No. 18-115

In the United States Court of Appeals
For the Federal Circuit

In re: ALCON LABORATORIES, INC.; ALCON RESEARCH, LTD.,

Petitioners.

On Petition for Writ of Mandamus to the United States District Court
for the District of Delaware
Case No. 1:15-cv-00525-LS-SRF, Judge Lawrence F. Stengel

ASSOCIATION OF CORPORATE COUNSEL'S *AMICUS CURIAE* BRIEF IN SUPPORT OF PETITIONERS, URGING ISSUANCE OF THE REQUESTED WRIT OF MANDAMUS

Mary-Christine Sungaila
Marco A. Pulido
Haynes and Boone, LLP
600 Anton Blvd., Suite 700
Costa Mesa, CA 92626
Telephone: (949) 202-3000
mc.sungaila@haynesboone.com
marco.pulido@haynesboone.com

Attorneys for *Amicus Curiae* Association of Corporate Counsel

CERTIFICATE OF INTEREST

Pursuant to Circuit Rules 26.1 and 47.4, counsel for *Amicus Curiae* Association of Corporate Counsel certifies the following:

1. The full name of every party represented by me is:

   Association of Corporate Counsel

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

   N/A

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party represented by me are:

   None

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (and who have not or will not enter an appearance in this case) are:

   Haynes and Boone, LLP
   Mary-Christine Sungaila
   Marco A. Pulido

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal:

   No. 1:16-00221-LPS-CJB*; MorphoSys AG v. Janssen Biotech, Inc., et al.*, (D. Delaware).

Dated: December 11, 2017 HAYNES AND BOONE, LLP

By: /s/ Mary-Christine Sungaila
Mary-Christine Sungaila
Counsel for *Amicus Curiae*
Association of Corporate Counsel

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INTERESTS OF *AMICUS CURIAE*[1]

The Association of Corporate Counsel ("ACC") is the leading global bar association that promotes the common professional and business interests of in-house counsel. ACC has over 42,000 members, who are in-house lawyers employed by over 10,000 organizations in more than 85 countries. ACC has long sought to aid courts, legislatures, regulators, and other law or policy-making bodies in understanding the role and concerns of in-house counsel.

To ensure that clients are able to turn to their in-house counsel for confidential legal advice, ACC has championed the attorney-client privilege and confidentiality protections for sensitive business information produced during litigation. Given the widespread impact of the district court order on the modern-day legal practice of in-house counsel, ACC seeks to share the view of the myriad of lawyers whose practice would be affected by an improper extension of the privilege waiver to in-house counsel's post-complaint privileged communications and litigation-related work product.

[1] No counsel for a party authored this brief in whole or in part, and no party, party's counsel, or any person other than *amicus curiae* or their counsel contributed money intended to fund preparation or submission of this brief.

SUMMARY OF ARGUMENT

The attorney-client privilege is "the oldest of the privileges for confidential communications known to the common law." *Upjohn Co.* v. *United States*, 449 U.S. 383, 389 (1981). The privilege exists "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." *Id.* The work product doctrine, in contrast, is "designed to balance the needs of the adversary system: promotion of an attorney's preparation in representing a client versus society's general interest in revealing all true and material facts to the resolution of a dispute." *In re Martin Marietta Corp.*, 856 F.2d 619, 624 (4th Cir. 1988). Under the work-product doctrine, "factual work product can be discovered solely upon a showing of substantial need and undue hardship," and "mental process work product is afforded even greater, nearly absolute, protection." *In re Seagate Tech., LLC*, 497 F.3d 1360, 1375 (Fed. Cir. 2007), *overruled on other grounds by Halo Elecs., Inc.* v. *Pulse Elecs., Inc.*, 136 S. Ct. 1923 (2016).

If a client waives the attorney-client privilege, courts conduct fairness balancing to determine the scope of the waiver, "weigh[ing] the circumstances of the disclosure, the nature of the legal advice sought and the prejudice to the parties of permitting or prohibiting further disclosures." *Seagate*, 497 F.3d at 1372. Petitioners discuss at length the minimal probative value of post-complaint communications

between in-house counsel and their clients to the inquiry of whether a patent was willfully infringed. *See* Petitioners' Br. 25–29.

Petitioners also show the unfairness that results from creating a false divide between the functions of in-house counsel and outside counsel once a case has begun. *See* Petitioners' Br. 19–24. They explain that the "same rationale generally limiting waiver of the attorney-client privilege with" in-house counsel should apply "with even greater force to so limiting work product waiver because of the nature of the work product doctrine." *See Seagate*, 497 F.3d at 1375; Petitioners' Br. 22.

Yet, the district court refused to conduct any of the foregoing balancing before extending the privilege waiver to in-house counsel's post-complaint privileged communications with their clients and in-house counsel's litigation-related work product. *See Johns Hopkins Univ.* v. *Alcon Labs. Inc.*, 1:15-cv-00525-LS-SRF, Docket No. 184 at 4, 5 (D. Delaware July 14, 2017) ("there is a broad subject-matter waiver that is not subject to fairness balancing as applied elsewhere in the rules"). At root, the order protects post-complaint communications with outside trial counsel but allows the production of post-complaint communications between the client and inside counsel. In so doing, the order ignores the modern day reality of in-house counsel's role in litigation. If allowed to stand, the order would stifle the national and global trend of corporate clients

employing in-house counsel as in-the-trenches litigators in order to reduce litigation costs, and relegates those inside counsel to "second-class" litigator roles.

Indeed, to further demonstrate the extent of unfairness that flows from the sweeping district court order here, we explain how—in modern-day legal practice—in-house counsel take just as active a role in litigation as outside trial counsel, whether by appearing as counsel of record, assisting with litigation strategy, or relaying the ongoing state of the litigation so as to put the client in an informed position to, for example, make decisions and abide by regulatory obligations. We also explain how, particularly given this new reality of in-house practice, the district court order discourages full and frank post-complaint communications between in-house counsel and clients, and undermines the client-in-house counsel relationship.

Thus, this Court should issue the writ of mandamus requested by Petitioners, and make clear that in-house counsel's post-complaint communications with their clients, as well as in-house counsel's work product, are protected to the same extent as outside trial counsel's attorney-client communications and work product.

ARGUMENT

I. The Writ of Mandamus Should Issue Because the District Court Order Implicitly Draws a False Divide Between the Post-Litigation Role of In-House Counsel and Outside Trial Counsel, and Undermines Client Confidence in Communications with In-House Counsel.

In-house counsel are uniquely qualified to advise their employers. As insiders who focus on a single company, "they know the personnel and needs of the company intimately"[2]: the industry, the business model, the company's goals, its tolerance for risk, its competition, its personnel and management, its litigation, and its litigation exposure. Relative to outside counsel, in-house counsel have "greater knowledge of the corporation and the issues that it routinely faces." Mark C. Van Deusen, *The Attorney-Client Privilege for In-House Counsel When Negotiating Contracts: A Response to Georgia-Pacific Corp. v. GAF Roofing Mfg. Corp.*, 39 WM. & MARY L. REV. 1397, 1397 (1998); *see also Five Benefits of Hiring In-House Counsel*, Forbes (June 2, 2016), *available at* https://goo.gl/p1b3R2 (last visited Dec. 11, 2017).

Since that familiarity runs both ways, the company's employees have closer relationships with, and often are more trusting of, in-house counsel, allowing them to "collaborate continuously." Tom Spahn, *Corporate Attorney-Client Privilege in the Digital Age: War on Two Fronts?*, 16 STAN. J.L. BUS. & FIN. 288, 293 (2011) ("[L]egal, business, and scientific members of the company collaborate

[2] Charles Fried, *The Trouble with Lawyers*, N.Y. Times Magazine ¶ 14 (Feb. 12, 1984), *available at* http://www.nytimes.com/1984/02/12/magazine/the-trouble-with-lawyers.html (last visited Dec. 11, 2017).

continuously. In many ways, this efficient use of communication has greatly enhanced the value of in-house counsel."); Steven L. Lovett, *The Employee-Lawyer: A Candid Reflection on the True Roles and Responsibilities of In-House Counsel*, 34 J.L. & COM. 113, 145 (2015).

The intimate familiarity of in-house counsel with their clients makes them especially valuable counselors because they can give advice that is informed by, and tailored to, the business needs of the enterprise they serve[3]: "[H]ow the law fits . . . with a company's core business activities is the knife edge of where an in-house lawyer sits." Lovett, *supra*, 34 J.L. & Com. at 145.

In light of the significant cost-effective benefits in-house counsel provide to companies, corporate clients have increasingly turned to in-house counsel for litigation. Yet, by treating in-house counsel inferior to outside trial counsel with respect to attorney-client and work-product privileges, the district court order undermines the corporate trend of electing in-house counsel to spearhead litigation, lead litigation strategy, or partner with outside counsel for litigation.

A. The increased prevalence of litigating in-house.

Litigation and its financial impact is a primary concern for corporate legal departments, and one way corporations minimize litigation costs is to have their

[3] Omari Scott Simmons & James D. Dinnage, *Innkeepers: A Unifying Theory of the In-House Counsel Role*, 41 SETON HALL L. REV. 77, 79 (2011) ("in-house counsel, when compared to other legal providers, have a greater potential impact on corporate affairs . . . .").

in-house counsel take a more hands-on role with litigation. *See, e.g.*, David B. Wilkins, *Is the In-House Counsel Movement Going Global? A Preliminary Assessment of the Role of Internal Counsel in Emerging Economies*, 2012 WIS. L. REV. 251, 258 (2012) ("As legal fees paid to outside firms continued to skyrocket, [general counsels] argued that they were in the best position to help companies control legal costs . . . by taking work inside . . . .").

Indeed, as early as the 1980s, many corporations had determined that litigating in-house, in whole or in part, could be more "effective and efficient" than hiring outside trial counsel for some litigation. *See* David S. Machlowitz, *Lawyers Move In-House*, 75 A.B.A. J. 66, 66 (May 1989). One survey dating back to the late 1980s reported that 75 percent of in-house departments had moved at least some litigation in-house. *Id.*

Consistent with this trend in bringing more legal work in-house, corporate legal departments have grown exponentially over the last two decades. *See* Wilkins, *supra*, 2012 WIS. L. REV. at 254–55 (the "in-house counsel movement," including the trend of bringing more legal work in-house, has continued to enjoy "remarkab[le]" success in the United States and has begun expanding to large companies in the United Kingdom and Europe); George P. Baker & Rachel Parkin, *The Changing Structure of the Legal Services Industry & the Careers of Lawyers*, 84 N.C. L. REV. 1635, 1654 (2006) ("Corporate legal departments have exhibited

significant growth since the early 1980s and have continued this trend in recent years. Between 1998 and 2004, the 200 largest in-house legal departments grew from a total of 24,000 to 27,500 lawyers.") (footnote omitted)); Carl D. Liggio, *The Changing Role of Corporate Counsel*, 46 EMORY L. J. 1201, 1201 (1997) ("The 1990s have seen corporate counsel take on a more prominent role in the provision of corporate legal services, while the role of outside counsel has become one of an episodic provider of legal services."); Susan Hackett, *Inside Out: An Examination of Demographic Trends in the In-House Profession*, 44 ARIZ. L. REV. 609, 610 (2002) (in 2002, the American Corporate Counsel Association, the predecessor to ACC, commissioned a census study of in-house counsel and reported that there were about "65,000 in-house counsel in the United States working in about 21,000 for- and non-profit private sector organizations").

B. In-house counsel, for sake of efficiency and to reduce costs, often spearhead litigation or litigate alongside outside trial counsel, in addition to playing myriad other counseling and "trusted advisor" roles.

In-house counsel play a number of hands-on roles in litigation, including in complex matters like patent litigation. According to ACC's Chief Legal Officer 2017 Survey, chief legal officers report that their departments handle roughly four active litigation matters at a given time, with the top five percent of departments handling more than 15 litigation matters. Association of Corporate Counsel, *ACC Chief Legal Officers 2017 Survey* 51 (2017). Many companies have dedicated

attorneys who are primarily responsible for litigation. *See id.* at 53-54. Even in smaller departments where in-house counsel serve as generalists, in-house counsel still are responsible for managing litigation and have numerous litigation-related conversations within the company. *See id.*; Machlowitz, *supra*, 75 A.B.A. J. at 68-69.

Each of these roles involves discussions between in-house counsel and the client concerning, for example, litigation strategy, the factual circumstances undergirding a case, the potential extent of any liability, settlement possibilities, and risk analysis, many of which do not include outside trial counsel. Below are specific examples of litigation-related roles in-house counsel may play.

Early Case Assessment. After a complaint is filed but before retaining outside trial counsel, in-house counsel may perform an early case assessment of the merits of a claim. In so doing, in-house counsel may talk to business persons with factual knowledge of the case, consult with the company's other in-house attorneys, or even prepare a report of their findings. These early assessments of a case may reveal that a trial is unlikely, whether due to potential settlement or early dismissal, or that the case is unlikely to have merit. In cases where "a trial is unlikely," in-house counsel may decide to "handle the matter entirely in-house." *See* Machlowitz, *supra*, 75 A.B.A. J. at 69.

Conversely, where a trial is likely, in-house counsel increasingly are taking a seat at counsel table in litigation, given their familiarity with the client and the client's business strategy and personnel. *See id.*; *see also* Simmons, *supra*, 41 SETON HALL L. REV. at 128 ("Even where litigation, a compliance lapse, or crisis proves unavoidable, competent in-house counsel can be an invaluable corporate asset. In-house counsel can mitigate legal and non-legal business risks during times of crisis because they have the ability to recognize how the confluence of legal and non-legal risks impact broader business objectives.").

Document Collection. In-house counsel's "access to formal and informal information within the client corporation is a significant attribute" that permits in-house counsel to "understand the way things operate in a dynamic sense, for example, who needs to be consulted, who can be helpful, and who has significant influence within and outside of the management hierarchy." Simmons, *supra*, 41 SETON HALL L. REV. at 113–14. In light of this access, in-house counsel are often responsible for locating critical documents and information. Also, depending on the size of the matter, the document collection process may include communications where in-house counsel summarizes the case, identifies potential document custodians for responding to discovery requests, attending depositions, or appearing at trial, and suggests areas of relevant inquiry for the company to undertake.

Witness Selection & Preparation. One notable "advantage of employing [in-house] counsel is that these lawyers are more accessible to the employees of the corporation." Richard L. Fischer, *The Changing Role of Corporate Counsel*, 4 J.L. & COM. 45, 55 (1984). Accordingly, in-house counsel serve as witness liaisons for the company, identifying witnesses, both for trial and depositions. In-house counsel are also heavily involved in witness preparation. In-house counsel may handle first-round interviews without the participation of outside counsel at all, and are often key participants in selection and preparation of the company's Federal Rule of Civil Procedure 30(b)(6) witness. This process often requires internal consultation with corporate employees that occurs without outside trial counsel's participation.

Litigation Strategy & Trial Themes. "Many . . . corporations blend their litigators with outside counsel on cases, with the in-house lawyers active participants, rather than mere monitors." Machlowitz, *supra*, 75 A.B.A. J. at 68 (explaining that in the 1980s General Electric's legal department included "an elite group of patent lawyers"); Lovett, *supra*, 34 J.L. & COM. at 154 (explaining that many corporate clients hire outside trial counsel to work alongside their in-house legal department to provide a "specialized 'extra set of hands' to deliver the best, most efficient, and talented legal product").

Consistent with this trend, in-house counsel "routinely represent the company in litigation and administrative proceedings, either independently or in tandem with

outside counsel. In the context of litigation, they are typically involved in many activities such as preparing pleadings, prepping and conducting depositions, arguing motions in court, negotiating settlements, and even acting as trial counsel in" some cases. Pam Jenoff, *Going Native: Incentive, Identity, and the Inherent Ethical Problem of In-House Counsel*, 114 W. VA. L. REV. 725, 730 (2012). Indeed, at one point in time in the 1980s, Johnson & Johnson did not at all "rely on outside firms for litigation." Machlowitz, *supra*, 75 A.B.A. J. at 69.

Settlement Negotiations. In-house counsel also formulate case resolution strategy with outside trial counsel. To do so, in-house counsel must speak internally with company officers, management, and other in-house lawyers to determine the company's appetite for settlement rather than trial. These conversations will naturally include in-house counsel's assessment of the merits of the case and an explanation of the company's trial strategy. Sometimes in-house counsel will take a leading role in settlement negotiations, completely independent of trial counsel. *See, e.g.*, *Boss Mfg. Co.* v. *Hugo Boss AG*, No. 97 CIV. 8495 SHS MHD, 1999 WL 47324, at *2 (S.D.N.Y. Feb. 1, 1999) (although settlement "discussions . . . obviously involve[] commercial considerations" about the financial terms of proposed settlement agreements, "the fundamental consideration animating the discussions and counsel's involvement in those discussions [i]s the need to protect

the legal interests of [the client] by attempting to construct an arrangement . . . that would be consistent" with the client's legal interests).

Even if in-house counsel do not take a leading role in settlement negotiations, any attractive offer of settlement will be discussed and analyzed internally, often in communications that do not include the external trial counsel. Additionally, outside trial counsel and in-house counsel communicate about the strengths of a case in order to prepare for the potential litigation to come or the liability that may come to materialize during settlement negotiations. *See Fischer*, *supra*, 4 J.L. & COM. at 60 ("the inside lawyer and the outside trial counsel should discuss the settlement value of the case. If it is unlikely that a settlement will be reached in the matter, it is necessary to discuss further legal expenses which will likely be incurred through the various stages of the case, the number and experience of the lawyers and legal assistants that will be needed to staff the case and the tasks that each will be expected to perform.").

Internal Reporting. Companies "require legal support as an indispens[a]ble aid to manage . . . ongoing threats" to "corporate value," such as "failure to comply with a federal regulation" or "a mishandled product lawsuit"; in particular, companies "require a type of consistent and strategic guidance that in-house counsel are uniquely positioned to provide." Simmons, *supra*, 41 SETON HALL L. REV. at 83.

Accordingly, most companies track their litigation matters internally, and there may be various forms of internal reporting about pending litigation. In public companies, in-house counsel update external auditors on a quarterly and annual basis on pending claims that could have a material impact on the company's financial reporting. Preparing these updates requires internal communications of assessments of litigation outcomes evaluation of potential liability. *See* Jenoff, *supra*, 114 W. VA. L. REV at 735 ("[C]orporate counsel often play a prominent role with respect to regulatory matters. This function, which is sometimes referred to as gatekeeping, involves ensuring compliance with laws and regulations at an *ex ante* stage, as well as investigating potential violations.").

Therefore, as demonstrated above, in-house counsel often play overlapping and even expanded roles to those of outside litigation counsel in a case, and much of their client communications may not be filtered through trial counsel. Given these realities, there is no reason to limit protections, as the district order does here, to communications that only involve outside trial counsel. Indeed, as we now explain, distinguishing between inside and outside litigation or trial counsel concerning the scope and application of attorney-client or work-product privileges undermines the in-house counsel-client relationship and threatens to upend many corporate legal departments.

C. The district court order undermines client confidence in communications with in-house counsel and relegates in-house counsel to "second-class" lawyers, thereby undercutting the role of in-house counsel and the trend of litigating in-house.

Traditionally, "companies looked to outside counsel to play the role of 'trusted advisor' who could guide them through the web of complex problems at the intersection of law and business." Wilkins, *supra*, 2012 WIS. L. REV. at 259. Today, corporate clients "hire in-house counsel to be their trusted advisors." *See* Hackett, *supra*, 44 ARIZ. L. REV. at 611. Given the "long-standing relationships" between the in-house counsel and the company, in-house counsel are often "in the best position to understand the company's business and to engage in the kind of risk assessment and preventative counseling that managers need to survive in an increasingly complex and turbulent legal environment." *See* Wilkins, *supra*, 2012 WIS. L. REV. at 259.

The district court order here, which was issued after the plaintiff requested production of communications with, and documents prepared by, in-house counsel, requires Petitioners to "produce all documents and communications, whether listed on [Petitioners'] privilege log or not, *other than communications with trial counsel*, that address the" validity or infringement of the patent at issue. *See Johns Hopkins Univ.*, *supra*, Docket No. 184 at 2, 5-6. In other words, the order protects post-complaint communications with outside trial counsel but allows the production of post-complaint communications between the client and inside counsel. *But cf. In*

re Kellogg Brown & Root, Inc., 756 F.3d 754, 758 (D.C. Cir. 2014) ("a lawyer's status as in-house counsel 'does not dilute the [attorney-client] privilege'") (quoting *In re Sealed Case*, 737 F.2d 94, 99 (D.C. Cir. 1984)). If allowed to stand, the order would stifle the national and global trend of corporate clients employing in-house counsel as in-the-trenches litigators, and relegates those inside counsel to "second-class" litigator roles.

In "the 1970s" corporate counsel were quite wrongfully perceived as having "second-class citizenship" among lawyers. Carl D. Liggio, Sr., *A Look at the Role of Corporate Counsel: Back to the Future - Or Is It the Past*, 44 ARIZ. L. REV. 621, 622 (2002). That was because "inside counsel's opinion was generally not acceptable for various transactions," and thus corporate clients felt that an "opinion had to be given by an outside law firm." *See id.* (recounting anecdote where "one nationally prominent law firm failed to put the [general counsel's] name on a brief in the D.C. Circuit Court of Appeals even though the general counsel had written part of the brief and was a member of that bar"). The district court order reflects a throwback to these days by relegating in-house counsel who litigate cases alongside their outside counsel litigation partners to lesser treatment than outside trial litigators. But the post-complaint role of in-house counsel and outside trial counsel are materially indistinguishable in many significant respects. Petitioners' requested writ of mandamus should issue.

CONCLUSION

For the foregoing reasons, and all reasons in the petition for writ of mandamus, the Association of Corporate Counsel respectfully requests that this Court issue the writ of mandamus Petitioners requested.

Respectfully submitted,

Dated: December 11, 2017 HAYNES AND BOONE, LLP

By: /s/ Mary-Christine Sungaila
Mary-Christine Sungaila
Counsel for *Amicus Curiae*
Association of Corporate Counsel

CERTIFICATE OF COMPLIANCE

I hereby certify that this brief complies with the type-volume limitations of Federal Rule of Appellate Procedure 29(a)(5) and Federal Circuit Rule 32(a) because it contains 3,663 words, excluding the parts exempted by Federal Rule of Appellate Procedure 32(f) and Federal Circuit Rule 32(b).

I further certify that this brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5), as this brief was prepared using Microsoft Word 2010 in 14-point Times New Roman font.

Dated: December 11, 2017 HAYNES AND BOONE, LLP

By: /s/ Mary-Christine Sungaila
Mary-Christine Sungaila
Counsel for *Amicus Curiae*
Association of Corporate Counsel

CERTIFICATE OF SERVICE

I hereby certify that, on this 11th day of December, 2017, I electronically filed the foregoing Association of Corporate Counsels' *amicus curiae* brief with the Clerk of the Court of the United States Court of Appeals for the Federal Circuit by using the CM/ECF system. I further certify that all participants in the case are registered CM/ECF users and that service will be accomplished by the CM/ECF system.

Dated: December 11, 2017 HAYNES AND BOONE, LLP

By: /s/ Mary-Christine Sungaila
Mary-Christine Sungaila