

Association of Corporate Counsel 2023



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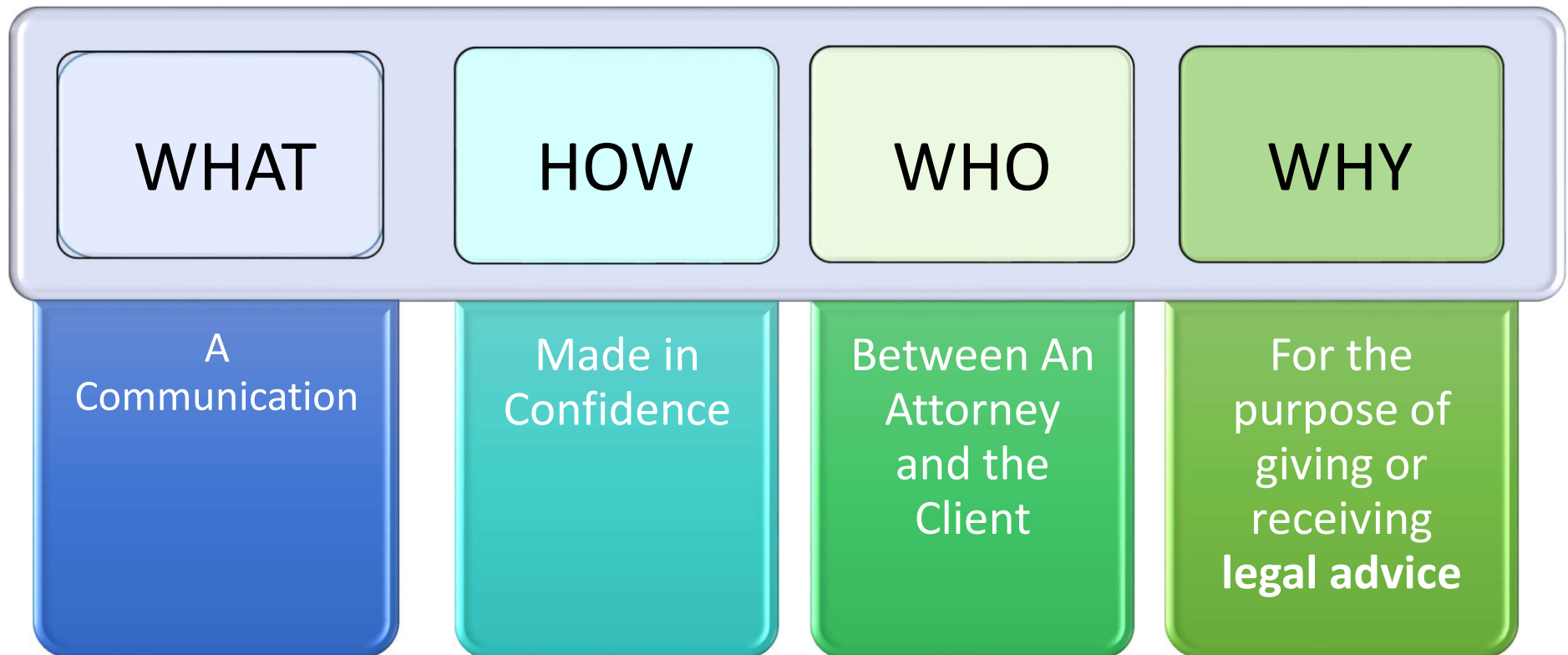
CHALLENGES AND STRATEGIES FOR PRESERVING PRIVILEGE

WHEN IN-HOUSE COUNSEL
SERVES IN A DUAL ROLE



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Attorney-Client Privilege



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WHO is the Client?



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Attorney-Client Privilege – WHO and WHY

Role of In House Attorney

- Legal Advice
- Business
- Mixed



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Legal Communications

- Evaluating conduct for conformity with the law
- Providing guidance on ways to comply with the law
- Advising about the risk of legal repercussions
- Advising on litigation strategy
- Weighing advice from attorney in decision-making.

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Business Functions

- Negotiating contracts
- Regulatory advice for a business purpose
- Materials assembled in the ordinary course of business
- Acting as a scribe at board meetings
- Discussing implementation or feasibility
- Discussing morality or public perception
- Summarizing facts.

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Current Legal Landscape

Second,
Fifth,
Sixth, and
Ninth
Circuits

***THE* Primary
Purpose Test**

DC
Circuit

**A Primary
Purpose Test**

Seventh
Circuit

**Mixed Communications
Related to Tax Advice
Never Privileged**

THE Primary Purpose Test

THE primary purpose of the communication must be for the purpose of providing or seeking legal advice

- Requires Court to Determine “Primary Purpose”
- Assumes a single predominant purpose
- Inconsistent Application Results in Uncertainty

A Primary Purpose Test

A primary purpose of the communication must be for the purpose of providing or seeking legal advice

- A *significant* purpose was to seek or provide legal advice
- “Inherently impossible” to find THE one primary purpose when motivated by two overlapping purposes (legal and business)
- Recognizes the reality of the modern in-house counsel wearing both hats
- Brings clarity and more certainty to the analysis of privilege

Common Interest Privilege

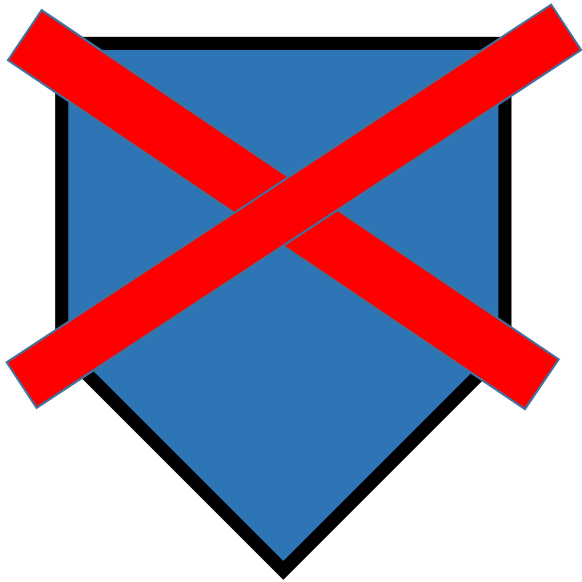
- **Extension of the A/C Privilege**
 - Requires same elements
 - Does not apply to pro se parties
- Must have a “common interest”
- Must relate to a legal issue

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Work Product Doctrine

- Protects Strategy in anticipation of litigation
- Narrowly tailored exception: if there is a substantial need and the opposing party cannot reasonably obtain the information another way;
- No exception for attorney's opinions, thought processes, mental impressions, strategies.

Two-Fold Attack




Business Advice, not Legal Advice



Disclosure to a Third Party

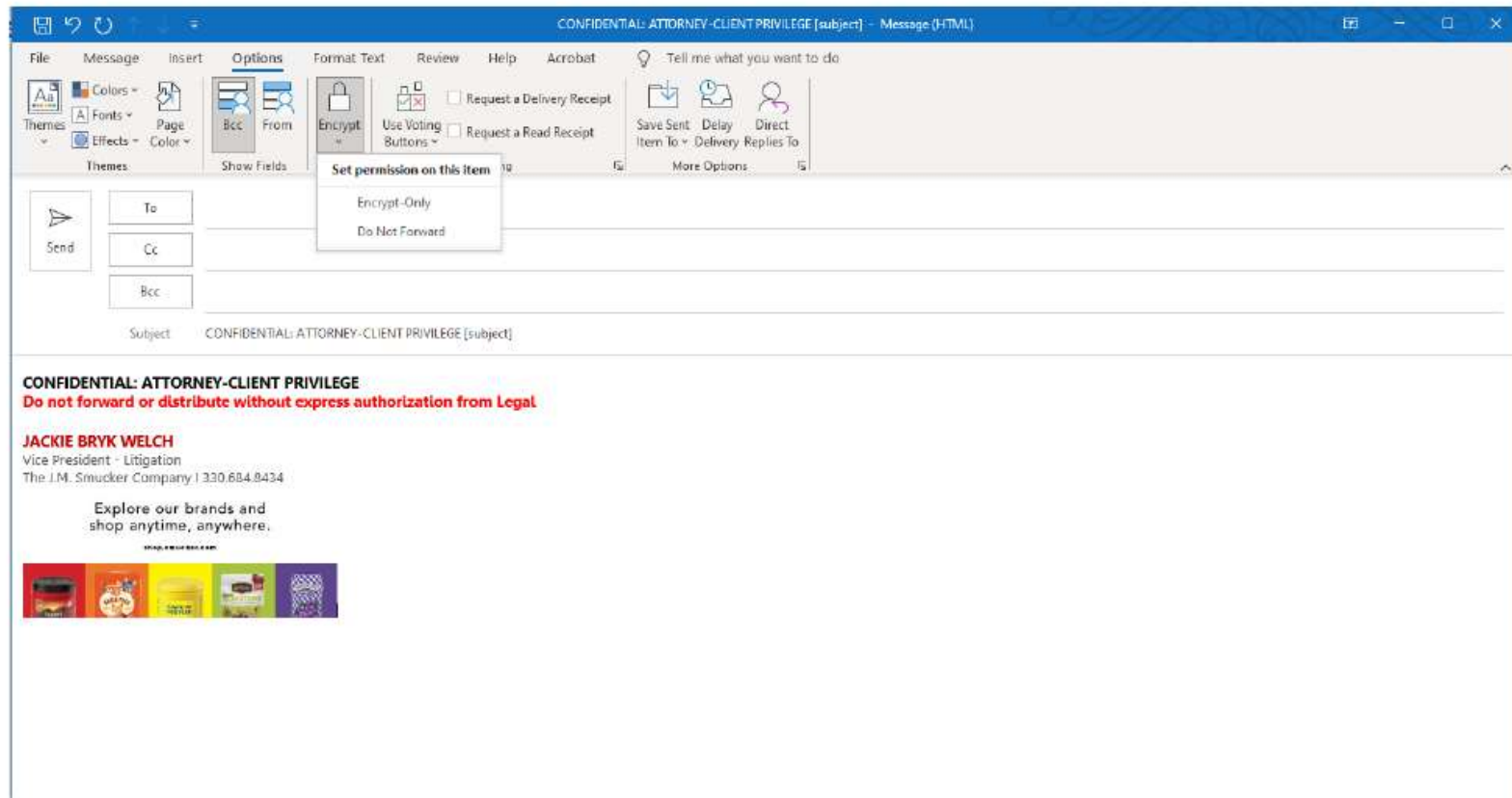
DANGER ZONES

- **Written communications**
- **In person and virtual meetings**
- **Board meetings** 
- **Internal investigations**
- **Regulatory compliance**
- **Communications outside organization**

Strategies – Written Communications

- Prominent and consistent labeling:
 - **“Confidential” “Attorney Client Privileged” or “Attorney Work Product”**
 - **Do Not Forward**
- Use titles in signature block
- Full name of counsel
- Identify by title when discussing legal advice

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FRAME IN RESPONSE:

“Responding to your request for legal advice”

TRAIN YOUR EMPLOYEES:

- Understand basics of privilege
- Teach them who to contact
- Limit their communications to legal team and/or manager
- Warn of the dangers of text messages, what’s app, etc.

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Strategies – In-Person Meetings

- Limit to necessary invitees and those within privilege
- List attendees and titles in notes
- If both business and legal discussed, segregate notes on legal issues
- Limit note-taking by others when legal issues discussed
- Clearly mark as “**Confidential subject to A/C privilege**”
- Segregate from business notes in office to avoid inadvertent production in the future

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1. Implement all privacy safeguards
 - Password protected
 - Host-controlled waiting room
 - Require cameras and headphones
2. Do not record and do not permit recording by others
3. Do not use chat feature

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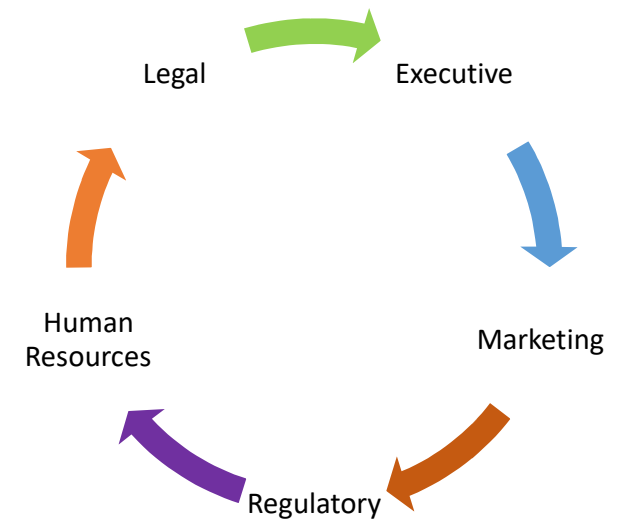
Strategies – Board Meetings

- When legal matters discussed, excuse those who are not within privilege (investment bankers, auditors, consultants, etc.)
- Minutes should clearly indicate that counsel was present as a legal advisor to the company for the purpose of providing legal advice regarding _____.
- Clearly noted as **“Confidential and subject to A/C privilege”**

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Strategies: Communications within the Organization

- Internal Investigations
- Regulatory Compliance
- Miscellaneous Internal Communications



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Interviewing **current** employees during an investigation is **privileged** if:

- between employee and counsel/agent of counsel for the *company*
- at the direction of corporate superiors
- for the purpose of giving legal advice to the *company*
- concerning matters within the scope of the employee's duties at the company;
- confidential when made, and kept confidential

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



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Upjohn Warnings:

- The attorney represents the *company*, NOT the employee;
- The conversation with the attorney is covered by the A/C privilege; and
- The privilege belongs to the *company* and the company has sole discretion to waive privilege and to determine how to use the information

**WARNING:
I AM NOT
YOUR
LAWYER**

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Strategies for Protecting Privilege of Interviews

- **Involve counsel at outset (rather than managers/supervisors only)**
- Memorialize any interviews conducted
- If a report is prepared, focus it predominantly on legal advice rather than a summary of the facts
- Restrict discussions to matters within the scope of their employment
- Be careful about sharing the contents or the results outside of privilege



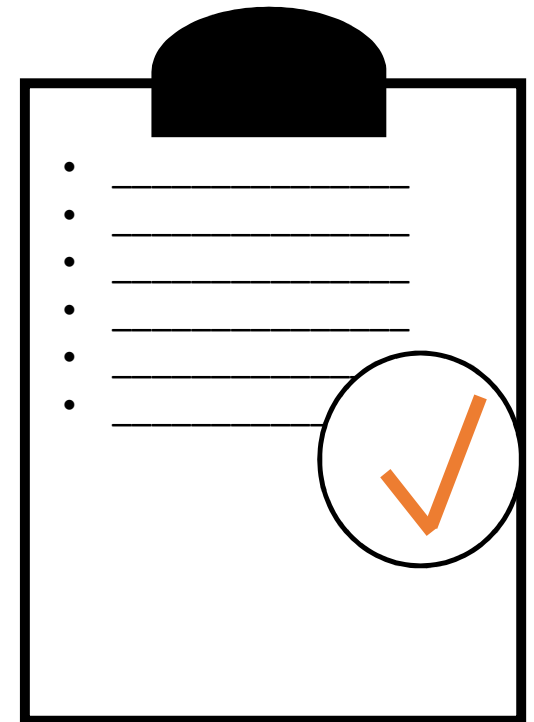
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- No privilege applies to regulatory advice for a business purpose.
- No privilege applies to materials assembled in the ordinary course of business or pursuant to public requirements unrelated to litigation.

Virtually every corporate act has the potential for violating a regulation, but “the fact of extensive or pervasive regulation does not make the everyday business activities legally privileged from discovery.”

FTC v. Abbvie, Inc., 2015 WL 8623076 (E.D. Pa. Dec. 14, 2015)

Regulatory Compliance



Regulatory Compliance – Strategies

- Train employees that ordinary regulatory compliance is not privileged
- Generally can only rely on work product doctrine (in anticipation of litigation) for any privilege to apply
- Reframe response to queries: “Responding to your inquiry as to how the company can avoid sanctions for regulatory violations . . .”
- Follow all other rules related to legal communications

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Miscellaneous

- **Contract Negotiations**

- Most in-house business contracting discussions including negotiations are not privileged.

- **Intellectual Property**

- Technical information provided to facilitate obtaining legal advice regarding patent application process can be privileged.

- **HR**

- Memo summarizing the facts related to discipline/termination is not privileged unless in conjunction with seeking or giving legal advice.

- **M&A**

- Communications regarding whether to pursue a deal may not be privileged if it involves a business decision versus legal advice.

Communications **Outside** Organization

- Engaging Consultants
 - Auditors
 - CPAs
 - Experts
- Former Employees
- PR or Crisis Management Team
- Insurance Company



Engaging Consultants

- Independent auditors, CPAs, experts, labs, etc.
- Two Pathways to privilege:
 - Must be “essential for the provision of legal advice”
 - Must be the “functional equivalent” of an employee for the privilege to extend

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Strategies for Retaining Consultants

- Outside counsel should retain consultant if possible.
- Couch engagement in terms of legal advice if possible.
- Engagement letter should require confidentiality and designate information as privileged.
- Keep reporting obligations within privileged circle.

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Strategies for Former Employees

- Offer representation of former employee only if interests appear to be aligned
- Remind former employees that communications with counsel *before* departure are privileged
- Explain that privilege belongs to the company
- Assume everything you tell them is discoverable
- Do not discuss information about the case gained from the client, documents, or witnesses
- Do not reveal your work product or thought processes

PR or Crisis Management Team

- Not privileged unless you can show that the communications were necessary for the client to obtain informed legal advice
- Outside counsel should engage PR firm
- Communications should flow through outside counsel



CRISIS

Communications with Insurance Carriers

- If no reservation of rights, the communications are most likely protected (not guaranteed)

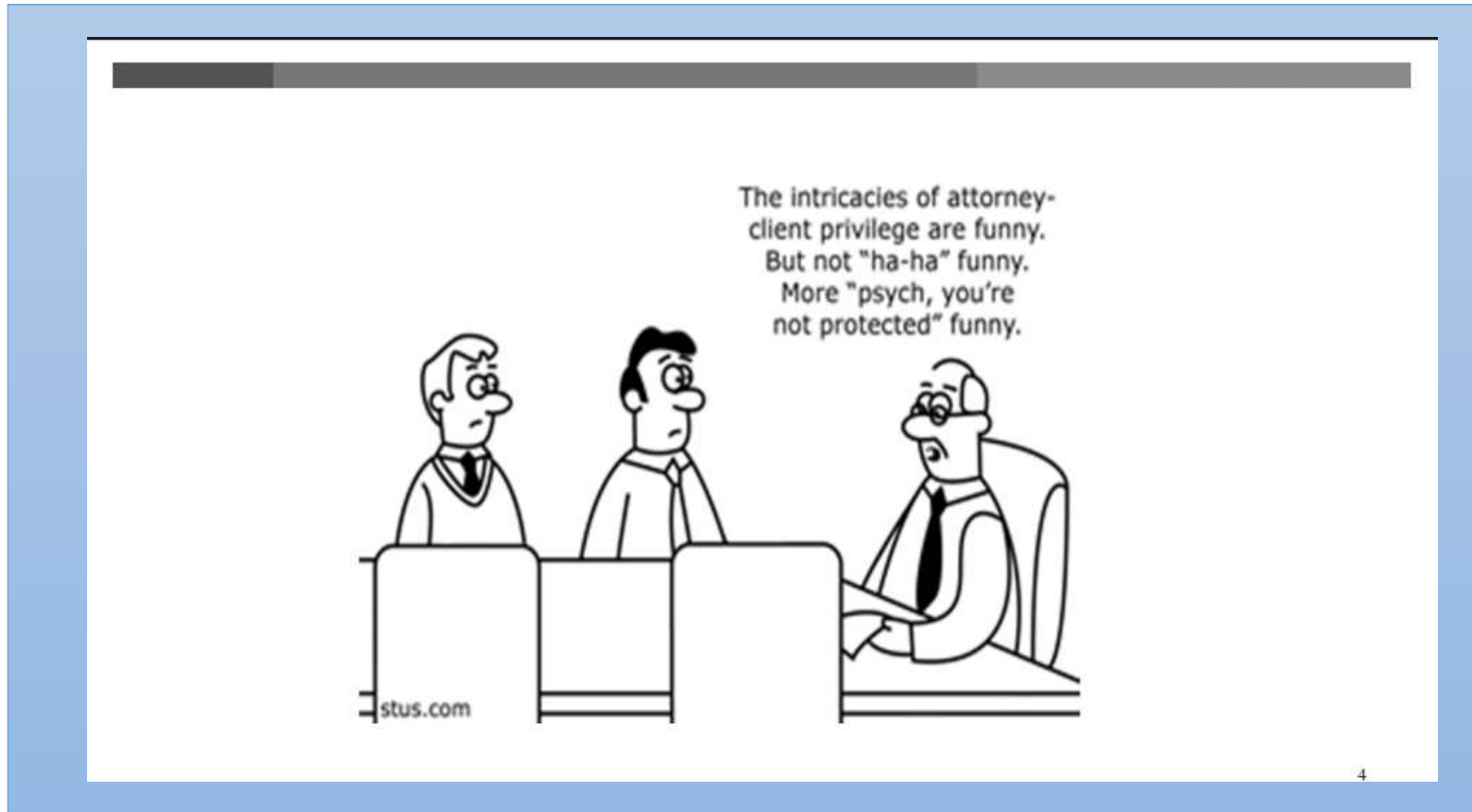
Note: Some states do not protect communications *before* the carrier accepts the defense even if they eventually do

- If indemnification only policy, likely not privileged
- If tender of defense denied, communications are not privileged

Communications with Brokers

- Serve as a liaison between the carrier and insured and are trusted advisors
- Brokers are not automatically within the zone of privilege
 - Litigation with third parties: may be privileged if broker was facilitating the rendition of legal services
 - Coverage litigation:
 - “Necessary conduit of information between insured and insurer”
 - Worked with client to provide information about litigation to the carrier
 - Expertise was necessary to understand general liability and coverage issues
 - Disclosure to the broker was reasonably necessary to provide information to the carrier

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Hypothetical

- A company retained a consultant to assist with launch of new product and brand development.
- In trademark litigation, the opposing party sought communications between consultant and in-house counsel.

Does Company have the right to withhold the communications?

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Hypothetical

- Insurance company retained consultants to update its mortality assumptions and set new costs of insurance rates.
- In litigation, company produced reports detailing the analysis but withheld the communications with counsel.
- Plaintiffs argued waiver by producing the reports.

Does company have the right to withhold the communications between the consultant and in house counsel?

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Hypothetical

- Company retained CPA for accounting and tax advice.
- In litigation, opposing party demanded communications with CPA.
- Company claimed CPA was retained to assist law firm in providing legal advice.

Does Company have the right to withhold these communications?

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Hypothetical

- Employee of County accused of sexual harassment.
- County hired consultant to investigate.
- Plaintiff sought the communications between the County and the third party consultant.

Did the County have the right to withhold the communications as privileged?

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Hypothetical

- Metro Agency retained an outside law firm to conduct an investigation of its Board in connection with an aborted development project.
- The firm interviewed people and prepared memoranda of those interviews and an investigative report summarizing the findings.
- The agency released the investigative report in response to public accusations of corruption.

Does the company retain a privilege over the memoranda of interviews?

Banneker Ventures LLC v. Graham, D.D.C. May 16, 2017)

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Hypothetical

- College hired an outside law firm to conduct an independent investigation into the college's handling of allegations of sexual violence on campus.
- College published a summary of the investigation and its conclusions and a list of recommendations made by the investigating law firm.
- In private litigation, the victims sought copies of all materials provided to the law firm, and provided by the law firm to the college.

Can the college withhold these materials as privileged?

Jane Doe 1, et al. v. Baylor Univ. (W.D. Tex. Aug. 11, 2017)

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Hypothetical

- Company works closely with its counsel to develop its anti-trust compliance policy.
- The policy includes actions to be avoided, provides guidance for handling situations that might lead to a violation, and details sanctions for violations.
- During antitrust litigation, plaintiffs sought production of this policy, but company withheld it as privileged.

Is it privileged?

In re Domestic Drywall Antitrust Regulations, 2014 WL 5090032 at *4 (E.D. Pa. Oct. 9, 2014)