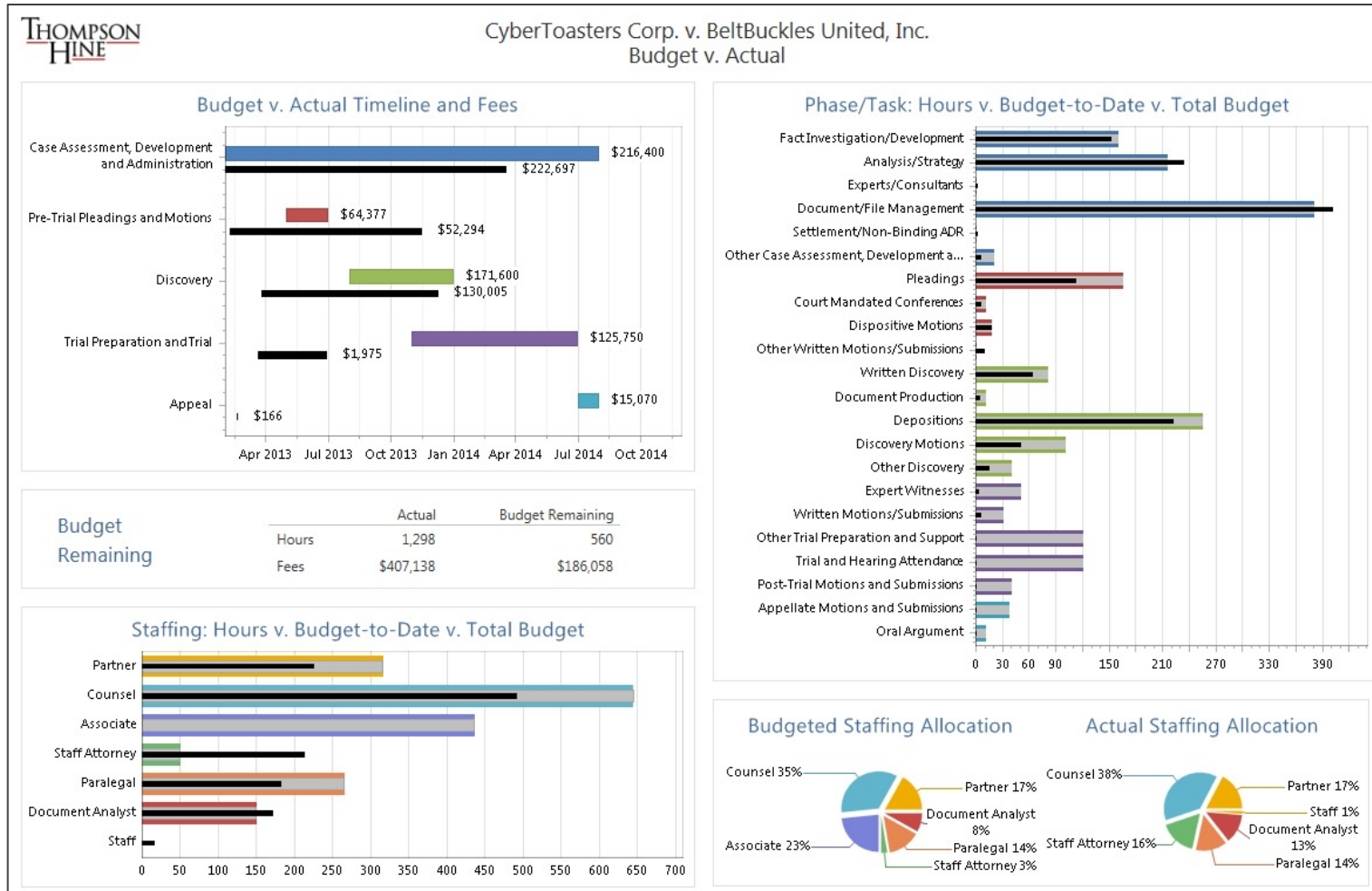




# Monitoring Progress to Plan

- More than just general status updates, and questions should be asked of outside counsel.
- Where are we on the budget?
  - Is it going as expected? Is it below or above budget?
  - Do you expect the budget for the remainder of the case to vary significantly from the original projection?
    - If so, why? And can an updated budgeted be provided to reflect the changed circumstances?
- Are you getting the support or information you need from business?
  - Are witnesses cooperating? Are documents being timely collected or produced?
- Has the overall evaluation of the case changed?
  - If so, why? And if this possibility was not raised originally or earlier, is there a reason this was not foreseeable?

# Budget to Actual Reports





# QUESTIONS



# APPENDIX



A Smarter Way to Work

# Unauthorized Practice of Law

## Model Rule 5.5: Unauthorized Practice of Law; Multijurisdictional Practice of Law; Remote Practice of Law

- (a) A lawyer shall not practice law in a jurisdiction in violation of the regulation of the legal profession in that jurisdiction or assist another in doing so.
- (b) A lawyer who is not admitted to practice in this jurisdiction shall not:
  - (1) establish an office or other systematic and continuous presence in this jurisdiction for the practice of law;
  - (2) hold out to the public or otherwise represent that the lawyer is admitted to practice law in this jurisdiction.
    - (iii) the lawyer's office address in the foreign jurisdiction.



# Unauthorized Practice of Law - Virginia

- **Virginia Rule of Professional Conduct 5.5**

- (d) (2) A Foreign Lawyer shall not, except as authorized by these Rules or other law:
  - (i) establish an office or other systematic and continuous presence in Virginia for the practice of law, which may occur even if the Foreign Lawyer is not physically present in Virginia; or
  - (ii) hold out to the public or otherwise represent that the Foreign Lawyer is admitted to practice law in Virginia.
- (d)(4) A Foreign Lawyer may, after informing the client as required in 3(i)-(iii) above, provide legal services on a temporary and occasional basis in Virginia that:
  - (i) are undertaken in association with a lawyer who is admitted to practice without limitation in Virginia or admitted under Part I of Rule 1A:5 of this Court and who actively participates in the matter;
  - (ii) are in or reasonably related to a pending or potential proceeding before a tribunal in Virginia or another jurisdiction, if the Foreign Lawyer, or a person the Foreign Lawyer is assisting, is authorized by law or order to appear in such proceeding or reasonably expects to be so authorized;
  - (iii) are in or reasonably related to a pending or potential arbitration, mediation, or other alternative dispute resolution proceeding in Virginia or another jurisdiction, if the services arise out of or are reasonably related to the Foreign Lawyer's practice in a jurisdiction in which the Foreign Lawyer is admitted to practice and are not services for which the forum requires pro hac vice admission; or
  - (iv) are not within paragraphs (4)(ii) or (4)(iii) and arise out of or are reasonably related to the representation of a client by the Foreign Lawyer in a jurisdiction in which the Foreign Lawyer is admitted to practice or, subject to the foregoing limitations, are governed primarily by international law.

# Unauthorized Practice of Law - Maryland

- **MD Rules Attorneys, Rule 19-305.5. Unauthorized Practice of Law; Multijurisdictional Practice of Law.**
  - (a) An attorney shall not practice law in a jurisdiction in violation of the regulation of the legal profession in that jurisdiction, or assist another in doing so.
  - (b) An attorney who is not admitted to practice in this jurisdiction shall not:
    - (1) except as authorized by these Rules or other law, establish an office or other systematic and continuous presence in this jurisdiction for the practice of law; or
    - (2) hold out to the public or otherwise represent that the attorney is admitted to practice law in this jurisdiction.
  - (c) An attorney admitted in another United States jurisdiction, and not disbarred or suspended from practice in any jurisdiction, may provide legal services on a temporary basis in this jurisdiction that:
    - (1) are undertaken in association with an attorney who is admitted to practice in this jurisdiction and who actively participates in the matter;
    - (2) are in or reasonably related to a pending or potential proceeding before a tribunal in this or another jurisdiction, if the attorney, or a person the attorney is assisting, is authorized by law or order to appear in such proceeding or reasonably expects to be so authorized;
    - (3) are in or reasonably related to a pending or potential arbitration, mediation, or other alternative dispute resolution proceeding in this or another jurisdiction, if the services arise out of or are reasonably related to the attorney's practice in a jurisdiction in which the attorney is admitted to practice and are not services for which the forum requires pro hac vice admission; or
    - (4) are not within subsections (c)(2) or (c)(3) of this Rule and arise out of or are reasonably related to the attorney's practice in a jurisdiction in which the attorney is admitted to practice.

# Unauthorized Practice of Law - DC

## Rule 5.5: Unauthorized Practice

- A lawyer shall not:
  - (a) Practice law in a jurisdiction where doing so violates the regulation of the legal profession in that jurisdiction; or
  - (b) Assist a person who is not a member of the bar in the performance of activity that constitutes the unauthorized practice of law.

## DC App. Rule 49

- (a) IN GENERAL. No person may practice law in the District of Columbia or hold out as authorized to do so unless:
  - (1) the person is a D.C. Bar Member; or
  - (2) the conduct is permitted by one or more of Rules 49(c)(1)-(13).
- (c)(1)-(13) – 13 exceptions including:
  - Before certain government agencies (c)(2)
  - Pro Hac Vice (c)(7)
  - Incidental and temporary practice reasonably related to pending or potential proceeding in jurisdiction where attorney is admitted, or arise out of or reasonably related to the attorney's practice in a jurisdiction in which they are admitted.

# Attorney-Client Privilege Tests for Corporate Employees

## SUBJECT MATTER (*UPJOHN*) Test (Federal and most states)

- Whether privilege extends to communications with employees depends on the circumstances in which the communications were made.

## CONTROL GROUP TEST (IL, ME, NH, SD, OK, AK, HI)

- Privilege only extends to small 'control group' of top management necessary advisors.

## *CHADBOURNE* TEST (California)

- Focuses on the dominant purpose of the communication and the circumstances in which communications were made.

# Attorney-Client Privilege Tests for Corporate Employees

- *Upjohn* Test



- Privilege extends to communications with any corporate employee, so long as:
  - Communications concern matters within the scope of the employee's corporate duties;
  - Employee is aware they are being questioned so the corporation can obtain legal advice; and
  - Communications are considered confidential when made and are kept confidential by the company.
- *Upjohn Co. v. United States*, 449 U.S. 383 (1981).



# Attorney-Client Privilege Tests for Corporate Employees

- Control Group Test
  - The idea is that the “client” is the corporation and only employees who actually have authority to act on counsel’s legal advice can participate in attorney-client relationship.
  - **Top Management** – employees or officers with authority to make decisions based on legal advice; or
  - Necessary advisors to top management on whom management actually relies on in reaching decisions.
- *Consolidation Coal Co. v. Bucyrus-Erie Co.*, 89 Ill.2d 103 (1982).



# Attorney-Client Privilege Tests for Corporate Employees

- *Chadbourne* Test (California)
  - Whether a communication with an employee is privileged depends on:
    - Whether the employee may be potentially liable for the incident;
    - Whether the employee understands the communication is confidential;
    - Whether the statement is within the scope of the employee's responsibility;
    - Whether the company directed the employee to make the statement; and
    - Whether the “dominant purpose” of the communication was for legal advice.
  - *D.I. Chadbourne, Inc. v. Superior Court*, 60 Cal. 2d 723, 736-38 (1964).



# Dual-Purpose Communication Tests

- **2nd, 5th, 6th, and 9th Circuits:**
  - Attorney-client privilege attaches if the primary purpose of the communication is to obtain or provide legal advice.
  - District Courts in the 4th Circuit also generally apply this standard. See *Mr. Dee's Inc. v. Inmar, Inc.*, No. 1:19cv141, 2021 U.S. Dist. LEXIS 163460 (M.D.N.C. Aug. 30, 2021); *Agropex Int'l, Inc. v. Access World United States, LLC*, No. ADC-19-1232, 2021 U.S. Dist. LEXIS 139543 (D.Md. May 20, 2021).
- **DC Circuit:**
  - Attorney-client privilege applies if one of the significant purposes is to obtain or provide legal advice. In re Kellogg Brown & Root, Inc., 756 F.3d 754 (D.C. Cir. 2014).
- **7th Circuit:**
  - Attorney-client privilege per se never applies to dual-purpose communications, at least in tax advice context. *United States v. Frederick*, 182 F.3d 496, 501 (7th Cir. 1999)
- **In re: Grand Jury, No. 21-1397**
  - Supreme Court granted certiorari on appeal from 9th Circuit, and ABA submitted amicus brief arguing for broader application of privilege.
  - But dismissed as “improvidently granted.”